

RYDER SYSTEM INC
Form 10-K
February 21, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 1-4364

RYDER SYSTEM, INC.

(Exact name of registrant as specified in its charter)

Florida 59-0739250
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
11690 N.W. 105th Street, (305) 500-3726
Miami, Florida 33178
(Address of principal executive offices, including zip code) (Telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Title of each class Name of exchange on which registered
Ryder System, Inc. Common Stock (\$0.50 par value) New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company 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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO
The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the price at which the common equity was sold at June 30, 2018 was \$3,793,693,333. The

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number of shares of Ryder System, Inc. Common Stock (\$0.50 par value per share) outstanding at January 31, 2019 was 53,116,787.

Documents Incorporated by Reference into this Report	Part of Form 10-K into which Document is Incorporated
Ryder System, Inc. 2018 Proxy Statement	Part III

RYDER SYSTEM, INC.
FORM 10-K ANNUAL REPORT
TABLE OF CONTENTS

	Page No.
<u>PART I</u>	
<u>ITEM 1 Business</u>	<u>1</u>
<u>ITEM 1A Risk Factors</u>	<u>13</u>
<u>ITEM 1B Unresolved Staff Comments</u>	<u>23</u>
<u>ITEM 2 Properties</u>	<u>23</u>
<u>ITEM 3 Legal Proceedings</u>	<u>23</u>
<u>ITEM 4 Mine Safety Disclosures</u>	<u>23</u>
<u>PART II</u>	
<u>ITEM 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>24</u>
<u>ITEM 6 Selected Financial Data</u>	<u>26</u>
<u>ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
<u>ITEM 7A Quantitative and Qualitative Disclosures About Market Risk</u>	<u>69</u>
<u>ITEM 8 Financial Statements and Supplementary Data</u>	<u>70</u>
<u>ITEM 9 Changes In and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>127</u>
<u>ITEM 9A Controls and Procedures</u>	<u>127</u>
<u>ITEM 9B Other Information</u>	<u>127</u>
<u>PART III</u>	
<u>ITEM 10 Directors, Executive Officers and Corporate Governance</u>	<u>127</u>
<u>ITEM 11 Executive Compensation</u>	<u>127</u>
<u>ITEM 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>128</u>
<u>ITEM 13 Certain Relationships and Related Transactions, and Director Independence</u>	<u>128</u>
<u>ITEM 14 Principal Accountant Fees and Services</u>	<u>128</u>
<u>PART IV</u>	
<u>ITEM 15 Exhibits and Financial Statement Schedules</u>	<u>129</u>
<u>Exhibit Index</u>	<u>130</u>
<u>SIGNATURES</u>	<u>134</u>

PART I

ITEM 1. BUSINESS

OVERVIEW

Ryder System, Inc. (Ryder) is a global leader in transportation and supply chain management solutions. Our operating segments are aggregated into reportable business segments based upon similar economic characteristics, products, services, customers and delivery methods. We report our financial performance based on three business segments: (1) Fleet Management Solutions (FMS), which provides full service leasing and leasing with flexible maintenance options, commercial rental, and contract or transactional maintenance services of trucks, tractors and trailers to customers principally in the U.S., Canada and the U.K.; (2) Dedicated Transportation Solutions (DTS), which provides turnkey transportation solutions in the U.S. that includes dedicated vehicles, drivers and engineering and administrative support; and (3) Supply Chain Solutions (SCS), which provides integrated logistics solutions, including distribution, management, dedicated transportation and professional services primarily in North America. Dedicated transportation services provided as part of an integrated, multi-service, supply chain solution to SCS customers are reported in the SCS business segment.

MISSION AND STRATEGY

Ryder's mission is to provide innovative fleet management and supply chain solutions that are reliable, safe and efficient, enabling our customers to deliver on their promises. We seek to deliver valuable solutions that will compel customers to outsource their fleet management and supply chain needs to us. Our primary strategy is to grow our fleet management and supply chain outsourcing services by targeting private fleets not currently outsourcing their fleet-related services (FMS and DTS), and companies who have outsourced to other providers by offering innovative solutions, operational excellence, best in class talent and information technology. This strategy is supported by:

- offering innovative products, solutions and support services that will create and strengthen customer relationships;
- delivering operational excellence through continuous productivity and process improvements;
- attracting, developing and retaining the best talent; and
- deploying technology that will enable growth while improving operational efficiencies.

INDUSTRY AND OPERATIONS

Fleet

Management

Solutions

Value Proposition

Through our FMS business, we provide our customers with a variety of fleet solutions that are designed to improve their competitive position. By outsourcing these services to us, our customers can focus on their core business, improve their efficiency and productivity, and lower their costs. Our FMS product offering is comprised of full service leasing as well as leasing with flexible maintenance options; shorter-term commercial truck rental; contract or transactional maintenance services; and value-added fleet support services such as insurance, vehicle administration and fuel services. In addition, we provide our customers the ability to purchase a large selection of used trucks, tractors and trailers through our used vehicle sales program. FMS also provides maintenance, fuel and other services for all vehicles used in DTS and SCS.

Market Trends

The U.S. commercial fleet market is estimated to include 8.5 million vehicles, of which 4.3 million vehicles are with privately held companies, 1.6 million vehicles are with for-hire carriers, 0.5 million vehicles are leased from banks or other financial institutions, and 0.9 million vehicles are in the lease and rental market⁽¹⁾. The 4.3 million vehicles privately owned by companies provide all or a portion of the transportation services for themselves rather than outsourcing those services to third parties such as Ryder.

The Canadian commercial fleet is estimated at 500,000 vehicles, of which approximately 20,000 vehicles are in the lease and rental market⁽²⁾. In the U.K., the commercial rental and lease market is estimated at 232,000 units⁽³⁾. The total lease and rental market in Ryder's major markets totals over 1 million units.

Several trends have been increasing the need for outsourcing: increased demand for efficiency and reliability; increased complexity and cost of buying and maintaining vehicles including technology, diagnostics, and training; labor issues including a shortage of qualified truck drivers and mechanics; as well as increased regulation and enforcement of safety requirements. Because of these trends, we believe that privately held fleets and the for-hire carriers will increasingly decide to outsource. Ryder also targets customers who are already outsourcing with other providers.

Given such trends as well as our success in converting owners to outsourcing, we believe that the total market potential for Ryder is significantly higher.

Over the last several years, many key trends have been reshaping the transportation industry. Companies that own and manage their own fleet of vehicles have put greater emphasis on the quality of their preventive maintenance and safety programs because of increased demand for efficiency and reliability. The maintenance and operation of commercial vehicles has become more complicated and expensive, requiring companies to spend a significant amount of time and money to keep up with new technology, diagnostics, retooling and training. Increased regulation and active enforcement efforts by federal and state governments require more stringent and costly operational processes and oversight. Fluctuating energy prices and alternative fuel technologies make it difficult for businesses to predict and manage fleet costs. There has also been a tightening of capacity with respect to the U.S. trucking market. We believe these trends increase the value of our product offering.

Operations

For the year ended December 31, 2018, our global FMS business accounted for 56% of our consolidated revenue.

United States. Ryder was founded in the U.S. in 1933. Our FMS customers in the U.S. range from small businesses to large national enterprises operating in a wide variety of industries, the most significant of which are transportation and warehousing, food and beverage, housing, business and personal services, and industrial. At December 31, 2018, we had 538 operating locations, excluding ancillary storage locations, in 50 states and Puerto Rico. A location consists of a maintenance facility or "shop". Our maintenance facilities typically include a shop for preventive maintenance and repairs, a service island for fueling, safety inspections and preliminary maintenance checks, offices for sales and other personnel, and in many cases, a commercial rental vehicle counter. We also operate on-site at 170 customer locations, which primarily provide vehicle maintenance.

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Canada. We have been operating in Canada for over 50 years. At December 31, 2018, we had 34 operating locations throughout 9 Canadian provinces. We also operated 14 maintenance facilities on-site at customer properties in Canada.

Europe. We began operating in the U.K. in 1971. At December 31, 2018, we had 53 operating locations primarily throughout the U.K. We also managed a network of 414 independent maintenance facilities in the U.K. to serve our customers

(1)U.S. Fleet as of September 2018, Class 3-8, IHS Markit Ltd. (formerly RL Polk)

(2)Canada Outsourced Fleet Market as of September 2018, Class 3-8, IHS Markit Ltd. (formerly RL Polk)

(3) U.K. Lease and Rental HGV Market, Projection for December 2018, Source: The Society of Motor Manufacturers & Traders (SMMT) 2010 & Ryder Internal Estimates

when it is more effective than providing the service in a Ryder location. In addition to our typical FMS operations, we supply and manage vehicles, equipment and personnel for military organizations in the U.K. and Germany.

FMS Product Offerings

ChoiceLease. Our lease offering, ChoiceLease, provides customers with vehicles, maintenance services, supplies, and related equipment necessary for operation of the vehicles while our customers furnish and supervise their own drivers and dispatch and exercise control over the vehicles. The ChoiceLease offering allows customers to select the terms of their lease alongside the level of maintenance they prefer, from full service or total bumper-to-bumper coverage to on-demand or pay-as-you-go maintenance. Our ChoiceLease customers receive the following benefits: We are able to leverage our vehicle buying power for the benefit of our customers because we purchase a large number of vehicles from a limited number of manufacturers. Once we have signed an agreement with the customer, we acquire vehicles and components that are custom engineered to the customer's requirements and lease the vehicles to the customer for periods generally ranging from three to seven years for trucks and tractors and typically ten years for trailers.

We offer ChoiceLease customers a complete maintenance program designed to reduce vehicle downtime through a preventive maintenance plan that is based on vehicle type and time or mileage intervals. Alternatively, we offer flexible maintenance options to our customers designed to provide them with choices on their preferred level of maintenance. Given our continued focus on improving the efficiency and effectiveness of our maintenance services, particularly in light of changing technology and increased regulation, we provide our ChoiceLease customers with a cost effective alternative to maintaining their own fleet of vehicles and the flexibility to choose the maintenance program that works for them.

Our customers have access to our extensive network of maintenance facilities and trained technicians for maintenance, vehicle repairs, 24-hour emergency roadside service, and replacement vehicles for vehicles that are temporarily out of service.

We typically retain vehicle residual risk exposure.

Customers have an opportunity to enhance their standard lease with additional fleet support services including our fuel and related services as described below; liability insurance coverage under our existing insurance policies and related insurance services; safety services including safety training, driver certification and loss prevention consulting; vehicle use and other tax reporting, permitting and licensing, and regulatory compliance (including hours of service administration); environmental services; and access to RydeSmart[®], a full-featured GPS fleet location, tracking, and vehicle performance management system and to our web-based fleet tool that provides customers with 24/7 access to key operational and maintenance management information about their fleets.

For the year ended December 31, 2018, ChoiceLease revenue accounted for 54% of our FMS total revenue.

Commercial Rental. We offer rental customers that have a need to supplement their private fleet of vehicles on a short-term basis (one day up to one year in length), either because of seasonal increases in their business or discrete projects with additional transportation resources. ChoiceLease customers also utilize our commercial rental fleet to handle their peak or seasonal business needs, as substitute vehicles while their lease vehicles are undergoing maintenance, and while they are awaiting delivery of new lease vehicles. Although a portion of our commercial rental business is purely occasional in nature, we focus on building long-term relationships with customers so that we become their preferred source for commercial vehicle rentals. Our rental representatives assist in selecting a vehicle that satisfies a customer's needs and supervise the rental process, which includes execution of a rental agreement and a vehicle inspection. In addition to vehicle rental, we may extend liability insurance coverage under our existing policies to our rental customers as well as the benefits of cost savings and convenience of our comprehensive fuel services program. For the year ended December 31, 2018, commercial rental revenue accounted for 18% of our FMS total revenue.

SelectCare. Through our SelectCare product line, we provide maintenance services to customers who do not choose to lease vehicles from us. Our SelectCare customers commit to utilizing our extensive network of maintenance facilities and trained technicians to maintain the vehicles they own or lease from third parties. There are several bundles of services available to SelectCare customers including full service contract maintenance, preventive only maintenance and on-demand. We can also customize the services to include fleet support services. Vehicles covered

under this offering are typically serviced at our own facilities. However, based on the size and complexity of a customer's fleet, we may operate an on-site maintenance facility at the customer's location. Additionally, our lease and contract maintenance customers periodically require additional maintenance and repair services that are not included in their lease or contract maintenance agreements. For example, additional maintenance and repair services may arise when a customer damages a leased vehicle. In addition, we may also provide service on customer-owned vehicles and charge the customer on an hourly basis for work performed. By servicing all of our customers'

3

maintenance needs, we create stronger, long-term relationships and have greater opportunity to provide customers with a wide range of outsourcing solutions. For the year ended December 31, 2018, SelectCare revenue accounted for 10% of our FMS total revenue.

The following table provides information regarding the number of vehicles and customers by FMS product offering at December 31, 2018:

	U.S.		Foreign		Total	
	Vehicles	Customers	Vehicles	Customers	Vehicles	Customers
ChoiceLease	124,700	11,900	24,600	2,300	149,300	14,200
Commercial rental ⁽¹⁾	35,800	30,800	6,800	5,400	42,600	36,200
SelectCare ⁽²⁾	50,300	1,800	6,000	300	56,300	2,100

(1) Commercial rental customers include customers who rented a vehicle for more than 3 days during the year and includes approximately 7,600 ChoiceLease customers

(2) SelectCare customers include approximately 1,035 ChoiceLease customers

We also contract with large private fleet operators and for-hire carriers to provide maintenance on demand, particularly in geographic areas where these customers do not have their own maintenance operations. The contract for on-demand maintenance services is based on a maintenance program that is designed to meet the customer's specific needs and all maintenance is performed only when and as requested by the customer. This product allows us to expand our customer base to include customers that have traditionally chosen to own and maintain their fleet of vehicles.

Fuel Services. We provide our FMS customers with access to diesel fuel at competitive prices at approximately 460 of our maintenance facilities across the United States and Canada. We also provide fuel services such as fuel planning, fuel tax reporting, centralized billing, fuel cards and fuel monitoring. Although fuel sales do not have a significant impact on our FMS earnings, as it is largely a pass-through cost to customers, we believe allowing customers to leverage our fuel buying power is a significant and valuable benefit to our customers. For the year ended December 31, 2018, fuel services revenue accounted for 16% of our FMS total revenue.

Used Vehicles. We primarily sell our used vehicles at one of our 53 retail sales centers throughout North America (14 of which are co-located at an FMS shop), at our branch locations or through our website at www.Usedtrucks.Ryder.com. Typically, before we offer used vehicles for sale, our technicians ensure that the vehicles are Road Ready[®], which means that they have passed a comprehensive, multi-point performance inspection based on specifications formulated through our maintenance program. Our retail sales centers throughout North America allow us to leverage our maintenance expertise and strong brand reputation to realize higher sales proceeds than in the wholesale market. Given our focus on maximizing sales proceeds, we generally sell our used vehicles through retail centers for prices in excess of book value. However, the extent to which we are able to realize a gain on the sale of used vehicles is dependent upon various other factors, including the general state of the used vehicle market, the supply and demand for used commercial vehicles in retail and wholesale markets, the age and condition of the vehicle at the time of its disposal and vehicle depreciation estimates. In recent years, the general state of the used vehicle sales market has been particularly challenging, which has required us to sell many of our used vehicles below book value.

FMS Business Strategy

Our FMS business strategy is to be the leading provider of fleet management outsourcing services for light, medium and heavy duty commercial highway vehicles. This strategy revolves around the following interrelated goals and priorities:

Drive profitable fleet growth by (1) successfully implementing sales and marketing initiatives designed to compel private fleet operators and for-hire carriers to outsource all or some portion of their fleet management needs to us; (2) offering innovative products, solutions and support services that will create and strengthen new and existing customer relationships; and (3) completing targeted acquisitions;

Deliver a consistent, industry-leading and cost-effective maintenance program to our customers through continued process improvement and re-design, productivity initiatives and technology improvements allowing us to obtain new business, including from our competitors; and

• Optimize asset utilization and management, particularly with respect to our rental fleet, used vehicle operations and maintenance facility infrastructure.

Successfully driving our fleet growth strategy will require significant capital investments in lease and commercial rental vehicles. As a result, during periods of significant growth, our free cash flow may be negative due to capital outlay upfront to purchase vehicles that are leased over 3 to 10 year periods.

Competition

As an alternative to using our fleet management services, companies may choose to provide these services for themselves or to obtain similar or alternative services from other third-party vendors.

Our FMS business segment competes with companies providing similar services on a national, regional and local level. Many regional and local competitors provide services on a national level through their participation in various cooperative programs. We compete with finance lessors, truck and trailer manufacturers and independent dealers who provide full service lease products, finance leases, extended warranty maintenance, rental and other transportation services. We compete with other companies based on factors such as price, geographic coverage, equipment, maintenance, and service. With the growth of our on-demand maintenance product, we also face competition from managed maintenance providers who are hired to coordinate and manage the maintenance of large fleets of vehicles through a network of third-party maintenance providers. Value-added differentiation of the ChoiceLease, SelectCare and commercial rental services, as well as continued commitment to offer innovative products and solutions, such as natural gas and electric vehicles, have been and will continue to be our focus.

Dedicated

Transportation

Solutions

Value Proposition

Through our DTS business segment, we combine equipment, maintenance, drivers, administrative services and additional services to provide customers with a dedicated transportation solution that is designed to increase their competitive position, improve risk management and integrate their transportation needs with their overall supply chain. Such additional services include routing and scheduling, fleet sizing, safety, regulatory compliance, risk management, technology and communication systems support, including on-board computers and other technical support. These additional services allow us to mitigate, on behalf of our customers, labor challenges associated with maintaining a private fleet of vehicles, such as driver recruitment and retention, government regulation, including electronic logging devices and hours of service regulations, Department of Transportation (DOT) audits and workers' compensation. Our DTS solution offers a high degree of specialization to meet the needs of customers with sophisticated service requirements such as tight delivery windows, high-value or time-sensitive freight distribution, closed-loop distribution, multi-stop shipments, specialized equipment and integrated transportation needs.

Market Trends

The U.S. dedicated contract carriage market is estimated to be \$16 billion⁽¹⁾ from an addressable market of approximately \$400 billion⁽²⁾. This market is affected by many of the same trends that impact our FMS business, including the tightening of capacity in the current U.S. trucking market. The administrative requirements relating to regulations issued by the DOT regarding driver screening, training and testing, as well as record keeping and other costs associated with the hours of service requirements, make our DTS product an attractive alternative to private fleet and driver management. With the changes in the regulatory environment, including the electronic logging device mandate that became effective in late 2017, there continues to be increased pressure on the availability of qualified truck drivers, whose supply continues to tighten, and shippers continue to seek dedicated capacity from quality transportation and logistics providers. In addition, market demand for just-in-time delivery creates a need for well-defined routing and scheduling plans that are based on comprehensive asset utilization analysis and fleet rationalization studies offered as part of our DTS services.

Operations/Product Offerings

For the year ended December 31, 2018, our global DTS business accounted for 16% of our consolidated revenue. At December 31, 2018, we had 193 DTS customer accounts in the U.S. Because it is highly customized, our DTS product is particularly attractive to companies that operate in industries that have time-sensitive deliveries or special handling requirements, as well as companies who require specialized equipment. DTS accounts typically operate in a limited geographic area, and, therefore, most of the drivers assigned to these accounts are short haul drivers, meaning they return home at the end of each work day, which helps with driver retention. Although a significant portion of our DTS operations are located at customer facilities, our DTS business also utilizes and benefits from our extensive network of FMS facilities, including the FMS maintenance network that services all vehicles used in DTS solutions.

In order to customize an appropriate DTS transportation solution for our customers, our DTS logistics specialists perform a transportation analysis using advanced logistics planning and operating tools. Based on this analysis, they formulate a logistics design that includes the routing and scheduling of vehicles, the efficient use of vehicle capacity and overall asset utilization. The goal of each customized plan is to create a distribution system that optimizes freight flow while meeting a

(1) Armstrong & Associates - Third-Party Logistics Market Results and Trends for 2018, June 2018

(2) Addressable market as of September 2018, Class 3-8, IHS Markit Ltd. (formerly RL Polk) & Ryder Internal Estimates

5

customer's service goals. A team of DTS transportation specialists can then implement the plan by leveraging the resources, expertise and technological capabilities of both our FMS and SCS businesses.

To the extent a distribution plan includes multiple modes of transportation (air, rail, sea and highway), our DTS team, in conjunction with our SCS transportation specialists, selects appropriate transportation modes and carriers, places the freight, monitors carrier performance and audits billing. In addition, through our SCS business, we can reduce costs and add value to a DTS customer's distribution system by aggregating orders into loads, looking for shipment consolidation opportunities and organizing loads for vehicles that are returning from their destination point back to their point of origin (backhaul).

DTS Business Strategy

Our DTS business strategy is to offer services to customers who need specialized equipment, specialized handling or integrated services. This strategy revolves around the following interrelated goals and priorities:

- Increase market share with customers in the energy and utility, metals and mining, retail, construction, dairy, and food and beverage industries;
- Leverage the support and talent of the FMS sales team to compel private fleet operators to outsource all or some of their transportation needs to us;
- Align the DTS business with other SCS product lines to create revenue opportunities and improve operating efficiencies in both segments; and
- Improve competitiveness in the non-specialized and non-integrated customer segments.

Competition

Our DTS business segment competes with other dedicated providers and truckload carriers servicing on a national, regional and local level. We compete with these companies based on a number of factors, including price, equipment options and features, maintenance, service and geographic coverage, driver availability and operations expertise. We are able to differentiate the DTS product offering by leveraging FMS and integrating the DTS services with those of SCS to create a more comprehensive transportation solution for our customers. Our strong safety record and focus on customer service also enables us to uniquely meet the needs of customers with high-value products that require specialized handling in a manner that differentiates us from truckload carriers.

Supply

Chain

Solutions

Value Proposition

Through our SCS business, we offer a broad range of innovative logistics management services that are designed to optimize customers' supply chain and address customers' key business requirements. The organization is aligned by industry verticals (Automotive, Technology and Healthcare, Consumer Packaged Goods and Retail, and Industrial) to enable our teams to focus on the specific needs of their customers. Our SCS product offerings are organized into four categories: dedicated services, distribution management, transportation management and professional services. These offerings are supported by a variety of information technology and engineering solutions that are an integral part of our SCS services. These product offerings can be provided independently or as an integrated solution to optimize supply chain effectiveness. A key aspect of our value proposition is our operational execution, which is an important differentiator in the marketplace.

Market Trends

Global logistics is an approximately \$9.6 trillion market, of which approximately \$968 billion is outsourced⁽¹⁾. Logistics spending in the markets we are targeting in North America equates to approximately \$2.1 trillion, of which \$238 billion is outsourced⁽¹⁾. Outsourced logistics is a market with significant growth opportunity. More sophisticated supply chain practices are required as supply chains expand and become more complex, and companies look for lower cost supply chain alternatives. In addition, disruptions from unexpected events such as natural disasters have caused companies to focus on risk management of their supply chains. The more complicated the supply chain or the product requirements, the greater the need for companies to utilize the expertise of supply chain solution providers.

Operations

For the year ended December 31, 2018, our global SCS business accounted for 29% of our consolidated revenue.

(1) Armstrong & Associates - Third-Party Logistics Market Results and Trends for 2018, June 2018

6

U.S. At December 31, 2018, we had 360 SCS customer accounts in the U.S., most of which are large enterprises that maintain large, complex supply chains. Most of our core SCS business operations are geographically located to maximize efficiencies and reduce costs. At December 31, 2018, managed warehouse space totaled approximately 47 million square feet. We also concentrate certain logistics expertise in locations not associated with specific customer sites. For example, our carrier procurement, contract management, freight bill audit and payment services, and transportation optimization and execution groups operate out of our logistics centers in Novi, Michigan and Fort Worth, Texas.

Mexico. At December 31, 2018, we had 118 SCS customer accounts and managed warehouse space totaling approximately 5 million square feet. Our Mexico operations offer a full range of SCS services and manage approximately 21,200 border crossings each month between Mexico and the U.S. and Canada, often highly integrated with our distribution and transportation operations.

Canada. At December 31, 2018, we had 44 SCS customer accounts and managed warehouse space totaling approximately 2.4 million square feet. Given the proximity of this market to our U.S. and Mexico operations, the Canadian operations are highly coordinated with their U.S. and Mexico counterparts, managing approximately 6,200 border crossings each month.

Singapore. At December 31, 2018, we had 51 SCS customer accounts and managed warehouse space totaling approximately 290,000 square feet. In the second quarter of 2018, we committed to a plan to shutdown our Singapore business operations in 2019.

SCS Product Offerings

Distribution Management. Our SCS business offers a wide range of services relating to a customer's distribution operations, from designing a customer's distribution network to managing distribution facilities. Services within the facilities generally include managing the flow of goods from the receiving function to the shipping function, coordinating warehousing and transportation for inbound and outbound material flows, handling import and export for international shipments, coordinating just-in-time replenishment of component parts to manufacturing and final assembly, and providing shipments to customer distribution centers or end customer delivery points, including support for e-commerce networks. Additional value-added services such as light assembly of components into defined units (kitting), packaging and refurbishment are also provided. For the year ended December 31, 2018, distribution management solutions accounted for 40% of our SCS revenue.

Dedicated Services. Dedicated services are offered as part of an integrated supply chain solution to our customers. We fulfill transportation needs for our customers with a combination of outside carriers and dedicated services. The dedicated services offering combines the equipment, maintenance, drivers and additional services to provide a customer with a dedicated transportation solution that, combined with outside transportation, is designed to increase their competitive position, improve risk management and integrate their transportation needs with their overall supply chain. Such additional services include routing and scheduling, fleet sizing, safety, regulatory compliance, risk management, technology and communication systems support including on-board computer, and other technical support. These additional services allow us to mitigate, on behalf of our customers, labor challenges associated with maintaining a private fleet of vehicles, such as driver recruitment and turnover, government regulation (including hours of service regulations), DOT audits and workers' compensation. Our dedicated services solution offers a high degree of specialization to meet the needs of customers with sophisticated service requirements such as tight delivery windows, high value or time-sensitive distribution, closed-loop distribution, multi-stop shipments, specialized equipment and integrated transportation needs. Dedicated services operations are located at our customer facilities, and our dedicated offering utilizes and benefits from our extensive network of FMS facilities, which provides maintenance for all Ryder vehicles used in SCS solutions. For the year ended December 31, 2018, approximately 34% of our SCS revenue was related to dedicated services.

Transportation Management. Our SCS business offers services relating to all aspects of a customer's transportation network. Our team of transportation specialists provides shipment planning and execution, which includes shipment optimization, load scheduling and delivery confirmation through a series of technological and web-based solutions. Our transportation consultants, including our freight brokerage department, focus on carrier procurement of all modes of transportation with an emphasis on truck-based transportation, rate negotiation, and freight bill audit and payment services. In addition, our SCS business provides customers with capacity management services that are designed to

meet backhaul opportunities and minimize excess miles. For the year ended December 31, 2018, we purchased or executed \$6.7 billion in freight moves on our customers' behalf. For the year ended December 31, 2018, transportation management solutions accounted for 13% of our SCS revenue.

Last Mile. On April 2, 2018, we acquired MXD Group, Inc. (MXD), an e-commerce fulfillment provider with a national network of facilities, including last mile delivery capabilities. The acquisition of MXD positions us as a competitive last mile delivery provider of big and bulky goods and significantly expands our e-commerce fulfillment capabilities. For the year ended December 31, 2018, last mile accounted for 7% of our SCS revenue.

Professional Services. In conjunction with providing the SCS core services described previously, our SCS business offers a variety of knowledge-based services that support every aspect of a customer's supply chain. Our SCS professionals are available to evaluate a customer's existing supply chain to identify inefficiencies as well as opportunities for integration and improvement. Once the assessment is complete, we work with the customer to develop a supply chain strategy that will create the most value for the customer and their target clients. Once a customer has adopted a supply chain strategy, our SCS logistics team, supported by functional experts and representatives from our information technology, real estate and finance groups, work together to design a strategically focused supply chain solution. The solution may include both a network design that sets forth the number, location and function of key components of the network and a transportation solution that optimizes the mode or modes of transportation and route selection. In addition to providing the distribution and transportation expertise necessary to implement the supply chain solution, our SCS representatives can coordinate and manage all aspects of the customer's supply chain provider network to assure consistency, efficiency and flexibility. For the year ended December 31, 2018, knowledge-based professional services accounted for 6% of our SCS revenue.

SCS Business Strategy

Our SCS business strategy is to offer our customers differentiated functional execution and proactive solutions from deep expertise in key industry verticals. The strategy revolves around the following interrelated goals and priorities:

- Provide customers with best in class execution and quality through reliable and flexible supply chain solutions;
- Develop innovative solutions and capabilities that drive value for our customer within our targeted industry verticals;
- Create a culture of innovation and collaboration to share capabilities and solutions to meet our clients' needs;
- Focus consistently on network optimization and continuous improvement; and
- Execute on targeted sales and marketing growth strategies.

Competition

As an alternative to using our services, most companies choose to internally manage their own supply chains and logistics operations, although some choose to obtain similar or alternative services from other third-party vendors. In the SCS business segment, we compete with a large number of companies providing similar services, each of which has a different set of core competencies. We compete with a handful of large, multi-service companies across all of our service offerings and industries. We also compete against other companies on specific service offerings (for example, in transportation management, distribution management or dedicated services) or with companies specializing in a specific industry. We face different competitors in each country or region where they may have a greater operational presence. We compete based on factors such as price, service offerings, market knowledge, expertise in logistics-related technology and overall performance (e.g. timeliness, accuracy, and flexibility).

ACQUISITIONS

In addition to our continued focus on organic growth, acquisitions play an important role in enhancing our growth strategy. In assessing potential acquisition targets in our FMS business segment, we look for companies that would create value through operating synergies, leveraging our existing facility infrastructure, improving our geographic coverage and diversifying our customer base. In our DTS business segment, we are focusing on strategies for growth, including acquisitions that enhance our technology capabilities, and expand our geographic density and vertical market sector. In our SCS business segment, we focus on adding capabilities and product offerings, potentially expanding into new industries, diversifying our customer base within our current industries, and improving our competitive position.

CYCLICALITY

Ryder's business is impacted by economic and market conditions. In a strong economic cycle, there is generally more demand for our fleet management, dedicated transportation and supply chain services. In a weak or volatile economy, demand for our services decreases and is considerably more unpredictable. Because of these factors, we have continued to focus on increasing the diversity of our customer base and strengthening our long-term business partnerships with our customers. Although we believe these efforts help mitigate the immediate impact of an economic downturn, during a protracted or severe economic downturn, customers are often unwilling to commit to a full-service lease or long-term supply chain contract. Because commercial rental and used vehicle sales are transactional, they are more cyclical in nature and are also heavily dependent on economic and market conditions, and results can vary significantly in both the short- and long-term. We mitigate some of the potential impact of an

economic downturn through a disciplined and centralized approach to asset management. This approach allows us to manage the size, mix and location of our operating fleet and used vehicle inventories to try and maximize asset utilization and used vehicle proceeds in both strong and weak market conditions.

ADMINISTRATION

Our financial administrative functions for the U.S. and Canada, including credit, billing and collections are consolidated into our Shared Services Center, a centralized processing center located in Alpharetta, Georgia. Our Shared Services Center also manages contracted third parties providing administrative finance and support services outside of the U.S. in order to reduce ongoing operating expenses and maximize our technology capabilities. This centralization results in more efficient and consistent centralized processing of selected administrative operations. Certain administrative functions are also performed at the Shared Services Center for our customers. The Shared Services Center's main objectives are to enhance customer service through process standardization.

REGULATION

Our business is subject to regulation by various federal, state, local and foreign governmental entities. The DOT and various federal and state agencies exercise broad powers over certain aspects of our business, generally governing such activities as authorization to engage in motor carrier operations, safety and financial reporting. The Federal Motor Carrier Safety Administration (FMCSA), under the DOT, manages a Compliance, Safety, Accountability initiative (known as "CSA"), partnering with state agencies designed to monitor and improve commercial vehicle motor safety, which uses roadside inspections and violations to measure motor carriers and drivers. The FMCSA also has regulations mandating electronic logging devices in commercial motor vehicles that impact various aspects of our dedicated, supply chain and rental businesses.

We are also subject to a variety of laws and regulations promulgated by national, state, provincial and local governments, including the U.S. Environmental Protection Agency and the Occupational Safety and Health Administration, which regulate safety, the management of hazardous materials, water discharges, air emissions, solid waste disposal and the release and cleanup of regulated substances. We must comply with licensing and other requirements imposed by the U.S. Department of Homeland Security and the U.S. Customs Service as a result of increased focus on homeland security and our Customs-Trade Partnership Against Terrorism certification. We may also become subject to new or more restrictive regulations imposed by these agencies or other authorities relating to carbon controls and reporting, engine exhaust emissions, drivers' hours of service, wage and hour requirements, security including data privacy and cyber security and ergonomics.

ENVIRONMENTAL

We have a long-standing commitment to sound environmental practices that reduce risk and build value for us and our customers. We have a history of adopting "green" designs and processes because they are efficient, cost-effective transportation solutions that improve our bottom line and bring value to our customers. We have maintained an environmental policy since 1991 and have updated it periodically as regulatory and customer needs have changed. Our environmental policy reflects our commitment to supporting the goals of sustainable development, environmental protection and pollution prevention in our business. We have adopted proactive environmental strategies that have advanced business growth and continued to improve our performance in ways that reduce emission outputs and environmental impact. Our environmental team works with operating employees to develop and administer programs in support of our environmental policy and to help ensure that environmental considerations are integrated into all business processes and decisions.

In establishing appropriate environmental objectives and targets for our wide range of business activities around the world, we focus on (1) the needs of our customers; (2) the communities in which we provide services; and (3) relevant laws and regulations. We regularly review and update our environmental management procedures, and information regarding our environmental activities is routinely disseminated throughout Ryder. We publish a Corporate Sustainability Report, which includes metrics related to our environmental and safety performance. The report is publicly available on the company website at www.ryder.com by clicking on About Us and then selecting Sustainability. In addition, we have voluntarily submitted an annual report to the Carbon Disclosure Project (CDP) since 2008, disclosing direct and indirect emissions resulting from our operations, and earned leadership status for the quality of our disclosure reporting, most recently for the report submitted in 2018 for the 2017 performance year.

SAFETY

Our safety culture is founded upon a core commitment to the safety, health and well-being of our employees, customers and the community, a commitment that has made us a long-standing industry leader in safety. Safety is an integral part of our business strategy because preventing injuries and collisions improves employee quality of life,

eliminates service disruptions to our customers, increases operational efficiency, and improves customer satisfaction. As a core value, our focus on safety is embedded in our day-to-day operations, reinforced by many safety programs and continuous operational improvement and supported by a talented and dedicated safety organization. We deploy relevant vehicle safety systems in the vehicles we operate, including active brake assistance, lane departure warning systems, stability control, and others, to enhance safety performance. We also install aftermarket safety monitoring systems that provide effective means for our operations teams to measure and improve driver performance, including in-vehicle

video event recorders. Training is also a key component of our safety program. Monthly safety training delivered by location safety committees cover specific and relevant safety topics and managers receive annual safety leadership training. In driving operations, we use certified driver trainers to on-board and train our drivers using first hand experienced certified driver trainers. Quarterly and remedial training is also delivered online to each driver through a highly interactive lesson platform. Regular safety behavioral observations are conducted by managers throughout the organization everyday and remedial training and coaching takes place on the spot. Our proprietary, web-based Safety Management System, RyderSafetyNetSM, delivers monthly proactive safety programs as well as safety compliance tasks tailored to every location monthly and helps measure safety activity effectiveness across the organization. Our safety policies require that all managers, supervisors and employees incorporate safe processes in all aspects of our business. Monthly safety scorecards are tracked and reviewed by management for progress toward key safety objectives.

EMPLOYEES

At December 31, 2018, we had approximately 39,600 full-time employees worldwide, of which 38,000 were employed in North America, 1,300 in Europe and 300 in Singapore. Currently we employ approximately 9,500 drivers and 6,300 technicians. We have approximately 25,500 hourly employees in the U.S., approximately 4,200 of which are organized by labor unions. Those employees organized by labor unions are principally represented by the International Brotherhood of Teamsters, the International Association of Machinists and Aerospace Workers and the United Auto Workers, and their wages and benefits are governed by 103 separate labor agreements which are renegotiated periodically. Although we have not experienced a material work stoppage or strike, these events can potentially occur given the types of businesses in which we currently engage. We consider the relationship with our employees to be good.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Position
Robert E. Sanchez	53	Chair and Chief Executive Officer
Art A. Garcia	57	Executive Vice President and Chief Financial Officer
Dennis C. Cooke	54	President, Global Fleet Management Solutions
John J. Diez	48	President, Dedicated Transportation Solutions
J. Steven Sensing	51	President, Global Supply Chain Solutions
Robert D. Fatovic	53	Executive Vice President, Chief Legal Officer and Corporate Secretary
John Gleason	62	Executive Vice President and Chief Sales Officer
Karen M. Jones	56	Executive Vice President and Chief Marketing Officer
Frank Lopez	44	Executive Vice President and Chief Human Resources Officer
Tim Fiore	63	Senior Vice President and Chief Procurement Officer
Rajeev Ravindran	53	Senior Vice President and Chief Information Officer
Frank Mullen	49	Vice President and Controller

Robert E. Sanchez was appointed Chair of Ryder's Board in May 2013 and promoted to Chief Executive Officer and became a Board member in January 2013. Previously, Mr. Sanchez served as President and Chief Operating Officer from February 2012 to December 2012. He served as President, Global Fleet Management Solutions from September 2010 to February 2012 and as Executive Vice President and Chief Financial Officer from October 2007 to September 2010. He also previously served as Executive Vice President of Operations, U.S. Fleet Management Solutions from October 2005 to October 2007 and as Senior Vice President and Chief Information Officer from January 2003 to October 2005. Mr. Sanchez joined Ryder in 1993 and has held various other positions of increasing responsibility, including leadership positions in all three of Ryder's business segments.

Art A. Garcia has served as Executive Vice President and Chief Financial Officer since September 2010. Previously, Mr. Garcia served as Senior Vice President and Controller from October 2005 to August 2010, and as Vice President and Controller from February 2002 to September 2005. Mr. Garcia joined Ryder in 1997 and has held various other positions within Corporate Accounting.

Dennis C. Cooke has served as President, Global Fleet Management Solutions since February 2012. Previously, Mr. Cooke served as Senior Vice President and Chief of Operations, U.S. and Canada Fleet Management Solutions from July 2011 to February 2012. Prior to joining Ryder in July 2011, Mr. Cooke held various positions with General Electric (GE) and related companies, including Vice President and General Manager of GE Healthcare's Global MRI business from 2000 to 2005. He then served as President and Chief Executive Officer of GE Security's Homeland Protection business from 2005 to 2009, and continued serving in those roles from 2009 to 2011 after the business was acquired by the Safran Group and became Morpho Detection, Inc.

John J. Diez has served as President of Dedicated Transportation Solutions since March 2015. Previously, Mr. Diez served as Senior Vice President of Ryder Dedicated from March 2014 to February 2015, and as Senior Vice President of Asset Management from January 2011 to February 2014. Mr. Diez joined Ryder's Finance department in 2002 and has since held various positions within Finance including Senior Vice President Global Field Finance and Vice President and Chief Financial Officer of Fleet Management Solutions.

J. Steven Sensing has served as President of Global Supply Chain Solutions since March 2015. Previously, Mr. Sensing served as Vice President and General Manager of the Technology industry group from February 2007 to February 2015. In July 2014, he also added the Retail industry group under his leadership. Mr. Sensing joined Ryder in 1992 and has since held various positions within Dedicated Services, Transportation Management and Distribution Management.

Robert D. Fatovic has served as Executive Vice President, Chief Legal Officer and Corporate Secretary since May 2004. He previously served as Senior Vice President, U.S. Supply Chain Operations, Hi-Tech and Consumer Industries from December 2002 to May 2004. Mr. Fatovic joined Ryder's Law department in 1994 as Assistant Division Counsel and has held various other positions within the Law department including Vice President and Deputy General Counsel.

John Gleason was appointed Executive Vice President and Chief Sales Officer in November 2015. Previously, Mr. Gleason served as Senior Vice President of Global Fleet Management Solutions from October 2009, when he joined Ryder, to October 2015. Prior to joining Ryder, Mr. Gleason served as Chief Sales Officer for Automatic Data Processing (ADP) from April 2005 to September 2009 and as Senior Vice President of Sales from July 1998 to April 2005.

Karen M. Jones has served as Executive Vice President and Chief Marketing Officer since October 2014. She joined Ryder in September 2013 as Senior Vice President and Chief Marketing Officer. Prior to joining Ryder, Ms. Jones was Chief Marketing Officer for NRG/Reliant Energy, Inc from 2010 to 2013. Previously, Ms. Jones served as Senior Vice President of Marketing and Corporate Communications for DHL Express U.S. from 2006 to 2009 and as Vice President of Advertising, Brand Management and Promotion from 2004 to 2006. In addition, Ms. Jones has served in key positions responsible for worldwide brand advertising, sponsorship, and strategic alliances for Hewlett Packard.

Frank Lopez was appointed as Executive Vice President and Chief Human Resources Officer in February 2018. Previously, Mr. Lopez held the positions of Chief Human Resources Officer since February 2016 and Senior Vice President, Global Human Resources Operations since July 2013. Mr. Lopez joined Ryder in 2002 and has since held various positions within the Human Resources, Labor Relations and Legal functions.

Timothy (Tim) Fiore was appointed Senior Vice President and Chief Procurement Officer in March of 2018. He previously held the same role from 2002 to 2005. Prior to his current role, Mr. Fiore was the Senior Vice President and Chief Procurement Officer of ThyssenKrupp NA, a manufacturer and supplier of automotive and industrial components and equipment, from 2012 until his retirement in 2014. In that role, he was responsible for developing and implementing ThyssenKrupp's first consolidated North American supply management program. He also serves as Chair of the Institute for Supply Management's Manufacturing Business Survey Committee since 2017. Over the course of his career, Mr. Fiore has also held senior supply management roles at Terex Corporation, Celanese Corporation, and United Technologies Corporation. Mr. Fiore holds a master's degree in business administration with a technology focus and a master's in management from Rensselaer Polytechnic Institute, as well as a bachelor's degree in history from the University of Massachusetts in Amherst.

Rajeev Ravindran joined Ryder and was appointed Senior Vice President and Chief Information Officer in January 2018. Mr. Ravindran has over 20 years of IT leadership experience and was previously the CIO and Group Vice President at JM Enterprises since 2012. Prior to JM, Mr. Ravindran worked in IT leadership roles at various companies including Interactive Metronome, Asista.com, and AutoNation. Mr. Ravindran has a degree in Electrical & Computer Engineering from the University of Miami.

Frank Mullen was appointed Vice President and Controller in September 2017. Mr. Mullen joined Ryder from Global Eagle Entertainment, a global provider of media, content, connectivity and data analytics, where he held the position of Senior Vice President and Chief Accounting Officer since 2016. From 2015 to 2016, he served as Vice President and Controller of Pinnacle Foods Inc., a manufacturer, marketer and distributor of branded food products. Prior to joining Pinnacle, Mr. Mullen held roles of increasing responsibility at Aramark, a provider of food service, facilities

and uniform services, from 2000 through 2015, including Vice President and Assistant Controller from 2014 to 2015 and Associate Vice President – Corporate Accounting from 2006 to 2014. Mr. Mullen began his career in the Audit & Assurance practice of Arthur Andersen LLP. He holds a Bachelor of Science degree in accounting from Villanova University and is a Certified Public Accountant.

FURTHER INFORMATION

For further discussion concerning our business, see the information included in Items 7 and 8 of this report. Industry and market data used throughout Item 1 was obtained through a compilation of surveys and studies conducted by industry sources, consultants and analysts.

We make available through the Investor Relations page on our website at www.ryder.com our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. The SEC maintains an Internet site that contains our reports, proxy and information statements, and our other SEC filings. The address of the SEC's website is www.sec.gov.

In addition, our Corporate Governance Guidelines, Principles of Business Conduct and Board committee charters are posted on the Corporate Governance page of our website at www.ryder.com. Upon request to our Investor Relations page on our website at www.ryder.com, we will provide a copy of these documents to anyone, free of charge.

ITEM 1A. RISK FACTORS

The following is a cautionary discussion of the material risks and uncertainties that management believes affect us. Any of the following risks, as well as risks that we do not know or currently deem immaterial, could have a material adverse effect on our business, financial condition or results of operations. Accordingly, you should carefully consider the following risk factors in conjunction with all of the other information set forth in or incorporated by reference in this Form 10-K.

Decreased customer demand for transportation services due to adverse economic conditions or competitive and other factors could adversely impact our business and operating results.

The transportation industry is highly cyclical and highly susceptible to trends in economic activity. Weakness or uncertainty in economic conditions in the United States, and to a lesser extent the other geographic markets in which we operate, could adversely impact our business and operating results. Our business relies on the strength of our customers' businesses and the level of confidence our customers have about current and future economic conditions and trends. Our vehicles are leased or rented to customers that transport goods commercially, so the demand for our products and services is tied directly to the production and sale of goods by our customers, and more generally, the health of the North American economy and overall levels of competition in the transportation and logistics industry. Because of this, our business may begin to slow before market slowdowns, at the point of customer uncertainty, and may recover later than market recoveries, as our customers may continue to feel uncertain about future market conditions. If uncertainty and lack of customer confidence around macroeconomic and transportation industry conditions increase, our future growth prospects, business and results of operations could be materially adversely affected.

Among our services and product offerings, demand for our longer-term contractual services is particularly susceptible to changes in economic and market conditions, as customers are often unwilling to commit to long-term lease, maintenance, dedicated services or supply chain contracts in a weak or volatile economy. Accordingly, any sustained weakness in demand or a protracted economic downturn can negatively impact performance and operating results in our longer-term contractual services, which include ChoiceLease and SelectCare contracts in our FMS business segment, dedicated services in our DTS business segment and supply chain and last mile delivery contracts in our SCS business segment.

We bear the residual risk on the value of our vehicles.

Impact on Used Vehicle Sales. We generally bear the residual risk on the value of our vehicles, which is the risk that we will not be able to resell our vehicles at a price equal to or above their expected residual values. If we overestimate a vehicle's residual value this could contribute to lower gains or losses on sales of our used vehicles. A decline in market demand for used vehicles would likely result in a reduction in our residual values. Factors that could contribute to a decline in the market demand for used vehicles include an oversupply of trucks in the marketplace, concerns regarding the real or perceived quality, maintenance or condition of our vehicles, foreign exchange movements, or changes in technology that render select vehicle technology obsolete. Beginning in the latter part of 2015 and continuing through 2018, we experienced a weakening of conditions in the used vehicle sales market, which adversely affected used vehicle sales volume and pricing, especially for tractors. If the market for used vehicles declines further, or there is a concern regarding the quality, maintenance or condition of our vehicles, we may obtain lower sales proceeds upon the sale of used vehicles, which would likely negatively impact the residual value estimates of our operating fleet. We sell our used vehicles through various channels, including retail sales centers, at our branch locations, through our website at www.UsedTrucks.Ryder.com, as well as through the wholesale market. Pricing and demand for used vehicles varies among selling channels, particularly between the retail and wholesale markets, as we generally obtain lower proceeds on vehicles sold through wholesale channels. If we are unable to meet our targeted sales goals and inventory levels through our projected sales mix of retail versus wholesale, we may be required to sell more vehicles than planned through the wholesale market, which will impact our sales proceeds.

Impact on our ChoiceLease Product Line. Changes in residual values also impact the overall competitiveness of our ChoiceLease product line, as estimated sales proceeds are a significant component of the overall price of the lease. Additionally, technology changes and sudden changes in supply and demand, competitor pricing, together with other market factors beyond our control, vary from year to year and from vehicle to vehicle, making it difficult to accurately predict residual values used in calculating our depreciation expense. Although we have developed disciplines related to the management and maintenance of our leased vehicles designed to maximize the value of our used vehicles, there is no assurance that these practices will sufficiently reduce the residual risk.

For a detailed discussion on our accounting policies and assumptions relating to depreciation and residual values, please see “Critical Accounting Estimates - Depreciation and Residual Value Guarantees” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Our profitability could be negatively impacted if our key operational assumptions and pricing structure prove to be invalid.

Substantially all of our DTS, ChoiceLease, SelectCare and SCS services are provided under contractual arrangements with our customers. These contractual arrangements include pricing terms that are subject to a number of key operational assumptions including, but not limited to:

- with respect to our DTS contracts, market wages, availability of labor, insurance rates and other operating costs that experience market fluctuations;

- with respect to our ChoiceLease and SelectCare contracts, maintenance expense, and residual values; and

- with respect to our SCS contracts, the scope of services, production volumes, operational efficiencies, the mix of fixed versus variable costs, productivity and other factors.

If we are incorrect in our assumptions, or, as a result of subsequent changes in customer demand or other market forces that are outside of our control, these assumptions prove to be invalid, we could have lower margins than anticipated in a contract or segment, lose business, or be unable to offer competitive products and services. For example, our DTS and SCS services are highly customized and offer a high degree of specialization to meet the needs of our customers. We may not be able to adjust the pricing terms in some of our DTS and SCS contracts in the event any of our assumptions prove to be incorrect or invalid. As a result, if we do not accurately predict the costs to us to execute the DTS or SCS contract, it could result in a significant decrease in revenue or loss on the contract that could adversely affect our operating results and financial condition. Additionally, although some of our DTS or SCS contracts provide for renegotiation upon a material change, there is no assurance that we will be successful in obtaining the necessary price adjustments.

Our capital intensive business requires us to make capital decisions based upon projected customer activity levels and market demand for our commercial rental product line.

We make significant investments in vehicles to support our rental business based on anticipated customer demand. We make commitments to purchase the vehicles many months in advance of the expected use of the vehicle and seek to optimize the size and mix of the commercial rental fleet based on demand projections and various other factors. As a result, our business is dependent on our ability to accurately estimate future levels of rental activity and consumer preferences to effectively capitalize on market demand in order to drive the highest levels of utilization and revenue per unit. Missing our projections could result in too much or too little capacity in our rental fleet. Overcapacity could require us to dispose of vehicles at lower than anticipated pricing levels or result in asset write-downs, and undercapacity could negatively impact our ability to reliably provide rental vehicles to our customers, each of which could result in lower revenues, higher costs and an adverse impact on profitability. We employ a sales force and operations team on a full-time basis to manage and optimize this product line; however, their efforts may not be sufficient to overcome unforeseen changes in market demand in the rental business. In contrast, in our ChoiceLease product line, we typically do not purchase vehicles until we have an executed contract with a customer.

We operate in a highly regulated industry, and changes in existing regulations or costs of compliance with, or liability for violation of, existing or future regulations could have a material adverse effect on our business.

Our business is subject to regulation by various federal, state, local and foreign governmental agencies. In the United States, we are regulated by the Department of Transportation (DOT) as well as local, state and federal agencies that exercise broad powers over our motor carrier operations, safety and the generation, handling, storage, treatment and disposal of waste materials. The Federal Motor Carrier Safety Administration (FMCSA), under the DOT, also manages a compliance and enforcement initiative partnering with state agencies designed to monitor and improve commercial vehicle motor safety. We are also subject to other regulations relating to our business, employees and customers, including labor and employment laws, international laws and regulations governing our foreign operations and environmental laws and regulations, among others.

Compliance with existing laws and regulations has involved, and we expect will continue to involve, significant time commitments and costs, and in recent years, we have seen an increase in proactive regulatory enforcement. In addition, new laws, rules or regulations may be adopted or interpretative changes to existing regulations could be

issued at any time. Any new initiatives could further increase our costs or operating complexity and our ability to offer certain services in the jurisdictions in which we operate.

Our failure to comply with any existing or future laws, rules or regulations to which we are, or may become subject, whether actual or alleged, could have a material adverse effect on our business and on our ability to access the capital required to

operate our business. Among other things, any such failure could expose us to reputational harm, loss of business, fines, penalties or potential litigation liabilities, including costs, settlements and judgments, as well as the loss of operating authority and restrictions on our operations. For example, the DOT periodically conducts compliance reviews to ensure compliance with its safety and other rules and regulations, and evaluates the safety rating assessed to motor carriers (“satisfactory”, “conditional” or “unsatisfactory”). The receipt of a final “conditional” or “unsatisfactory” safety rating due to deficiencies in our safety and compliance program could have a material adverse effect on our customer relationships, as some of our existing customer contracts require a “satisfactory” DOT safety rating. Moreover, if we fail to comply with DOT regulations, including our failure to maintain a “satisfactory” DOT safety rating, the DOT could levy fines and require us to cease all transportation services under our operating authority, which could have a material adverse effect on our business.

In addition, the FMCSA’s enforcement and compliance programs, designed to monitor and improve commercial motor vehicle safety by measuring the safety record of both the motor carrier and the driver, may shrink the industry’s pool of drivers. This and the shortage of qualified drivers could increase the costs to attract, train and retain qualified drivers as well as increase driver turnover, decrease asset utilization, limit growth, and adversely impact our results of operations.

Other compliance failures we may face include:

- companies we acquire may not have historically maintained internal controls, policies or procedures to monitor compliance with the regulatory and legal requirements consistent with our standards;

- our operations in Canada, Europe, Mexico and Singapore may expose us to liability for failure to comply with local laws and regulatory requirements of foreign jurisdictions, which may vary significantly from country to country, including local tax laws, and anti-bribery laws;

- compliance with environmental laws and regulations, including regulations imposed by the U.S. Environmental Protection Agency (EPA) on exhaust emissions and increasingly stringent regulations related to climate change, which may impose restrictions on our activities or require us to take certain actions, all of which may, over time, increase our costs and adversely affect our business and results of operations; and

- compliance with health and safety laws and regulations imposed by the Occupational Safety and Health Administration (OSHA).

In addition, we are also subject to reputational risk and other detrimental business consequences associated with noncompliance by other parties with whom we engage with, such as employees, customers, agents, suppliers or other persons using our supply chain or assets to commit illegal acts, including the use of company assets for terrorist activities, or a breach of data privacy laws.

We may fail to respond adequately or in a timely manner to innovative changes in new technology in our industry.

In recent years, our industry has been characterized by rapid changes in technology, leading to innovative transportation and logistics concepts that have impacted or have the potential to significantly impact our business model, competitive landscape and the industries of our customers and suppliers. For example, new concepts are currently under development for more advanced electric vehicles, automatic or semi-automatic self-driving vehicles and drones. Additional innovations impacting the transportation, trucking and supply chain/logistics industries are likely that we cannot yet foresee. In addition, there is a rapidly growing demand for e-commerce services, last mile home delivery and asset- and freight-sharing services, which continue to disrupt the transportation industry.

Our inability to quickly adapt to and adopt new innovations in products and processes desired by our customers may result in a significant loss of demand for our service offerings. In addition, advances in technology may require us to increase investments in order to remain competitive, and our customers may not be willing to accept higher prices to cover the cost of these investments. Our lease and rental fleets could become unfavorable with our customers or obsolete within a relatively short period of time, and we may no longer be able to find buyers for our used vehicles.

An increase in customer use of electric vehicles could reduce the demand for our vehicle maintenance services, diesel vehicles and related offerings. Likewise, self-driving vehicles may reduce the demand for our dedicated service offerings, where, in addition to a vehicle, Ryder provides a driver as part of an integrated, full service customer solution. While we are actively engaged in developing strategic partnerships with new technology providers, developing new products, and evaluating emerging technology, we cannot be certain that such initiatives will be successful or timely, and our failure to successfully and timely implement any of these initiatives could have an adverse impact on our financial condition or results of operations.

We face risks related to cybersecurity attacks and other breaches of our systems and information technology. We depend on the proper functioning and availability of our information systems in operating our business. It is important that the data processed by these systems remains confidential, as it often includes sensitive customer information, confidential customer transaction data, employee records, and key financial and operational results and statistics. Failure to prevent or mitigate data loss or system intrusions from cybersecurity attacks or other security breaches could expose us, our vendors, or our customers to a risk of loss or misuse of such information, adversely affect our operating results, restrict or prevent operations or financial reporting, result in litigation or potential liability and otherwise harm our business. Likewise, data privacy breaches from our systems could expose personally identifiable information of our employees or contractors, sensitive customer data, or vendor data to unauthorized persons, adversely impacting our customer service, employee relationships and our reputation. We maintain an information security program, which consists of safeguards and controls to help ensure that our core fundamentals of confidentiality, integrity and availability are supported, but we cannot ensure that we will be able to prevent or mitigate all such data breaches or cyberattacks.

In addition, some of our software applications are utilized by third parties who provide outsourced administrative functions. Such third parties may have access to information we maintain about our company, customers, employees and vendors or operate systems that are critical to our business operations and services. These third parties are subject to risks imposed by data breaches, cyberattacks and other events or actions that could damage, disrupt or close down their networks or systems.

Our information systems are protected through physical and software safeguards as well as backup systems considered appropriate by management. However, threats to network and data security are becoming increasingly diverse and sophisticated. While we have significant security processes and initiatives in place, we may be unable to fully detect, mitigate or protect against a material breach or disruption in the future. In addition, efforts to prevent, detect and mitigate data breaches and cyberattacks subject us to additional costs. We have cyber insurance coverage in place that may cover certain events described above, subject to deductibles and coverage limitations. It is possible that claims could exceed the limits of our coverage. Further, such insurance may not address or cover injury to reputation or loss of business that may result should such an attack be material.

In addition, regulatory authorities have increased their focus on how companies collect, process, use, store, share and transmit personal data. New privacy security laws and regulations, including the United Kingdom's Data Protection Act 2018 ("DPA") and the European Union General Data Protection Regulation 2016 ("GDPR"), pose increasingly complex and rigorous compliance challenges, which may increase our compliance costs. Any failure to comply with data privacy laws and regulations could result in significant penalties, fines, legal challenges and reputational harm. Failure to maintain, upgrade and consolidate our information technology networks could adversely affect us.

Our success depends on the functionality of information technology systems to support our service offerings. Extended delays or cost overruns in securing, developing and otherwise implementing technology solutions to support our business and the business initiatives we will be developing in the future would delay and possibly prevent us from realizing the projected benefits of these initiatives. In addition, our reputation with our customers may suffer if outages, system failures or delays in timely access to data occur in our information technology systems that support key business processes.

We are continuously upgrading and consolidating our information technology systems by enhancing legacy systems, replacing legacy systems with successor systems and acquiring new systems with enhanced functionality. These types of activities subject us to additional costs and inherent risks associated with replacing and modifying our existing systems, including impairment of our ability to provide our services, disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time, disruptions in our business operations, and other risks and costs of delays or difficulties in transitioning to new systems or integrating new systems into our current systems. Our system implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or at all.

We are in the process of embarking on a multi-year Enterprise Resource Planning (ERP) project. This new system is designed to improve efficiencies and integrate and automate certain internal financial, operating, and other applications that are critical to our business operations. The implementation, operation, and proper functionality of the

ERP system will require a significant investment of human, technological, and financial resources. While we expect to invest significant resources in planning, project management, consulting and training to minimize disruptions to our business during the conversion to the new ERP system, it is possible that significant implementation, operational, and functionality issues may arise. It is further possible that we may experience significant delays, increased costs, and other difficulties that are not presently contemplated and that may interfere with our ability to meet our customer service requirements. If we encounter unforeseen problems with regard to our

new ERP system, our business, operations and financial condition could be adversely affected.

We operate in a highly competitive industry and our business may suffer if we are unable to adequately address potential downward pricing pressures and other competitive factors.

The transportation industry is highly competitive. We face competition in all geographic markets and each industry sector in which we operate. Increased competition or our inability to compete successfully may lead to a reduction in revenues, reduced profit margins, increased pricing pressure, or a loss of market share, any one of which could affect our financial results. Numerous competitive factors could impair our ability to maintain our current profitability, including the following:

- our inability to obtain expected customer retention levels or sales growth targets;

- we compete with many other transportation and logistics service providers, some of which have greater capital resources or lower cost structures than we do;

- our inability to compete with new entrants in the transportation and logistics market that may offer similar services at lower cost or have greater technological capabilities;

- customers may choose to provide the services we provide for themselves;

- our competitors may periodically reduce their prices to gain business, especially during times of declining economic growth, which may limit our ability to maintain or increase prices or impede our ability to maintain or grow our market share;

- many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress rates or result in the loss of some of our business to competitors;

- the continuing trend toward consolidation in the trucking industry may result in larger carriers with greater financial resources than we have;

- advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher prices to cover the cost of these investments; and

because cost of capital is a significant competitive factor, any increase in either the cost of our debt or equity as a result of reductions in our debt rating or stock price volatility could have a significant impact on our competitive position.

Failure to execute our growth strategy and develop, market and consistently deliver high-quality services that meet customer expectations may cause our revenue and earnings to suffer.

Our long-term growth strategy is to target clients new to outsourced transportation and logistics services and thereby expand the market for our services. We seek to execute our growth strategy by providing operational excellence, superior talent and best-in-class information technology. By providing high-quality leasing services, we aim to attract customers that traditionally have only been interested in operating their own transportation and logistics networks.

To successfully execute on this strategy, we must continue to focus on developing innovative solutions that meet our existing and target customers' evolving needs and keep pace with our competitors. Expanding our service offerings to entice and support new clients may strain our management, capital resources, information systems and customer service. We may also need to hire new employees, which may increase costs and may result in temporary inefficiencies until those employees become proficient in their jobs.

Notwithstanding our efforts, new or enhanced service offerings may not meet customer demands, prove to be profitable or succeed in the long term. If we do not respond to current customer needs and establish new, and further develop existing, customer relationships, our ability to maintain a competitive advantage and continue to grow our

business could be negatively affected.

We may be negatively impacted by adverse events in the global credit and financial markets.

Our business is highly capital intensive and we have significant ongoing capital requirements that could affect our profitability

17

if we are unable to obtain sufficient capital. In general, we rely in large part upon global credit and financial markets to fund our operations and contractual commitments as well as refinance existing debt. These markets can experience high levels of volatility for numerous reasons and our access to capital could be constrained for extended periods of time. Our ability to raise capital may be materially reduced and/or our borrowing costs may significantly increase if, among other things, access to public investment grade debt becomes limited or closed, we lose access to our global revolving credit facility, or funding costs increase due to the loss of an investment grade rating, a severe economic downturn or rising interest rates. Significant uncertainty, volatility, disruptions or downturns in the global credit and financial markets may also result in:

- restricted access to capital and an increased cost of capital;

- diminished liquidity and credit availability resulting in higher short- or long-term borrowing costs and more stringent borrowing terms;

- unanticipated interest rate and currency exchange rate fluctuations; and

- increased risk of default by counterparties under derivative instruments and hedging agreements;

As of December 31, 2018, we had \$6.6 billion of outstanding indebtedness. If we are unable to raise additional capital by accessing the debt and equity markets, our ability to operate our business, including refreshing, replacing and/or growing our vehicle fleets, and refinance existing debt will be impaired, which could have a material adverse effect on our operating results.

New lease accounting rules may negatively impact customer demand for our ChoiceLease product and increase operating costs in future periods.

Demand for our ChoiceLease product line is based in part on customers' decisions to lease rather than buy vehicles. A number of factors can impact whether customers decide to lease or buy vehicles, including economic benefits, accounting considerations, tax treatment, interest rates and operational flexibility. In February 2016, the Financial Accounting Standards Board issued a new standard on lease accounting. Most notably, the new approach eliminates off-balance sheet treatment of leases and require lessees to recognize a right-of-use asset and a lease liability on their balance sheets for all leases with a term of greater than 12 months. As a result of these changes, leasing could be perceived as a less attractive option for some of our full-service lease customers.

This new accounting standard must be implemented by public companies beginning with fiscal years that start after December 15, 2018. In order to comply with the new accounting standard, we have invested significant effort in analyzing our existing lease arrangements and assessing the appropriate treatment. This has required incremental resources and could continue to increase operating costs in future periods. Additionally, our failure to timely implement the new guidance could result in inaccurate or incomplete presentation of our financial statements.

We and the vehicle and equipment manufacturers in our FMS business rely on a small number of suppliers.

We buy vehicles and related equipment from a relatively small number of original equipment manufacturers (OEMs) in our FMS business. Some of our vehicle manufacturers rely on a small concentration of suppliers for certain vehicle parts, components and equipment. A discrete event in a particular OEM's or supplier's industry or location, or adverse regional economic conditions impacting an OEM or supplier's ability to provide vehicles or a particular component, could adversely impact our FMS business and profitability. In addition, our business and reputation could also be negatively impacted if any parts, components or equipment from one of our suppliers suffer from broad-based quality control issues or become the subject of a product recall and we are unable to obtain replacement parts from another supplier in a timely manner.

We derive a significant portion of our SCS and DTS segment revenue from a relatively small number of customers. During 2018, sales to our top ten SCS customers representing all of the industry groups we service accounted for 56% of our SCS total revenue and 48% of our SCS operating revenue (total revenue less fuel and subcontracted transportation). Additionally, approximately 40% of our global SCS revenue is from the automotive industry and is directly impacted by automotive vehicle production. Our top ten DTS customers accounted for 49% of DTS total revenue and 40% of DTS operating revenue. The loss of any of these customers or a significant reduction in the

services provided to any of these customers could materially and adversely impact our operating results. While we continue to focus our efforts on diversifying our customer base, we may not be successful in doing so. We are also subject to credit risk associated with the concentration of our accounts receivable from our SCS and DTS

customers. If one or more of these customers were to become bankrupt, insolvent or otherwise were unable to pay for the services provided by us, we may incur significant write-offs of accounts receivable or incur lease or asset impairment charges that could adversely affect our operating results and financial condition.

In addition, many of our customers operate in cyclical or seasonal industries, or operate in industries, including the food and beverage industry, that may be impacted by unanticipated weather, growing conditions (such as drought, insects or disease), natural disasters and other conditions over which we have no control. A downturn in our customers' businesses or unanticipated events impacting their businesses could cause a reduction in freight volume shipped by those customers or a reduction in their need for our SCS or DTS services, which could materially and adversely affect our operating results and financial condition.

We may face difficulties in attracting and retaining drivers and technicians.

Drivers. We hire drivers primarily for our DTS and SCS business segments. There is significant competition for qualified drivers in the transportation industry. Additionally, interventions and enforcement under the FMCSA Compliance, Safety, Accountability program may shrink the industry's pool of drivers as those drivers with unfavorable scores may no longer be eligible to drive for us. As a result of driver shortages, we could be required to increase driver compensation, let trucks sit idle, utilize lower quality drivers or face difficulty meeting customer demands, all of which could adversely affect our growth and profitability.

Technicians. Similarly, we hire technicians in our FMS business segment to perform vehicle maintenance services on our ChoiceLease, SelectCare and rental fleets. In recent years, there has been a decrease in the overall supply of skilled maintenance technicians, particularly new technicians with qualifications from technical programs and schools, which could make it more difficult to attract and retain skilled technicians.

Failure to successfully negotiate with our union employees may result in strikes, work stoppages, or substantially higher labor costs.

We have approximately 4,200 employees that are organized by labor unions whose wages and benefits are governed by 103 labor agreements that are renegotiated periodically. A material work stoppage, slowdown or strike involving our employees organized by labor unions could result in business disruptions or higher operating costs, which could have an adverse effect on our financial position, results of operations, or cash flows.

Volatility in assumptions and asset values related to our pension plans may adversely affect the valuation of our obligations under our defined benefit pension plans, the current funding levels under our defined benefit pension plans and our pension expense.

We historically sponsored a number of defined benefit plans for employees not covered by union-administered plans, including certain employees in foreign countries. The aggregate projected benefit obligations and plan assets of our global defined benefit pension plans as of December 31, 2018, were \$2.1 billion and \$1.7 billion, respectively. The difference between plan obligations and assets, or the funded status of the plans, is a significant factor in determining pension expense and the ongoing funding requirements of those plans. Macroeconomic factors, as well as changes in investment returns and discount rates used to calculate pension expense and related assets and liabilities, can be volatile and may have an unfavorable impact on our costs and funding requirements. Although we have actively sought to control increases in these costs and funding requirements through investment policies and plan contributions, there can be no assurance that we will succeed, and continued cost and funding requirement pressure could reduce the profitability of our business and negatively impact our cash flows.

We are subject to risk of multi-employer pension plan withdrawal.

We participate in certain U.S. multi-employer pension (MEP) plans that provide defined benefits to employees covered by collective bargaining agreements. In the event that we withdraw from participation in any of these plans, then applicable law could require us to make an additional lump-sum contribution to the plan. Our withdrawal liability for any MEP plan would depend on the extent of the plan's funding of vested benefits. Economic conditions have caused MEP plans to be significantly underfunded. As a result, although we have taken steps in recent years to withdraw from significantly underfunded MEP plans, we may still have liability for at least a period of time following our withdrawal. If the financial condition of the MEP plans were to continue to deteriorate, we could be subject to additional assessments.

We may fail to establish sufficient insurance reserves and adequately estimate for future workers' compensation and vehicle liabilities.

We are partially self-insured for vehicle liability and workers' compensation claims. Our self-insurance accruals are based on actuarially estimated, undiscounted cost of claims, which includes claims incurred but not reported. While we believe that our estimation processes are well designed and comply with generally accepted accounting principles (GAAP) and other accounting and finance best practices, any projection of losses concerning workers' compensation and vehicle insurance is subject to a considerable degree of variability. The causes of this variability include litigation trends, claim settlement patterns and fluctuations in the frequency or severity of accidents. If actual losses incurred are greater than those anticipated, our self-insurance reserves may be insufficient and additional costs could be recorded in our consolidated financial statements. If we suffer a substantial loss in excess of our self-insured limits, the loss and attendant expenses may be covered by traditional insurance and excess insurance the Company has in place, but if not covered or above such coverages, losses could harm our business, financial condition or results of operations. For a detailed discussion on our accounting policies and assumptions relating to our self-insurance reserves, please see the "Critical Accounting Estimates - Self-Insurance Accruals" section in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Severe weather or other natural occurrences could result in significant business interruptions and expenditures in excess of available insurance coverage.

Our operations may be affected by external factors such as severe weather and other natural occurrences, including floods, fires, hurricanes and earthquakes at operating locations where we have vehicles, warehouses and other facilities. As a result, our vehicles and facilities may be damaged, our workforce may be unavailable, fuel costs may rise and significant business interruptions could occur. In addition, the performance of our vehicles could be adversely affected by extreme weather conditions. Insurance to protect against loss of business and other related consequences resulting from these natural occurrences is subject to coverage limitations, depending on the nature of the risk insured. This insurance may not be sufficient to cover all of our damages or damages to others and this insurance may not continue to be available at commercially reasonable rates. Even with insurance, if any natural occurrence leads to a catastrophic interruption of service, we may not be able to mitigate a significant interruption in operations.

We face litigation risks that could have a material adverse effect on the operation of our business.

We face litigation risks regarding a variety of issues, including without limitation, accidents involving our trucks and injuries to employees, alleged violations of federal and state labor and employment laws, such as class-action lawsuits alleging wage and hour violations and improper pay, securities laws, environmental liability and other matters. These proceedings may be time-consuming, expensive and disruptive to normal business operations. The defense of such lawsuits could result in significant expense and the diversion of our management's time and attention from the operation of our business. In recent years, several insurance companies have stopped offering coverage to trucking companies as a result of increases in the severity of automobile liability claims and higher costs of settlements and verdicts, causing the cost of such insurance to increase. This trend could adversely affect our ability to obtain suitable insurance coverage or further increase the cost for such coverage significantly, each of which may adversely affect our financial condition, results of operations, liquidity or cash flows. Costs we incur to defend or to satisfy a judgment or settlement of these claims may not be covered by insurance or could exceed the amount of that coverage or increase our insurance costs and could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

Damage to our reputation through unfavorable publicity or the actions of our employees could adversely affect our financial condition.

Our success depends on our ability to consistently deliver operational excellence and strong customer service. Our inability to deliver our services and solutions as promised on a consistent basis, or our customers having a negative experience or otherwise becoming dissatisfied, can negatively impact our relationships with new or existing customers and adversely affect our brand and reputation, which could, in turn, adversely affect revenue and earnings growth. Adverse publicity (whether or not justified) relating to activities by our employees, contractors, agents or others with whom we do business, such as customer service mishaps or noncompliance with laws, could tarnish our reputation and reduce the value of our brand. With the increase in the use of social media outlets such as Facebook, YouTube, Instagram and Twitter, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for

us to effectively respond. This unfavorable publicity could also require us to allocate significant resources to rebuild our reputation.

Future acts of terrorism, war or regulatory changes to combat the risk of terrorism may cause significant disruptions in our operations.

Terrorist attacks, along with any government response to those attacks, may adversely affect our financial condition, results of operations or liquidity. Our fleet, other key infrastructure and information technology systems may be targets or indirect casualties of acts of terror, other harmful acts, or war. Further, because transportation assets continue to be a target of terrorist activities, federal, state and local governmental bodies are proposing and, in some cases, have adopted legislation and regulations relating to security issues that impact the transportation industry, including checkpoints and travel restrictions on large trucks. If additional security measures disrupt or impede the timing of our operations, we may fail to meet the requirements of our customers or incur increased expenses to do so. In addition, complying with these or future regulations could continue to increase our operating costs and reduce operating efficiencies. We maintain insurance coverages addressing these risks and we have received U.S. Patriot Act protections for our security practices related to the rental of our assets. However, such insurance may be inadequate or become unavailable, premiums charged for some or all of the insurance could increase dramatically, regulations may change or U.S. Patriot Act protections could be reduced. These changes could exacerbate the effects of an act of terrorism on our business, resulting in a significant business interruption, increased costs and liabilities and decreased revenues or an adverse impact on results of operation.

Our business may be affected by uncertainty or changes in U.S. or global social, political or regulatory conditions. Adverse developments in laws, policies or practices in the U.S. and internationally can negatively impact our business and the business of our customers. Negative domestic and international global trade conditions as a result of social, political or regulatory changes or perceptions could materially affect our business, financial conditions and results of operations.

We provide services both domestically and to a lesser extent outside of the U.S., which subjects our business to various additional risks, including:

- changes in tariffs, trade restrictions, trade agreements and taxes;

- varying tax regimes, including consequences from changes in applicable tax laws;

- difficulties in managing or overseeing foreign operations and agents;

- foreign currency fluctuations and limitations on the repatriation of funds due to foreign currency controls;

- different liability standards;

- the price and availability of fuel;

- uncertainty and changes to political and regulatory regimes as a result of changing social, political, regulatory and economic environments in the U.S. and internationally;

- national and international conflict, including terrorist acts; and

- intellectual property laws of countries that do not protect our rights in intellectual property to the same extent as the laws of the U.S.

If we do not correctly anticipate changes in social, political or regulatory conditions or their impact on the transportation industry, we may not alter our business practices in time to avoid adverse effects. Additionally, the occurrence or consequences of any of these factors may restrict our ability to operate in the affected region and/or decrease the profitability of our operations in that region.

Our suppliers may also be affected by changes in the political and regulatory environment, both in the U.S. and internationally. Negative impacts on our suppliers could result in disruptions in the supply and availability of

equipment or services needed for our business that could in turn affect our ability to operate and serve our customers as planned.

Rumors of, or actual, changes to current U.S. international trade agreements, such as the North American Free Trade Agreement (“NAFTA”) and other trade agreements, may lead to fewer goods transported and we may need to restructure certain terms of business with suppliers or customers. On October 1, 2018, the Trump administration announced that the U.S. had reached an agreement with Canada and Mexico on the United States-Mexico-Canada Trade Agreement (“USMCA”),

which is being proposed to replace NAFTA. This USMCA is subject to congressional approval, which is not expected until 2019, and various components of the agreement would not be effective until 2020. The full impact of this agreement on us, our customers and on the economic conditions in our states is currently unknown.

The market value of our common stock may fluctuate and could be substantially affected by various factors.

We expect that the market price of our common stock will continue to fluctuate due to a variety of factors, some of which are beyond our control. These factors include, among others:

• actual or anticipated variations in earnings, financial or operating performance or liquidity

• changes in analysts' recommendations or projections

• failure to meet analysts' and our Company's projections

• general political, social, economic and capital market conditions

• announcements of developments related to our business

• operating and stock performance of other companies deemed to be peers

• actions by government regulators and

• news reports of trends, concerns and other issues related to us or our industry, including changes in regulations.

Our common stock price may fluctuate significantly in the future, and these fluctuations may be unrelated to our performance. General market price declines or market volatility in the future could adversely affect the price of our common stock, and the current market price of our common stock may not be indicative of future market prices. Changes in income tax regulations for U.S. and multinational companies may increase our tax liability.

On December 22, 2017, President Trump signed into law U.S. federal tax legislation (the "2017 Tax Cuts and Jobs Act"), which includes a broad range of tax reform measures affecting businesses, including the lowering of corporate income tax rates, limits on interest deductibility, incentives for capital spending by permitting full expensing of the purchase of qualifying assets, the loss of certain business deductions, the loss of like-kind exchange programs for our assets and modifications of international tax provisions. These changes will not only impact our company, but will impact our customers' businesses as well as the economy in general. While we currently believe these changes in the aggregate will have a positive effect on the Company and the overall economy, we cannot predict this with certainty. Further, the U.S. Congress, the Organization for Economic Co-operation and Development (OECD), the European Union, and other government agencies in jurisdictions in which we and our affiliates invest or do business have maintained a focus on the taxation of multinational companies. The OECD, which represents a coalition of member countries, is supporting changes to numerous long-standing tax principles through its base erosion and profit shifting (BEPS) project, which is focused on a number of issues, including the shifting of profits between affiliated entities in different tax jurisdictions. The European Union has a number of on-going tax initiatives. Certain of the proposals for further tax reform, if enacted by the United States or any state thereof or by other jurisdictions in which we or our affiliates invest or do business, could adversely affect us.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our properties consist primarily of vehicle maintenance and repair facilities, warehouses and other real estate and improvements.

We maintain 611 FMS properties in the U.S., Puerto Rico and Canada; we own 413 of these and lease the remaining 198. Our FMS properties are primarily comprised of maintenance facilities generally including a repair shop, rental counter, fuel service island, administrative offices, and used vehicle retail sales centers.

Additionally, we manage 184 on-site maintenance facilities, located at customer locations.

We also maintain 241 locations in the U.S. and Canada in connection with our domestic SCS business. Almost all of our SCS locations are leased and generally include a warehouse and administrative offices.

We maintain 118 international locations (locations outside of the U.S. and Canada) for our international businesses.

There are 53 locations in the U.K. and Germany, 63 locations in Mexico and 2 locations in Singapore. The majority of these locations are leased and may be a repair shop, warehouse or administrative office.

Additionally, we maintain 11 U.S. locations primarily used for Central Support Services. These facilities are generally administrative offices, of which we own three and lease the remaining eight.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various claims, lawsuits and administrative actions arising in the normal course of our businesses. Some involve claims for substantial amounts of money and/or claims for punitive damages. While any proceeding or litigation has an element of uncertainty, management believes that the disposition of such matters, in the aggregate, will not have a material impact on our consolidated financial condition or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Ryder Common Stock

Our common shares are listed on the New York Stock Exchange under the trading symbol "R." At January 31, 2019, there were 6,697 common stockholders of record.

Performance Graph

The following graph compares the performance of our common stock with the performance of the Standard & Poor's MidCap 400 Index and the Dow Jones Transportation 20 Index for a five year period by measuring the changes in common stock prices from December 31, 2013 to December 31, 2018.

The stock performance graph assumes for comparison that the value of the Company's Common Stock and of each index was \$100 on December 31, 2013, and that all dividends were reinvested. Past performance is not necessarily an indicator of future results.

Purchases of Equity Securities

The following table provides information with respect to purchases we made of our common stock during the quarter ended December 31, 2018:

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program ⁽²⁾	Maximum Number of Shares That May Yet Be Purchased Under the Anti-Dilutive Program ⁽²⁾
October 1 through October 31, 2018	55	\$ 61.82	—	1,131,111
November 1 through November 30, 2018	55,930	55.93	55,930	1,075,181
December 1 through December 31, 2018	628	48.02	—	1,075,181
Total	56,613	\$ 55.85	55,930	

(1) During the three months ended December 31, 2018, we purchased an aggregate of 683 shares of our common stock in employee-related transactions. Employee-related transactions may include: (i) shares of common stock delivered as payment for the exercise price of options exercised or to satisfy the option holders' tax withholding liability associated with our share-based compensation programs and (ii) open-market purchases by the trustee of Ryder's deferred compensation plans relating to investments by employees in our stock, one of the investment options available under the plans.

(2) In December 2017, our Board of Directors authorized a new share repurchase program intended to mitigate the dilutive impact of shares issued under our employee stock plans. Under the December 2017 program, management is authorized to repurchase up to 1.5 million shares of common stock issued to employees under the Company's employee stock plans from December 1, 2017 through December 13, 2019. Share repurchases will be made periodically in open-market transactions using the Company's working capital, and are subject to market conditions, legal requirements, and other factors. In addition, management has been granted the authority to establish prearranged written trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the repurchase program.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial information should be read in conjunction with Items 7 and 8 of this report. During 2018, we adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) and ASU No. 2016-15, Statement of Cash Flows, and have retrospectively adjusted 2017 and 2016 for the impact of the adoption of these new accounting standards.

	Years ended December 31				
	2018	2017	2016	2015	2014
	(Dollars and shares in thousands, except per share amounts)				
Operating Data:					
Total Revenue	\$8,409,215	7,297,054	6,758,138	6,571,893	6,638,285
Operating Revenue ⁽¹⁾	\$6,693,385	6,040,380	5,790,897	5,561,077	5,252,217
Earnings from continuing operations ^{(2), (3)}	\$275,607	792,289	265,232	305,989	220,225
Comparable earnings from continuing operations ^{(3), (4)}	\$306,160	241,101	291,080	326,485	294,279
Net earnings ^{(2), (3), (5)}	\$273,298	791,832	263,069	304,768	218,341
Per Share Data:					
Earnings from continuing operations -Diluted ^{(2), (3)}	\$5.21	14.90	4.95	5.73	4.14
Comparable earnings from continuing operations -Diluted ^{(3), (4)}	\$5.79	4.53	5.43	6.10	5.53
Net earnings -Diluted ^{(2), (3), (5)}	\$5.17	14.89	4.91	5.71	4.11
Cash dividends	\$2.12	1.80	1.70	1.56	1.42
Book value ^{(3), (6)}	\$54.79	53.66	38.49	37.15	34.30
Financial Data:					
Total assets ⁽³⁾	\$13,051,084	11,463,999	10,912,213	10,952,580	9,837,776
Average assets ^{(3), (7)}	\$12,226,718	11,145,399	11,057,955	10,464,001	9,594,878
Return on average assets (%) ^{(3), (7)}	2.2	7.1	2.4	2.9	2.3
Long-term debt	\$5,693,646	4,583,582	4,599,864	4,868,097	4,681,240
Total debt	\$6,623,598	5,409,651	5,391,274	5,502,627	4,717,524
Shareholders' equity ^{(3), (6)}	\$2,910,327	2,841,671	2,057,620	1,987,111	1,819,087
Debt to equity (%) ^{(3), (6)}	228	191	262	277	