

RYDER SYSTEM INC
Form 8-K
July 26, 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): July 26, 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 July 26, 2017, we issued a press release reporting our financial results for the three months ended June 30, 2017 (the Press Release). We will also host a conference call and webcast on July 26, 2017 during which we will make a presentation on our financial results for the three months ended June 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 June 30, 2016, which was the last day of the prior year period, rather than the actual exchange rates in effect as of June 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 Income 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 | 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 and prior
service cost,
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
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, we exclude the following other significant items from our comparable earnings measures in this Form 8-K:

(1)

Restructuring: In the second quarter of 2017, we recorded restructuring credits related to the gains on sale of certain UK facilities.

(2)

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.

(3)

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 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

We consider total cash generated and

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

Total Cash Generated: Total cash generated is defined as the sum of (1) net cash provided by operating activities, (2) net cash provided by the sale of revenue earning equipment and (3) 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 July 26, 2017 during which we will make a presentation on our financial results for the three months ended June 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 99.1¹ Press Release, dated July 26, 2017, relating to Ryder System, Inc.'s financial results for the three months ended June 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: July 26, 2017 RYDER SYSTEM, INC.
(Registrant)
By: /s/ ART A. GARCIA
Art A. Garcia, Executive Vice President and Chief Financial Officer