# Ryder System, Inc. (R)

*Updated February 17th, 2025, by Aristofanis Papadatos*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $166 | **5 Year CAGR Estimate:** | 3.5% | **Market Cap:** | $7.0 B |
| **Fair Value Price:** | $162 | **5 Year Growth Estimate:** | 2.0% | **Ex-Dividend Date:** | 2/18/25 |
| **% Fair Value:** | 102% | **5 Year Valuation Multiple Estimate:** | -0.5% | **Dividend Payment Date** | 3/21/25 |
| **Dividend Yield:** | 2.0% | **5 Year Price Target** | $179 | **Years Of Dividend Growth:** | 20 |
| **Dividend Risk Score:** | C | **Retirement Suitability Score:** | D | **Rating:** | Hold |

## 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 $12.6 billion in revenue last year.

On February 12th 2025, Ryder reported results for Q4-2024. Its revenue grew 7% over the prior year's quarter thanks to recent acquisitions and its earnings-per-share grew 17%, from $2.95 to $3.45, thanks to strong performance in all segments. Ryder exceeded the analysts' consensus by $0.08. Thanks to favorable business trends, the company expects 2% revenue growth and adjusted earnings-per-share of $13.00-$14.00 in 2025. At the mid-point, this guidance implies 12.5% growth. Notably, Ryder has exceeded the analysts' consensus in 15 of the last 16 quarters.

## Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | $6.13 | $5.41 | $4.53 | $5.79 | $1.01 | -$0.27 | $9.58 | $16.37 | $12.95 | $12.00 | ***$13.50*** | ***$14.91*** |
| **DPS** | $1.56 | $1.70 | $1.80 | $2.12 | $2.20 | $2.24 | $2.28 | $2.40 | $2.66 | $3.04 | ***$3.24*** | ***$4.12*** |
| **Shares[1]** | 53.5 | 53.5 | 53.0 | 53.1 | 53.3 | 52.4 | 54.0 | 49.3 | 45.4 | 43.4 | ***43.0*** | ***40.0*** |

Ryder has grown its earnings-per-share by an average compound rate of 7.7% 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 7.7% average annual rate.

We are forecasting earnings-per-share of $13.50 this year. This second-best level of earnings in the history of the company forms a somewhat high comparison base for future earnings and hence we expect just 2.0% average annual growth of earnings-per-share over the next five years.

## Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Avg. P/E** | 13.7 | 12.1 | 16.6 | 12.2 | --- | --- | 8.1 | 4.8 | 7.3 | 13.8 | ***12.3*** | ***12.0*** |
| **Avg. Yld.** | 1.9% | 2.6% | 2.4% | 3.0% | 4.0% | 5.6% | 2.9% | 3.1% | 2.8% | 2.0% | ***2.0%*** | ***2.3%*** |

[1] In millions.

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Excluding 2019 and 2020, shares of Ryder have traded hands with an average price-to-earnings ratio of 11.1, 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 12.3, which is slightly higher than our assumed fair valuation level. If Ryder trades at our fair valuation level in five years, it will incur a -0.5% annualized drag due to the contraction of its price-to-earnings ratio.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | 25% | 31% | 40% | 37% | --- | --- | 24% | 15% | 21% | 25% | ***24%*** | ***28%*** |

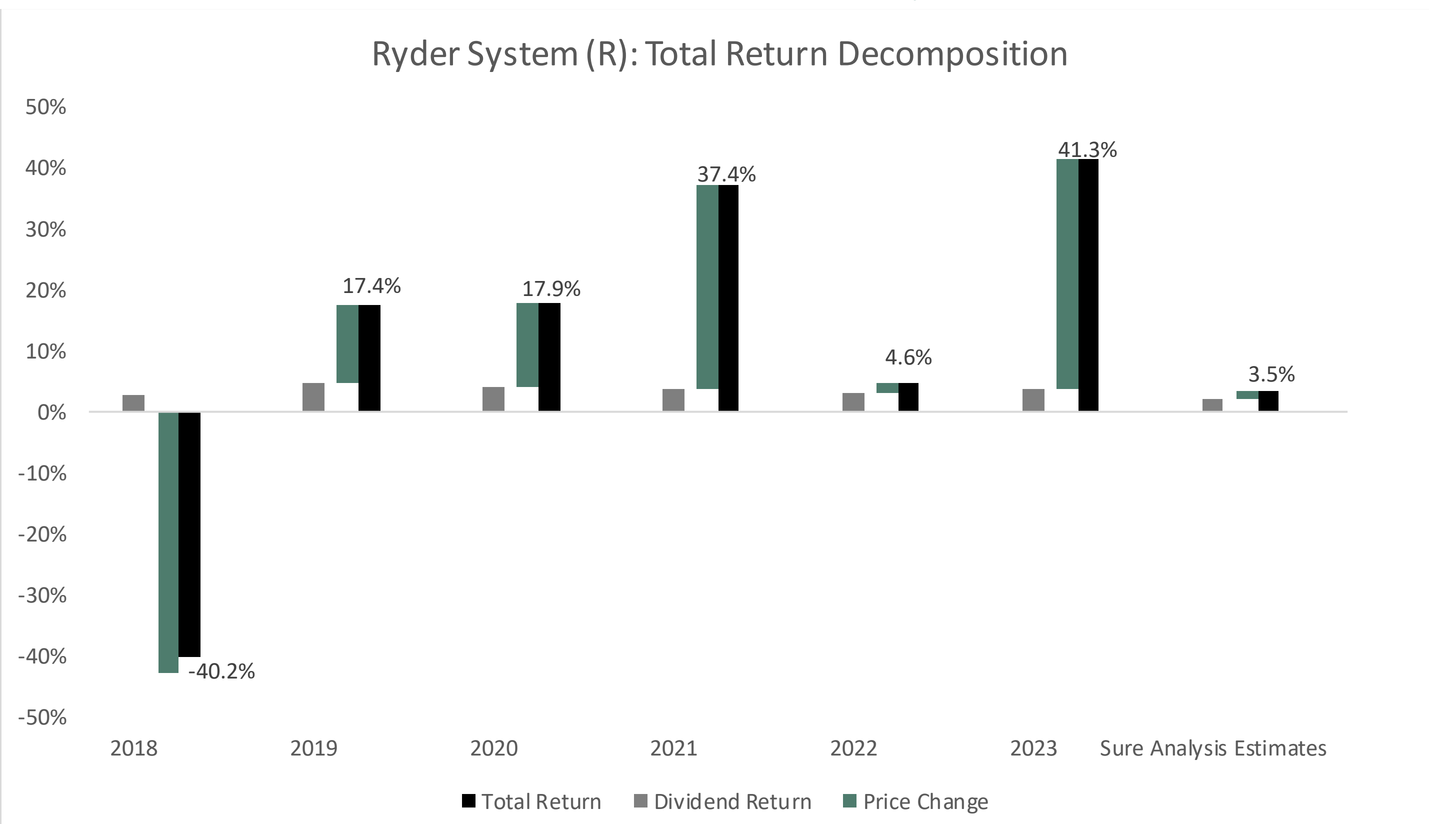
There have been three instances – 2008-09, 2015-17 and 2018-19 – in which Ryder reported a material decline in earnings-per-share (-65%, -26% and -83%, respectively). Moreover, the company incurred losses in 2020. While this is natural in a cyclical industry, we are encouraged by Ryder's ability to rebound. 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 58% in the last 15 months and hence it could offer an average annual return of only 3.5% over the next five years, as 2.0% growth of earnings-per-share and a 2.0% dividend may be partly offset by a -0.5% valuation drag. The stock receives a hold rating. We also repeat that investors should always be aware of the high cyclicality and the material debt load of the company.

## Total Return Breakdown by Year




*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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## Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 6572 | 6758 | 7297 | 8409 | 8926 | 8420 | 9920 | 12011 | 11783 | 12708 |
| Gross Profit | 1485 | 1501 | 1464 | 1582 | 1371 | 1275 | 2059 | 2390 | 2299 | 2545 |
| Gross Margin | 22.6% | 22.2% | 20.1% | 18.8% | 15.4% | 15.1% | 20.8% | 19.9% | 19.5% | 20.0% |
| SG&A Exp. | 823 | 804 | 871 | 855 | 907 | 933 | 1187 | 1415 | 1421 | 1478 |
| D&A Exp. | 1175 | 1226 | 1264 | 1426 | --- | 2143 | 1811 | 1831 | 1814 | 1854 |
| Operating Profit | 546 | 584 | 477 | 601 | 341 | 219 | 872 | 975 | 878 | 1067 |
| Operating Margin | 8.3% | 8.6% | 6.5% | 7.2% | 3.8% | 2.6% | 8.9% | 8.1% | 7.5% | 8.4% |
| Net Profit | 305 | 263 | 792 | 273 | -24 | -122 | 519 | 867 | 406 | 489 |
| Net Margin | 4.6% | 3.9% | 10.9% | 3.2% | -0.3% | 1.4% | 5.2% | 7.0% | 3.4% | 3.8% |
| Free Cash Flow | -1226 | -304 | -312 | -1415 | --- | 1035 | 234 | -321 | -881 | -418 |
| Income Tax | 163 | 142 | -478 | 98 | -19 | -18 | 171 | 353 | 212 | 172 |

## Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 10953 | 10902 | 11464 | 13051 | 14475 | 12930 | 13835 | 14395 | 15778 | 16672 |
| Cash & Equivalents | 61 | 59 | 78 | 68 | 74 | 151 | 234 | 267 | 204 | 154 |
| Accounts Receivable | 799 | 816 | 981 | 1171 | --- | 1052 | 1281 | 1476 | 1505 | 1634 |
| Inventories | 64 | 70 | 74 | 79 | --- | 61 | 69 | 78 | --- | --- |
| Goodwill & Int. Ass. | 444 | 435 | 438 | 534 | --- | 518 | 742 | 1156 | 1336 | 1615 |
| Total Liabilities | 8965 | 8850 | 8622 | 10141 | 11999 | 10680 | 11037 | 11458 | 12709 | 13555 |
| Accounts Payable | 502 | 445 | 599 | 732 | --- | 547 | 748 | 767 | 833 | 828 |
| Long-Term Debt | 5503 | 5391 | 5410 | 6624 | 7925 | 6610 | 6580 | 6352 | 7114 | 7779 |
| Shareholder's Equity | 1987 | 2052 | 2842 | 2910 | 2476 | 2256 | 2798 | 2937 | 3069 | 3117 |
| D/E Ratio | 2.77 | 2.63 | 1.90 | 2.28 | 3.2 | 2.93 | 2.35 | 2.16 | 2.32 | 2.50 |

## Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | 2.9% | 2.4% | 7.1% | 2.2% | -0.2% | -0.9% | 3.9% | 6.1% | 2.7% | 3.0% |
| Return on Equity | 16.0% | 13.0% | 32.4% | 9.5% | -0.9% | -5.2% | 20.5% | 30.2% | 13.5% | 15.8% |
| ROIC | 4.3% | 3.5% | 10.1% | 3.1% | -0.2% | -1.3% | 5.7% | 9.3% | 4.2% | 4.6% |
| Shares Out. | 53.5 | 53.5 | 53.0 | 53.1 | 52.3 | 52.4 | 53.5 | 50.9 | 46.5 | 44.2 |
| Revenue/Share | 123.39 | 126.65 | 137.71 | 159.58 | 167.49 | 160.81 | 185.39 | 236.03 | 253.47 | 287.29 |
| FCF/Share | -23.02 | -5.70 | -5.90 | -26.86 | --- | 19.76 | 4.37 | -6.31 | -18.95 | -9.45 |

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