

RYDER SYSTEM INC

FORM 8-K (Current report filing)

Filed 12/23/02 for the Period Ending 12/20/02

Address	11690 N.W. 105TH STREET MIAMI, FL 33178
Telephone	3055003726
CIK	0000085961
Symbol	R
SIC Code	7510 - Automotive Rental And Leasing, Without Drivers
Industry	Rental & Leasing
Sector	Services
Fiscal Year	12/31

RYDER SYSTEM INC

FORM 8-K (Unscheduled Material Events)

Filed 12/23/2002 For Period Ending 12/20/2002

Address	3600 NW 82ND AVE MIAMI, Florida 33166
Telephone	305-500-3726
CIK	0000085961
Industry	Rental & Leasing
Sector	Services
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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): December 20, 2002

RYDER SYSTEM, INC.
(Exact Name of Registrant as Specified in its Charter)

Florida
(State or Other Jurisdiction
of Incorporation)

1-4364
(Commission
File Number)

59-0739250
(IRS Employer
Identification No.)

3600 NW 82nd Avenue, Miami, Florida
(Address of Principal Executive Offices)

33166
(Zip Code)

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

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SIGNATURE

Press Release dated December 20, 2002

Ryder 2003 Business Plan

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Item 9. Regulation FD Disclosure

On December 20, 2002, Ryder System, Inc. (the “Company”) issued a press release containing an earnings forecast for 2003 and an earnings update for the fourth quarter of 2002 (the “Press Release”). The Company also hosted a conference call and webcast during which a presentation was made on its 2003 business plan and earnings forecast (the “Presentation”). The Presentation was also made available on the Company’s website. A copy of the Press Release and the Presentation are attached hereto as Exhibits 99.1 and 99.2, respectively.

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: December 20, 2002

/s/ Corliss J. Nelson

Corliss J. Nelson
Senior Executive Vice President
and Chief Financial Officer

FOR IMMEDIATE RELEASE

Contacts:	Media:	Investor Relations:
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RYDER SYSTEM, INC. 2003 EARNINGS FORECAST AND FOURTH QUARTER 2002 EARNINGS UPDATE

MIAMI, December 20, 2002 – Ryder System, Inc. (NYSE:R), a global leader in transportation management and supply chain solutions, today announced it forecasts 2003 earnings to be in the range of \$1.95 to \$2.00 per diluted share. This represents an increase of approximately 12 percent over the Company's current guidance for 2002 of \$1.74 to \$1.78 per diluted share, excluding a \$0.30 charge for a change in accounting principle related to goodwill. The full-year 2002 guidance also reaffirms the low end of management's earlier fourth quarter estimate of \$0.48 to \$0.52 per diluted share. The fourth quarter estimate includes the effect of severance charges of \$6.8 million or \$0.07 per diluted share related to cost management actions in the Company's Supply Chain Solutions business segment and Central Support Services.

"We expect continued softness in 2003 with prospects for modest improvement during the second half of the year," said Gregory T. Swinton, Ryder's Chairman, President and Chief Executive Officer. "Therefore, we are conservatively forecasting Ryder's overall 2003 revenue to remain essentially unchanged from 2002, despite some expected improvement in certain areas of the business such as commercial truck rental and the Company's European operations."

Commenting further, Swinton said, "Our strategic process improvement and cost management actions first begun in 2001 have helped Ryder meet forecasted earnings during difficult times. We've been building the long-term foundations of a stronger Ryder that can deliver a more cost-competitive and value-rich solutions set."

Our actions in 2003 are intended to bridge an expected earnings gap resulting from a pension expense increase of approximately \$56 million, which was caused by market conditions. The cumulative effect of actions we've taken over the past several years will enable Ryder to optimize its performance and drive improvement to the bottom line as the economy rebounds."

Also commenting on the forecast, Ryder's Senior Executive Vice President and Chief Financial Officer, C.J. Nelson, said, "Our financial objectives for 2003 will continue to focus on operational excellence, strengthening our balance sheet, generating free cash flow, asset management, and maintaining our emphasis on effective capital spending. These strong financial underpinnings position Ryder to act more quickly and decisively on new opportunities targeting profitable growth."

The Company also announced that in December 2002 it will make a voluntary \$16 million contribution to its U.S. pension plan, although it is not required to make any such contributions until 2004. Combined with Ryder's \$10 million contribution to its international pension plans during the year, the Company's global pension plan contributions will total \$26 million for 2002.

About Ryder

Ryder provides leading-edge logistics, supply chain and transportation management solutions worldwide. Ryder's product offerings range from full-service leasing, commercial rental and programmed maintenance of vehicles to integrated services such as dedicated contract carriage and carrier management. Additionally, Ryder offers comprehensive supply chain solutions, consulting, lead logistics management services and e-Business solutions that support customers' entire supply chains, from inbound raw materials and parts through distribution and delivery of finished goods. Ryder serves customer needs throughout North America, in Latin America, Europe and Asia.

The National Safety Council selected Ryder to receive the 2002 *Green Cross for Safety* Medal – its highest honor – for exemplary commitment to workplace safety and corporate citizenship. For the sixth consecutive year, Ryder was featured in the 2002 *Fortune* Most Admired Companies survey of corporate reputations. *Forbes*

named Ryder to its “Magnetic 40” as “Best in Transportation and Logistics” for creating a “network of partnerships that can spur growth, innovation and most important, serve customers better.” *InternetWeek* named Ryder as one of the top 100 U.S. companies for effectiveness in using the Internet to achieve tangible business benefits. For the fifth consecutive year, *Inbound Logistics* recognized Ryder in 2002 as the top third-party logistics provider.

Ryder’s stock is a component of the Dow Jones Transportation Average and the Standard & Poor’s 500 Index. With 2001 revenue of \$5 billion, Ryder ranks 341st on the *Fortune* 500 and 326th on *Barron’s* 500.

For more information on Ryder System, Inc., visit www.ryder.com.

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Note: Certain statements and information included in this presentation are “forward-looking statements” under the Federal Private Securities Litigation Reform Act of 1995. Accordingly, we advise that these forward-looking statements be evaluated with consideration given to the many uncertainties inherent in our business that could cause actual results and events to differ materially from those in the forward-looking statements. Important factors that could cause such differences include, among others, the competitive pricing environment applicable to the Company’s businesses, customer retention levels, changes in customers’ business environments, changes in market conditions affecting the sale of used vehicles, adverse changes in debt ratings, changes in accounting assumptions, greater than expected expenses associated with the Company’s activities and changes in general economic conditions.

Conference Call and Webcast Information:

Ryder’s 2003 Earnings Guidance webcast is scheduled for December 20, 2002 from 10:00 to 11:00 a.m. (Eastern Time). Speakers will be Gregory T. Swinton, Chairman, President and Chief Executive Officer, and Corliss J. Nelson, Senior Executive Vice President and Chief Financial Officer.

- # **To join the conference call live:** First, dial the audio phone number **1-877-951-0431** using the **Passcode: Ryder** and **Conference Leader: Amy Wagner** . Then, access the presentation via the Net Conference URL at www.mymeetings.com/nc/join/ using the **Conference Number: PG9103790** and **Passcode: RYDER**

- # **To access replays of the conference and view a presentation of Ryder’s 2003 Business Plan and Earnings Guidance:** visit Ryder’s home page at www.ryder.com.



2003 Business Plan

Earnings Forecast Conference Call

December 20, 2002

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- ▶ **4th Quarter Update**
- ▶ Building Upon Successes
- ▶ 2003 Business Plan Themes & Key Assumptions
- ▶ 2003 Business Plan
- ▶ Wrap-up / Take-aways
- ▶ Questions
- ▶ Closing

- ▶ **Previously announced 4Q management EPS estimate was \$0.48 - \$0.52**
 - We are currently forecasting to be at the low end of the estimate, which includes a \$0.07 charge for severance in conjunction with cost streamlining actions in the Supply Chain Services business segment and Central Support Services
- ▶ **Full year 2002 EPS is now forecasted at \$1.76 including restructuring/recoveries**

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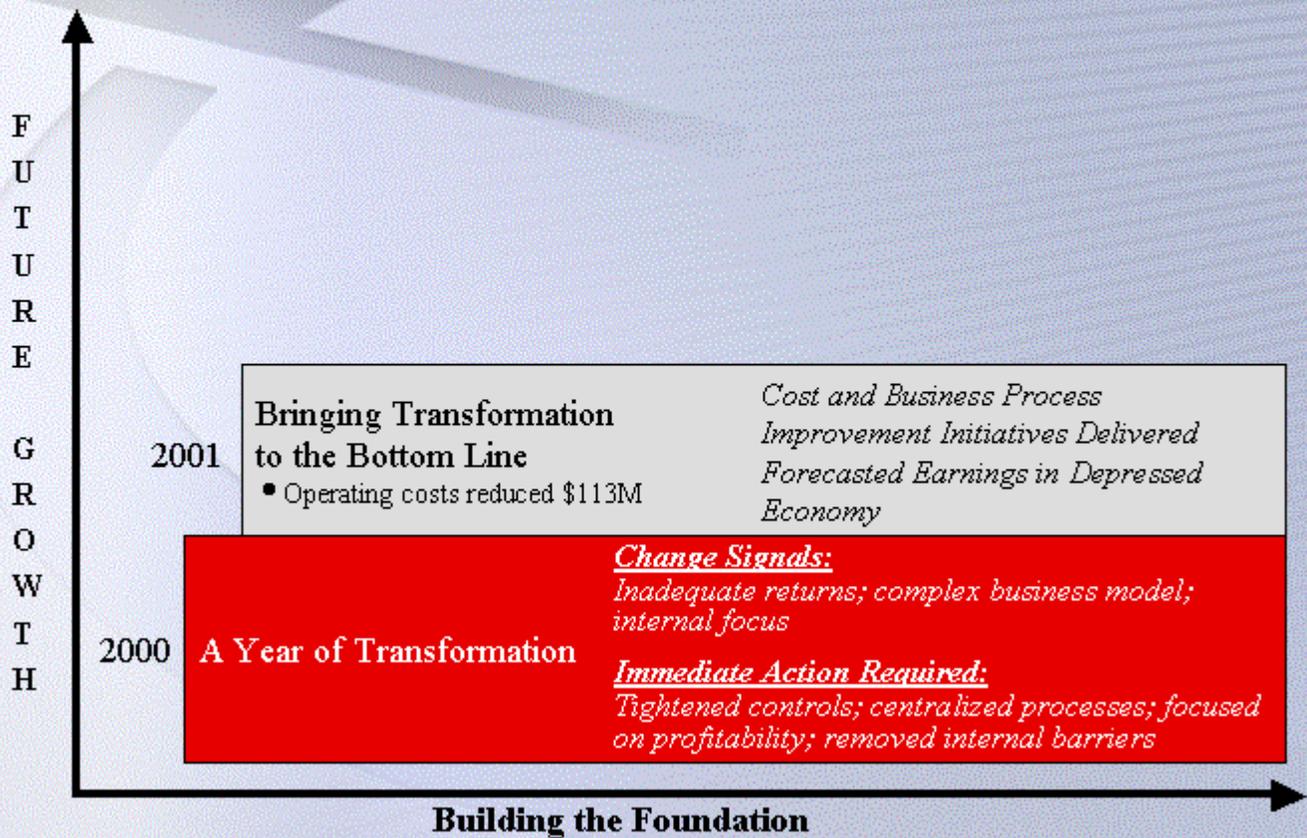


Building on Successes and Creating Opportunities



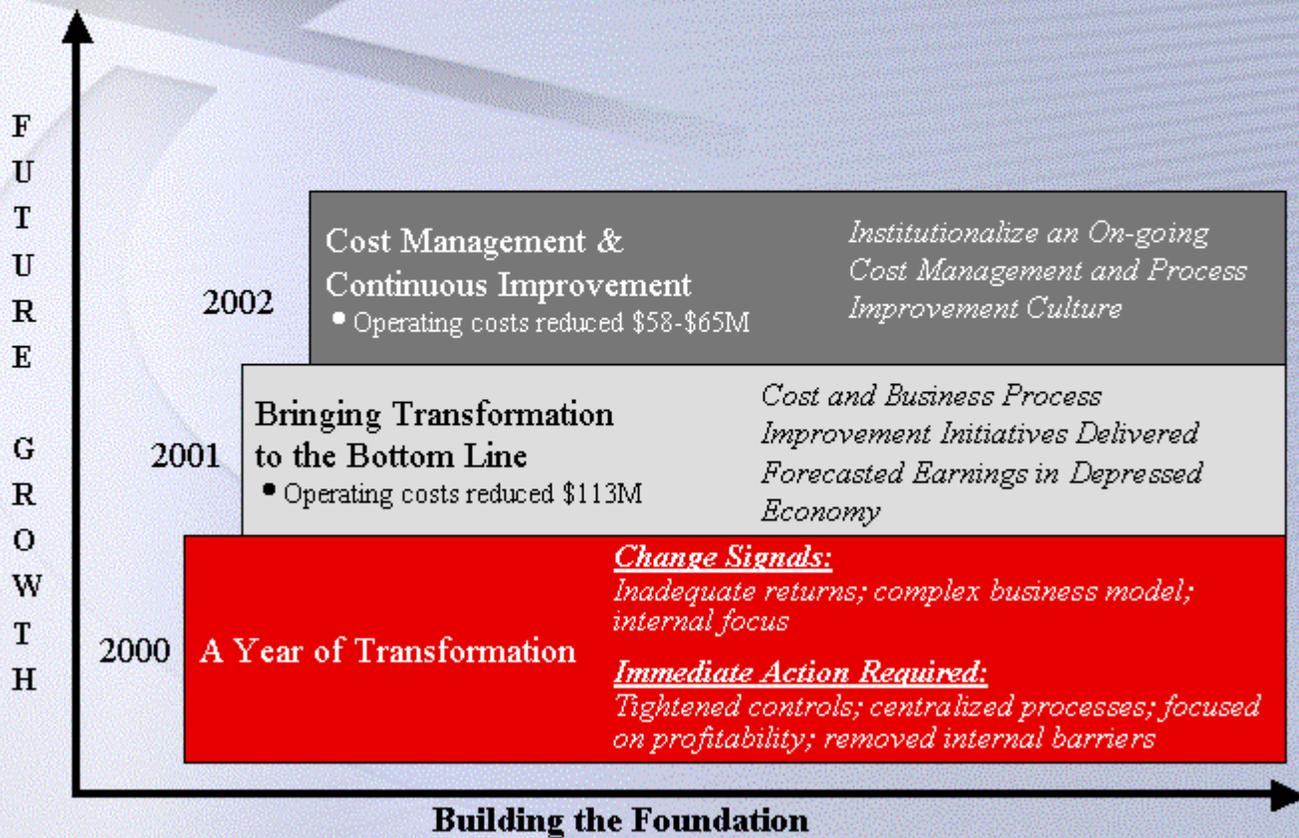


Building on Successes and Creating Opportunities



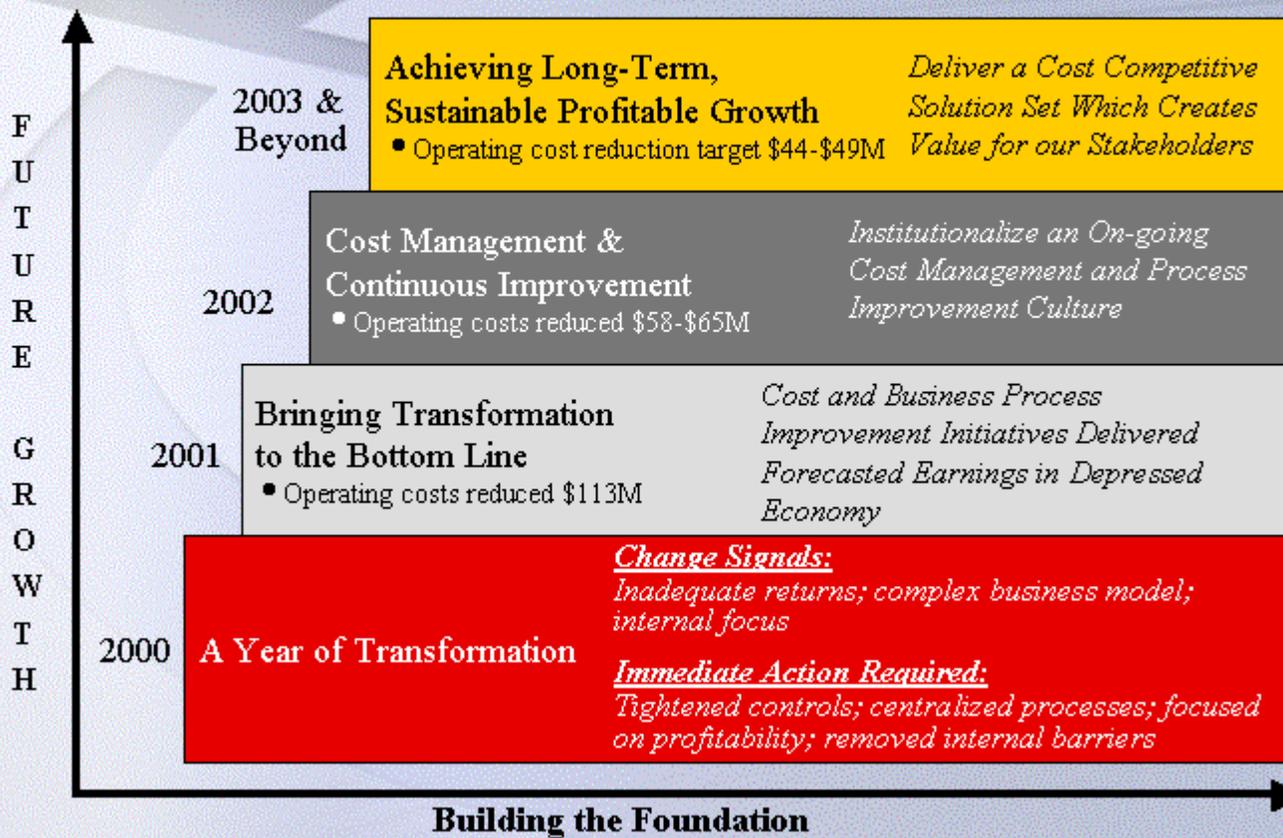


Building on Successes and Creating Opportunities





Building on Successes and Creating Opportunities



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Providing evidence that a stronger Ryder is being built to optimize performance when the economy turns

- ▶ Bridge the gap caused by an estimated \$56 million increase in 2003 pension expense and the impact of a prolonged soft economy
- ▶ Continued emphasis on prudent capital allocation and a strong balance sheet
- ▶ Sustained focus on cost management and operational process improvements
- ▶ FMS: Leverage asset management process; increased emphasis on new sales, profitable business retention and maintenance efficiencies
- ▶ DCC: Increase backhaul utilization through Transportation Management service offerings and a reduced cost structure
- ▶ SCS: Earnings growth through delivering margin improvements and overhead cost containment

- ▶ **We continue to forecast a soft economy into 2003; with customers slow to commit to large capital expenditures and long-term leases**
- ▶ **Overall revenue growth is planned to be flat with 2002 projection with growth anticipated in the rental product line and in European operations**
- ▶ **Earnings growth stems from the cumulative effect of process improvements and cost management activities taken over the past several years**

- ▶ **Fleet Management Solutions/Dedicated Contract Carriage:**
 - Soft lease market in 2002/03 results in minimal lease revenue growth for 2003
 - Improvement in rental demand slightly above GDP growth, with increasing margins due to asset management initiatives
 - Used vehicle market improves moderately in the second half of the year
 - Execution of cost containment, process improvement initiatives and innovative maintenance solutions drives operating performance
 - Backhaul capability leveraged through transportation management
- ▶ **Supply Chain Solutions:**
 - Domestic revenue decline partially offset by European revenue growth
 - OEM automotive production at 17MM units and slight recovery of the micro-processing industry assumed
 - Enhanced operational performance improves domestic and international margins
 - Reduction in overhead spending levels

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Key Financial Statistics

(\$ Millions, Except Per Share Amounts)

	<u>2003 Plan</u>	<u>2002 Projection</u>	<u>% B / (W)</u>
Revenue	<u>\$ 4,758</u>	<u>4,769</u>	0%
Pretax Earnings			
Before Unusual Items	\$ 192 - 197	177	8% - 11%
(Restructuring) / Recovery Items	-	(5)	NM
Total Pretax Earnings ⁽¹⁾	<u>\$ 192 - 197</u>	<u>172</u>	12% - 15%
EPS			
Before Unusual Items	\$ 1.95 - 2.00	1.81	8% - 11%
(Restructuring) / Recovery Items	-	(0.05)	NM
Total EPS ⁽¹⁾	<u>\$ 1.95 - 2.00</u>	<u>1.76</u>	11% - 14%
Average Shares Outstanding	63.0	62.8	
TaxRate	36%	36%	

(1) Earnings before 2002 charge resulting from a change in accounting principle related to goodwill of \$19.0M or \$0.30 per share.



EPS by Quarter

(\$ Earnings Per Share)

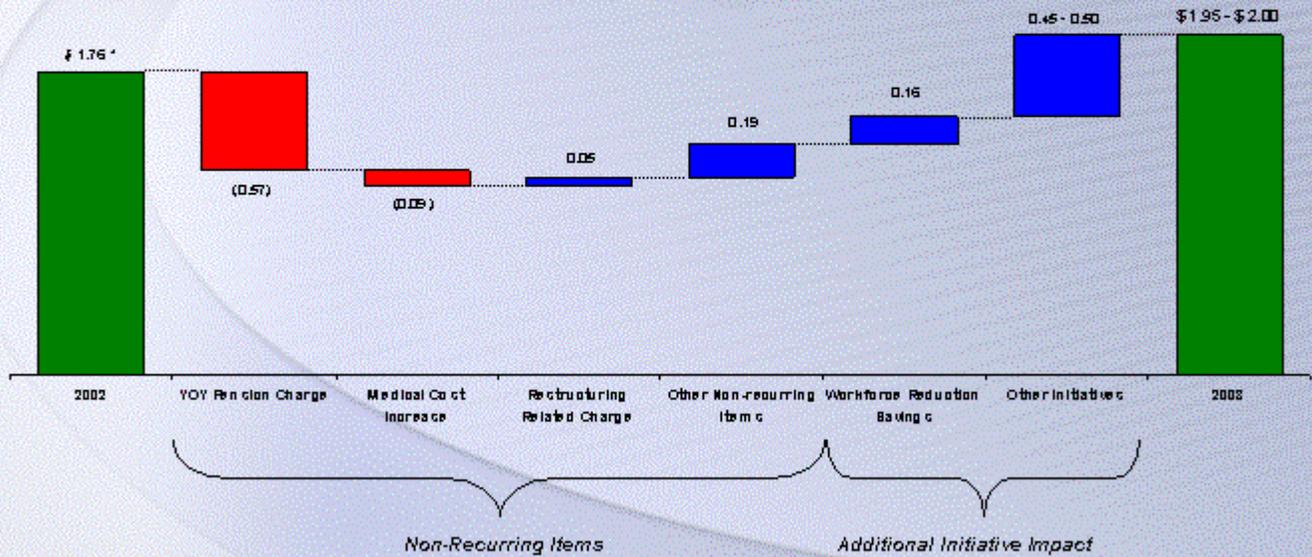
	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Full Year</u>
2003 Plan EPS	0.26 - 0.27	0.54 - 0.55	0.58 - 0.60	0.57 - 0.58	1.95 - 2.00
2002 Proj. EPS ⁽¹⁾	0.27	0.47	0.54	0.48	1.76

(1) Excludes goodwill charge of \$0.30 due to change in accounting principle. Includes restructuring/recovery charges of \$0.05.



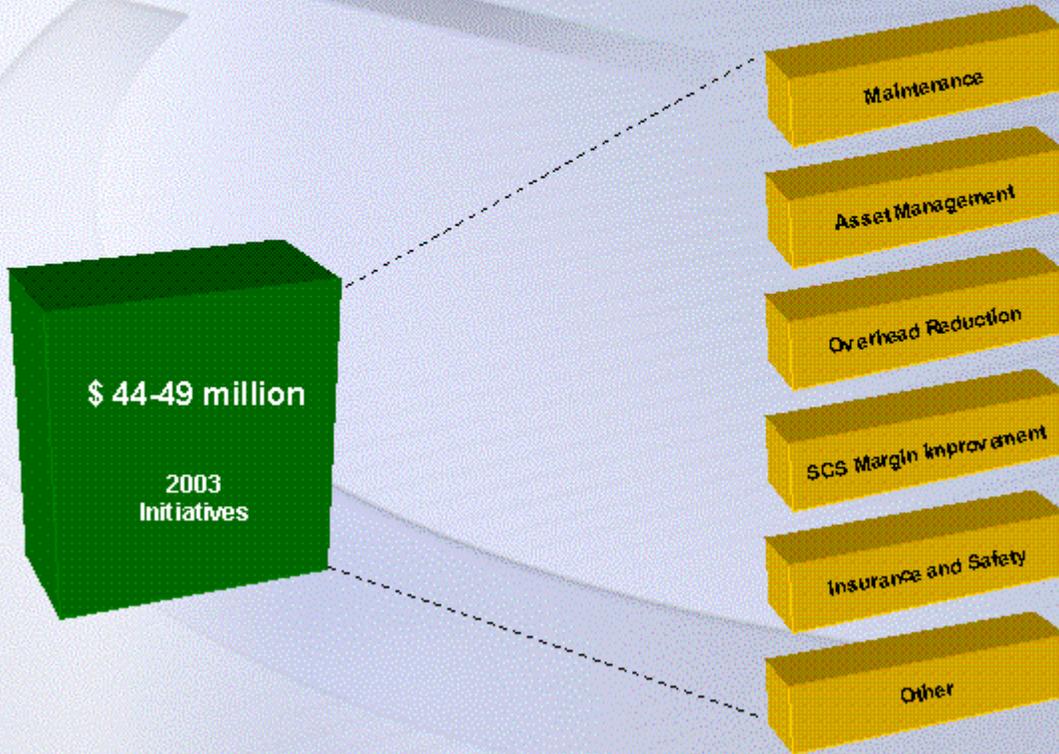
2003 Cause of Change

(\$ Earnings Per Share)



*Excludes \$0.30 goodwill charge associated with change in accounting principle.

Continuing to build the long-term foundation of a stronger Ryder through continuous improvement processes





Business Segment

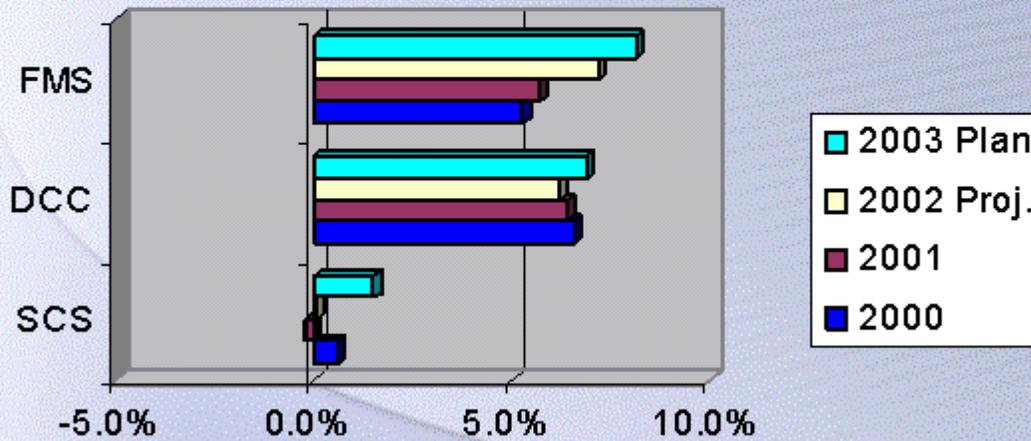
Full Year

(\$ Millions)

	2003 Plan	2002 Proj.	% B/(W)
Revenue:			
Fleet Management Solutions	\$ 3,290	3,184	3%
Supply Chain Solutions	1,279	1,386	(8)%
Dedicated Contract Carriage	522	517	1%
Eliminations	(333)	(318)	(5)%
Total revenue	\$ 4,758	4,769	0%
Segment NBT			
Fleet Management Solutions	\$ 209	\$ 209	0%
Supply Chain Solutions	9	(5)	NM
Dedicated Contract Carriage	35	32	9%
Eliminations	(33)	(34)	3%
	<u>220</u>	<u>202</u>	<u>9%</u>
Central Support Services (Unallocated)	(25)	(25)	0%
Pretax Earnings Before Unusual Items	195	177	10%
Res structuring / Recovery items	-	(5)	NM
Pretax Earnings Before Accounting Change	\$ 195	172	13%

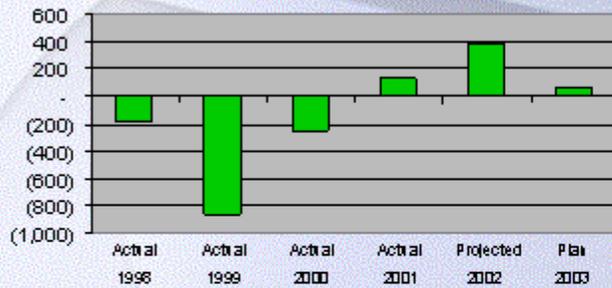
Business Segment – Operating Margin

Business segment margin percent of revenue excluding the impact of pension expense/income

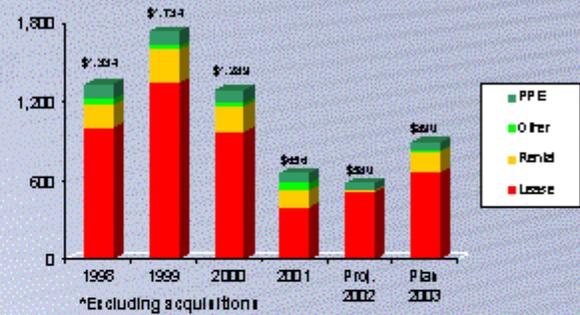


Optimizing core earnings growth through focused cost management and process improvement initiatives

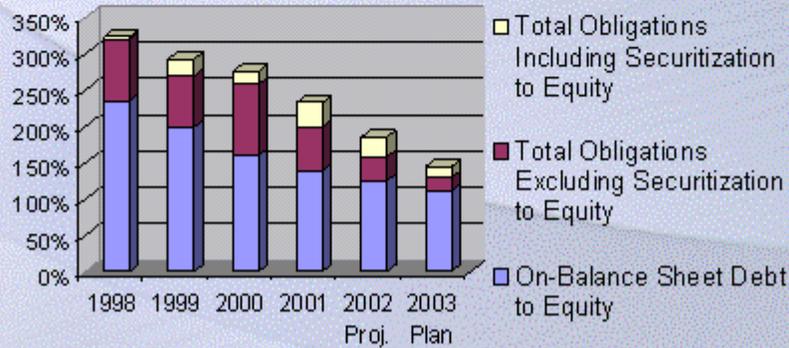
Free Cash Flow (\$ Millions)



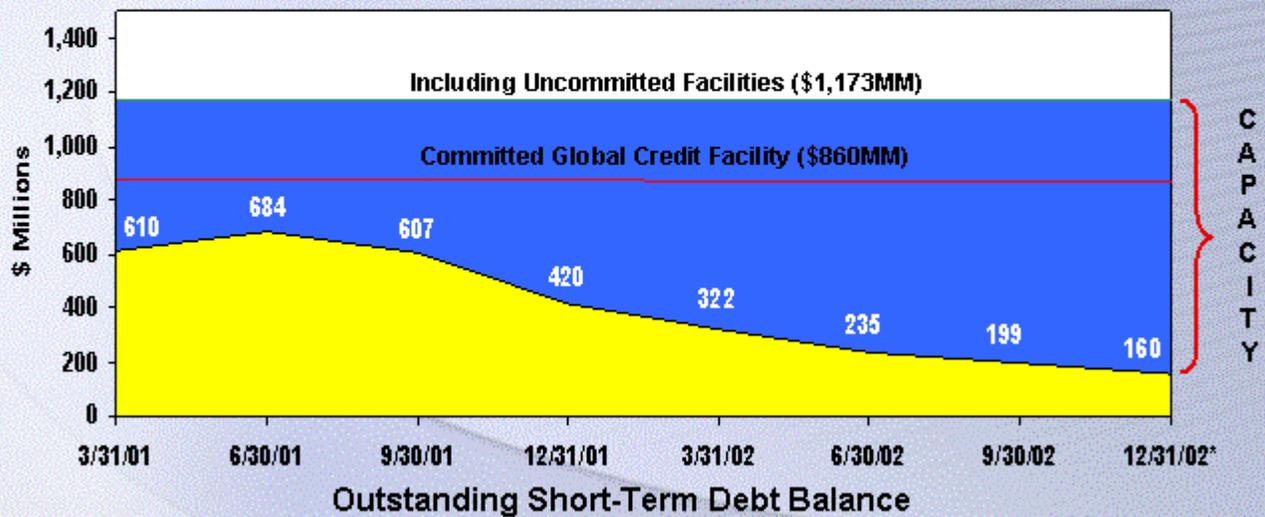
Capital Expenditures* (\$ Millions)



Debt to Equity Ratio



- ▶ **Ryder's short-term debt is at historic low levels. Strong debt capacity exists to support increased capital expenditures and growth.**



Emphasis on strengthening the balance sheet has positioned Ryder for the future.

*Forecast

▶ **Ryder continues to have broad access to the debt capital markets**

	<u>Recently Utilized</u>
<u>Short Term</u>	
U.S. Commercial Paper	✓
Conduit Commercial Paper	✓
International Revolving Credit Facilities	✓
<u>Long Term</u>	
Medium Term Notes - U.S.	✓
Underwritten Bonds - U.S.	-
Operating Leases	✓
Lease Securitizations (asset-backed)	✓
Term Loans – International & U.S.	✓
Capital Leases	✓
Global Revolving Credit Facility (U.K., Canada & P.R.)	✓

- ▶ **Pension expense increase of approximately \$56M expected in 2003 due to market conditions**
 - Final expense based on portfolio performance through 12/31/02 and corporate bond rates used to derive discount rate in liability calculation
- ▶ **No U.S. cash contribution required in 2003**
- ▶ **Analysis indicated marginally positive economic benefit to optional contribution in 2002**
- ▶ **Ryder to make \$16M contribution to U.S. pension plan prior to 12/31/02 which equals employee pension benefits earned (i.e. FAS87 service cost) in 2002.**
 - Global pension plan contributions for 2002 total \$26M.

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- ▶ **Continued weakness in economy in 2003 with prospects for modest improvement in second half**
- ▶ **Increased pension expense creating earnings challenge**
- ▶ **Leverage and build on strategic process improvements made throughout organization to achieve results**
- ▶ **Enhance focus on cost competitiveness particularly in Supply Chain Services**
- ▶ **Position company to capitalize on future economic improvements while continuing to deliver earnings targets**

Ryder's strength is not just about assets, but rather about how those assets are managed. Ryder's core strength is in its expert ability to solve problems for its customers and provide solutions that make its customers' businesses more efficient.

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