

RYDER SYSTEM INC
Form 8-K
April 24, 2018

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 24, 2018

RYDER SYSTEM, INC.

(Exact name of registrant as specified in its charter)

Florida 1-4364 59-0739250

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

11690 NW 105th Street 33178

Miami, Florida

(Address of principal executive offices) (Zip Code)

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

Not Applicable

(Former name or former address, if changed since last report.)

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

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

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

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition

On April 24, 2018, we issued a press release reporting our financial results for the three months ended March 31, 2018 (the "Press Release"). We will also host a conference call and webcast on April 24, 2018 during which we will make a presentation on our financial results for the three months ended March 31, 2018 (the "Presentation"). The Press Release and the Presentation are available on our website at <http://investors.ryder.com>.

The Press Release includes information regarding non-GAAP financial measures, as defined by SEC regulations, as well as a reconciliation of each non-GAAP financial measure to the nearest GAAP measure in the tables following the press release. Set forth in the table below is an explanation of each non-GAAP financial measure and why management believes that presentation of each measure provides useful information to investors:

Operating Revenue Measures:

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

of segment
operating
revenue for
each business
segment for the
same reason.

Note: FMS
EBT, DTS
EBT and SCS
EBT, our
primary
measures of
segment
performance,
are not
non-GAAP
measures.

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

negatively impacted by rapid changes in market fuel prices during a short period of time, as customer pricing for fuel services is established based on trailing market fuel costs. Subcontracted transportation: We also exclude subcontracted transportation from the calculation of our operating revenue measures, as these services are also typically a pass-through to our customers and, therefore, fluctuations result in minimal changes to our profitability. While our DTS and SCS business segments subcontract certain transportation services to third party providers, our FMS business segment does not engage in subcontracted transportation

and, therefore,
this item is not
applicable to
FMS.

Comparable Earnings Measures:

Comparable earnings before income tax (EBT)

Comparable earnings

Comparable earnings per diluted common share (EPS)

Comparable EPS Forecast

Comparable Tax Rate

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

earnings
measures
exclude
non-operating
pension costs,
which include
the
amortization of
net actuarial
loss, interest
cost and
expected return
on plan assets
components of
pension and
postretirement
costs. We
exclude
non-operating
pension costs
because we
consider these
to be impacted
by financial
market
performance
and outside the
operational
performance of
our business.
Other
Significant
Items: Our
comparable
earnings
measures also
exclude other
items that are
not
representative
of our business
operations.
These other
items vary
from period to
period and, in
some periods,
there may be
no such items.
In this
reporting

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

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

(2) Uncertain tax position adjustment: In first quarter of 2018, we determined that certain uncertain tax positions should have been reversed in prior periods when the statutes of limitations expired and recorded a benefit to our provision for income taxes.

(3) Acquisition transaction costs: In the first quarter of 2018, our results reflect acquisition transaction costs, primarily related to the acquisition of MXD Group completed on April 2, 2018.

(4) Tax Reform-related adjustments, net: In the first quarter of 2018, we recorded an adjustment related to the Tax Reform one-time employee bonus accrued as of December 31, 2017. In the first quarter of 2018, we also recorded a deferred tax liability adjustment related to the prior provisional estimate from Tax Reform.

(5) Restructuring and other, net: In the first quarter of 2018, we recorded professional fees partially offset by adjustments to restructuring charges recorded in 2017.

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

expenses.

Calculation of comparable tax rate: The comparable provision for income taxes is computed using the same methodology as the GAAP provision for income taxes. Income tax effects of non-GAAP adjustments are calculated based on the statutory tax rates of the jurisdictions to which the non-GAAP adjustments relate.

Adjusted Return on Average Capital (ROC)
Adjusted ROC Spread

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

Adjusted ROC Spread: Adjusted ROC spread is defined as the difference between adjusted ROC and the weighted average cost of capital.

We use adjusted ROC and adjusted ROC

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

Cash Flow Measures:

Total Cash Generated

Free Cash Flow

Free Cash Flow Forecast

We consider total cash generated and free cash flow to be important measures of comparative operating performance, as our principal sources of operating liquidity are cash from operations and proceeds from the sale of revenue earning equipment.

Total Cash

Generated: Total cash generated is defined as the sum of (1) net cash provided by operating activities, (2) net cash provided by the sale of revenue earning equipment, (3) net cash provided by the sale of operating property and equipment, (4) collections on direct finance leases and (5) other cash inflows from investing activities. We believe total cash generated is an important measure of total cash flows generated from our ongoing business activities.

Free Cash Flow: We refer to the net amount of cash generated from operating activities

and investing activities (excluding changes in restricted cash and acquisitions) from continuing operations as “free cash flow”. We calculate free cash flow as the sum of (1) net cash provided by operating activities, (2) net cash provided by the sale of revenue earning equipment and (3) operating property and equipment, (4) collections on direct finance leases and (5) other cash inflows from investing activities, less (6) purchases of property and revenue earning equipment. We believe free cash flow provides investors with an important perspective on the cash available for debt service and for shareholders, after making capital investments required to support ongoing business operations. Our calculation of free cash flow may be different from the calculation used by other companies and, therefore, comparability may be limited.

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

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

Item 7.01 Regulation FD Disclosure

The Company is hosting a conference call and webcast on April 24, 2018 during which we will make a presentation on our financial results for the three months ended March 31, 2018 (the Presentation). The Presentation has been made available on our website at <http://investors.ryder.com>.

Item 9.01(d) Exhibits

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

Press Release, dated April 24, 2018, relating to Ryder System, Inc.'s financial results for the three months ended March 31, 2018.

SIGNATURE

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

Date: April 24, 2018 RYDER SYSTEM, INC.
(Registrant)
By: /s/ Art A. Garcia
Art A. Garcia, Executive Vice President
and Chief Financial Officer