



Ryder System, Inc. (R)

Updated November 14th, 2024, by Aristofanis Papadatos

Key Metrics

Current Price:	\$168	5 Year CAGR Estimate:	-2.4%	Market Cap:	\$7.0 B
Fair Value Price:	\$144	5 Year Growth Estimate:	-2.0%	Ex-Dividend Date:	11/18/24
% Fair Value:	117%	5 Year Valuation Multiple Estimate:	-3.0%	Dividend Payment Date:	12/20/24
Dividend Yield:	1.9%	5 Year Price Target:	\$130	Years Of Dividend Growth:	20
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Sell

Overview & Current Events

In 1933, Jim Ryder made a \$35 down payment on one truck. Today that has transformed into a \$7.0 billion commercial transportation, logistics and supply chain management solutions company with 250,000+ vehicles and 55 million square feet of warehouse space. The business is divided into three segments – Fleet Management (FMS), Dedicated Transportation (DTS) and Supply Chain Solutions (SCS) – providing commercial truck rental, truck leasing, used trucks for sale, and last mile delivery services. Ryder generated \$12.0 billion in revenue last year.

In late October, Ryder reported (10/24/24) financial results for the third quarter of fiscal 2024. Its operating revenue grew 9% over the prior year's quarter thanks to recent acquisitions but its adjusted earnings-per-share dipped -4%, from \$3.58 to \$3.44, due to weaker market conditions in used vehicle sales and rental. However, Ryder exceeded the analysts' consensus by \$0.02. Ryder slightly revised its guidance for 2024. It still expects 8% revenue growth, mostly thanks to acquisitions, and narrowed its guidance for adjusted earnings-per-share from \$11.90-\$12.40 to \$11.90-\$12.10. We reiterate the tendency of management to issue somewhat cautious guidance but keep our forecast intact at \$12.00. Notably, Ryder has exceeded the analysts' consensus in 14 of the last 15 quarters. It has also raised its dividend by 14% this year and thus it has now raised its dividend for 20 consecutive years.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$5.59	\$6.13	\$5.41	\$4.53	\$5.79	\$1.01	-\$0.27	\$9.58	\$16.37	\$12.95	\$12.00	\$10.85
DPS	\$1.42	\$1.56	\$1.70	\$1.80	\$2.12	\$2.20	\$2.24	\$2.28	\$2.40	\$2.66	\$3.24	\$4.12
Shares¹	53.0	53.5	53.5	53.0	53.1	53.3	52.4	54.0	49.3	45.4	44.0	40.0

Ryder has grown its earnings-per-share by an average compound rate of 9.8% per year over the last decade. However, the company has a volatile performance record. Earnings plunged in 2019, as the company dealt with a significant impact from residual value changes. Moreover, the company incurred losses in 2020 due to the pandemic.

Ryder faces challenges from increasing costs, more stringent regulation, and disruptive technologies; not to mention softer demand in the power vehicle resale market. And this was before the pandemic. While the company is considered essential, providing supply chain and transportation services, demand is volatile.

Of course, there are opportunities as the company offers solutions for driver and labor shortages in the industry for the short to intermediate-term, and Ryder can play a key role in the ongoing shift toward e-commerce and asset sharing / autonomous vehicles in the long-term. The company paid the same \$0.15 quarterly dividend from 1989 through 2004 but began raising it in 2005. In the last decade, the company has grown its dividend at a 7.8% average annual rate.

We are forecasting earnings-per-share of \$12.00 this year. This third-best level of earnings in the history of the company forms a somewhat high comparison base for future earnings and hence we expect a -2.0% average annual decrease in earnings-per-share over the next five years.

¹ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	15.1	13.7	12.1	16.6	12.2	---	---	8.1	4.8	7.3	14.0	12.0
Avg. Yld.	1.7%	1.9%	2.6%	2.4%	3.0%	4.0%	5.6%	2.9%	3.1%	2.8%	1.9%	3.2%

Excluding 2019 and 2020, shares of Ryder have traded hands with an average price-to-earnings ratio of 11.2, with a range from 4.8 to 16.6. We are using 12 times earnings as a fair value multiple. The stock is currently trading at a price-to-earnings ratio of 14.0, which is higher than the historical average. If Ryder trades at our fair valuation level in five years, it will incur a -3.0% annualized drag due to the contraction of its price-to-earnings ratio.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	25%	25%	31%	40%	37%	---	---	24%	15%	21%	27%	38%

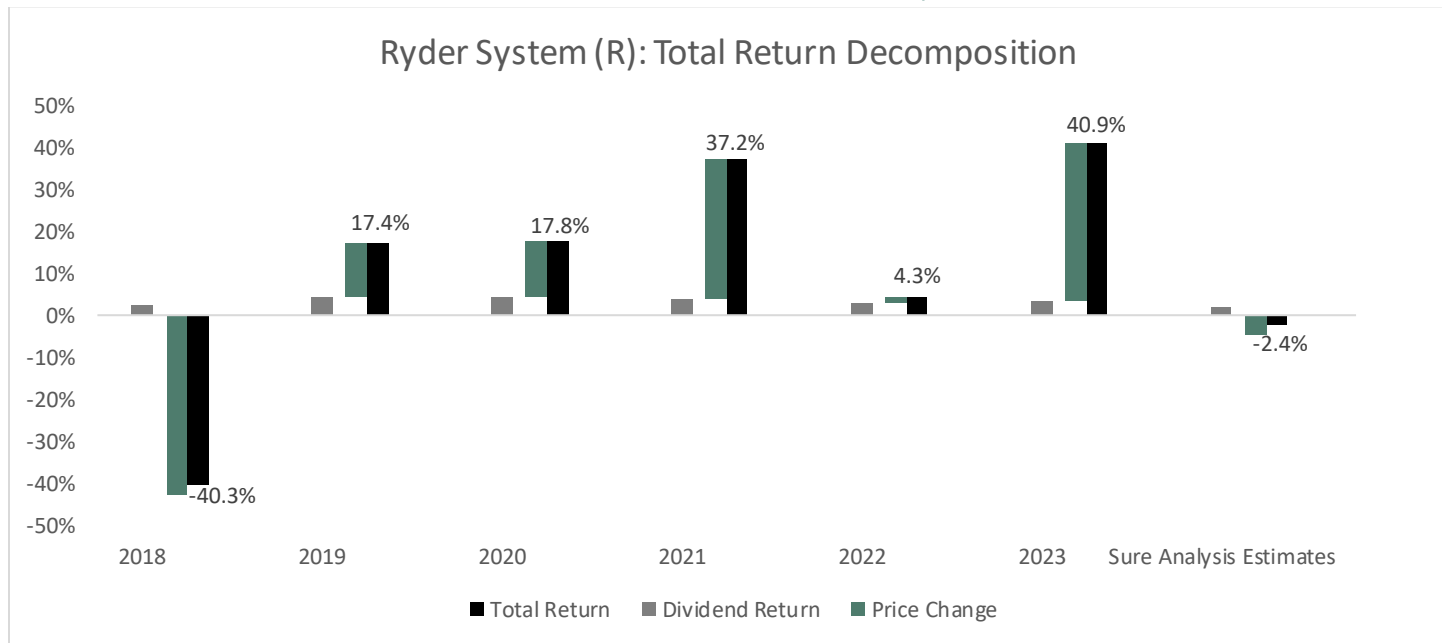
There have been three instances – 2008-09, 2015-17 and 2018-19 – in which Ryder reported a material decline in earnings-per-share (-65%, -26% and -83%, respectively). Moreover, the company incurred losses in 2020. While this is natural in a cyclical industry, we are encouraged by Ryder's ability to rebound. The company has gotten back to normalized earnings power, so now the dividend is reasonably covered once again.

Of particular note to Ryder's safety is the company's interest expense, which totaled \$261 million in 2020 against operating income of \$487 million. The company has suggested that it is comfortable with this type of significant leverage – targeting a debt-to-equity ratio of 200% to 250%. Ryder is thriving right now so it can easily service its debt but its high leverage could mean that the company might come under pressure during a severe future downturn.

Final Thoughts & Recommendation

The stock of Ryder has rallied 62% in the last 12 months and hence it could offer an average annual return of only -2.4% over the next five years, as its 1.9% dividend may be offset by a -2.0% annual decrease in earnings-per-share and a -3.0% valuation drag. The stock receives a sell rating. We also repeat that investors should always be aware of the high cyclical nature and the material debt load of the company.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	6639	6572	6758	7297	8409	8926	8420	9920	12011	11783
Gross Profit	1386	1485	1501	1464	1582	1371	1275	2059	2390	2299
Gross Margin	20.9%	22.6%	22.2%	20.1%	18.8%	15.4%	15.1%	20.8%	19.9%	19.5%
SG&A Exp.	914	823	804	871	855	907	933	1187	1415	1421
D&A Exp.	1094	1175	1226	1264	1426	---	2143	1811	1831	1814
Operating Profit	356	546	584	477	601	341	219	872	975	878
Operating Margin	5.4%	8.3%	8.6%	6.5%	7.2%	3.8%	2.6%	8.9%	8.1%	7.5%
Net Profit	218	305	263	792	273	-24	-122	519	867	406
Net Margin	3.3%	4.6%	3.9%	10.9%	3.2%	-0.3%	1.4%	5.2%	7.0%	3.4%
Free Cash Flow	-876	-1226	-304	-312	-1415	---	1035	234	-321	-881
Income Tax	118	163	142	-478	98	-19	-18	171	353	212

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	9851	10953	10902	11464	13051	14475	12930	13835	14395	15778
Cash & Equivalents	50	61	59	78	68	74	151	234	267	204
Accounts Receivable	779	799	816	981	1171	---	1052	1281	1476	1505
Inventories	66	64	70	74	79	---	61	69	78	---
Goodwill & Int. Ass.	460	444	435	438	534	---	518	742	1156	1336
Total Liabilities	8032	8965	8850	8622	10141	11999	10680	11037	11458	12709
Accounts Payable	561	502	445	599	732	---	547	748	767	833
Long-Term Debt	4731	5503	5391	5410	6624	7925	6610	6580	6352	7114
Shareholder's Equity	1819	1987	2052	2842	2910	2476	2256	2798	2937	3069
D/E Ratio	2.60	2.77	2.63	1.90	2.28	3.2	2.93	2.35	2.16	2.32

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	2.3%	2.9%	2.4%	7.1%	2.2%	-0.2%	-0.9%	3.9%	6.1%	2.7%
Return on Equity	11.8%	16.0%	13.0%	32.4%	9.5%	-0.9%	-5.2%	20.5%	30.2%	13.5%
ROIC	3.5%	4.3%	3.5%	10.1%	3.1%	-0.2%	-1.3%	5.7%	9.3%	4.2%
Shares Out.	53.0	53.5	53.5	53.0	53.1	52.3	52.4	53.5	50.9	46.5
Revenue/Share	125.17	123.39	126.65	137.71	159.58	167.49	160.81	185.39	236.03	253.47
FCF/Share	-16.52	-23.02	-5.70	-5.90	-26.86	---	19.76	4.37	-6.31	-18.95

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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