



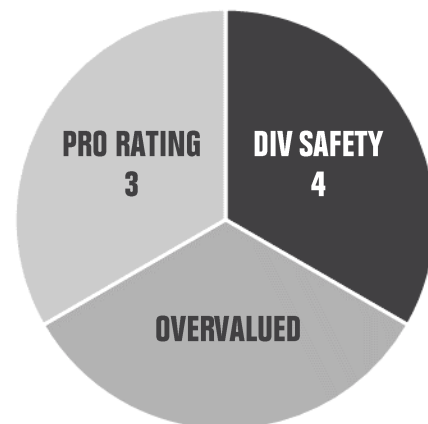
# DSR STOCK CARD

09/17/2019

## RYDER SYSTEM (R)

### Business Model

Ryder System Inc. is a provider of supply chain and fleet management solutions in the United States. The company offers fleet leasing, fleet maintenance, truck rental, dedicated transportation, transportation management, freight brokerage, supply-chain optimisation, warehouse and distribution, and small-business solutions. Ryder serves a wide range of industries, including automotive, consumer packaged goods, energy, food and beverage, healthcare, industrial manufacturing, and metals, etc.



### The Company in a Nutshell

- Ryder has been around since truck leasing became a business.
- Ryder is a leader in transportation and logistics outsourcing.
- Fleet Management Solutions (FMS) (61%) is the most important revenue segment followed by Supply Chain Solutions (SCS) (26%) and Dedicated Transportation Solutions (DTS) (13%).

### Investment Thesis

Like most stocks, Ryder took a serious beating during the second half of 2018. Ryder has unfortunately not recovered yet. This is probably because Ryder's business model is linked to the economy and investors still expect the worst to come. We like that the company is a leader in its industry and that it has been around for decades. This means management knows how to handle the next recession. Nevertheless, you can enjoy a nice yield at this price, but don't expect the stock to surge in the next 12 months. If you are patient, R seems to get very close to a buying price now.

## VALUATION

Dividend Growth Rate Years 1-10 yr: 7.00%

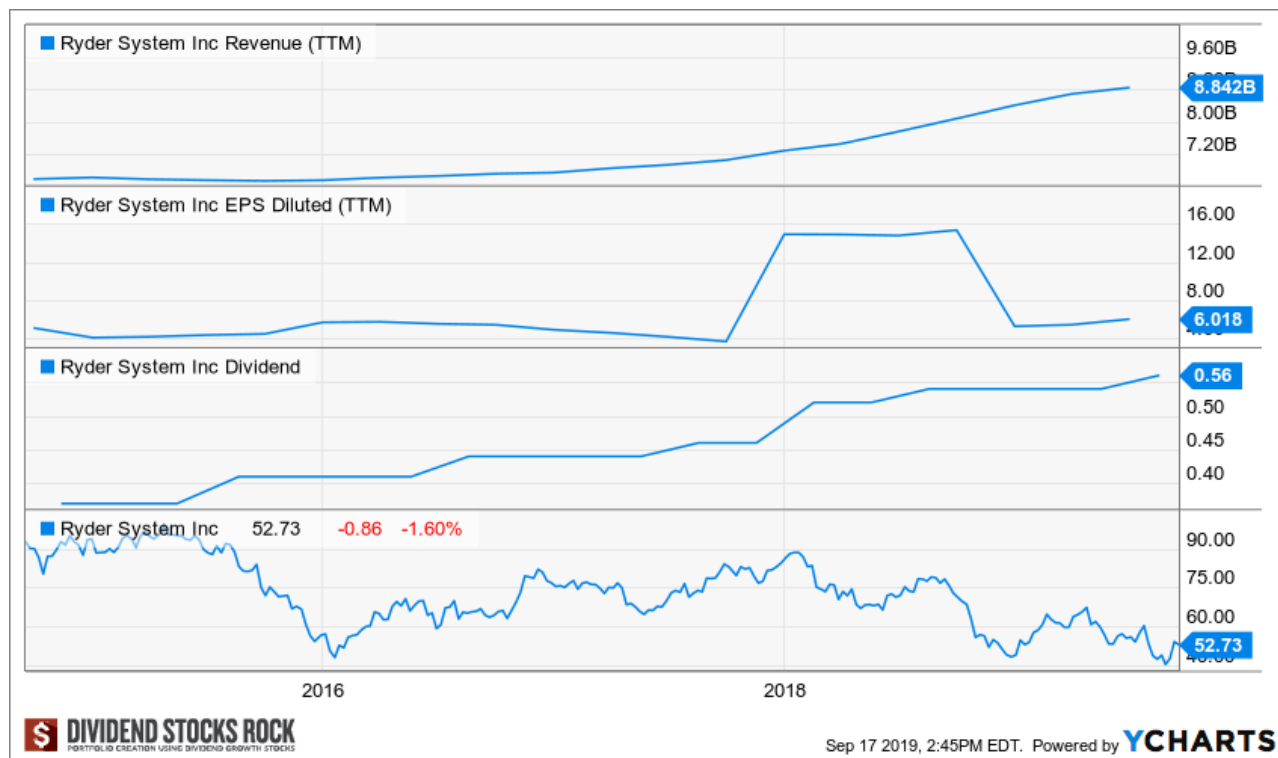
Terminal Dividend Growth Rate: 4.00%

Price on 09/17/2019: \$52.62	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$70.77	\$58.50	\$49.76
10% Premium	\$64.87	\$53.62	\$45.61
Intrinsic Value	\$58.97	<b>\$48.75</b>	\$41.46
10% Discount	\$53.08	\$43.87	\$37.32
20% Discount	\$47.18	\$39.00	\$33.17



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**HOLDING:** CORE

**SECTOR:** INDUSTRIALS

**BETA:** 2.318

**DEBT/EQUITY:** 2.276

**YIELD:** 4.14%

**5-YR REV. GROWTH:** 5.55%

**5-YR EPS GROWTH:** 12.17%

**5-YR DIV. GROWTH:** 10.28%

**PE RATIO:** 8.762

**FWD PE:** 9.390

**PAYOUT RATIO:** 35.97%

**CASH PAYOUT:** -5.65%

## Potential Risks

The problem with Ryder's business model is that it is capital-intensive (requires lots of money to grow and maintain trucks fleet) while its growth depends on macroeconomics metrics. When the economy slows down, R is stuck with a bunch of trucks. Those trucks and warehouses still generate fixed expenses while revenue stagnates. The recent stock price drop is just a preview of what would happen if we hit a recession. While Ryder has seen recessions and financial crisis in the past, it would likely pause its dividend growth policy if it needs more cash flow.

## Dividend Growth Perspective

Ryder has been a steady dividend grower since 2009. The company is part of the elite group of dividend achievers (10yr+ with a consecutive dividend increase). Ryder has increased its payments by more than 50% over the past 5 years and shareholders can expect additional high single-digit raises in the upcoming years. Unfortunately, the DDM doesn't show a buy opportunity at this time.