

Ryder System, Inc. NYSE:R

FQ3 2026 Earnings Call Transcripts

Thursday, October 22, 2026 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2026-			-FQ4 2026-	-FY 2026-		-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	GUIDANCE	CONSENSUS
EPS Normalized	4.15	4.33	▲ 4.34	4.25	14.69	NA	NA
Revenue (mm)	3380.60	3433.00	▲ 1.55	3383.50	13228.97	NA	NA

Currency: USD
Consensus as of Oct-22-2026 1:15 PM GMT

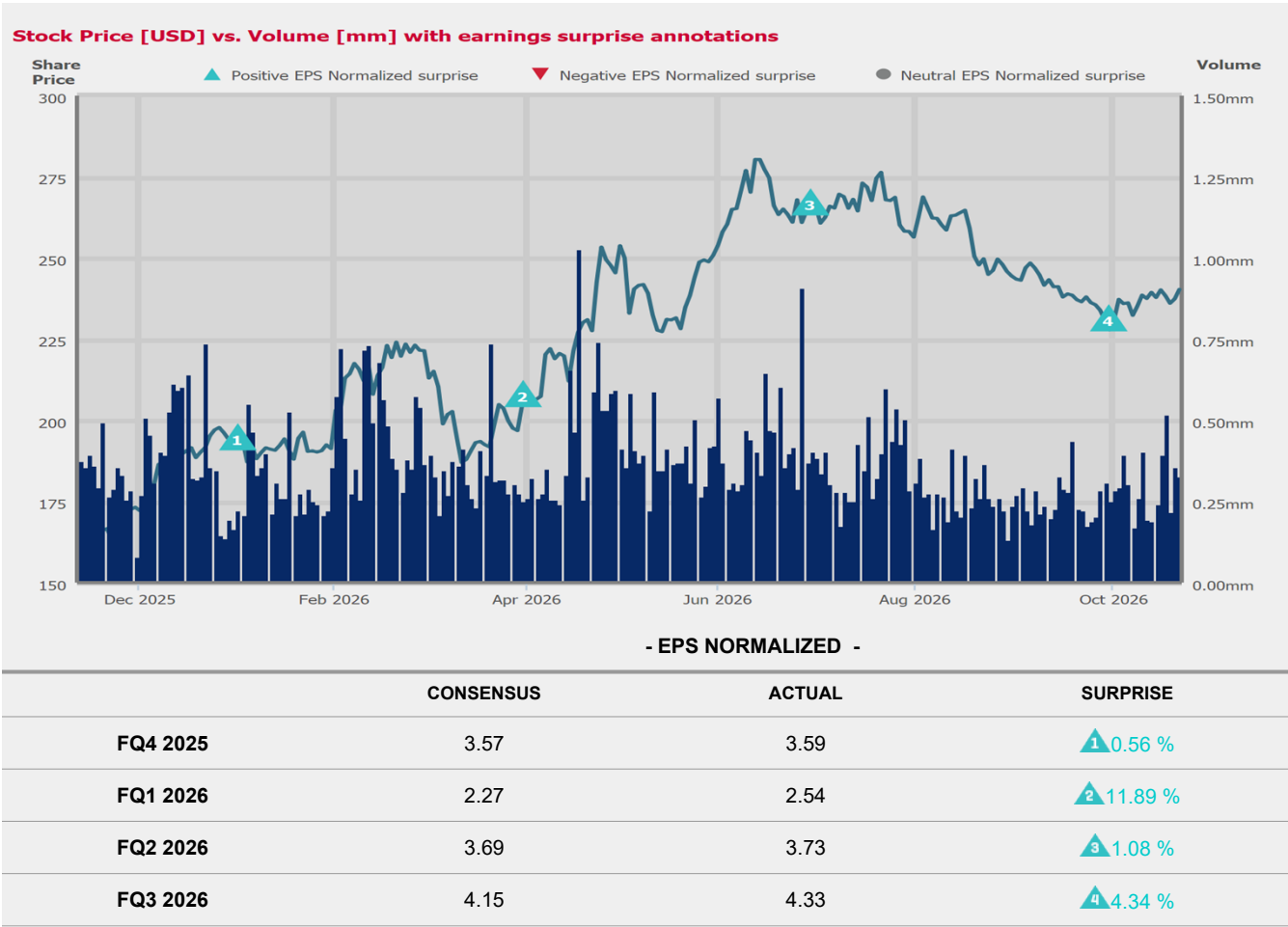


Table of Contents

Call Participants		3
Presentation		4
Question and Answer		8

Call Participants

EXECUTIVES

Calene F. Candela
Vice President of Investor Relations

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

John J. Diez
CEO & Director

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

Thomas M. Havens
President of Global Fleet Management Solutions

Nancy C. Hipp
Morgan Stanley, Research Division

ANALYSTS

Bascome Bascome Majors
Stephens Inc., Research Division

Robert Hudson Salmon
Wells Fargo Securities, LLC, Research Division

Benjamin H. Mohr Mok
Citigroup Inc., Research Division

Scott H. Group
Wolfe Research, LLC

Brandon Robert Oglenski
Barclays Bank PLC, Research Division

Brian Patrick Ossenbeck
JPMorgan Chase & Co, Research Division

Jeffrey Asher Kauffman
Citizens JMP Securities, LLC, Research Division

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

Presentation

Operator

Good morning, and welcome to the Ryder System Third 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 Third 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 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 J. Diez *CEO & Director*

Good morning, everyone, and thanks for joining us. The Ryder team delivered our eighth consecutive quarter of comparable earnings per share growth. Strong results were driven by consistent execution on our strategic initiatives and improving performance in used vehicle sales and rental.

I'll begin today's call with an update on our balanced growth strategy, followed by key highlights from our third quarter performance. Cristy will review our segment performance, capital spending and capital deployment capacity. I'll then review our outlook for 2026. Let's begin with a strategic update. Consistent execution on our balanced growth strategy has created a more durable earnings and cash flow profile, enabling us to outperform prior cycles.

The solid foundation built by the Ryder team reflects actions taken to de-risk the portfolio, enhance returns and cash flow and shift to a less capital-intensive, more resilient business mix. This foundation continues to evolve and strengthen as we execute strategic priorities that create value for customers and 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 proactive supply chains and gives our customer a competitive advantage remains a key priority. We're enhancing the capabilities and driving the evolution of customer-facing platforms, such as RyderShare and RyderGyde by embedding Agentic AI. We're also leveraging AI in FMS customer service and roadside assistance to enhance the customer experience while improving effectiveness. Additionally, we continue to drive operating efficiencies in our warehouses by deploying automation and robotics.

We remain 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 and this high-quality contractual base has proven to be a key driver of business model resilience over the cycle. Our 3 complementary business segments are leaders in North American logistics and transportation and position us well to support customers and their increasing need for the value-added solutions that we provide.

I am confident our market-leading solutions, strong relationships and transform model will continue to drive long-term earnings growth. We're also excited to unlock the company's full earnings potential as we continue executing on our strategic priorities against the backdrop of improving freight environment.

Turning to Page 5. Our business model is benefiting from a broader and more diversified revenue mix. Key financial and operating metrics have improved since 2018, reflecting the effectiveness 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 our Fleet Management segment. 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. Since 2018, we've more than doubled the size of our asset-light businesses while also delivering increased profitability.

Our 2026 comparable EPS forecast range of \$14.85 to \$15.05 is more than 2.5x our 2018 comparable EPS of \$5.95. Our return on equity forecast of 18% to 19% is also well above the 13% generated during the 2018 cycle peak. As a result of our profitable growth across our contractual businesses, forecasted operating cash flow of \$2.6 billion is nearly \$1 billion or 50% higher than 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 third quarter. Comparable EPS for the quarter was up 21%, marking our eighth consecutive quarter of comparable EPS growth.

Results reflect the strength of our contractual portfolio, benefits from strategic initiatives as well as improving performance in used vehicle sales and rental. Return on equity increased to 18%, in line with our expectations given where we are in the freight cycle. We remain on track to deliver more than \$70 million in benefits from strategic initiatives during 2026.

These initiatives are part of a multiyear program launched in 2024 with total benefits in excess of \$170 million expected by the end of this year. Consistent execution on these initiatives is the key driver of expected earnings growth in 2026. And finally, we're encouraged to see benefits across the business from continued strengthening of freight market conditions.

Contractual sales remained strong across all 3 segments with activity accelerating in lease and Dedicated. Increased sales activity and robust pipelines reflect the value of our solutions and increased customer demand for quality capacity. Customers are facing a host of challenges, including increasing difficulty attracting and retaining drivers, securing reliable and safe capacity and addressing rising insurance, transportation and litigation costs.

These dynamics reinforce the value of Ryder's end-to-end transportation and logistics solutions and are leading to new customer wins and expansion activity with existing customers. Used vehicle sales results continued improving and reflect better-than-expected pricing and retail sales volumes.

Demand for used vehicles benefited from lower market inventories and spot rates that remain elevated. Lease miles per unit increased year-over-year and sequentially, indicating that our lease customers are increasing utilization of their fleets. Commercial rental utilization was strong at 77%, up 700 basis points year-over-year.

While demand remained below prior year, it increased sequentially in line with historical seasonal patterns and was particularly strong in the tractor class. Third quarter utilization was the highest we've seen since 2022, and we expect utilization will remain near this level in the fourth quarter. The market remains in the early stages of a recovery with conditions continuing to improve. However, geopolitical and macroeconomic factors remain key variables affecting the pace and durability of the recovery. I'll now turn the call over to Cristy to further review our third quarter performance.

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

Thanks, John. Total company operating revenue increased 6% to \$2.8 billion, reflecting contractual revenue growth in supply chain and fleet management. Comparable earnings per share from continuing operations were \$4.33 in the third quarter, up 21% from the prior year, reflecting benefits from higher earnings in fleet management and share repurchases.

Return on equity, our primary financial metric, was 18%, up from prior year, reflecting share repurchases and earnings growth. Free cash flow increased to \$992 million from \$496 million in the prior year, reflecting lower capital expenditures year-to-date. In Fleet Management Solutions, operating revenue increased 5%, reflecting contractual revenue growth. Earnings before taxes were \$177 million, up 21% versus prior year, reflecting benefits from strategic initiatives on ChoiceLease results as well as strengthening market

conditions in used vehicle sales and improved rental performance. In rental, utilization increased to 77% on a 12% smaller average fleet. Rental results benefited from planned asset management actions and higher pricing. Rental pricing was up 4% year-over-year.

Fleet Management EBT as a percent of operating revenue was 13.2% in the third quarter, up from prior year and in line with our long-term target of low teens over the cycle. We're encouraged to achieve this profitability level in the early stages of the freight market recovery. Looking ahead, FMS profitability has further upside as used vehicle sales and rental market conditions normalize, and we begin to realize the benefits from contractual fleet growth.

In used vehicle sales, year-over-year pricing increased 19% for tractors and 5% for trucks. Sequential pricing increased 15% for tractors and 6% per truck. In the third quarter, the retail channel accounted for 61% of our sales volume, up from 54% in the prior year and up from 56% in the second quarter. During the quarter, we sold 5,100 used vehicles, in line with prior quarter and up 200 units year-over-year. Used vehicle inventory declined to 7,300 vehicles near the lower end of our target range. We're encouraged by continued improvement in used vehicle pricing, reflecting the early stages of a freight market recovery. In Supply Chain, operating revenue increased 9%, driven by new business and higher volumes and pricing, partially offset by lost business in automotive.

Earnings before taxes increased 7% from prior year. Results benefited from higher volumes in e-commerce fulfillment and Ryder Last Mile, which leveraged our optimized omnichannel retail network. These benefits were partially offset by productivity of new business ramping up and lower automotive results.

Supply chain EBT as a percent of operating revenue was 8.1% in the quarter at the segment's long-term target of high single digits. In Dedicated, operating revenue decreased 1% due to lower year-over-year fleet count, partially offset by higher pricing. Sequentially, the power fleet count increased and was up 100 units due to improved net sales activity.

Earnings before taxes declined from the prior year, reflecting lower operating revenue and a prior year workers' compensation insurance benefit, partially offset by benefits from strategic initiatives. Dedicated EBT as a percent of operating revenue was 7.5% 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 \$996 million was below prior year, reflecting the timing of sales activity. Year-to-date rental capital spending of \$265 million was just below prior year.

Our full year 2026 capital expenditures forecast of \$2.4 billion is above prior year and unchanged from our prior forecast as increased investments in our rental fleet will be offset by lower lease spending. Our 2026 forecast for lease capital expenditures is now \$1.7 billion, above prior year, but below our previous forecast, reflecting the timing of lease sales activity.

Our 2026 forecast for rental capital expenditures increased to \$500 million, up \$300 million from our prior forecast. A portion of these vehicles were delivered during the third quarter, and we expect remaining deliveries towards the end of the year.

This rental investment positions us to benefit from improving market conditions and capture higher expected demand in 2027. We expect the ending rental fleet to increase 8% sequentially in the fourth quarter, resulting in an approximate 10% increase in the second half of 2026. Even with these investments, our ending rental fleet remains below peak levels. 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 revenue base is generating higher earnings and cash flow, which is delevering 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.

Together, these sources provide around \$14 billion of capital available for 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 50% 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 capital expenditures and the remainder will be available for discretionary share repurchases, 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 \$1.3 billion and returned \$485 million to shareholders through buybacks and dividends.

Our balance sheet remains strong with leverage of 242% at quarter-end, slightly below 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

Thank you, Cristy, and turning to our outlook. We've increased our full year 2026 comparable earnings per share forecast to a range of \$14.85 to \$15.05, up from a range of \$14.40 to \$14.80. The increase to our forecast reflects stronger-than-expected third quarter performance and incremental benefits expected in the fourth quarter from improving market conditions in used vehicle sales and rental.

We've increased our 2026 ROE forecast to a range of 18% to 19% to reflect higher expected earnings. Our free cash flow forecast of \$700 million to \$800 million remains unchanged. And our fourth quarter comparable EPS forecast range is \$4.25 to \$4.45, above prior year of \$3.59. Our Transform model is well positioned for continued 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 approximately \$100 million in benefits, leaving more than \$70 million of incremental benefits expected in 2026.

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 the potential benefit could be \$250 million or more with the majority expected to come from the cyclical recovery of rental and used vehicle sales and 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 \$40 million of upturn benefits in 2026, up from the \$20 million in our prior forecast. These benefits are driven primarily by higher used vehicle sales results and, to a lesser extent, from improved rental performance. Profitable contractual growth provides another meaningful opportunity for long-term earnings growth.

Strong 2026 sales activity in lease, dedicated and supply chain is creating growth momentum across our contractual businesses. We remain focused on pricing discipline. And as a result, we expect our portfolio of 5- to 7-year lease contracts in FMS and 3- to 5-year contracts in Supply Chain and Dedicated to provide strong returns and earnings durability.

We've been pleased by the business' resilience and performance over the most recent cycle 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 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 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.

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] Your first question is from Jordan Alliger with Goldman Sachs.

Jordan Robert Alliger

Goldman Sachs Group, Inc., Research Division

So a question. There's been a fair bit of discussion of late from other transports about driver-related cost pressures, difficulty in getting drivers, particularly in Dedicated.

I'm just curious if you could talk to those 2 points and the inflationary pressures on the driver front, does that in any way impact your ability to do what you want to do on the dedicated margin front? And frankly, can you go in and do you need to go in to rework contracts as needed?

John J. Diez

CEO & Director

Thank you. Yes, let me address some of the market conditions, and then I'll turn it over to Steve, who can provide you details. Just a reminder for the group, our Dedicated business is highly specialized.

So much of the discussion you've heard in the marketplace, clearly for us is a little bit different in that 70% to 80% of our Dedicated is highly specialized. These are typically private fleet conversions where we take over a private fleet and execute the transportation. Typically, we are dealing with very experienced professional drivers, which have a different wage structure than if you would consider a brand-new driver. So what we've done over the last couple of years, and you heard us talk about this post-COVID is we've introduced to many of our contracts inflationary adjusters for wage inflation, and that's still in place.

So we would expect the impact to us to be really limited to select markets and not a broad-based kind of impact. And I'll let Steve maybe talk a little bit about what that looks like.

John Steven Sensing

President of Global Supply Chain Solutions & Dedicated Transportation Solutions

Yes. Thanks, Jordan. Overall, we're seeing about a mid-single-digit wage increase in certain regions. So it's very targeted, not a wide range nationwide issue. If you'll recall back during COVID, we already worked on our contracts with our customers to really address this.

So we have annual CPI openers with the customers, but we also have driver wage indices that allow us if we see a drastic change to go back and open discussions with those customers. So I think we're pretty well protected there. Sometimes it's not immediate, but we do have tight windows. So from a recruiting standpoint, our recruiting team does a great job. Remember, 80% of our jobs are home every day or every night. So that's very attractive along with our comprehensive safety program. So I think we're in pretty good shape there, and we'll continue to focus on that.

Jordan Robert Alliger

Goldman Sachs Group, Inc., Research Division

Great. And just one other quick follow-up question on the FMS side. It was a good step-up in that margin to the 13% level. So I guess the question is, can we stick around that level? Or what has to happen to stay at that target zone?

John J. Diez

CEO & Director

Okay. I'll let Tom address that.

Thomas M. Havens

President of Global Fleet Management Solutions

Yes. I appreciate you pointing that out, but it was the first quarter where we saw all 3 key product lines, lease, SelectCare and rental, all with year-over-year revenue increases, albeit relatively small in rental, but it was nice to see. It was the first time we had seen that

increase year-over-year since Q4 of 2022. So we're expecting this to be the inflection point with rental. So very encouraging to get to 13% this early in the cycle, but certainly encouraged that we'll continue to do that with all 3 product lines growing year-over-year. So we do expect to see that over the coming quarters and into next year, assuming we continue to see the tailwinds of the cycle.

John J. Diez
CEO & Director

Yes, Jordan, just to add to that, I think we want to underscore the fact that all the good work the team has been building up for with all the strategic initiatives, both on the maintenance side and the lease pricing side has gotten us here.

And that business to get to that low teens level early in the cycle really underscores the good work that the team has been doing. So thank you for asking the question.

Operator

[Operator Instructions] Your next question is from Brian Ossenbeck with JPMorgan.

Brian Patrick Ossenbeck
JPMorgan Chase & Co, Research Division

Maybe a quick follow-up first just on the, I guess, the dedicated protection. Have you felt any, I guess, mismatch in terms of timing when you can push through the higher cost and pay for the drivers yet? And with Cardinal, I think you closed that in '24. So was there anything you need to do there to kind of bring those contracts up to the same level of protection?

John J. Diez
CEO & Director

Yes, Brian. I think you're asking primarily about the timing of the wage increases relative to when we can recover from our customers. I would say there's usually a bit of a lag. We're not seeing any significant drag in our business as of yet.

I think as you heard from Steve, there are select markets where that becomes more acute, and we're getting out in front of it pretty quickly. We did make the acquisition of Cardinal back in early 2024. So this will be the first cycle that we go through that with those customers.

Many of those customers have been replaced over the last several years. And we've introduced that kind of language and protection in those contracts. Obviously, there may be a little bit of a tail, but we don't expect any material drag from that activity.

Brian Patrick Ossenbeck
JPMorgan Chase & Co, Research Division

All right. And then just secondly, from -- you raised the, I guess, the benefits for the upturn conditions in FMS, another \$20 million to \$40 million. Is that mostly -- how is that split between 3Q and 4Q? And what are sort of your early thoughts on how the remaining might transition into next year?

John J. Diez
CEO & Director

Yes. As you saw in the numbers, we continue to see really good used vehicle performance. We are seeing at a broad market level, lower used vehicle market inventory. So that's providing a little bit of tailwind for us. We did start moving our retail wholesale mix upward and getting back to normalized levels. So we made improvements there.

So a good portion of that improvement of the \$20 million going to \$40 million, I would say it's used vehicles, both driven by pricing and some of the actions we're taking to improve the overall retail mix. And then you are seeing the early signs of an inflection point, as you heard from Tom on rental. We do expect this fourth quarter to be better than last year's fourth quarter. So you got a little bit of the carry-through from rental posted in that incremental \$20 million for the year.

Operator

Your next question is from Scott Group with Wolfe Research.

Scott H. Group
Wolfe Research, LLC

So I wanted to just ask about some fleet expectations. I guess, leasing, Dedicated continues to fall a little bit sequentially. Rental, I guess, just started to move up for the first time in a couple of years. How should we think about fleet growth for the 3 businesses into '27?

John J. Diez
CEO & Director

Yes. I'll give you some high-level remarks, and I think Tom can provide some details for you. If you think about what's been happening over the last several quarters, we've been seeing great sales performance. So we do have visibility to wins and when that equipment will start coming in for both Dedicated and fleet management. Our expectations, we kind of flattened out in the quarter.

You may see a tick up in Q4, and then it becomes more meaningful for both of those businesses as you get into 2027 to start the year. But I'll let Tom maybe talk a little bit about what you've seen at lease and also what's happening with the rental fleet.

Thomas M. Havens
President of Global Fleet Management Solutions

Yes. So it's probably a little bit different story depending on the product line. I'll start with lease. So as John mentioned here, we've had 3 consecutive positive net sales quarters in lease, but really accelerated here in the third quarter. Now with lease, some of the timing, it does take a little bit longer before you see those sales results transition into the fleet with some of the ins and outs and the timing of the orders.

So you might see -- you may not necessarily see the lease fleet improve yet by the end of this year. But certainly going into 2027 based on the sales results we're seeing, we would certainly expect to see that. In rental, I think we've seen the inflection point, and you heard from some of the opening comments that we've placed orders, and you're going to see that rental fleet continue to grow through this year with some benefit here in the fourth quarter, but really to set us up for what we expect to be an increasing demand environment into 2027.

And then SelectCare, we've started to see started to see it in Q2, where we did start to sign new business. And in SelectCare, you see it much more quickly than you do with lease as you transition those maintenance contracts pretty quickly. So you saw fleet growth, pretty good fleet growth year-over-year.

Our pipelines are really strong, really at record levels in both SelectCare and in Lease. So we would expect that momentum to continue to carry into 2027 and see in 2027, all 3 product lines with fleet increases.

Scott H. Group
Wolfe Research, LLC

Okay. And then just secondly, we've got \$40 million of the \$250 million of like cyclical upturn tailwinds. Does that -- like versus history, does that feel about right to get that sort of percentage in the first year of an up cycle? Like what does the second year typically look like? I don't know, it's hard to like -- some of this is transactional, so hard to know, but how much of an uptick do you think we could see relative to that \$250 million target? And any other thoughts on the puts and takes for '27?

John J. Diez
CEO & Director

Yes. I would say, look, this is indicative of early cycle when you get to the midportion of the cycle and things are going, we still need some freight demand to accelerate. And if you get that acceleration, especially around rental, you're going to see that number spike up.

So this is kind of typically the numbers you would expect early in the cycle. And then as rental accelerates, you're going to see that number increase significantly. And then it tapers off as you're approaching the peak of the cycle a little bit, the incremental improvements. But that's typical of what you should expect.

Operator

Your next question comes from Ravi Shanker with Morgan Stanley.

Nancy C. Hipp
Morgan Stanley, Research Division

This is Nancy on for Ravi. It would be helpful to hear any thoughts into peak season strength across all 3 businesses.

John J. Diez
CEO & Director

Sure. So look, we -- as you've heard already on the call, we've seen good acceleration in demand for the services we offer. Especially in the quarter, we saw dedicated continue to build on the momentum we saw in Q2 as well as lease where we saw good activity. We hadn't seen that level of sales activity going back to post-COVID.

So that was a good indication for the business. We have seen continued solid performance on the supply chain side, on the sales side. We did see our transactional businesses continue to improve. You saw used vehicle pricing get better. You also saw our rental utilization get back to normal levels, mid-70s. And at the end of the quarter, we were in the high 70s. We expect that to continue and spill over into Q4 as we even add more fleet.

So we're seeing increased demand on our contractual businesses, increased demand from some of our transactional businesses. And as you heard, we also saw better utilization of the lease fleet. So our lease customers are running more miles on their fleet, which should translate later on to more fleet additions as we move through the cycle.

Nancy C. Hipp
Morgan Stanley, Research Division

Great. That's helpful. And then one more question on the dedicated side. I know revenue remains a bit under pressure from the lower fleet count. Are you seeing signs that customers are becoming more willing to commit to dedicated capacity? Or what needs to change for fleet growth to start turning positive?

John J. Diez
CEO & Director

Yes. Just what we are seeing is actually more activity from dedicated capacity as the spot rate market has moved up. and good quality capacity has been taken out of the market. They're coming to us looking for a high level of service at a reasonable price level. So we have seen a little bit of move back from that dedicated capacity space into our dedicated business. More importantly, what we continue to see is customers looking for specialized dedicated. We're seeing fleet conversions continue to accelerate in this market environment because the driver environment is getting tighter.

We're seeing increased cost in insurance claims and the rising cost of equipment, all those things are putting pressure, we could do it more efficiently and more effective for our customers. But I'll have Steve maybe add a little bit of color on what he's seeing in the dedicated space.

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

Yes. I'm going to add the pipeline remains healthy.

We're seeing some good opportunities there. As John said, some of these customers traded cost for service earlier in the year. And last year, we're seeing that come back to us now as the tender acceptance rate for truckload is on the rise. So they want a service that they can count on. But again, our lost business is down year-over-year versus last year. So it should put us in good shape for '27.

Operator

Your next question is from Brandon Oglenski with Barclays.

Brandon Robert Oglenski
Barclays Bank PLC, Research Division

I guess, John, can we unpack the capital priorities just given the returns that this business is putting off now, especially maybe in regards to M&A because we've seen some dislocation in some other competitive deals go through here recently. So how do you see that landscape unfolding from your perspective?

John J. Diez
CEO & Director

Yes. Well, we're in a different part of the cycle. And coming into this upturn, one of the things that we do have plenty of debt capacity on the balance sheet. If you look at our targeted leverage, we're on the low end of our target leverage of 250. So we have plenty of capacity to -- our first priority will be to continue to grow the fleet rebuild the rental fleet, which is down almost 30% from peak

levels. So we're going to continue to deploy capital there. We're excited to deploy capital in high-return business, fleet growth that we know we could execute against. And then we'll look to opportunistic acquisitions. Obviously, for us, priorities include adding capabilities, whether it's on the supply chain side or value-accretive acquisitions that we could do and take advantage of opportunities that are in the marketplace.

So we'll continue to look at those. That would be our top priorities, clearly to build a stronger foundation for the future. And then as we continue even in this higher capital spending cycle, we would continue to look to deploy capital and return capital to our shareholders.

Brandon Robert Oglenski
Barclays Bank PLC, Research Division

Appreciate that response. And then quickly on supply chain. I think you guys talked about potentially maybe a contract loss there, but also new contracts starting up. So how do you think about getting back on track to long-term growth targets and margin targets in that business?

John J. Diez
CEO & Director

Well, yes, we've made mention about the lost automotive account. We finally, as you saw in the results, our year-over-year revenue growth was strong at high single digits of 9%. So that is -- we've lapped that account. We continue to see good demand in the marketplace, and we expect that business to continue to grow.

When you look at the bottom line performance, this business continues to deliver at high single-digit targets.

We had another good quarter, above 8%. And we expect that business to continue to deliver high single-digit targets through the year. But Steve, anything else to add there?

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

Yes, I would just add a couple of things. So John spoke about that lapped automotive loss last year. In that situation, they went away from dedicated and supply chain to truckload. We've seen through our pipeline, part of that opportunity coming back to us. So I think I said that earlier in the year. So we're really excited about that. I think, too, if you look at our pipeline, we're seeing really solid increases in CPG, industrial, health care and retail. So I think as John said as well, for us to get to low double digits, that will take M&A activity, but we had a really solid quarter.

Operator

Your next question comes from Rob Salmon with Wells Fargo.

Robert Hudson Salmon
Wells Fargo Securities, LLC, Research Division

We saw a real nice acceleration in the revenue per active in ChoiceLease. Can you give us a sense of what the roughly 200 basis point acceleration came from? Was this just contractual renewals with your annual rate increase, new business or something else?

John J. Diez
CEO & Director

Well, it's a function -- thank you, Rob. It's a function of 2 factors. One, obviously, as we renew the new equipment, you've got higher inflation on that equipment. And then we are making sure that our pricing discipline and hitting our target spreads is showing through. So you're getting the benefit of that. We've also had a record level of redeployment. So we put a lot more equipment to work, which has improved the overall performance of the portfolio of the business.

Robert Hudson Salmon
Wells Fargo Securities, LLC, Research Division

That's helpful. And then with the response to an earlier question, I think it was Scott, about the fleet, it sounded like there would be continued pressure in the near term. I'm curious if we can see sequential growth looking out to the fourth quarter within the ChoiceLease product given some of that new contract momentum you had talked about earlier on the call.

John J. Diez
CEO & Director

Yes. I wouldn't say pressure, meaning downward pressure. Right now, we've kind of flattened out. You should see that flattening to uptick perhaps in Q4 and then continue as the new equipment starts arriving, we should expect Q1 and beyond that in '27 to continue to grow and accelerate.

Robert Hudson Salmon
Wells Fargo Securities, LLC, Research Division

And John, just as my final follow-up there, in terms of the growth, any sense of like what that can be? Is it -- should we be thinking about like low single-digit growth? Can it be better given the backdrop?

John J. Diez
CEO & Director

Yes. Right now, the business you've seen and overall, the business is growing at mid-single digits. That's the complement of all 3 product lines that Tom talked about. As we get in the up cycle, you're going to see an acceleration of the top line from rental. That's probably going to be the catalyst.

You are going to see healthy growth from lease. I would expect that to be in the mid- to high single digits as we start growing that fleet. And then you're going to see SelectCare continue to deliver mid-single-digit growth based on the market conditions we have in front of us.

Operator

Your next question comes from Bascome Majors with Stephens Inc.

Bascome Bascome Majors
Stephens Inc., Research Division

John, just under 2 months ago, I believe you guys commissioned an investor perception study of analysts and shareholders. And I know that's probably not complete yet, but if you could share any early findings that you've had from that engagement. What surprised you? What hasn't? And how is the Board and management thinking about incorporating that into the company's strategy going forward?

John J. Diez
CEO & Director

Yes, Bascome, I have not seen the results of that or reviewed that. So it will be premature for me to comment on that. But I will tell you, look, I think, generally speaking, when we talk to shareholders and I think everyone has been very pleased with, number one, the execution of the strategy that we set out to go after.

The business mix has really dramatically changed, has elevated, as we've talked about, the overall profitability and the resiliency of the model. I think one of the things that we're really proud of is we've been able to take that -- those asset-light businesses. We've more than doubled those businesses and have expanded margins, while at the same time, significantly improved the margins of our historically largest segment, which is fleet management. And we expect that to continue.

One of the things we're excited about for the future is really around how do we leverage our port-to-door solutions and continue to grow, and we're seeing early success with how do we grow our relationships, which are deeply rooted and they are long-lasting relationships with many of our customers where we can help them and solve some of their biggest supply chain challenges.

So I think that will show through going forward in our strategy and what you hear from us. But as far as early indications from that report out, I don't have it. But clearly, I think we're going to hear good things about the execution from the team on the overall strategy.

Operator

Your next question is from Jeff Kauffman with Citizens Bank.

Jeffrey Asher Kauffman
Citizens JMP Securities, LLC, Research Division

Congratulations. I want to get back to the growth question again. I know this has been answered a couple of different ways. But you had talked about an increase in demand, an increase in mileage, both contractual and transactional.

I was wondering if I could get a little bit more of a feel for it just in terms of is it an equipment size that you're seeing stronger than the other? Is it an industry segment or 2 that's a little stronger than others? Is it geographic? Because based on your comments, it's across the board and kind of ubiquitous.

John J. Diez
CEO & Director

Yes. I will tell you, obviously, there's going to be unique circumstances out there, but I'll paint a broad brush picture of what we're seeing in the landscape we are seeing customers add fleet, which we haven't seen in some time, Jeff. And when they're adding fleet, we're seeing additions across all 3 asset classes.

We have seen on the dedicated side on specialized handling, we have seen higher demand for construction and on the industrial side, which is interesting. And then when you look at asset classes and asset class performance, I will tell you on rental specifically, we did see an acceleration in the tractor class in the quarter, and we're going to grow that tractor fleet by 10% as we move into next year by the end of the year.

So that hopefully gives you a little bit of a broad perspective. I would say lease and dedicated is pretty broad-based. We are seeing good activity on the industrial side on the dedicated sales activity. And then rental, we did see an acceleration in both tractors and trailers, which is indicative of maybe this freight market showing signs of life, which is one of the encouraging signs we saw in the quarter.

Jeffrey Asher Kauffman
Citizens JMP Securities, LLC, Research Division

No, that's very, very helpful. So with respect to that rental fleet, you had gone about kind of downsizing the ratio of tractors relative to trucks over the last year or 2. Right now, the rental fleet, at least on my numbers, if I combine the rental and the lease fleet, the rental fleet represents about 21% of that total. And normally, that ratio is closer to 25%. And tractors are going to be kind of tough to get over the next 6 to 9 months just because of the EPA mandate. Do you have order slots already? Or is that why you're saying we'll get that tractor fleet up 10% by the end of next year? And then over what -- do we go back to 25% of the total fleet since a lot of rental is holding for lease customers where the equipment isn't ready?

John J. Diez
CEO & Director

Yes. We do feel confident we could grow that fleet. Everything you asked will be dictated by market conditions, right? If we continue to see demand, we're going to meet the demand. And we have not only the slots, but we obviously have a large fleet that we could redeploy equipment and do some things with our assets to meet some of that demand.

But what I will tell you is we've already taken action. I'll let Tom speak to it a little bit more in detail. We've taken action already in the quarter of starting to bring in equipment, and we made some orders, as you saw in our increase in our rental CapEx for the balance of the year, which we think are going to alleviate some of the some of the pinch points we're seeing in the marketplace.

Utilization is not yet to screaming red levels like we saw post-COVID, but it will get there if we don't have fleet, and we're going to continue adding fleet to meet that demand. But Tom, maybe you could add a little bit of color on the fleet itself.

Thomas M. Havens
President of Global Fleet Management Solutions

Yes. Just to clarify a point, the 10% increase will be from Q3 to Q4. So we've made a pretty significant tractor order already. And your comment about availability of slots, that's not an issue. We were certainly able to order what we needed and have a pretty significant tractor fleet increase here in rental just in the fourth quarter.

Going into 2027, obviously, we still have work to do on how much we'll continue to add to that fleet. The market will help dictate that. But to your point about the percent of the fleet, you might expect that to tick up a little bit, a couple of percentage points depending on what the market tells us. But looking at history, during the peak times, you typically do see that percentage increase a little bit on tractors, and I would expect to see the same thing, assuming the market indicators are there.

Operator

The next question comes from Ben Mohr with Citibank.

Benjamin H. Mohr Mok
Citigroup Inc., Research Division

Thanks for putting me in at the tail end here. My first question is on your used vehicle sales net target. Last quarter, you had it at \$40 million for the year. And it sounds like from the previous conversation here, maybe we're targeting \$55 million to \$60 million given your \$20 million increase in your '26 benefits.

My question on that is kind of risk and puts and takes to that, given this quarter, the strength was driven by, as you mentioned, both volume and retail mix, 61% versus wholesale. So the question is kind of how should we think about that trending in the rest of the year? What's the risk on that? Could it be driven by the truck capacity dynamic turning in different direction? -- or EPA '27. Just wanted to get a sense of kind of risk to that and puts and takes.

John J. Diez
CEO & Director

Yes, Ben, so you have it right. Coming into the quarter, we had signaled to about a \$40 million used vehicle performance for the full year. That was up about \$20 million year-on-year. We're now signaling up more closer, I would say, to \$50 million than to \$60 million as you called out. What we do see in the marketplace, which I think are favorable trends even despite some of the potential headwinds we could face is we continue to see market inventories decline.

Our inventory continues to decline. We're now at the low end of our target range of 7,000. We're going to continue to sell through that inventory. I would suspect that it's going to give us the opportunity to continue to move our retail mix upward. Right now, we would expect to hopefully continue at the same level you saw in Q3. But as you get into next year, we're going to get into the 70s and get into a 70% level with our retail wholesale mix. based on the inventory levels we have. So we have that lever for us based on the thin inventories we expect to face later next year. So that's probably the biggest, I would say, hedge against market forces. We continue to see capacity being taken out of the market. And as long as the spot rates remain elevated, I think there's going to be demand for equipment, and we have equipment ready to provide that service. So that's kind of how we're seeing it right now. And obviously, comes in February when we get back together, we'll give you a look at the full year for 2027.

Benjamin H. Mohr Mok
Citigroup Inc., Research Division

Great. That's very helpful for how we should think about modeling the next quarter and into next year. My follow-up question is on your -- what you're seeing as sort of in the road ahead, strength in your with your sort of 3- to 5-year contracts. Other truckload dedicated carriers have been seeing a ramp in their renewal rates for their contracts at the beginning of the year, kind of starting point at up low single digits to now. Many of them are seeing high single digit, low double digit.

Are you -- can you say that you're seeing kind of a similar upward trend or better or worse? And so this will signify kind of more benefit to come in '27 and '28?

John J. Diez
CEO & Director

Yes, we're different. So we're not in that truckload carrier or dedicated capacity space like some of the competitors you alluded to. Most of our business is specialized dedicated, which is highly engineered solutions with specialized handling from our drivers in providing that service.

So I would say they behave a little bit different from a pricing perspective because you are not trading price for service per se. The -- we've committed to a level of service that they expect.

What you should expect is continued discipline from us on pricing. And as wages and inflation continues to tick up, we do have the measures and structurally in our contract that gives us the benefit to be able to recoup those. We'll continue to sign good business because there's good activity in the marketplace. And as capacity tightens, we should be able to take advantage of those opportunities as the market develops here. So hopefully, that gives you a little bit of color on how we see Dedicated progressing.

Operator

Our next question is a follow-up from Scott Group with Wolfe Research.

Scott H. Group
Wolfe Research, LLC

Just a couple of things. How are we thinking about impact of higher rates and I don't know, buy versus lease decisions, return targets, all that sort of stuff?

John J. Diez
CEO & Director

When you talk about return targets, Scott, you're talking about returns on the overall business?

Scott H. Group
Wolfe Research, LLC

Yes. Just does higher rates impact your ability to hit return targets and things like that? Interest rates?

John J. Diez
CEO & Director

Yes. So yes. So look, for us, we continue to see that we're on pace of hitting our return targets, right, just to reiterate because I think it's important. We're in the early parts of the cycle. Our return on equity is in that 18% to 19% level. Based on what we're seeing in the marketplace and some of the inflection points we discussed around that fleet management business, we're going to move closer to our long-term target of low 20s over the cycle.

So we expect a progression there as some of that \$250 million gets realized. We are staying disciplined around our pricing, both on the lease side. You saw rental pricing improve sequentially in the quarter. We would expect pricing and rental to continue to strengthen, which can provide potentially upside opportunities on some of those returns over the cycle.

And as you just heard from myself on Dedicated, we continue to see good activity there. Obviously, capacity is tight. There is opportunity for us to get some good rates while capacity remains tight. And I would expect both supply chain and dedicated to continue to perform at their high single-digit targets.

Scott H. Group
Wolfe Research, LLC

Okay. Helpful. And then just last thing, if I can. How -- what's the impact of this still EPA uncertainty? Like are you -- your customers like hesitant to be placing orders for '27 now? Does this impact you? Just any thoughts on the EPA?

John J. Diez
CEO & Director

Sure. I -- what we are seeing, I will tell you, I think we've called it out. We didn't see kind of this pre-buy surge activity with the change in the technology.

But I do think Tom has some color around what we are seeing is price increases in the marketplace, which customers are feeling the impact of that, and we're helping them navigate through the increased pricing in the marketplace going into next year.

Thomas M. Havens
President of Global Fleet Management Solutions

Yes. I think it's pretty well understood at this point that price increases are coming in 2027. And despite that, there was not any significant prebuy activity. Some customers took advantage of it, but certainly not to any large extent. The nonperformance penalties, nonconformance penalties or NCPs are clear to the marketplace at this point. So we kind of know where -- what pricing will look like and what type of increases they're looking at. The only thing that's maybe unclear is what happens after the nonconformance penalties and the engine manufacturers put out their new technology engines.

That's certainly not clear to the market. We probably won't know that until some point mid next year. We do have those conversations with our customers on a consistent basis and the message is generally act now because pricing is increasing. And I think that's well understood in the marketplace.

Operator

Your next question is a follow-up from Brian Ossenbeck with JPMorgan.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

spglobal.com/marketintelligence

Brian Patrick Ossenbeck

JPMorgan Chase & Co, Research Division

Just a real quick one here. With the sequential pricing up, it was 15% tractors and like mid-single digits for trucks, is that on a like-for-like basis? I know you talked about shifting the channel around a little bit. Sometimes there's some vintage movement there as well. I just wanted to see how clean of a read that is for the overall market.

John J. Diez

CEO & Director

Yes. Brian, thank you for the question. There is a little bit of noise there. I would say, like on the tractor side, you're getting the benefit of a shift in retail mix there. As we've gotten lighter on inventory, we were able to take advantage of that and sell more through our retail channel.

So you are seeing that 19% be a little bit wind-aided by our retail mix activity in the quarter. Generally speaking, I would say we continue to see pricing on a like-for-like basis continue to improve across all asset classes. So that's really the underpinning performance of the overall market there.

Brian Patrick Ossenbeck

JPMorgan Chase & Co, Research Division

Okay. Any way to quantify roughly the wind assistance or the asterisk we should put on that? Or is it too difficult to tell?

John J. Diez

CEO & Director

No, I would say, look, I think absent the retail wholesale mix shift, it will probably be high to low double digits on the tractor side. So it benefited by -- it's about 700 basis points that it benefited from.

Operator

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

John J. Diez

CEO & Director

Yes. Thank you, everyone. Appreciate taking an interest in Ryder and look forward to seeing you out on the road. Take care now.

Operator

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

Copyright © 2026 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2026 S&P Global Market Intelligence.