

RYDER SYSTEM INC
Form 8-K
October 24, 2017

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): October 24, 2017

RYDER SYSTEM, INC.

(Exact name of registrant as specified in its charter)

Florida 1-4364 59-0739250

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

11690 NW 105th Street 33178
Miami, Florida

(Address of principal executive offices) (Zip Code)

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

Not Applicable

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

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

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

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

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition

On October 24, 2017, we issued a press release reporting our financial results for the three months ended September 30, 2017 (the Press Release). We will also host a conference call and webcast on October 24, 2017 during which we will make a presentation on our financial results for the three months ended September 30, 2017 (the Presentation). The Press Release and the Presentation are available on our website at <http://investors.ryder.com>.

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

Non-GAAP Financial Measures

Operating Revenue Measures:

| | |
|---|---|
| Operating Revenue | Operating revenue is defined as total revenue for Ryder System, Inc. or each business segment (FMS, DTS and SCS), respectively, |
| FMS Operating Revenue | 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. |
| DTS Operating Revenue | We also use segment EBT as a percentage of segment operating revenue for each business segment for the same |
| SCS Operating Revenue | |
| FMS EBT as a % of FMS Operating Revenue | |
| DTS EBT as a % of DTS Operating Revenue | |
| SCS EBT as a % of SCS Operating Revenue | |

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

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

Subcontracted transportation: We also exclude subcontracted transportation from the calculation of our operating revenue measures,

as these services are also typically a pass-through to our customers and, therefore, fluctuations result in minimal changes to our profitability. While our DTS and SCS business segments subcontract certain transportation services to third party providers, our FMS business segment does not engage in subcontracted transportation and, therefore, this item is not applicable to FMS.

Operating Revenue Growth Excluding Foreign Exchange Operating revenue growth excluding foreign exchange is calculated by dividing the results for the current and prior year periods by the exchange rates in effect on September 30, 2016, which was the last day of the prior year period, rather than the actual exchange rates in effect as of September 30, 2017. Ryder's period-over-period operating revenue growth excluding foreign exchange excludes the effects of changes in foreign currency exchange rates

from our operating
revenue financial
measures.

Due to the
variability of
foreign exchange
rates from period
to period, we
believe operating
revenue
growth excluding
foreign exchange is
useful to investors
to evaluate
period-over-period
operating
performance.

Comparable Earnings Measures:

| | |
|--|--|
| Comparable Earnings Before Tax (EBT) | Comparable EBT, |
| Comparable Earnings | comparable earnings, |
| Comparable Earnings per Diluted Common Share (EPS) | comparable EPS, |
| Comparable EPS Forecast | 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 significant items that are not representative of our business operations. We believe these comparable earnings measures provide useful information to investors and allow for better year-over-year comparison of operating performance. |
| Comparable Tax Rate | Non-Operating Pension Costs: Our comparable earnings measures |

exclude non-operating pension costs, which include the amortization of net actuarial loss and prior service cost, interest cost and expected return on plan assets components of pension and postretirement benefit costs.

We exclude non-operating pension costs because we consider these to be impacted by financial market performance and outside the operational performance of our business.

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

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

(1) Fees related to cost-savings program: In the third quarter of 2017, we recorded consulting fees associated with cost-savings program.

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

(3) Tax law change - rate increase: In the third quarter of 2017, the state of Illinois enacted changes to their tax system, which increased the provision for income taxes by \$1.8 million.

(4) Restructuring: In the second quarter of 2017,

we recorded restructuring credits related to the gains on sale of certain UK facilities.

(5) Operating tax

adjustment: In the first quarter of 2017, we recorded a one-time charge of \$2.2 million related to operating tax expenses that had not been recognized in prior period earnings.

(6)

Pension-related adjustments: In the second quarter of 2016, it was determined that certain pension benefit improvements made in 2009 were not fully reflected in our projected benefit obligation, resulting in a charge to reflect those pension benefits.

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

Adjusted Return on
Average Capital
(ROC)

Adjusted ROC Spread

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 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 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.

Free Cash Flow 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, (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, 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.

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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 October 24, 2017 during which we will make a presentation on our financial results for the three months ended September 30, 2017 (the Presentation). The Presentation has been made available on our website at <http://investors.ryder.com>.

Item 9.01(d) Exhibits

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

Exhibit 99.1 Press Release, dated October 24, 2017, relating to Ryder System, Inc.'s financial results for the three months ended September 30, 2017.

SIGNATURE

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

Date: October 24, 2017 RYDER SYSTEM, INC.
(Registrant)

By: /s/ ART A. GARCIA

Art A. Garcia, Executive Vice President and Chief Financial Officer