

RYDER SYSTEM INC
Form 8-K
July 25, 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): July 25, 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 July 25, 2018, we issued a press release reporting our financial results for the three months ended June 30, 2018 (the “Press Release”). We will also host a conference call and webcast on July 25, 2018 during which we will make a presentation on our financial results for the three months ended June 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
FMS Operating Revenue	revenue is
DTS Operating Revenue	defined as total
SCS Operating Revenue	revenue for
FMS EBT as a % of FMS Operating Revenue	Ryder System,
DTS EBT as a % of DTS Operating Revenue	Inc. or each
SCS EBT as a % of SCS Operating Revenue	business
	segment (FMS,
	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.

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 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) Uncertain tax position adjustment: In 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.

(3) Tax

Reform-related and other tax adjustments:

In the three and six months ended June 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, and professional fees.

In the first and second quarter of 2018, we also recorded an adjustment to increase the provisional estimate related to the one-time transition tax under Tax Reform.

In the six months ended June 30, 2018, we recorded a deferred tax liability adjustment related to the prior provisional estimate from Tax Reform. In the second quarter of 2018, the states of Iowa, Kentucky, Maryland and Missouri enacted changes to their tax systems, which decreased the provision for income taxes.

(4) Restructuring and other, net: In the second quarter of 2018, we recorded restructuring and other, net related to employee termination costs in connection with the planned

shutdown of our Singapore operations and professional fees, partially offset by gains on the sales of properties closed as part of our 2017 restructuring plan and adjustments to restructuring charges recorded in 2017. In the three and six months ended June 30, 2018, our results reflect acquisition transaction costs and restructuring charges. During the first quarter of 2018, we 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 second quarter of 2017, we realized restructuring credits related to the gains on sale of certain UK facilities that were closed as part of prior year restructuring activities.

(5) Operating tax adjustment: In the first quarter of 2017, it was determined that certain operating tax expenses related to prior periods had not been recognized in prior period earnings, resulting in a one-time charge to reflect those expenses.

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 We consider
Free Cash Flow total cash
Free Cash Flow Forecast 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.

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

Edgar Filing: RYDER SYSTEM INC - Form 8-K

The Company is hosting a conference call and webcast on July 25, 2018 during which we will make a presentation on our financial results for the three months ended June 30, 2018 (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:

Press Release, dated July 25, 2018, relating to Ryder System, Inc.'s financial results for the three months ended June 30, 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: July 25, 2018 RYDER SYSTEM, INC.
(Registrant)
By: /s/ Art A. Garcia
Art A. Garcia, Executive Vice President
and Chief Financial Officer