

RYDER SYSTEM INC
Form 8-K
February 02, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of earliest event reported): February 2, 2017

RYDER SYSTEM, INC.
(Exact name of registrant as specified in its charter)

~~Florida~~ 59-0739250
(State
or
(Commission (I.R.S. Employer
File Number) Identification No.)
of
incorporation)
11690 NW
105th Street 33,178
Miami,
Florida
(Address of
Principal
Executive (Zip Code)
Offices)

Registrant's telephone number, including area code: (305) 500-3726

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On February 2, 2017, we issued a press release reporting our financial results for the three and twelve months ended December 31, 2016 (the “Press Release”). We will also host a conference call and webcast on February 2, 2017 during which we will make a presentation on our financial results for the three and twelve months ended December 31, 2016 (the “Presentation”). The Press Release and the Presentation are available on our website at <http://investors.ryder.com>. The Press Release includes information regarding non-GAAP financial measures, as defined by SEC regulations, as well as a reconciliation of each non-GAAP financial measure to the nearest GAAP measure in the tables following the press release. Set forth in the table below is an explanation of each non-GAAP financial measure and why management believes that presentation of each measure provides useful information to investors:

Non-GAAP Financial Measures

Operating Revenue Measures:

Operating Revenue	Operating revenue
FMS Operating Revenue	is defined as total
DTS Operating Revenue	revenue for Ryder
SCS Operating Revenue	System, Inc. or
FMS EBT as a % of FMS Operating Revenue	each business
DTS EBT as a % of DTS Operating Revenue	segment (FMS,
SCS EBT as a % of SCS Operating Revenue	DTS and SCS),
	respectively,
	excluding any (1)
	fuel and (2)
	subcontracted
	transportation. We
	believe operating
	revenue provides
	useful information
	to investors as we
	use it to evaluate
	the operating
	performance of our
	core businesses and
	as a measure of
	sales activity at the
	consolidated level
	for Ryder System,
	Inc., as well as for
	each of our
	business segments.
	We also use
	segment EBT as a
	percentage of
	segment operating
	revenue for each
	business segment
	for the same
	reason. Note: FMS
	EBT, DTS EBT
	and SCS EBT, our
	primary measures

of segment performance, are not non-GAAP measures.

Fuel: We exclude FMS, DTS and SCS fuel from the calculation of our operating revenue measures, as fuel is an ancillary service that we provide our customers, which is impacted by fluctuations in market fuel prices, and the costs are largely a pass-through to our customers, resulting in minimal changes in our profitability during periods of steady market fuel prices. However, profitability may be positively or negatively impacted by rapid changes in market fuel prices during a short period of time, as customer pricing for fuel services is established based on trailing market fuel costs.

Subcontracted transportation: We also exclude subcontracted transportation from the calculation of our operating revenue measures, as these services are also typically a pass-through to our customers and,

therefore,
fluctuations result
in minimal changes
to our profitability.
While our DTS and
SCS business
segments
subcontract certain
transportation
services to third
party providers,
our FMS business
segment does not
engage in
subcontracted
transportation and,
therefore, this item
is not applicable to
FMS.

Operating Revenue Growth Excluding Foreign Exchange Operating revenue
growth excluding
foreign exchange is
calculated by
dividing the results
for the current and
prior year periods
by the exchange
rates in effect on
December 31,
2015, which was
the last day of the
prior year period,
rather than the
actual exchange
rates in effect as of
December 31,
2016. Ryder's
period-over-period
operating revenue
growth excluding
foreign exchange
excludes the effects
of changes in
foreign currency
exchange rates
from our operating
revenue financial
measures. Due to
the variability of
foreign exchange
rates from period

to period, we believe operating revenue growth excluding foreign exchange is useful to investors to evaluate period-over-period operating performance.

Comparable Earnings Measures:

Comparable Earnings Before Income Tax (EBT)

Comparable Earnings

Comparable earnings per diluted common share (EPS)

Comparable EPS Forecast

Comparable Tax Rate

Comparable EBT, comparable earnings, comparable EPS, comparable EPS forecast and comparable tax rate are defined, respectively, as GAAP EBT, earnings, EPS, EPS forecast and tax rate, all from continuing operations, excluding (1) non-operating pension costs and (2) any other significant items that are not representative of our business operations. We believe these comparable earnings measures provide useful information to investors and allow for better year-over-year comparison of operating performance. Non-Operating Pension Costs: Our comparable earnings measures exclude

non-operating
pension costs,
which include the
amortization of net
actuarial loss,
interest cost and
expected return on
plan assets
components of
pension and
postretirement
costs. We exclude
non-operating
pension costs
because we
consider these to
be impacted by
financial market
performance and
outside the
operational
performance of our
business.

Other Significant
Items: Our
comparable
earnings measures
also exclude other
significant items
that are not
representative of
our business
operations. These
other significant
items vary from
period to period
and, in some
periods, there may
be no such
significant items.

In this reporting
period, we exclude
the following other
significant items
from our
comparable
earnings measures
in this Form 8-K:

____(1)

Pension-related
adjustments (in the

full year 2016 and full year 2015). In the second quarter of 2016, it was determined that certain pension benefit improvements made in 2009 were not fully reflected in our projected benefit obligation, resulting in a charge to reflect those pension benefits.

Additionally, in the third quarter of 2015, we recognized a benefit from lower than anticipated settlement charges to exit multi-employer pension plans.

____(2) Professional fees (in the full year 2016 and full year 2015). These charges represent professional fees associated with the assessment of potential cost savings initiatives.

____(3) A benefit from a tax law change (in the full year 2015). In the second quarter of 2015, the states of Connecticut and Texas and the city of New York enacted changes to their tax systems, which decreased Ryder's provision for income taxes in each jurisdiction.

____(4)

Restructuring charges (in the fourth quarter and full year of 2016 and 2015). In the fourth quarter of 2016 and 2015, we recognized charges related to reductions in workforce as part of cost containment actions.

Additionally, in the fourth quarter of 2015, we recognized charges related to the divestiture and shutdown of several business units in Canada.

Calculation of comparable tax rate: The comparable provision for income taxes is computed using the same methodology as the GAAP provision for income taxes.

Income tax effects of non-GAAP adjustments are calculated based on the statutory tax rates of the jurisdictions to which the non-GAAP adjustments relate.

Adjusted Return on Average Capital (ROC) Adjusted
Adjusted ROC Spread ROC:
Adjusted
ROC is
defined as
adjusted net
earnings
divided by
average
adjusted total
capital and
represents the
rate of return
generated by
the capital
deployed in
our business.
The
adjustments
represent the
comparable
items
described
above which
are excluded,
as applicable,
from the
calculation of
net earnings
and average
shareholder's
equity (a
component of
average total
capital).
Adjusted
ROC Spread:
Adjusted
ROC spread is
defined as the
difference
between
adjusted ROC
and the
weighted
average cost
of capital.
We use
adjusted ROC

and adjusted
ROC spread
as internal
measures of
how
effectively we
use the capital
invested
(borrowed or
owned) in our
operations.

Cash Flow Measures:
Total Cash Generated
Free Cash Flow

We consider
total cash
generated and
free cash flow
to be
important
measures of
comparative
operating
performance,
as our
principal
sources of
operating
liquidity are
cash from
operations and
proceeds from
the sale of
revenue
earning
equipment.
Total Cash
Generated:
Total cash
generated is
defined as the
sum of (1) net
cash provided
by operating
activities, (2)
net cash
provided by
the sale of
revenue
earning
equipment
and (3)
operating

property and equipment, (4) collections on direct finance leases and (5) other cash inflows from investing activities. We believe total cash generated is an important measure of total cash flows generated from our ongoing business activities. Free Cash Flow: We refer to the net amount of cash generated from operating activities and investing activities (excluding changes in restricted cash and acquisitions) from continuing operations as “free cash flow”. We calculate free cash flow as the sum of (1) net cash provided by operating activities, (2) net cash provided by

the sale of
revenue
earning
equipment
and (3)
operating
property and
equipment, (4)
collections on
direct finance
leases and (5)
other cash
inflows from
investing
activities, less
(6) purchases
of property
and revenue
earning
equipment.
We believe
free cash flow
provides
investors with
an important
perspective on
the cash
available for
debt service
and for
shareholders,
after making
capital
investments
required to
support
ongoing
business
operations.
Our
calculation of
free cash flow
may be
different from
the calculation
used by other
companies
and, therefore,
comparability
may be
limited.

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Additional information regarding non-GAAP financial measures can be found in the Press Release and our most recent Form 10-K and Form 10-Q filed with the SEC.

The information in this Report, including Exhibit 99.1, is being furnished pursuant to Item 2.02 of Form 8-K and General Instruction B.2 thereunder and shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as expressly set forth by specific reference to such filing.

Item 7.01 Regulation FD Disclosure

The Company is hosting a conference call and webcast on February 2, 2017 during which we will make a presentation on our financial results for the three and twelve months ended December 31, 2016 (the Presentation). The Presentation has been made available on our website at <http://investors.ryder.com>.

Item 9.01(d) Exhibits

The following exhibit is furnished as part of this report on Form 8-K:

Exhibit 99.1 Press release, dated February 2, 2017, relating to Ryder System, Inc.'s financial results for the three and twelve months ended December 31, 2017.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 2, 2017 RYDER SYSTEM, INC.
(Registrant)
By: /s/ Art A. Garcia
Art A. Garcia, Executive Vice President
and Chief Financial Officer