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<<Analyst, Stephens, Inc.>>

All right. John, it's just about 4:00. We're going to go ahead and get started. Today, we have Ryder for our last slot. Many of you all are familiar with the story, but it's a little different from a lot of our coverage.

So John, if you want to introduce yourself, tell us your background and where you came from.

<<John Diez, Executive Vice President & Chief Financial Officer>>

Yeah. So good afternoon, everyone. My name is John Diez. I'm the Chief Financial Officer of Ryder, been with the company for 22 years. Probably the majority of the last decade, I've spent the time running two of the three business segments. So I was leading the dedicated business and then the fleet management business before I came back to finance about three years ago. So happy to be here with you all.

<<Analyst, Stephens, Inc.>>

Awesome. And as I said, Ryder's pretty different from many in our coverage. So if you could talk about how you all fit into the transportation ecosystem and maybe give a quick overview of your different segments.

<<John Diez, Executive Vice President & Chief Financial Officer>>

Sure. So Ryder is a little bit unique. So we're a $13 billion transportation and logistics outsourced provider. We're a leader in all three segments that we operate in. We're not a truckload carrier or an LTL. Our business is split. 40% of it is on the asset side, which is our fleet management business, where we provide truck leasing and rental support for private fleets. If you think about that business, that the lease is contractual in nature, typically around six to seven-year contracts, whereas our rental is more contractual – is more transactional. It could be a one-day rental or a long-term rental.

Another 40% of our business is our supply chain business. So if you think about port-to-door logistics, we'll support large North America clients, bringing product from overseas, storing that product, warehousing it, fulfilling orders and then getting the product out to their customers, distribution channels, et cetera. That business has been growing about 20% over the last three years. And clearly, our largest growth segment in our portfolio.

And then the last segment is our dedicated transportation. So if you're thinking about a private fleet to outsource your transportation, you may be doing leasing with us. Now you want to continue to outsource the rest of it, which is not only the driver but also delivering the product to your customers. Dedicated transportation is that solution. We're highly customized. So the vast majority of that businesses, our drivers are helping secure the load

and deliver a customized service to the end customer. So that could be both dry box freight, refrigerated freight or even flatbed applications in that space.

So that’s the composition of the portfolio. I think the other thing to take note of is we’ve gone through a transformation. Five years ago, we set out to do three things. One was to de-risk the model. So we lowered our residual values for pricing of our lease portfolio, and we’re in the latter stages of that.

We also expanded our margins. That has been very successful. We’ve taken out over $100 million of annualized savings of costs in our maintenance application for our lease and rental applications.

And then lastly, we decided to grow our asset-light businesses. So we’ve seen tremendous growth in our supply chain and our dedicated businesses. That has really transformed the business where today, 60% of the business is supply chain/dedicated and 40% is the fleet management business, where it used to be more 56% fleet management and 44% back in 2018 was supply chain/dedicated.

So the transactional parts of the business, which is rental and used vehicle sales within FMS, in the fleet management side, is really what’s subject to the freight cycles in a big way. And as freight market conditions deteriorate, we’ve seen volumes and pricing in that part of the business also fall. We think we’re in the trough of the freight recession. And despite the freight recession conditions today, the business is poised to deliver $12 of EPS this year, where in 2018 at the height of the previous freight cycle, we delivered just under $6 of EPS. So big transformation there and obviously poised for the upturn to take advantage of that upturn.

<<Analyst, Stephens, Inc.>>

Right. And as you talked about your transformation, you have a 60% supply chain focus. Do you see it hanging around that level? Or could you see it fluctuate going forward as you continue to grow that?

<<John Diez, Executive Vice President & Chief Financial Officer>>

So our supply chain/dedicated business account for 60%, 40 points of that coming from supply chain, 20 dedicated. I would think as the market comes back and we do expect the recovery in rental, that number may fall here in the near-term. But then over the long-term, we’re probably going to be in that 60%, 40% business mix, at least for the foreseeable future.

<<Analyst, Stephens, Inc.>>

Right, right. At your Investor Day that you had back in June, you had a couple of slides laying out different total addressable markets, where a lot of them are under-penetrated, maybe like 20% outsourced or things like that. What do you see as drivers to benefit the outsourcing industry, where you can start to capitalize on some of the outsourcing that you’ll see from these customers?

<<John Diez, Executive Vice President & Chief Financial Officer>>

Yes. So the portions of the business vary. So dedicated, less than 5% has been outsourced. If you look at supply chain, which is the largest market opportunity out there, less than 20% has been outsourced. And then on the equipment leasing side, it's about 25% that's been outsourced. The catalyst for us that we continue to be optimistic about is labor in the U.S. is not getting easier to find capable professionals to work on trucks.

So diesel mechanics accounts for about 5,000 of our 50,000 employee base. Warehouse workers accounts for more than 20,000 of our 50,000 employees and then if you look at professional drivers, we have about 14,000 professional drivers in our business. So those conditions aren't going to get easier. And candidly, we think that is a big reason why people look to outsource.

Second being higher cost. So we're facing in 2027 an engine technology change, which is going to drive the pricing up for new vehicles, commercial vehicles, and the maintenance of those vehicles. So that's a catalyst for outsourcing.

And then supply chains. We saw during COVID, supply chains have had to become more dynamic. We'll see with this administration what happens on the tariff front. But clearly, more and more companies are looking at their supply chains and figuring out ways of how they could reshape their supply chains and then become more efficient in delivering their product.

<<Analyst, Stephens, Inc.>>

Right. And then you mentioned the new – the EPA 2027 revision coming into place. Do you see the new administration having any impact on the application of that or the timing and the same for the 2031?

<<John Diez, Executive Vice President & Chief Financial Officer>>

Yeah. So the low NOx rules that are coming into play in 2027, we don't think this administration is going to have an impact with that. That is something that the OEMs have been prepared for, and the technology exists that they could deliver that.

And even if you were to go through the court systems, I think it'll take a little bit longer to be able to reverse that at this point in time. We do think the 2030, which is a little further out, that may be something that this administration has an impact with. Right now, we're not focused on whether or not that will happen, but we are getting ready for the 2027 transition without a doubt.

<<Analyst, Stephens, Inc.>>

Right. And any other impacts you could foresee coming from this administration with the lack of – or not a lack of regulation, but some more deregulation or some different tax rules?

<<John Diez, Executive Vice President & Chief Financial Officer>>

Well, for us, we generally – when we talk to our customers, and we serve over 40,000 businesses in the U.S. and Canada, I think generally, everyone is a little optimistic about economic conditions going into next year now with the administrative change. We do think if

policies get enacted that promote manufacturing in the U.S. that will drive freight activity of durable goods, which is good for Ryder and many in our space.

Clearly, tax regulation and the tax reforms of 2017, if those get reenacted or extended, I should say, I think that will be favorable. We stand to benefit from that because we're a cash taxpayer today. That could be $100 million to $200 million of cash tax savings for Ryder. Not an impact on earnings, but certainly on the balance sheet and our cash flow.

And then I think the one thing that we're all a little bit concerned with, and I think our customers as well, is tariffs. And the inflationary pressures of tariffs will put potentially pressure on the consumer, which needs help today. So that's probably one area that we're all focused on and figuring out what's going to happen here.

But it's a little bit early, I would say, on all those things. And right now, I think everyone's just happy that we've got clarity of what's in front of us. And hopefully, we see economic growth in the U.S.

<<Analyst, Stephens, Inc.>>

Right. Kind of staying on a macro level, then I want to touch on a couple of your end markets. You move a lot of food and beverage. Does that give you any insight into the consumer? And what we should expect there in 2025 or in the fourth quarter?

<<John Diez, Executive Vice President & Chief Financial Officer>>

Yes. So we support food and beverage across all three segments. It accounts for about 20% of our revenue. So if you look at the markets we serve there, we clearly have seen the impact of higher inflation on the food side. We've seen volumes drop from where they were at peak levels back in 2021, I would say. So we do see short-term pressure on volumes on the consumer side. And hopefully, as we transition with the policies that are going to be put in place with this administration and the consumer gets some relief, we should see a lift going from that side of our portfolio moving forward.

<<Analyst, Stephens, Inc.>>

Right. And the other one I want to touch on was automotive. It's kind of been a broad-based theme within transports that automotive has been a softer end market as of late. It's about 13% of your mix, if I'm remembering correctly. What are you hearing from the OEMs? Do they have any insight into timing of the improvement? Or what is your expectations there?

<<John Diez, Executive Vice President & Chief Financial Officer>>

Yeah. So on the automotive side, 90% of our revenue base is contractual. So even though we see impact of volume, I would say, largely, our contracts protect us for significant declines in business over time. But I would say automotive, the customers we serve, and it accounts for just under 30% of our supply chain business, many of the automotive providers we support have been going fairly strong. So our automotive business has held up really well, I would say, over the last two years.

On the rental side, we support a number of carriers that provide services to the automotive sector. That part of it, we have seen declines. But I would suspect, as we're looking to introduce more policy to accelerate domestic manufacturing, I would think the automotive industry stands poised to benefit from some of those measures. Time will tell on that.

But right now, the consumer is clearly showing the signs that the electric vehicle transition, that may be put on pause. So that's going to create a little bit of ripple effect, I would say, in the short-term. But longer term, I expect that automotive sector to pick up and pick up some steam as we move into 2026 and into 2027.

<<Analyst, Stephens, Inc.>>

Right. All right. Thank you. Just to start to dive into some of your business segments, to start, on FMS, you talked about your transformation in 2019. It's pretty big for the company. If you could talk about more in detail about what that was for those that are less familiar with it and how that impacts your FMS business and the growth within that segment.

<<John Diez, Executive Vice President & Chief Financial Officer>>

Sure. So our fleet management business was the biggest segment for quite some time. Our lease portfolio is highly dependent on the back-end residual values to earn a return for our shareholders. So one of the catalysts for the transformation was we saw used vehicle pricing deteriorate to trough levels in 2020. That resulted in us relooking at the business and looking at the portfolio. We made a decision to, from a lease pricing perspective, to reduce residual values that raised the price for customers.

In return, what we did is de-risk the business to ensure that in all parts of the cycle, we could get a return on that capital investment, which is a critical point for us. We also went ahead and reduced our maintenance spend, which today, we spend over $1 billion annually in maintenance activities. And that resulted in another $100 million of bottom line savings.

So return on equity for us typically was in that 10% to 15% range, so 13% over time. Pre-transformation we've been able to lift the returns of the business to now 15% to 20% returns and we delivered over the last cycle about 19%. So that gives you an order of magnitude of the impact that had on the overall business.

We're in year five of a six year journey of repricing that lease portfolio because these are six year contracts and as they come up for renewal, we'll reprice those. So there's still another $20 million, we think that we could – of incremental earnings that we could realize next year from that. We've also introduced another $50 million of maintenance savings that will benefit that business.

So the contractual side of the business has really been the catalyst for improving fleet management performance. So that business, we just increased the target returns for that business from low double digits EBT as a percent of our op revenue to low teens EBT as a percent of op revenue. That's one component. So that's structurally some of the changes we made with that business.

We're right now in the trough of the freight recession. We do expect our commercial rental business, which is transactional and our used vehicle pricing to improve as we get out and

freight conditions improve here over the next two years. So we expect that business to also benefit from the cycle upturn. We've called that for the broad business to be about $200 million with the majority of that being in rental and UVS. So significant uplift even from where we're at today for that business in the next two years based on market conditions and the initiatives we have in place.

<<Analyst, Stephens, Inc.>>

Awesome. Thank you. On that $50 million of maintenance cost savings, what inning are you in that and what cadence should we expect?

<<John Diez, Executive Vice President & Chief Financial Officer>>

Yeah, so we announced that this year. I would say we're in the very early stages of delivering on the $50 million. We do think we'll be able to realize that by 2026 that annual run rate savings, a good portion will come in here in the fourth quarter and into next year. And then in 2026, you should see the full benefit of the $50 million in the results.

<<Analyst, Stephens, Inc.>>

Got it. Awesome.

Q&A

<Q>: [Question Inaudible]

<A – John Diez>: Yeah. So the first initiative that delivered $100 million of savings was primarily around our maintenance tech workforce and looking at parts procurement. So we redesigned that process. Now we're looking at our service employees. So we have a great number of employees that are fueling trucks, washing trucks, and moving trucks in and around our yards. We think we could deliver $50 million of savings by introducing technology and improving the processes there to deliver the services more efficiently going forward.

<Q>: [Question Inaudible]

<A – John Diez>: No, just processes and that service workforce that we have in our fleet management business.

<Q>: Awesome to stay within the FMS. In your last earnings slide deck, it looked like your tractor prices were starting to come up. On your residual estimate, you noted that you need another 15% in prices to fall before that starts to hit zero on gains. And you also noted that you expected that to at least get you to halfway through next year. What gives you the confidence that you won't see a quicker fall before then for the 15%? And what gives you confidence that this might be the bottom?

<A – John Diez>: Right. So really the question that Reid is teasing is we've got about 15% buffer in our current pricing for tractors that we're seeing – that we're realizing on used tractors versus our depreciation residual values. What we've seen over the last three quarters

is about single digit sequential declines. That was double digits a year ago. So we've seen kind of that curve flatten out a bit.

The typical cycle for the freight cycle is six to eight quarters. We're sitting here beginning the ninth quarter of this downturn, so that gives us also confidence that we're closer to the end than the beginning here. So as we look forward and even working with our friends at ACT, we do expect next year for used tractor pricing to start moving up, so it's a function of timing and market conditions. And obviously if we just get some freight kick up, that will start picking up, accelerate the proceeds, tick-up over time. So that gives us the confidence just where we're at in the cycle and then what we've seen in our own performance over the last three quarters.

<Q>: Right. And truck pricing seems to be doing a little bit better.

<A – John Diez>: Yes. Truck pricing has fallen from peak levels back in 2022, but it's still performing kind of in line with record levels back pre-COVID or pre-COVID level. So from a truck – straight truck market, those prices seem to be performing in line with expectations.

<Q>: And what's driving that trucking outperformance?

<A – John Diez>: I think it's a function of two things. One, you are seeing e-commerce and the transition towards smaller trucks in our space that's created demand in the used truck side of things. That's one. And then we are continuing to see just parcel activity continue to be strong, which is fueled by e-commerce. And then you are seeing more and more fleets look to transition from Class 8 tractors to medium-term trucks as they're finding it difficult to find commercial Class 8 professional drivers. And that is a long-term, I would say trend that will continue. But those factors are contributing to the better performance on the truck side, I would say.

<Q>: Right. And some of the investor feedback we've gotten is that as interest rates come down, maybe some companies are able to buy their trucks rather than outsource or rent their trucks. What mechanisms do you have in place to maybe mitigate that shift to buying from renting?

<A – John Diez>: Well, in our fleet management side and when we look at leasing overall, we feel we have a compelling value. If you look at the value prop, if you look to outsource the leasing, and the financing of that truck, we're typically able to get the customer a significant reduction. 10% to 20% is kind of what we typically see depending on the credit quality of the customer.

That value prop, I don't expect it to change. I think the more important pieces with the 2027 regulation on the engine technology side, that's going to drive the cost of – the acquisition cost of new vehicles up double digits, anywhere from 15% to 25%. So you are going to see the overall price of vehicles go up, which is we believe long-term is going to drive more people to look to outsource and not spend that capital on that part of their business. They're going to look to invest in their business, whether it's if they make widgets, investing in new plants, or if they're a retailer investing in new products.

<Q>: Awesome. Thank you.

<Q>: [Question Inaudible]

<A – John Diez>: Well, if you look at supply chain, those are typically large size shippers. So you're talking Fortune 100 companies, so household names that you'd be familiar with. On the dedicated side, they're usually mid-sized businesses. So if you look at 60% of that business are lease conversions that have looked that were leasing from us and now have decided to go ahead and outsource the whole thing to us. But those are kind of mid-sized to large businesses. But the majority are mid-sized businesses in that space.

<Q>: Awesome. I think that's perfect. I want to talk about your dedicated business. You have a differentiated dedicated offering in a space where dedicated has become a little bit more competitive and almost a little bit more commoditized. Can you talk about what makes your dedicated offering different from the ones that these other truckload companies are offering?

<A – John Diez>: Yeah, so I just spoke to it a little bit. But if you look at our dedicated transportation model, they're very customized, highly engineered solutions where we're delivering the product on behalf of our customers to their customer. So you can tell that behind the scenes it's Ryder. So it's typically a branded truck and a branded driver with our customers' logo on it.

They're usually trained our customers service requirements as well. So a lot of what we do is deliver, even unload, help unload at the job sites. Whether it's on the construction side, we do a lot in steel, so we're hauling on flatbed trucks. We're securing that load with every shipment and we have safety practices that we need to follow. So in large part we're serving a lot of customers that our truckload competitors don't serve; truckloads typically are not touching freight. They're bumping docks and they're supporting retail customers.

Retail represents about just under 30% of our overall dedicated activity. So we do compete in some capacity on the retail side of things. But everything else we do, whether it's building products, manufacturing, et cetera, service elements, those are highly customized solutions which we think we're uniquely positioned for.

So that's a business that has grown this year significantly with the acquisition of Cardinal, that business grew 50% this year. Now we're the second leading provider in dedicated, which gives us scale and we expect that business to continue to grow in that high single digit level as we've seen over the last couple years.

<Q>: Right. And you mentioned Cardinal, which was done in January of this year?

<A – John Diez>: January.

<Q>: How was the integration of Cardinal going and the synergies you expected to capture there, which was $40 million to $60 million, correct?

<A – John Diez>: Yeah. So we purchased Cardinal at the beginning of the year. We introduced their fleet, which is about 10,000 pieces of equipment to our maintenance network. We're realizing the majority of the $40 million to $60 million just by being able to put it through our maintenance activity. And then as some of those equipment leases turn over, we're going to be able to finance that with our balance sheet. They were doing a lot of

bank financing, so a lot of the value we've created is just taking our model and leveraging that over time.

So most of that we're starting to see the maintenance activity realize deliver the savings that we expected. As we get into next year, you're going to see that fleet turnover from bank equipment leasing to our leasing model and that's going to accelerate the synergies even further. So we do feel pretty confident about delivering the $40 million to $60 million over the next two years.

<Q>: Awesome. And should we see a lot of that this coming year or…

<A – John Diez>: Most of that will come in 2025. And that's part of what we're calling. We do expect, even despite any freight cycle upturn or no upturn, we do expect our contractual parts of the business through the initiatives and the synergies from Cardinal will contribute positive to the improvement in the overall performance of the business.

<Q>: Right, right. And because of this dedicated backdrop that has been a little challenging, a lot of people have talked about the difficulty of the pricing backdrop. Are you insulated from that because of your differentiated offering or do you feel a little bit of that pressure?

<A – John Diez>: Well, again, our dedicated portfolio is contractual, typically about three years – three to five years and I would say about a third of that portfolio turns over each year. So the price pressures we feel would be when we're competing with that truckload market, which in large part were somewhat insulated because of the customized, specialty, dedicated solutions that we designed for our customers. So we have felt some of the pressure on the retail segments of that end market that we serve. But overall, I think the other parts of the business have held up quite well. And we've been able to secure that business at good pricing levels going into this year – into next year 2025.

<Q>: So did you – you did feel some pressure earlier this year again?

<A – John Diez>: We felt some pressure without a doubt…

<Q>: Just like a third of the business, though.

<A – John Diez>: It's a small component of the business. And again, only a third of that business comes up for renewal each year. And of that a sub-segment is really tied to that retail part of the business.

<Q>: Okay. Okay. Perfect. Perfect. And like, are you able to increase mid-contract if rates go up enough? Or is that not typically something you would do with these types of contracts?

<A – John Diez>: Well, we worked hard over post-COVID, we saw 2022 inflation really play a part, and we saw wage inflation there. So our contracts do protect us for inflation. And to the extent that we see wage pressure, we could certainly raise prices to be in alignment with wage inflation. So typically, what we get from signing to the end of the contract is inflationary bumps along the way. And then if the overall design or the solution changes in a radical way, we'll be able to open up the contract and reprice that business.

<Q>: All right. Perfect. Thank you. I think we're going to shift to the Supply Chain Solutions side. You've got a really good story here.

<A – John Diez>: Yeah.

<Q>: It's growing. It's a sticky business. If you want to talk about maybe your customers that you have on the supply chain side?

<A – John Diez>: Sure. So supply chain now is our second largest segment. It's been growing about 20%. If you look at the composition of that portfolio, just under 30% is in the – I would call it, e-commerce retail segment. Another 30% is the automotive sector. So the end markets there is large manufacturers, household names that we're all familiar with. And then the other large component is just over 25% is our consumer packaged goods business. So we're providing warehousing and logistics services for large food companies. Conagra is one of our customers that we support. And then the balance of the portfolio, I would say, is primarily industrial, so industrial companies that manufacture product that we support.

I would say all parts of the business continue to perform really well. I would say the consumer-oriented businesses, so retail and e-commerce has felt pressure over the last year on the growth side. And then we have seen customers, especially as they look at building out new manufacturing plants and making big investments, they've really halted and made the decision to wait for this election to come. So we are expecting that business to reaccelerate in growth going into next year.

We have added a number of acquisitions that have expanded our services and capabilities there. So we bought an e-commerce business, Whiplash, a few years back, where we now provide e-fulfillment services to a number of apparel and retail customers. We bought then an IFS, which is a packaging and contract manufacturing business, really that we could take that service and extend that to our existing portfolio of customers, primarily in the consumer packaged goods space. And that's a business we're excited about and, hopefully, will drive growth as we move into next year.

And then we've also got a Last Mile business of big and bulky, which we bought a few years back. That business, because of housing and interest rate environment, that has also felt a little bit of the pressure. Despite all that, the businesses have been growing double digits now for some time.

In the short term, we do expect to be a single-digit growth story, over the next 12 months, I would say, based on what we're seeing in the marketplace from our retail part of the house. But as we get out in the latter half of 2025, you should see that accelerate and come back to kind of double-digit growth levels.

<Q>: Right. And you talked about some of your acquisitions there that you've had over the past few years. What's next on the wish list, if you want to expand? Or do you – or is there a specific subsegment, where you would focus your M&A on going forward?

<A – John Diez>: So we've done quite a bit over the last five years, I would say. We're always looking at opportunities if we could add new capabilities. Clearly, one vertical and one segment of the marketplace that we serve today, but not in a meaningful way, is health care. So we run a few hospital networks that we think can create significant value. So if we

find an opportunity to get into the health care space in a more meaningful way, I think that's one that we clearly will look at.

That's probably – of all the opportunities, that's one that we'll continue to look at. And then if we're able to add other services and solutions to our solution set over time, we'll look to add more capabilities on the supply chain side without a doubt.

<Q>: Right. Right. Kind of coming back to the final mile side that you talked about earlier, there's been a lot of competition entering the market there. Have you seen that impact what you're seeing within Ryder or your go-to-market strategy? Have you had to adjust anything there?

<A – John Diez>: Yes. So we're talking about – well, the final mile that we do within supply chain is big and bulky items. So if you could imagine, furniture, exercise equipment, white goods, that market really took off during COVID and then post-COVID, especially in 2022 when interest rates started climbing, we saw especially that housing sector come down. So there is good competition there.

I think the biggest catalyst for us will be a housing recovery to see that business come back in a meaningful way. From a competitive standpoint, clearly, with lower volumes, it's become even more competitive. But I think long term, we deliver great service. We're just looking to get a little bit of support on the housing side. And with interest rates coming down, we should see that business start kind of reversing trend there.

<Q>: Right. And you've also invested a solid bit in technology recently. Where are you investing most now? What's next to come within Supply Chain Solutions? And then I guess from there, if there's anything you're particularly excited about in dedicated or in the FMS segment that you think could drive efficiencies?

<A – John Diez>: Yes. So a few years back, we kind of decided that the future of supply chain really was going to be, in large part, dictated by how we differentiate ourselves through technology. And one of the things we've really focused on is how can we invest in innovation and technologies that are going to deliver value for our customers because we make that investment once and then we can leverage it across our portfolio of great customers that we have.

And as part of that, we have a Customer Advisory Board, which – we sit down with our customers to figure out what's keeping them up at night, what's missing in the marketplace from a technology point of view, and then they orient us to where we think we need to invest.

So coming out of that, we invested in a technology – proprietary technology called RyderShare, which is support of our transportation customers. And it's beyond visibility. It's a collaboration visibility technology solution, where our customers interact with our dispatch teams to understand where's the delivery. Not only visibility to the delivery, but if we need to troubleshoot, if there's a delay, et cetera, we could connect real time between our customer and our dispatch agents.

The value we saw on that is many of our customers now can plan their labor as they're looking to unload a full truckload of product, and that's created significant value for them

that they could eliminate unnecessary costs, whether it's overtime or bringing in an extra shift of workers to help unload the product. That's one example.

We continue to invest in other parts of the business, so that's benefited dedicated and supply chain. And in dedicated, it's really been a catalyst for our growth there in that space. If you look at the Last Mile business, we have a solution called RyderView. We think it's best-in-class in that Last Mile space, where not only are you able to interact digitally to schedule your delivery, get a status of where the delivery is in route. And then post delivery, if you have any follow-ups that you need to execute against, you could do that digitally with our app and create a great customer experience of white-glove service for Last Mile customers.

So those are two examples. We'll continue to invest in really technologies that drive value for our customers over time. And that's a big part of our strategy moving forward is how do we keep delivering new digital solutions that create value for our customers.

<Q>: Right. And one thing that doesn't get talked about a lot is your venture capital investments that you all like to pursue.

<A – John Diez>: Yes.

<Q>: You talked about it a little bit at the Investor Day, but you don't – it doesn't get as much attention. So anything on that front that you're particularly excited about?

<A – John Diez>: Yes. So our venture capital fund is not a big fund by any means, but we try to invest in emerging technologies, invest in things that we think are going to create long-term value for our customers. So some of the investments we've made over time have been in automation, robotics, digital solutions that help drive efficiencies in our warehouse. We talked about even a carbon capture technology that would be an add-on to our existing commercial vehicles. And then years back, we bought a company or we invested in a company called Baton, which they were creating an optimization technology solution. We started working with that team. They're a San Francisco-based group. We liked what they were doing. We thought it was more valuable to just acquire them and have them build technologies for us that our customers can benefit from.

So we bought them out. It was initially just a seed round investment, working with them, testing their products, where they were going with it. We went ahead and bought them, and now they're building some of these solutions that we're talking about today for our dedicated and supply chain customers.

<Q>: Right. Right. And you all have – you've all been working to improve your free cash flow, and you talked about how the tax benefits of the new administration could help there. What are maybe some goals for free cash flow in the coming years as we move forward?

<A – John Diez>: Yes. So as part of the transformation, we've improved our operating cash flow by 40% if you look at 2018 to where we're at today. That's been a large part by just improving the overall returns of the business and then growing the asset-light portions of the business. So from a free cash flow perspective, we've traditionally been a negative free cash flow company because of the asset intensity of our leasing business. And we've transformed to a positive free cash flow over the cycle. And in most years, you're going to see us produce positive free cash flow.

We have set out to improve the overall returns, like I mentioned earlier, from high teens to low 20s. So as we improve the profitability of the overall business, you should see a commensurate improvement in the free cash flow profile of the business. So that – obviously, we haven't delivered on that, but that's the objective in continuing to improve our free cash flow profile over time.

<Q>: Right. Right. We've got a couple more minutes. Anything we didn't touch on that you would like to communicate to investors? Or any part of the story that you'd like to highlight?

<A – John Diez>: Yeah. I think for us, the biggest thing for you to take away is the business was delivering during the peak of the cycle $6 of EPS. We're poised to deliver in the trough or in the freight recession $12 of earnings. And then we see through the upturn in the cycle, we see another $200 million. And then through our initiatives, we could see another $150 million of earnings, which amounts to another $6 of EPS opportunity for Ryder. So we're excited about that and really the prospects of this business continuing to grow profitably and expanding the margins.

<<Analyst, Stephens, Inc.>>

All right. Well, awesome. Thank you very much for being here today. I think that wraps up the fireside.

<<John Diez, Executive Vice President & Chief Financial Officer>>

Excellent.

<<Analyst, Stephens, Inc.>>

Thank you very much for coming.

<<John Diez, Executive Vice President & Chief Financial Officer>>

Thank you very much.