

RYDER SYSTEM INC
Form 8-K
February 16, 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): February 16, 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 February 16, 2018, we issued a press release reporting our financial results for the three and twelve months ended December 31, 2017 (the “Press Release”). We will also host a conference call and webcast on February 16, 2018 during which we will make a presentation on our financial results for the three and twelve months ended December 31, 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, 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
FMS Operating Revenue	
DTS Operating Revenue	
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	

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 December 31, 2016, which was the last day of the prior year period, rather than the actual exchange rates in effect as of December 31, 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
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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 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 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.

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)
Restructuring charges and fees, net (in the full year of 2017 and full year of 2016). In the second quarter of 2017, we recorded restructuring credits related to the gains on sale of certain UK facilities. We also recorded consulting fees associated with a cost-savings program in the third and fourth quarter of 2017. During the fourth quarter of 2017 and 2016, we approved plans to reduce our workforce in multiple locations as a result of cost containment actions.

(2) Tax reform related adjustments, net (in the full year of 2017). In the

fourth quarter of 2017, the Tax Cuts and Jobs Act was signed into law. We recognized a benefit during the fourth quarter associated with the adoption of tax reform. In addition, we awarded a one-time bonus in connection with the benefit of Tax Reform to all U.S.-based non-incentive eligible employees of the Company as of December 31, 2017.

(3) Operating tax adjustment (in the full year of 2017). In the first quarter of 2017, we recorded a one-time charge related to operating tax expenses that had not been recognized in prior period earnings.

(4) Pension related adjustment (in the full year of 2017 and full year of 2016). In the third quarter of 2017, we recorded an estimated

pension
settlement
charge for the
exit from a U.S.
multi-employer
pension plan. 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.

(5) Gain on sale
of property (in
the full year of
2017). In the
fourth quarter
of 2017, we
recorded a gain
on the sale of a
SCS property.

(6) Tax law
changes (in the
full year of
2017). In the
third quarter of
2017, the state
of Illinois
enacted changes
to their tax
system, which
increased the
provision for
income taxes.
Calculation of
comparable tax
rate: The
comparable
provision for
income taxes is

Adjusted Return on
Average Capital
(ROC)

Adjusted ROC Spread

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 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
Free Cash Flow	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, (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 February 16, 2018 during which we will make a presentation on our financial results for the three and twelve months ended December 31, 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 February 16, 2018, relating to Ryder System, Inc.'s financial results for the three and twelve months ended December 31, 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: February 16, 2018 RYDER SYSTEM, INC.
(Registrant)
By: /s/ Art A. Garcia
Art A. Garcia, Executive Vice President
and Chief Financial Officer