

RYDER SYSTEM INC
Form 8-K
October 25, 2016

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 25, 2016

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))

Item 2.02 Results of Operations and Financial Condition

On October 25, 2016, we issued a press release reporting our financial results for the three months ended September 30, 2016 (the Press Release). The Press Release is attached as Exhibit 99.1 to this Form 8-K and is 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 measure and why management believes that presentation of each non-GAAP financial measure provides useful information to investors:

Non-GAAP Financial Measures

Operating Revenue Measures:

Operating Revenue

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

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 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, 2015, which was the last day of the prior year period, rather than the actual exchange rates in effect as of September 30, 2016. 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 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 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, 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)
Pension-related

adjustments (in the year to date 2016, third quarter 2015 and year to date 2015). 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.

Additionally, in the third quarter of 2015, we recognized a benefit from lower than anticipated settlement charges to exit multi-employer pension plans.

___(2) Professional fees (in the third quarter and year to date 2015). These charges represent professional fees associated with the assessment of potential cost savings initiatives.

___(3) A benefit from a tax law change (in the year to date 2015). In the second quarter of 2015, the states of Connecticut and Texas and the city of New York enacted changes to their tax systems, which decreased

Ryder's provision for income taxes in each jurisdiction. 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.

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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 October 25, 2016 during which we will make a presentation on our financial results for the three months ended September 30, 2016 (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 October 25, 2016, relating to Ryder System, Inc.'s financial results for the three and nine months ended September 30, 2016.

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.

RYDER SYSTEM, INC.
(Registrant)

Date: October 25, 2016 By: /s/ ART A. GARCIA

Art A. Garcia
Executive Vice President and
Chief Financial Officer