

RYDER SYSTEM INC
Form 8-K
October 26, 2018

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): October 26, 2018

RYDER SYSTEM, INC.

(Exact name of registrant as specified in its charter)

Florida 1-4364 59-0739250

(State or other jurisdiction (Commission (I.R.S. Employer
of incorporation) File Number) Identification No.)

11690 NW 105th Street 33178

Miami, Florida

(Address of principal executive offices) (Zip Code)

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition

On October 26, 2018, we issued a press release reporting our financial results for the three months ended September 30, 2018 (the “Press Release”). We will also host a conference call and webcast on October 26, 2018 during which we will make a presentation on our financial results for the three months ended September 30, 2018 (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:

Operating Revenue Measures:

Operating Revenue	Operating revenue is
FMS Operating Revenue	defined as total
DTS Operating Revenue	revenue for
SCS Operating Revenue	Ryder System, Inc. or each
FMS EBT as a % of FMS Operating Revenue	business segment (FMS, DTS and SCS), respectively,
DTS EBT as a % of DTS Operating Revenue	excluding any (1) fuel and (2)
SCS EBT as a % of SCS Operating Revenue	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.

Comparable Earnings Measures:

Comparable earnings before income tax (EBT)

Comparable
EBT,

Comparable earnings

comparable
earnings,

Comparable earnings per diluted common share (EPS)

comparable
EPS,

Comparable EPS Forecast

comparable
EPS forecast

Comparable Tax Rate

and comparable
tax rate are
defined,

respectively, as
GAAP EBT,
earnings, EPS,
EPS forecast
and effective
tax rate, all

from
continuing
operations,
excluding (1)
non-operating
pension costs
and (2) any
other 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
items that are
not
representative
of our business
operations.
These other
items vary from
period to period
and, in some
periods, there
may be no such
items. In this

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

(1) Goodwill
impairment: In
the first quarter
of 2018, we
recorded an
impairment
charge for all
goodwill in the
FMS Europe
reporting unit.

(2) Tax
Reform-related
and other tax
adjustments: In
the three and
nine months
ended
September 30,
2018, we
recorded Tax
Reform-related
professional
fees and the net
benefit of
adjustments
related to the
Tax Reform
one-time
employee
bonus accrued
as of December
31, 2017. In the
first quarter of
2018, we
determined that
certain

uncertain tax positions should have been reversed in prior periods when the statutes of limitations expired and recorded a benefit to our provision for income taxes. In the second quarter of 2018, we also recorded an adjustment to increase the provisional estimate related to the one-time transition tax under Tax Reform and a deferred tax liability adjustment related to the prior provisional estimate from Tax Reform. In the second quarter of 2018, several states enacted changes to their tax systems, which decreased the provision for income taxes. In the third quarter of 2018, we recorded a tax benefit for an additional state law change and an

additional
benefit to our
provision for
income taxes.
In the third
quarter of 2017,
the state of
Illinois enacted
changes to their
tax system,
which increased
the provision
for income
taxes.

(3)
Restructuring
and other, net:
In the second
quarter of 2018,
we committed
to a plan to
shutdown our
Singapore
business
operations and
recognized
employee
termination
costs in third
quarter of 2018
and the nine
months ended
September 30,
2018. In the
three and nine
months ended
September 30,
2018, our
results reflect
acquisition
transaction
costs and
restructuring
charges. We
also recorded
restructuring
and other
charges,
primarily
related to

professional fees and adjustments related to the restructuring accrual recorded as of December 31, 2017. During the three and nine months ended September 30, 2018, we realized restructuring credits related to the gains on sale of certain UK facilities that were closed as part of prior year restructuring activities. In the third quarter of 2017, we recorded consulting fees associated with a cost-savings program partially offset by restructuring credits related to the gains on sale of certain UK facilities realized during the second quarter of 2017.

(4) Operating tax adjustment: In the first quarter of 2017, we recorded a one-time charge related to operating tax expenses from

prior periods
that had not
been recognized
in prior period
earnings.

(5) Pension
settlement
charge: In the
third quarter of
2017, we
recorded an
estimated
pension
settlement
charge for the
exit from a U.S.
multi-employer
pension plan.

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.

Comparable Earnings Before Interest, Taxes, Depreciation and Amortization

Comparable
EBITDA is
defined as
earnings from
continuing
operations, net

of tax, first
adjusted to
exclude the
following items,
all from
continuing
operations: (1)
non-operating
pension costs
and (2) any
other items that
are not
representative
of our business
operations
(these items are
the same items
that are
excluded from
comparable
earnings
measures for
the relevant
periods and are
described under
Comparable
Earnings
Measures
above) and then
adjusted further
for (1) interest
expense, (2)
income taxes,
(3)
depreciation,
(4) losses from
used vehicle
fair value
adjustments and
(5)
amortization.

We believe
comparable
EBITDA
provides
investors with
useful
information, as
it is a standard
measure

commonly reported and widely used by analysts, investors and other interested parties to measure financial performance and our ability to service debt and meet our payment obligations. In addition, we believe that the inclusion of comparable EBITDA provides consistency in financial reporting and enables analysts and investors to perform meaningful comparisons of past, present and future operating results. Other companies may calculate comparable EBITDA differently; therefore, our presentation of comparable EBITDA may not be comparable to similarly-titled measures used by other companies.

Comparable
EBITDA

should not be considered as an alternative to earnings from continuing operations before income taxes or earnings from continuing operations determined in accordance with GAAP, as an indicator of the Company's operating performance, as an alternative to cash flows from operating activities, determined in accordance with GAAP, as an indicator of cash flows, or as a measure of liquidity.

Adjusted 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 Return on Average Capital (ROC)

Adjusted ROC Spread

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

Free Cash Flow Forecast

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 operating
property and
equipment, (3)
collections on direct
finance leases and (4)
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 operating
property and
equipment, (3)

collections on direct
finance leases and (4)
other cash inflows
from investing
activities, less (5)
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.

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.

Item 7.01 Regulation FD Disclosure

The Company is hosting a conference call and webcast on October 26, 2018 during which we will make a presentation on our financial results for the three months ended September 30, 2018 (the Presentation). The Presentation has been made available on our website at <http://investors.ryder.com>.

The information in this Report, including Exhibit 99.1 and 99.2, are being furnished pursuant to Item 2.02 and 7.01 of Form 8-K, respectively, 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 9.01(d) Exhibits

The following exhibits are furnished as part of this report on Form 8-K:

Exhibit 99.1 Press Release, dated October 26, 2018, relating to Ryder System, Inc.'s financial results for the three months ended September 30, 2018.

Exhibit 99.2 Presentation for Third Quarter 2018 Earnings Conference Call held on October 26, 2018.

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: October 26, 2018 RYDER SYSTEM, INC.
(Registrant)
By: /s/ Art A. Garcia
Art A. Garcia, Executive Vice President
and Chief Financial Officer