UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2021
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____
Commission File Number: 1-4364

RYDER SYSTEM, INC.

(Exact name of registrant as specified in its charter)

Florida	**59-0739250**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
11690 N.W. 105th Street **Miami, Florida 33178**	**(305) 500-3726**
(Address of principal executive offices, including zip code)	*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ryder System, Inc. Common Stock ($0.50 par value)	**R**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☑

The number of shares of Ryder System, Inc. Common Stock outstanding at June 30, 2021 was 53,773,599.

RYDER SYSTEM, INC.
FORM 10-Q QUARTERLY REPORT

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands, except per share amounts)			
Lease & related maintenance and rental revenues	**$ 986,694**	$ 868,660	**$ 1,927,116**	$ 1,796,416
Services revenue	**1,276,140**	942,267	**2,441,628**	2,054,455
Fuel services revenue	**119,403**	84,355	**235,115**	205,717
Total revenues	**2,382,237**	1,895,282	**4,603,859**	4,056,588
Cost of lease & related maintenance and rental	**708,737**	775,350	**1,438,881**	1,593,642
Cost of services	**1,091,725**	793,353	**2,091,517**	1,747,782
Cost of fuel services	**109,450**	77,980	**224,156**	198,429
Other operating expenses	**33,481**	29,849	**67,381**	63,414
Selling, general and administrative expenses	**269,268**	208,564	**511,010**	432,683
Non-operating pension costs, net	**(373)**	936	**(382)**	2,157
Used vehicle sales, net	**(51,634)**	9,488	**(80,485)**	30,172
Interest expense	**54,155**	67,285	**108,861**	129,851
Miscellaneous (income) loss, net	**(43,812)**	(9,946)	**(49,246)**	(1,278)
Restructuring and other items, net	**7,667**	37,200	**18,326**	68,147
	2,178,664	1,990,059	**4,330,019**	4,264,999
Earnings (loss) from continuing operations before income taxes	**203,573**	(94,777)	**273,840**	(208,411)
Provision for (benefit from) income taxes	**54,005**	(21,072)	**72,688**	(25,577)
Earnings (loss) from continuing operations	**149,568**	(73,705)	**201,152**	(182,834)
Loss from discontinued operations, net of tax	**(463)**	(394)	**(1,222)**	(878)
Net earnings (loss)	**$ 149,105**	$ (74,099)	**$ 199,930**	$ (183,712)
Earnings (loss) per common share — Basic				
Continuing operations	**$ 2.84**	$ (1.41)	**$ 3.83**	$ (3.50)
Discontinued operations	**(0.01)**	(0.01)	**(0.02)**	(0.02)
Net earnings (loss)	**$ 2.83**	$ (1.42)	**$ 3.80**	$ (3.52)
Earnings (loss) per common share — Diluted				
Continuing operations	**$ 2.78**	$ (1.41)	**$ 3.75**	$ (3.50)
Discontinued operations	**(0.01)**	(0.01)	**(0.02)**	(0.02)
Net earnings (loss)	**$ 2.77**	$ (1.42)	**$ 3.73**	$ (3.52)

See accompanying Notes to Condensed Consolidated Financial Statements.

Note: EPS amounts may not be additive due to rounding.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Net earnings (loss)	**$ 149,105**	$ (74,099)	**$ 199,930**	$ (183,712)
Other comprehensive income (loss):				
Changes in cumulative translation adjustment and unrealized losses from cash flow hedges	**9,551**	7,878	**18,491**	(76,742)
Amortization of pension and postretirement items	**6,951**	7,371	**13,967**	15,150
Income tax expense related to amortization of pension and postretirement items	**(1,453)**	(1,492)	**(2,971)**	(3,105)
Amortization of pension and postretirement items, net of taxes	**5,498**	5,879	**10,996**	12,045
Change in net actuarial loss and prior service cost	**116**	(4,539)	**116**	(4,539)
Income tax (expense) benefit related to change in net actuarial loss and prior service cost	**(80)**	1,087	**(80)**	1,087
Change in net actuarial loss and prior service cost, net of taxes	**36**	(3,452)	**36**	(3,452)
Other comprehensive income (loss), net of taxes	**15,085**	10,305	**29,523**	(68,149)
Comprehensive income (loss)	**$ 164,190**	$ (63,794)	**$ 229,453**	$ (251,861)

See accompanying Notes to Condensed Consolidated Financial Statements.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2021	December 31, 2020
	(In thousands, except share amounts)	
Assets:		
Current assets:		
Cash and cash equivalents	**$ 267,992**	$ 151,294
Receivables, net	**1,298,905**	1,182,350
Inventories	**62,707**	61,191
Prepaid expenses and other current assets	**159,260**	200,694
Total current assets	**1,788,864**	1,595,529
Revenue earning equipment, net	**8,531,099**	8,777,015
Operating property and equipment, net of accumulated depreciation of $1,240,575 and $1,212,164	**932,549**	927,058
Goodwill	**475,553**	475,245
Intangible assets, net	**39,814**	43,216
Sales-type leases and other assets	**1,135,157**	1,113,891
Total assets	**$ 12,903,036**	$ 12,931,954
Liabilities and shareholders' equity:		
Current liabilities:		
Short-term debt and current portion of long-term debt	**$ 1,362,669**	$ 516,581
Accounts payable	**672,553**	547,389
Accrued expenses and other current liabilities	**1,020,832**	989,178
Total current liabilities	**3,056,054**	2,053,148
Long-term debt	**4,873,002**	6,093,655
Other non-current liabilities	**1,371,053**	1,403,861
Deferred income taxes	**1,184,713**	1,125,733
Total liabilities	**10,484,822**	10,676,397
Commitments and contingencies (Note 16)		
Shareholders' equity:		
Preferred stock, no par value per share — authorized, 3,800,917; none outstanding, June 30, 2021 and December 31, 2020	**—**	—
Common stock, $0.50 par value per share — authorized, 400,000,000; outstanding, June 30, 2021 — 53,773,599 and December 31, 2020 — 53,732,033	**26,886**	26,866
Additional paid-in capital	**1,163,267**	1,132,954
Retained earnings	**2,015,743**	1,912,942
Accumulated other comprehensive loss	**(787,682)**	(817,205)
Total shareholders' equity	**2,418,214**	2,255,557
Total liabilities and shareholders' equity	**$ 12,903,036**	$ 12,931,954

See accompanying Notes to Condensed Consolidated Financial Statements.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six months ended June 30,	
	2021	2020
	(In thousands)	
Cash flows from operating activities from continuing operations:		
Net earnings (loss)	**$ 199,930**	$ (183,712)
Less: Loss from discontinued operations, net of tax	**(1,222)**	(878)
Earnings (loss) from continuing operations	**201,152**	(182,834)
Depreciation expense	**905,420**	1,056,171
Used vehicle sales, net	**(80,485)**	30,172
Amortization expense and other non-cash charges, net	**26**	74,854
Non-cash lease expense	**46,599**	45,055
Non-operating pension costs, net and share-based compensation expense	**22,912**	12,787
Deferred income tax expense (benefit)	**56,397**	(36,148)
Collections on sales-type leases	**62,778**	54,724
Changes in operating assets and liabilities:		
Receivables	**(105,319)**	69,212
Inventories	**(1,422)**	18,680
Prepaid expenses and other assets	**945**	(7,338)
Accounts payable	**65,771**	(54,434)
Accrued expenses and other non-current liabilities	**(43,541)**	17,884
Net cash provided by operating activities from continuing operations	**1,131,233**	1,098,785
Cash flows from investing activities from continuing operations:		
Purchases of property and revenue earning equipment	**(904,399)**	(704,930)
Sales of revenue earning equipment	**330,277**	214,189
Sales of operating property and equipment	**44,409**	4,231
Other	**(3,695)**	(5,756)
Net cash used in investing activities from continuing operations	**(533,408)**	(492,266)
Cash flows from financing activities from continuing operations:		
Net repayments of commercial paper and other	**(198,560)**	(603,086)
Debt proceeds	**—**	2,074,189
Debt repayments	**(189,699)**	(1,236,255)
Dividends on common stock	**(60,826)**	(60,155)
Common stock issued	**20,552**	1,240
Common stock repurchased	**(48,978)**	(11,924)
Other	**(1,460)**	(9,277)
Net cash provided by (used in) financing activities from continuing operations	**(478,971)**	154,732
Effect of exchange rate changes on cash and cash equivalents	**(2,369)**	(3,022)
Increase (decrease) in cash and cash equivalents from continuing operations	**116,485**	758,229
Increase (decrease) in cash and cash equivalents from discontinued operations	**213**	(344)
Increase (decrease) in cash and cash equivalents	**116,698**	757,885
Cash and cash equivalents at beginning of year	**151,294**	73,584
Cash and cash equivalents at end of period	**$ 267,992**	$ 831,469

See accompanying Notes to Condensed Consolidated Financial Statements.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited)

	Three months ended June 30, 2021						
	Preferred Stock	Common Stock				Accumulated Other Comprehensive	
	Amount	Shares	Par	Additional Paid-In Capital	Retained Earnings	Loss	Total
	(In thousands, except share amounts)						
Balance as of April 1, 2021	**$ —**	**53,870,387**	**$ 26,935**	**$ 1,135,644**	**$ 1,919,875**	**$ (802,767)**	**$ 2,279,687**
Comprehensive income (loss)	**—**	**—**	**—**	**—**	**149,105**	**15,085**	**164,190**
Common stock dividends declared —$0.56 per share	**—**	**—**	**—**	**—**	**(31,095)**	**—**	**(31,095)**
Common stock issued under employee stock award and stock purchase plans and other	**—**	**253,256**	**126**	**22,223**	**—**	**—**	**22,349**
Common stock repurchases	**—**	**(350,044)**	**(175)**	**(7,217)**	**(22,142)**	**—**	**(29,534)**
Share-based compensation	**—**	**—**	**—**	**12,617**	**—**	**—**	**12,617**
Balance as of June 30, 2021	**$ —**	**53,773,599**	**$ 26,886**	**$ 1,163,267**	**$ 2,015,743**	**$ (787,682)**	**$ 2,418,214**

	Three months ended June 30, 2020						
	Preferred Stock	Common Stock				Accumulated Other Comprehensive	
	Amount	Shares	Par	Additional Paid-In Capital	Retained Earnings	Loss	Total
	(In thousands, except share amounts)						
Balance as of April 1, 2020	$ —	53,735,964	$ 26,867	$ 1,103,928	$ 2,026,886	$ (914,945)	$ 2,242,736
Comprehensive income (loss)	—	—	—	—	(74,099)	10,305	(63,794)
Common stock dividends declared —$0.56 per share	—	—	—	—	(29,847)	—	(29,847)
Common stock issued under employee stock award and stock purchase plans and other	—	82,877	42	2,416	—	—	2,458
Share-based compensation	—	—	—	7,539	—	—	7,539
Balance as of June 30, 2020	$ —	53,818,841	$ 26,909	$ 1,113,883	$ 1,922,940	$ (904,640)	$ 2,159,092

See accompanying Notes to Condensed Consolidated Financial Statements.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited)

	Six months ended June 30, 2021						
	Preferred Stock	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Amount	Shares	Par				
	(In thousands, except share amounts)						
Balance as of January 1, 2021	**$ —**	**53,732,033**	**$ 26,866**	**$ 1,132,954**	**$ 1,912,942**	**$ (817,205)**	**$ 2,255,557**
Comprehensive income (loss)	**—**	**—**	**—**	**—**	**199,930**	**29,523**	**229,453**
Common stock dividends declared —$1.12 per share	**—**	**—**	**—**	**—**	**(61,664)**	**—**	**(61,664)**
Common stock issued under employee stock award and stock purchase plans and other	**—**	**679,567**	**339**	**20,213**	**—**	**—**	**20,552**
Common stock repurchases	**—**	**(638,001)**	**(319)**	**(13,194)**	**(35,465)**	**—**	**(48,978)**
Share-based compensation	**—**	**—**	**—**	**23,294**	**—**	**—**	**23,294**
Balance as of June 30, 2021	**$ —**	**53,773,599**	**$ 26,886**	**$ 1,163,267**	**$ 2,015,743**	**$ (787,682)**	**$ 2,418,214**

	Six months ended June 30, 2020						
	Preferred Stock	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Amount	Shares	Par				
	(In thousands, except share amounts)						
Balance as of January 1, 2020	$ —	53,278,316	$ 26,639	$ 1,108,649	$ 2,177,513	$ (836,491)	$ 2,476,310
Adoption of new accounting standard	—	—	—	—	(5,077)	—	(5,077)
Comprehensive income (loss)	—	—	—	—	(183,712)	(68,149)	(251,861)
Common stock dividends declared —$1.12 per share	—	—	—	—	(60,226)	—	(60,226)
Common stock issued under employee stock award and stock purchase plans and other	—	843,623	422	818	—	—	1,240
Common stock repurchases	—	(303,098)	(152)	(6,214)	(5,558)	—	(11,924)
Share-based compensation	—	—	—	10,630	—	—	10,630
Balance as of June 30, 2020	$ —	53,818,841	$ 26,909	$ 1,113,883	$ 1,922,940	$ (904,640)	$ 2,159,092

See accompanying Notes to Condensed Consolidated Financial Statements.

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. GENERAL

Interim Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Ryder System, Inc. (Ryder) and all entities in which Ryder has a controlling voting interest (subsidiaries) and variable interest entities (VIE) required to be consolidated in accordance with generally accepted accounting principles in the United States (GAAP). The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the accounting policies described in our 2020 Annual Report on Form 10-K and should be read in conjunction with the Consolidated Financial Statements and notes thereto. The year-end condensed balance sheet data was derived from our audited financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments, including normal recurring accruals, considered necessary for a fair statement have been included and the disclosures herein are adequate. The operating results for interim periods are not necessarily indicative of the results that can be expected for a full year. We adjusted our presentation of the revolving credit facility proceeds and repayments in the Condensed Consolidated Statements of Cash Flows for 2020 from a net basis to reflect a gross basis.

We report our financial performance based on three business segments: (1) Fleet Management Solutions (FMS), which provides full service leasing and leasing with flexible maintenance options, commercial rental and maintenance services of trucks, tractors and trailers to customers principally in the United States (U.S.), Canada and the United Kingdom (U.K.); (2) Supply Chain Solutions (SCS), which provides integrated logistics solutions, including distribution management, dedicated transportation, transportation management, last mile and professional services in North America; and (3) Dedicated Transportation Solutions (DTS), which provides turnkey transportation solutions in the U.S. that includes dedicated vehicles, drivers, management, and administrative support. Dedicated transportation services provided as part of an operationally integrated, multi-service, supply chain solution to SCS customers are primarily reported in the SCS business segment.

The COVID-19 effects negatively impacted several areas of our businesses, particularly in the first half of 2020. While we are experiencing positive momentum in our businesses, any additional negative effects of the pandemic may have a further impact on our business and financial results, as well as on significant judgments and estimates, including those related to goodwill and other asset impairments, residual values and other depreciation assumptions, deferred income taxes and annual effective tax rates, variable revenue considerations, the valuation of our pension plans, and allowance for credit losses.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Reference Rate Reform

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848). This update provides optional expedients for applying GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another rate expected to be discontinued at the end of 2021 because of reference rate reform. The update is effective for all transactions between March 12, 2020 through December 31, 2022. We continuously evaluate the impact on our consolidated financial position, results of operations, and cash flows.

Leases

In July 2021, the FASB issued ASU No. 2021-05, Lessor - Certain Leases with Variable Lease Payments (Topic 842). This update requires lessors to classify leases as operating leases if they have variable lease payments that do not depend on an index or rate and would have selling losses if they were classified as sales-type or direct financing leases. The update is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Entities are permitted to apply this amendment using the retrospective or prospective approach. We do not expect the adoption of this guidance to have a material impact on our consolidated financial position, results of operations, and cash flows.

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited)

3. REVENUE

Disaggregation of Revenue

The following tables disaggregate our revenue recognized by primary geographical market by our reportable business segments and by industry for SCS. Refer to Note 18, "Segment Reporting," for the disaggregation of our revenue by major products/service lines.

Primary Geographical Markets

	Three months ended June 30, 2021				
	FMS	SCS	DTS	Eliminations	Total
			(In thousands)		
United States	**$ 1,263,250**	**$ 661,715**	**$ 354,711**	**$ (148,052)**	**$ 2,131,624**
Canada	**76,849**	**58,735**	**—**	**(8,293)**	**127,291**
Europe	**68,142**	**—**	**—**	**—**	**68,142**
Mexico	**—**	**55,180**	**—**	**—**	**55,180**
Total revenues	**$ 1,408,241**	**$ 775,630**	**$ 354,711**	**$ (156,345)**	**$ 2,382,237**

	Three months ended June 30, 2020				
	FMS	SCS	DTS	Eliminations	Total
			(In thousands)		
United States	$ 1,081,448	$ 441,332	$ 293,944	$ (112,925)	$ 1,703,799
Canada	60,480	40,288	—	(3,232)	97,536
Europe	56,249	—	—	—	56,249
Mexico	—	37,698	—	—	37,698
Total revenues	$ 1,198,177	$ 519,318	$ 293,944	$ (116,157)	$ 1,895,282

	Six months ended June 30, 2021				
	FMS	SCS	DTS	Eliminations	Total
			(In thousands)		
United States	**$ 2,461,234**	**$ 1,263,013**	**$ 675,218**	**$ (284,779)**	**$ 4,114,686**
Canada	**147,262**	**114,823**	**—**	**(12,636)**	**249,449**
Europe	**135,230**	**—**	**—**	**—**	**135,230**
Mexico	**—**	**104,494**	**—**	**—**	**104,494**
Total revenues	**$ 2,743,726**	**$ 1,482,330**	**$ 675,218**	**$ (297,415)**	**$ 4,603,859**

	Six months ended June 30, 2020				
	FMS	SCS	DTS	Eliminations	Total
			(In thousands)		
United States	$ 2,278,969	$ 963,857	$ 628,832	$ (250,220)	$ 3,621,438
Canada	131,245	93,840	—	(8,203)	216,882
Europe	128,200	—	—	—	128,200
Mexico	—	90,068	—	—	90,068
Total revenues	$ 2,538,414	$ 1,147,765	$ 628,832	$ (258,423)	$ 4,056,588

Industry

Our SCS business segment included revenue from the below industries:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Automotive	**$ 307,499**	$ 147,749	**$ 579,054**	$ 397,674
Technology and healthcare	**109,950**	84,766	**207,035**	175,899
Consumer packaged goods and retail	**286,262**	236,499	**559,486**	466,431
Industrial and other	**71,919**	50,304	**136,755**	107,761
Total SCS revenues	**$ 775,630**	$ 519,318	**$ 1,482,330**	$ 1,147,765

Lease & Related Maintenance and Rental Revenues

The non-lease revenue from maintenance services related to our FMS business is recognized in "Lease & related maintenance and rental revenues" in the Condensed Consolidated Statements of Earnings. For the three months ended June 30, 2021 and 2020, we recognized $260 million and $238 million, respectively. For the six months ended June 30, 2021 and 2020, we recognized $510 million and $478 million, respectively.

Deferred Revenue

The following table includes the changes in deferred revenue due to the collection and deferral of cash or the satisfaction of our performance obligation under the contract:

	Six months ended June 30,	
	2021	2020
	(In thousands)	
Balance as of beginning of period	**$ 629,739**	$ 603,687
Recognized as revenue during period from beginning balance	**(109,558)**	(103,089)
Consideration deferred during period, net	**91,456**	116,524
Foreign currency translation adjustment and other	**1,499**	(3,150)
Balance as of end of period	**$ 613,136**	$ 613,972

Contracted Not Recognized Revenue

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized (“contracted not recognized revenue”). Contracted not recognized revenue primarily includes deferred revenue and amounts for full service ChoiceLease maintenance revenue that will be recognized as revenue in future periods as we provide maintenance services to our customers. Contracted not recognized revenue excludes (1) variable consideration as it is not included in the transaction price consideration allocated at contract inception, (2) revenues from our lease component of our ChoiceLease product and commercial rental product, (3) revenues from contracts with an original duration of one year or less, including SelectCare contracts, and (4) revenue from SCS, DTS and other contracts where there are remaining performance obligations when we have the right to invoice but the revenue to be recognized in the future corresponds directly with the value delivered to the customer. Contracted not recognized revenue was $2.5 billion as of June 30, 2021.

4. RECEIVABLES, NET

	June 30, 2021	December 31, 2020
	(In thousands)	
Trade	$ 1,160,076	$ 1,051,618
Sales-type leases	137,535	132,003
Other, primarily warranty and insurance	41,926	41,753
	1,339,537	1,225,374
Allowance for credit losses and other	(40,632)	(43,024)
Total	$ 1,298,905	$ 1,182,350

The following table provides a reconciliation of our allowance for credit losses and other:

	Six months ended June 30,	
	2021	2020
	(In thousands)	
Balance as of beginning of period	$ 43,024	$ 22,761
Changes to provisions for credit losses	(1,076)	32,600
Impact of adoption of new accounting standard, write-offs, and other	(1,316)	(10,453)
Balance as of end of period	$ 40,632	$ 44,908

5. REVENUE EARNING EQUIPMENT, NET

		June 30, 2021			December 31, 2020		
	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
	(In years)	(In thousands)					
Held for use:							
Trucks	3 — 7	$ 5,195,420	$ (1,945,096)	$ 3,250,324	$ 5,061,266	$ (1,818,594)	$ 3,242,672
Tractors	4 — 7.5	7,247,325	(3,040,912)	4,206,413	7,013,595	(2,853,591)	4,160,004
Trailers and other	9.5 — 12	1,765,247	(768,590)	996,657	2,046,768	(804,006)	1,242,762
Held for sale		370,339	(292,634)	77,705	644,132	(512,555)	131,577
Total		$ 14,578,331	$ (6,047,232)	$ 8,531,099	$ 14,765,761	$ (5,988,746)	$ 8,777,015

Policy and Accelerated Depreciation

We periodically review and adjust, as appropriate, the estimated residual values and useful lives of existing revenue earning equipment for the purposes of recording depreciation expense. A reduction in estimated residual values or useful lives will result in an increase in depreciation expense over the remaining life of the vehicle. Our review of the estimated residual values and useful lives of revenue earning equipment is established with a long-term view, which we refer to as "policy depreciation." Our policy depreciation is based on a variety of factors, including vehicle class, generally subcategories of trucks, tractors and trailers, by weight, usage and other factors; historical, current, and internal and third-party expected future market prices; expected lives of vehicles; and expected sales of used vehicles in the wholesale and retail markets. Factors that could cause actual results to materially differ from estimates, include changes in technology; changes in supply and demand; competitor pricing; regulatory requirements; driver shortages, requirements and preferences; and changes in underlying assumption factors. We have disciplines related to the management and maintenance of our vehicles designed to manage the risk associated with the residual values of our revenue earning equipment.

We also assess estimates of residual values of vehicles expected to be made available for sale in the near-term (generally 12 to 24 months) based on near-term market rates and conditions and may adjust estimates of residual values for these vehicles, which we refer to as "accelerated depreciation."

During the second quarter of 2021, we completed a review of the residual values and useful lives of revenue earning equipment. Based on the results of our analysis, we primarily adjusted our residual value estimates for certain tractors and useful lives of certain classes of our revenue earning equipment, which impacted approximately 15% of our total fleet. The increase in depreciation expense in the second quarter of 2021 was not material to our results of operations.

The following table provides a summary of amounts that have been recorded for accelerated and policy depreciation related to our residual value and useful life estimate changes since 2019, as well as used vehicle sales results (rounded to the closest million):

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Accelerated depreciation	**$ 12,000**	$ 77,000	**$ 42,000**	$ 156,000
Policy depreciation	**63,000**	68,000	**121,000**	119,000
Used vehicle sales, net	**(52,000)**	9,000	**(80,000)**	30,000

Used Vehicle Sales and Valuation Adjustments

Revenue earning equipment held for sale is stated at the lower of carrying amount or fair value less costs to sell. Losses on vehicles held for sale for which carrying values exceeded fair value, which we refer to as "valuation adjustments," are recognized at the time they are deemed to meet the held for sale criteria and are presented within “Used vehicle sales, net” in the Condensed Consolidated Statements of Earnings. For revenue earning equipment held for sale, we stratify our fleet by vehicle type (trucks, tractors and trailers), weight class, age and other relevant characteristics and create classes of similar assets for analysis purposes. For revenue earning equipment held for sale, fair value was determined based upon recent market prices obtained from our own sales experience for each class of similar assets and vehicle condition. In addition, we also consider expected declines in market prices when valuing the vehicles held for sale, as well as the forecasted sales channel mix (retail/wholesale).

The following table presents our assets held for sale that are measured at fair value on a nonrecurring basis and considered a Level 3 fair value measurement:

			Valuation Adjustments			
			Three months ended June 30,		Six months ended June 30,	
	June 30, 2021	December 31, 2020 [2]	**2021**	2020	**2021**	2020
			(In thousands)			
Revenue earning equipment held for sale [1]:						
Trucks	**$ 2,209**	$ 3,848	**$ 684**	$ 5,389	**$ 1,574**	$ 16,451
Tractors	**1,383**	2,211	**575**	3,035	**659**	11,488
Trailers and other	**2,176**	4,092	**1,828**	2,592	**3,875**	4,585
Total assets at fair value	**$ 5,768**	$ 10,151	**$ 3,087**	$ 11,016	**$ 6,108**	$ 32,524

(1) Revenue earning equipment held for sale in the table above only includes the portion where net book values exceeded fair values and valuation adjustments were recorded. The net book value of assets held for sale that were less than fair value was $72 million and $121 million as of June 30, 2021 and December 31, 2020, respectively.

(2) Adjusted the presentation of the vehicles held for sale that were recorded to fair value to now exclude vehicles that previously recognized accumulated accelerated depreciation.

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The components of used vehicle sales, net were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Gains on vehicle sales, net	**$ (54,721)**	$ (1,528)	**$ (86,593)**	$ (2,3
Losses from valuation adjustments	**3,087**	11,016	**6,108**	32,5
Used vehicle sales, net	**$ (51,634)**	$ 9,488	**$ (80,485)**	$ 30,1

6. ACCRUED EXPENSES AND OTHER LIABILITIES

	June 30, 2021			December 31, 2020		
	Accrued Expenses	**Non-Current Liabilities**	**Total**	Accrued Expenses	Non-Current Liabilities	Total
	(In thousands)					
Salaries and wages	**$ 167,568**	**$ —**	**$ 167,568**	$ 158,122	$ —	$ 158,122
Deferred compensation	**5,613**	**84,975**	**90,588**	5,117	77,823	82,940
Pension benefits	**3,787**	**258,341**	**262,128**	3,776	265,178	268,954
Other postretirement benefits	**1,386**	**17,490**	**18,876**	1,381	20,245	21,626
Other employee benefits	**13,755**	**—**	**13,755**	20,599	—	20,599
Insurance obligations [1]	**174,582**	**300,086**	**474,668**	169,936	292,298	462,234
Operating taxes [2]	**174,058**	**41,683**	**215,741**	164,293	41,687	205,980
Income taxes	**3,133**	**16,326**	**19,459**	4,588	15,598	20,186
Interest	**38,129**	**—**	**38,129**	38,887	—	38,887
Deposits, mainly from customers	**90,349**	**3,014**	**93,363**	79,840	3,014	82,854
Operating lease liabilities	**80,657**	**172,377**	**253,034**	78,785	186,429	265,214
Deferred revenue [3]	**187,467**	**425,669**	**613,136**	183,474	446,265	629,739
Restructuring liabilities	**3,293**	**—**	**3,293**	7,683	—	7,683
Other	**77,055**	**51,092**	**128,147**	72,697	55,324	128,021
Total	**$ 1,020,832**	**$ 1,371,053**	**$ 2,391,885**	$ 989,178	$ 1,403,861	$ 2,393,039

(1) Insurance obligations are primarily comprised of self-insured claim liabilities.
(2) Operating taxes included the deferral of certain payroll taxes in current and non-current liabilities allowed under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).
(3) Refer to Note 3, "Revenue," for additional information.

7. INCOME TAXES

Effective Tax Rate

Our effective income tax rate from continuing operations for the second quarter of 2021 was an expense of 26.5% as compared to a benefit of 22.2% in the second quarter of 2020 and an expense of 26.5% in the six months ended June 30, 2021 as compared to a benefit of 12.3% in the six months ended June 30, 2020. For the three and six months ended June 30, 2020, the tax rate was impacted by a reduction in earnings due to accelerated depreciation charges and additional negative economic impacts caused by the COVID-19 effects. For the six months ended June 30, 2020, the tax rate was also impacted by the recognition of a valuation allowance of $13 million related to our U.K. deferred tax assets and a charge of $7 million related to expiring state net operating losses.

8. LEASES

Leases as Lessor

The components of lease income were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Operating leases				
Lease income related to ChoiceLease	**$ 386,650**	$ 385,639	**$ 776,261**	$ 785,227
Lease income related to commercial rental [1]	**255,098**	161,220	**465,382**	356,915
Sales-type leases				
Interest income related to net investment in leases	**$ 11,040**	$ 12,080	**$ 25,455**	$ 23,724
Variable lease income excluding commercial rental [1]	**$ 72,129**	$ 58,882	**$ 144,122**	$ 124,389

(1) Lease income related to commercial rental includes both fixed and variable lease income. Variable lease income is approximately 15% to 25% of total commercial rental income based on management's internal estimates.

The components of net investment in sales-type leases, which are included in "Receivables, net" and "Sales-type leases and other assets" in the Condensed Consolidated Balance Sheets, were as follows:

	June 30, 2021	December 31, 2020
	(In thousands)	
Net investment in the lease — lease payment receivable	**$ 589,935**	$ 589,120
Net investment in the lease — unguaranteed residual value in assets	**46,034**	44,704
	635,969	633,824
Estimated loss allowance	**(4,066)**	(4,025)
Total	**$ 631,903**	$ 629,799

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9. DEBT

	Weighted Average Interest Rate			
	June 30, 2021	Maturities	June 30, 2021	December 31, 2020
			(In thousands)	
Debt:				
U.S. commercial paper	**0.19%**	**2023**	**$ 55,522**	$ 214,375
Canadian commercial paper	**0.30%**	**2023**	**25,004**	62,800
Trade receivables program	**—%**	**2022**	**—**	—
Global revolving credit facility	**—%**	**2023**	**—**	200
Unsecured U.S. obligations	**3.47%**	**2024**	**200,000**	200,000
Unsecured U.S. notes — Medium-term notes [1]	**3.41%**	**2021-2026**	**5,152,922**	5,174,180
Unsecured foreign obligations	**1.87%**	**2022-2024**	**167,182**	254,259
Asset-backed U.S. obligations [2]	**2.56%**	**2021-2026**	**611,275**	682,383
Finance lease obligations and other		**2021-2073**	**45,762**	48,418
			6,257,667	6,636,615
Debt issuance costs and original issue discounts			**(21,996)**	(26,379)
Total debt			**6,235,671**	6,610,236
Short-term debt and current portion of long-term debt			**(1,362,669)**	(516,581)
Long-term debt			**$ 4,873,002**	$ 6,093,655

(1) Included the impact from the fair market values of hedging instruments on our notes, which were not material as of June 30, 2021 and December 31, 2020. The notional amount of interest rate swaps designated as fair value hedges was $150 million as of June 30, 2021 and December 31, 2020.
(2) Asset-backed U.S. obligations are related to financing transactions backed by a portion of our revenue earning equipment.

The fair value of total debt (excluding finance lease and asset-backed U.S. obligations) was approximately $5.9 billion and $6.3 billion as of June 30, 2021 and December 31, 2020, respectively. For publicly-traded debt, estimates of fair value were based on market prices. For other debt, fair value was estimated based on a model-driven approach using rates currently available to us for debt with similar terms and remaining maturities. The fair value measurements of our publicly-traded debt and other debt were classified within Level 2 of the fair value hierarchy.

As of June 30, 2021, there was $1.3 billion available under the global credit facility. In order to maintain availability of funding, we must maintain a ratio of debt to consolidated net worth of less than or equal to 300%. As of June 30, 2021, the ratio was 177%. We had letters of credit and surety bonds outstanding of $458 million and $519 million as of June 30, 2021 and December 31, 2020, respectively, which primarily guarantee the payment of insurance claims.

In April 2021, we extended the maturity of the trade receivables program to April 2022. As of June 30, 2021, the available proceeds under the program were $300 million. In August 2021, we will early redeem a $300 million aggregate principal amount outstanding of our 3.450% Medium Term Notes due November 15, 2021. The impact of this redemption is not expected to be material to our results of operations.

10. SHARE REPURCHASE PROGRAMS

In December 2019, our Board of Directors authorized a share repurchase program intended to mitigate the dilutive impact of shares issued under our employee stock plans (the 2019 program). Under the 2019 program, we are authorized to repurchase up to 1.5 million shares of common stock, the sum of which will not exceed the number of shares issued to employees under our employee stock plans from December 1, 2019 to December 11, 2021. Share repurchases of common stock are made periodically in open-market transactions and are subject to market conditions, legal requirements, and other factors. We may establish prearranged written plans under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the program, which allow for share repurchases during our quarterly blackout periods as set forth in the trading plan.

During the six months ended June 30, 2021 and June 30, 2020, we repurchased approximately 638,001 shares for $49 million and 303,098 shares for $12 million, respectively.

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

Comprehensive income (loss) presents a measure of all changes in shareholders' equity except for changes resulting from transactions with shareholders in their capacity as shareholders. The following summary sets forth the components of accumulated other comprehensive loss, net of tax:

	Six months ended June 30,	
	2021	2020
	(In thousands)	
Cumulative translation adjustments	**$ (132,115)**	$ (228,121)
Net actuarial loss and prior service cost	**(644,008)**	(658,866)
Unrealized gain (loss) from cash flow hedges	**(11,559)**	(17,653)
Accumulated other comprehensive loss	**$ (787,682)**	$ (904,640)

12. EARNINGS PER SHARE

The following table presents the calculation of basic and diluted earnings per common share from continuing operations:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands, except per share amounts)			
Earnings (loss) from continuing operations	**$ 149,568**	$ (73,705)	**$ 201,152**	$ (182,834)
Less: Distributed and undistributed earnings allocated to unvested stock	**(703)**	(130)	**(940)**	(248)
Earnings (loss) from continuing operations available to common shareholders	**$ 148,865**	$ (73,835)	**$ 200,212**	$ (183,082)
Weighted average common shares outstanding — Basic	**52,378**	52,355	**52,333**	52,320
Effect of dilutive equity awards	**1,213**	—	**1,039**	—
Weighted average common shares outstanding — Diluted	**53,591**	52,355	**53,372**	52,320
Earnings (loss) from continuing operations per common share — Basic	**$ 2.84**	$ (1.41)	**$ 3.83**	$ (3.50)
Earnings (loss) from continuing operations per common share — Diluted	**$ 2.78**	$ (1.41)	**$ 3.75**	$ (3.50)
Anti-dilutive equity awards not included in diluted EPS	**417**	3,612	**958**	3,498

13. SHARE-BASED COMPENSATION PLANS

The following table provides information on share-based compensation expense and income tax benefit recognized:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Stock option and stock purchase plans	**$ 636**	$ 1,052	**$ 1,637**	$ 2,409
Unvested stock awards	**11,981**	6,487	**21,657**	8,221
Share-based compensation expense	**12,617**	7,539	**23,294**	10,630
Income tax benefit	**(1,981)**	(1,307)	**(3,513)**	(1,485)
Share-based compensation expense, net of tax	**$ 10,636**	$ 6,232	**$ 19,781**	$ 9,145

Total unrecognized pre-tax compensation expense related to all share-based compensation arrangements at June 30, 2021 was $64 million and is expected to be recognized over a weighted-average period of 2.1 years.

We generally grant share-based awards in the first quarter of each year during our annual equity award process. The following table is a summary of the awards granted in the annual equity award process in the first quarter of 2021:

	Shares Granted	Weighted-Average Fair Market Value
	(Shares in thousands)	
Time-vested restricted stock rights	**391**	**$ 64.89**
Performance-based restricted stock rights	**119**	**67.11**
Total	**510**	**$ 65.41**

Restricted stock awards are unvested stock rights granted to employees that entitle the holder to shares of common stock as the award vests. Time-vested restricted stock rights typically vest ratably over three years regardless of company performance. The fair value of the time-vested awards is determined and fixed based on Ryder's stock price on the date of grant.

Performance-based restricted stock rights (PBRSRs) are generally granted to executive management and include a performance-based vesting condition. PBRSRs are awarded based on various revenue, return-based and cash flow performance targets and may include a total shareholder return (TSR) modifier for certain members of management. The fair values of PBRSRs that include a TSR modifier are estimated using a lattice-based option-pricing valuation model that incorporates a Monte-Carlo simulation. The fair value of PBRSRs that do not include a TSR modifier is determined and fixed on the grant date based on our stock price on the date of grant. Share-based compensation expense for PBRSRs is recognized on a straight-line basis over the vesting period, based upon the probability that the performance target will be met. PBRSRs awarded in the first quarter of 2021 contained vesting conditions based on return on equity, strategic revenue growth and free cash flow.

14. EMPLOYEE BENEFIT PLANS

Components of net pension expense were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Company-administered plans:				
Service cost	**$ 180**	$ 2,741	**$ 548**	$ 5,954
Interest cost	**14,483**	17,353	**29,018**	34,885
Expected return on plan assets	**(21,791)**	(23,948)	**(43,485)**	(48,211)
Amortization of net actuarial loss and prior service cost	**7,031**	7,622	**14,128**	15,524
	(97)	3,768	**209**	8,152
Multi-employer plans	**2,539**	2,798	**5,180**	5,577
Net pension expense	**$ 2,442**	$ 6,566	**$ 5,389**	$ 13,729
Company-administered plans:				
U.S.	**$ 2,090**	$ 6,055	**$ 4,453**	$ 12,833
Non-U.S.	**(2,187)**	(2,287)	**(4,244)**	(4,681)
	(97)	3,768	**209**	8,152
Multi-employer plans	**2,539**	2,798	**5,180**	5,577
Net pension expense	**$ 2,442**	$ 6,566	**$ 5,389**	$ 13,729

Non-operating pension costs, net include the amortization of net actuarial loss and prior service cost, interest cost and expected return on plan assets components of pension and postretirement benefit costs, as well as any significant charges for settlements or curtailments if recognized. During the six months ended June 30, 2021, we contributed $2 million to our pension plans. In 2021, the expected total contributions to our pension plans are approximately $7 million. We also maintain other postretirement benefit plans that are not reflected in the table above as the amount of postretirement benefit expense for such plans was not material for any period presented.

15. OTHER ITEMS IMPACTING COMPARABILITY

Our primary measure of segment performance as shown in Note 18, "Segment Reporting," excludes certain items we do not believe are representative of the ongoing operations of the segment. Excluding these items from our segment measure of performance allows for better year over year comparison:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Restructuring and other, net	**$ 2,577**	$ 26,168	**$ 5,605**	$ 46,789
ERP implementation costs	**5,090**	11,032	**12,721**	21,358
Restructuring and other items, net	**7,667**	37,200	**18,326**	68,147
Gains on sale of properties	**(35,263)**	—	**(36,768)**	—
ChoiceLease liability insurance revenue [1]	**—**	(7,409)	**(777)**	(16,767)
Other items impacting comparability, net	**$ (27,596)**	$ 29,792	**$ (19,219)**	$ 51,381

(1) Refer to Note 18, "Segment Reporting," for additional information.

Note: Amounts may not be additive due to rounding.

During the six months ended June 30, 2021 and 2020, other items impacting comparability included:

- *Restructuring and other, net* — For the three and six months ended June 30, 2021, this item primarily included professional fees related to the pursuit of a discrete commercial claim. For the three and six months ended June 30, 2020, this item primarily included expenses of $9 million and $24 million, respectively, related to our ChoiceLease liability insurance program which was discontinued in January 2020 and exited in the first quarter of 2021. The prior year, also included severance costs of $13 million for planned actions to reduce headcount primarily in our North American and U.K. FMS operations.
- *ERP implementation costs* — This item includes costs associated with the implementation of an Enterprise Resource Planning (ERP) system. In July 2020, we went live with the first module of our ERP system for human resources. In April 2021, we went live with the financial module to replace existing core financial systems.
- *Gains of sale of properties* - We recorded gains on sale of property during the three months ended June 30, 2021 primarily for certain FMS properties in the U.K. that were restructured as part of cost reduction activities in prior periods. The gain is reflected within "Miscellaneous (income) loss, net" in our Condensed Consolidated Statements of Earnings.

16. CONTINGENCIES AND OTHER MATTERS

We are a party to various claims, complaints and proceedings arising in the ordinary course of our continuing business operations including those relating to commercial and employment claims, environmental matters, risk management matters (e.g., vehicle liability, workers' compensation, etc.) and administrative assessments primarily associated with operating taxes. We have established loss provisions for matters in which losses are probable and can be reasonably estimated. We believe that the resolution of these claims, complaints and legal proceedings will not have a material effect on our Condensed Consolidated Financial Statements.

Our estimates regarding potential losses and materiality are based on our judgment and assessment of the claims utilizing currently available information. Although we will continue to reassess our reserves and estimates based on future developments, our objective assessment of the legal merits of such claims may not always be predictive of the outcome and actual results may vary from our current estimates.

Securities Litigation Relating to Residual Value Estimates

On May 20, 2020, a putative class action on behalf of purchasers of our securities who purchased or otherwise acquired their securities between July 23, 2015 and February 13, 2020, inclusive (Class Period), was commenced against Ryder and certain of our current and former officers in the U.S. District Court for the Southern District of Florida, captioned Key West Policy & Fire Pension Fund v. Ryder System, Inc., et al. The complaint alleges, among other things, that the defendants misrepresented Ryder's depreciation policy and residual value estimates for its vehicles during the Class Period in violation of Section 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and seeks to recover, among other things, unspecified compensatory damages and attorneys' fees and costs. On August 3, 2020, the State of Alaska, Alaska Permanent Fund, the City of Fort Lauderdale General Employees' Retirement System, and the City of Plantation Police Officers Pension Fund were appointed lead plaintiffs. On October 5, 2020, the lead plaintiffs filed an amended complaint. On December 4, 2020, Ryder and the other named defendants in the case filed a Motion to Dismiss the amended complaint. On April 7, 2021, the court held a hearing on defendants' Motion to Dismiss, and reserved decision.

On June 26, 2020, August 6, 2020, and February 2, 2021, three shareholder derivative complaints purportedly on behalf of Ryder were filed in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida, against us as nominal defendant and certain of our current and former officers and our current directors. The complaints allege breach of fiduciary duties, unjust enrichment, and waste of corporate assets. The complaints are based on the allegation set forth in the securities class action complaint. The plaintiffs, on our behalf, are seeking an award of monetary damages and restitution to us, improvements in our corporate governance and internal procedures, and legal fees. These derivative cases have all been consolidated and stayed (stopped) until the Motion to Dismiss in the securities class action described above is resolved.

Also, on January 19, 2021 (as amended on March 26, 2021), and February 8, 2021, two shareholder derivative complaints purportedly on behalf of Ryder were filed in U.S. District Court for the Southern District of Florida against us as nominal defendant and certain of our current and former officers and directors. The complaints allege breach of fiduciary duties, unjust

enrichment, and waste of corporate assets. Both complaints are based on the allegation set forth in the securities class action complaint, seek similar relief on our behalf to that sought in the derivative complaints that were filed in Florida state court, and have been stayed (stopped) until the Motion to Dismiss in the securities class action is resolved.

We believe the claims asserted in the complaints are without merit and intend to defend against them vigorously.

17. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended June 30,	
	2021	2020
	(In thousands)	
Interest paid	**$ 104,417**	$ 123,258
Income taxes paid	**15,812**	4,997
Right-of-use assets obtained in exchange for lease obligations:		
Finance leases	**$ 5,622**	$ 5,511
Operating leases	**30,274**	52,640
Capital expenditures acquired but not yet paid	**$ 167,587**	$ 75,576

18. SEGMENT REPORTING

Our primary measurement of segment financial performance, defined as segment "Earnings (loss) from continuing operations before taxes" (EBT), includes an allocation of Central Support Services (CSS) and excludes non-operating pension costs, net and certain other items as discussed in Note 15, "Other Items Impacting Comparability." Segment results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented.

The following table sets forth financial information for each of our segments and provides a reconciliation between segment EBT and earnings (loss) from continuing operations before income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Revenue:				
Fleet Management Solutions:				
ChoiceLease	**$ 802,832**	$ 766,161	**$ 1,599,920**	$ 1,558,3
SelectCare	**136,503**	125,851	**267,171**	261,9
Commercial rental	**266,969**	169,171	**489,978**	374,9
Other	**18,369**	12,332	**35,717**	35,7
Fuel services revenue	**183,568**	117,253	**350,163**	290,5
ChoiceLease liability insurance revenue [1]	**—**	7,409	**777**	16,7
Fleet Management Solutions	**1,408,241**	1,198,177	**2,743,726**	2,538,4
Supply Chain Solutions	**775,630**	519,318	**1,482,330**	1,147,7
Dedicated Transportation Solutions	**354,711**	293,944	**675,218**	628,8
Eliminations [2]	**(156,345)**	(116,157)	**(297,415)**	(258,4
Total revenue	**$ 2,382,237**	$ 1,895,282	**$ 4,603,859**	$ 4,056,5
Earnings (loss) from continuing operations before taxes:				
Fleet Management Solutions	**$ 158,451**	$ (103,735)	**$ 221,853**	$ (218,3
Supply Chain Solutions	**41,041**	36,916	**73,998**	67,9
Dedicated Transportation Solutions	**13,162**	21,233	**26,144**	33,4
Eliminations	**(19,186)**	(7,745)	**(31,460)**	(17,8
	193,468	(53,331)	**290,535**	(134,7
Unallocated Central Support Services	**(17,864)**	(10,718)	**(36,296)**	(20,1
Non-operating pension costs, net [3]	**373**	(936)	**382**	(2,1
Other items impacting comparability, net [4]	**27,596**	(29,792)	**19,219**	(51,3
Earnings (loss) from continuing operations before income taxes	**$ 203,573**	$ (94,777)	**$ 273,840**	$ (208,4

(1) In the first quarter of 2020, we announced our plan to exit the extension of our liability insurance coverage for ChoiceLease customers. The exit of this program was completed in the first quarter of 2021.
(2) Represents the elimination of intercompany revenues in our FMS business segment.
(3) Refer to Note 14, "Employee Benefit Plans," for a discussion on this item.
(4) Refer to Note 15, "Other Items Impacting Comparability," for a discussion of items excluded from our primary measure of segment performance.

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited)

The following table sets forth the capital expenditures paid for each of our segments:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Fleet Management Solutions	**$ 503,874**	$ 256,216	**$ 871,582**	$ 679,33
Supply Chain Solutions	**14,450**	13,868	**22,980**	19,87
Dedicated Transportation Solutions	**256**	339	**562**	76
Central Support Services	**4,768**	3,547	**9,275**	4,96
Purchases of property and revenue earning equipment	**$ 523,348**	$ 273,970	**$ 904,399**	$ 704,93

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and notes thereto included under Item 1, as well as our audited Consolidated Financial Statements and notes thereto and related MD&A included in the 2020 Annual Report on Form 10-K.

OVERVIEW

Ryder is a leading logistics and transportation company. Our operating segments are aggregated into reportable business segments based upon similar economic characteristics, products, services, customers and delivery methods. We report our financial performance based on three business segments: (1) Fleet Management Solutions (FMS), which provides full service leasing and leasing with flexible maintenance options, commercial rental and maintenance services of trucks, tractors and trailers to customers principally in the United States (U.S.), Canada and the United Kingdom (U.K.); (2) Supply Chain Solutions (SCS), which provides integrated logistics solutions, including distribution management, dedicated transportation, transportation management, last mile and professional services in North America; and (3) Dedicated Transportation Solutions (DTS), which provides turnkey transportation solutions in the U.S. that includes dedicated vehicles, drivers, management, and administrative support. Dedicated transportation services provided as part of an operationally integrated, multi-service, supply chain solution to SCS customers are primarily reported in the SCS business segment.

We operate in highly competitive markets. Our customers select us based on numerous factors including service quality, price, technology and service offerings. As an alternative to using our services, customers may choose to provide these services for themselves, or may choose to obtain similar or alternative services from other third-party vendors. Our customer base includes enterprises operating in a variety of industries including food and beverage service, transportation and logistics, retail and consumer goods, automotive, industrial, housing, technology, and business and personal services.

Our results of operations and financial condition are influenced by a number of factors including: used vehicle sales; macroeconomic and other market conditions, including pricing and demand; customer contracting activity and retention; rental demand; maintenance costs; residual value estimates and other depreciation changes; currency exchange rate fluctuations; customer preferences; inflation; fuel and energy prices; general economic conditions; insurance costs; interest rates; labor costs; unemployment levels; tax rates; changes in accounting or regulatory requirements; and cybersecurity attacks.

Our business has, and may continue to be, impacted by the COVID-19 effects. For a detailed discussion of its impact on our results and future considerations, refer to our "Consolidated Results" and "Operating Results by Business Segment" discussions below. In addition, for a detailed description of certain risk factors that impact our business, including those related to the COVID-19 effects, refer to "Item 1A. Risk Factors" section in our 2020 Annual Report on Form 10-K.

This MD&A includes certain non-GAAP financial measures. Refer to the "Non-GAAP Financial Measures" section of this MD&A for information on the non-GAAP measures, including reconciliations to the most comparable GAAP financial measure and the reasons why we believe each measure is useful to investors. In addition, this MD&A may include certain forward-looking statements regarding our outlook. These statements are based on our current plans and expectations and are subject to risks, uncertainties and assumptions. We caution readers that certain important factors could cause actual results and events to differ significantly from those expressed. Refer to the "Special Note Regarding Forward-Looking Statements" section in this Quarterly Report on Form 10-Q for more information.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)

The following discussion provides a summary of financial highlights that are discussed in more detail throughout our MD&A and within the Notes to Condensed Consolidated Financial Statements:

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands, except per share amounts)					
Total revenue	**$ 2,382,237**	$ 1,895,282	**$ 4,603,859**	$ 4,056,588	**26%**	**13%**
Operating revenue [1]	**1,922,820**	1,623,244	**3,740,183**	3,394,491	**18%**	**10%**
Earnings (loss) from continuing operations before income taxes (EBT)	**$ 203,573**	$ (94,777)	**$ 273,840**	$ (208,411)	**NM**	**NM**
Comparable EBT [1]	**175,604**	(64,049)	**254,239**	(154,873)	**NM**	**NM**
Earnings (loss) from continuing operations	**149,568**	(73,705)	**201,152**	(182,834)	**NM**	**NM**
Comparable earnings (loss) from continuing operations [1]	**129,138**	(49,457)	**187,328**	(121,561)	**NM**	**NM**
Net earnings (loss)	**149,105**	(74,099)	**199,930**	(183,712)	**NM**	**NM**
Comparable EBITDA [1] [2]	**624,055**	547,644	**1,191,470**	1,065,339	**14%**	**12%**
Earnings (loss) per common share (EPS) — Diluted						
Continuing operations	**$ 2.78**	$ (1.41)	**$ 3.75**	$ (3.50)	**NM**	**NM**
Comparable [1]	**2.40**	(0.95)	**3.49**	(2.33)	**NM**	**NM**
Net earnings (loss)	**2.77**	(1.42)	**3.73**	(3.52)	**NM**	**NM**

NM - Denotes Not Meaningful throughout the MD&A

(1) Non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of the most comparable GAAP measure to the non-GAAP financial measure and the reasons why management believes this measure is important to investors.

(2) Comparable EBITDA has been recast to exclude gains/losses from the sale of used vehicles.

Total revenue increased 26% and 13% in the second quarter of 2021 and the six months ended June 30, 2021, respectively. Operating revenue (a non-GAAP measure excluding fuel, subcontracted transportation and ChoiceLease liability insurance revenues) increased 18% and 10% in the second quarter of 2021 and the six months ended June 30, 2021, respectively. The increases in total and operating revenue for both the second quarter and six months ended June 30, 2021 were primarily due to higher revenue across all of our business segments as the prior year was negatively impacted by the economic slowdown from the COVID-19 effects particularly in our commercial rental (FMS) and automotive (SCS) businesses. Total revenue in both periods also increased from higher subcontracted transportation and fuel revenue.

EBT increased to earnings of $204 million in the second quarter of 2021, as compared to a loss of $95 million in the prior year period. For the six months ended June 30, 2021, EBT increased to earnings of $274 million, as compared to a loss of $208 million in the prior year period. These increases were primarily due to a declining impact of depreciation expense from prior residual value estimate changes and higher gains on used vehicles sold in 2021, totaling $131 million and $223 million for the second quarter and six months ended June 30, 2021, respectively. EBT also increased from higher rental performance, improved ChoiceLease results and the prior year impact from the COVID-19 effects.

The COVID-19 effects negatively impacted several areas of our businesses, particularly in the first half of 2020. In our FMS business segment, we experienced lower demand for commercial rental and declines in the used vehicle market through the second quarter of 2020. In our SCS business segment, we experienced temporary shutdowns in the automotive industry, which restarted their operations during the second quarter of 2020. This was followed by increased consumer demand in the second half of 2020, particularly in the fourth quarter, which helped contribute to a worldwide semiconductor supply shortage in early 2021, as semiconductor suppliers were unable to rapidly reallocate production to respond to demand across multiple industries, particularly the automotive industry. The semiconductor shortage impacted the production activity of our automotive SCS customers in the first half of 2021 and is causing delayed deliveries of new vehicles in our FMS business.

While we are experiencing positive momentum in our businesses, any additional negative effects of the pandemic may have a further impact on our business and financial results, as well as on significant judgments and estimates, including those related to goodwill and other asset impairments, residual values and other depreciation assumptions, deferred income taxes and annual effective tax rates, variable revenue considerations, the valuation of our pension plans, and allowance for credit losses.

Cash provided by operating activities remained at $1.1 billion for the six months ended June 30, 2021 as higher net earnings were offset by higher working capital needs. Free cash flow (a non-GAAP financial measure) decreased slightly to $602 million for the six months ended June 30, 2021 primarily due to higher cash paid for capital expenditures, partially offset by higher proceeds from the sale of revenue earning equipment and operating property and equipment. Gross capital expenditures increased for the six months ended June 30, 2021 primarily reflecting higher planned investments in the rental fleet.

Our debt to equity ratio was 258% and 293% as of June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021, our debt balance decreased 6% from the prior year-end to $6.2 billion.

Adjusted return on equity (ROE) was 12.2% and (9.8)% as of June 30, 2021 and 2020, respectively. Our interim target is 11% and long-term target over the cycle is 15%. The increase in ROE is primarily due to a declining impact of depreciation expense from the residual value estimate changes and higher used vehicle sales results, as well as commercial rental business recovery and higher lease pricing.

CONSOLIDATED RESULTS

Lease & Related Maintenance and Rental

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Lease & related maintenance and rental revenues	**$ 986,694**	$ 868,660	**$ 1,927,116**	$ 1,796,416	**14%**	**7%**
Cost of lease & related maintenance and rental	**708,737**	775,350	**1,438,881**	1,593,642	**(9)%**	**(10)%**
Gross margin	**$ 277,957**	$ 93,310	**$ 488,235**	$ 202,774	**NM**	**NM**
Gross margin %	**28%**	11%	**25%**	11%		

Lease & related maintenance and rental revenues represent revenues from our ChoiceLease and commercial rental product offerings within our FMS business segment. Revenues increased 14% in the second quarter of 2021 and 7% for the six months ended June 30, 2021 driven by increases in commercial rental and ChoiceLease revenue. Commercial rental revenues were negatively impacted by the COVID-19 effects in the prior year.

Cost of lease & related maintenance and rental represents the direct costs related to lease & related maintenance and rental revenues and are comprised of depreciation of revenue earning equipment, maintenance costs (primarily repair parts and labor), and other costs such as licenses, insurance and operating taxes. Cost of lease & related maintenance and rental excludes interest costs from vehicle financing, which are reported within "Interest Expense" in our Condensed Consolidated Statements of Earnings. Cost of lease & related maintenance and rental decreased 9% in the second quarter of 2021 and 10% for the six months ended June 30, 2021 due to declining depreciation expense impacts from prior residual value estimate changes. Both the second quarter and six months ended June 30, 2020 benefited from lower maintenance and other costs due to less activity as a result of the COVID-19 effects.

Lease & related maintenance and rental gross margin increased in the second quarter of 2021 and for the six months ended June 30, 2021 primarily due to a declining impact of depreciation expense from prior residual value estimate changes, higher commercial rental pricing and utilization, and higher ChoiceLease pricing and mileage revenue. Gross margin as a percentage of revenue increased to 28% in the second quarter of 2021 and increased to 25% in the six months ended June 30, 2021 as a result of the lower depreciation impact, higher commercial rental and ChoiceLease revenue and higher rental utilization.

Services

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Services revenue	**$ 1,276,140**	$ 942,267	**$ 2,441,628**	$ 2,054,455	**35%**	**19%**
Cost of services	**1,091,725**	793,353	**2,091,517**	1,747,782	**38%**	**20%**
Gross margin	**$ 184,415**	$ 148,914	**$ 350,111**	$ 306,673	**24%**	**14%**
Gross margin %	**14%**	16%	**14%**	15%		

Services revenue represents all the revenues associated with our SCS and DTS business segments, as well as SelectCare and fleet support services associated with our FMS business segment. Services revenue increased 35% in the second quarter of 2021 and 19% for the six months ended June 30, 2021 due to increases in revenue in SCS and DTS from new business and higher volumes. In the prior year, SCS revenue was negatively impacted by reduced automotive activity in the second quarter of 2020 due to the COVID-19 effects.

Cost of services represents the direct costs related to services revenue and is primarily comprised of salaries and employee-related costs, subcontracted transportation (purchased transportation from third parties), fuel, vehicle liability costs and maintenance costs. Cost of services increased 38% in the second quarter and 20% for the six months ended June 30, 2021

primarily due to the growth in revenues. Costs of services in both periods also increased due to higher labor and subcontracted transportation costs from a tight driver labor market, primarily in our DTS business, and higher insurance and medical costs.

Services gross margin increased 24% in the second quarter of 2021 and increased 14% for the six months ended June 30, 2021. Gross margin as a percentage of revenue decreased to 14% in both the second quarter of 2021 and for the six months ended June 30, 2021. The decreases in gross margin as a percentage of revenue reflects the impact of higher labor and subcontracted transportation costs, partially offset by higher revenue and operating performance in SCS and higher revenue in DTS for the three and six months ended June 30, 2021.

Fuel

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Fuel services revenue	**$ 119,403**	$ 84,355	**$ 235,115**	$ 205,717	**42%**	**14%**
Cost of fuel services	**109,450**	77,980	**224,156**	198,429	**40%**	**13%**
Gross margin	**$ 9,953**	$ 6,375	**$ 10,959**	$ 7,288	**56%**	**NM**
Gross margin %	**8%**	8%	**5%**	4%		

Fuel services revenue represents fuel services provided to our FMS customers. Fuel services revenue increased 42% in the second quarter of 2021 and 14% for the six months ended June 30, 2021, primarily reflecting higher fuel prices passed through to customers and higher gallons sold. Fuel gallons sold in the prior year were negatively impacted by the COVID-19 effects.

Cost of fuel services includes the direct costs associated with providing our customers with fuel. These costs include fuel, salaries and employee-related costs of fuel island attendants and depreciation of our fueling facilities and equipment. Cost of fuel services increased 40% in the second quarter of 2021 and 13% for the six months ended June 30, 2021 as a result of higher fuel prices and higher gallons sold.

Fuel services gross margin increased in the second quarter of 2021 and for the six months ended June 30, 2021. Fuel services gross margin as a percentage of revenue remained at 8% in the second quarter of 2021 and increased to 5% for the six months ended June 30, 2021. Fuel is largely a pass-through to customers for which we realize minimal changes in margin during periods of steady market fuel prices. However, fuel services margin is impacted by sudden increases or decreases in market fuel prices during a short period of time, as customer pricing for fuel is established based on trailing market fuel costs. Fuel services gross margin for the second quarter of 2021 and six months ended June 30, 2021 was not significantly impacted by these price change dynamics.

Other Operating Expenses

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Other operating expenses	**$ 33,481**	$ 29,849	**$ 67,381**	$ 63,414	**12%**	**6%**

Other operating expenses include costs related to our owned and leased facilities within the FMS segment, such as facility depreciation, rent, purchased insurance, utilities and taxes. These facilities are utilized to provide maintenance to our ChoiceLease, commercial rental, and SelectCare customers. Other operating expenses increased in the second quarter of 2021 and for the six months ended June 30, 2021 due to additional maintenance performed on our FMS facilities.

Selling, General and Administrative Expenses

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Selling, general and administrative expenses (SG&A)	**$ 269,268**	$ 208,564	**$ 511,010**	$ 432,683	**29%**	**18%**
Percentage of total revenue	**11%**	11%	**11%**	11%		

SG&A expenses increased 29% in the second quarter of 2021 and 18% for the six months ended June 30, 2021. The increases in SG&A expenses reflects higher incentive compensation-related expenses due to improved company performance, strategic investments primarily in technology and marketing, and higher compensation related expenses from temporary furloughs in the prior year partially offset by lower bad debt expense. SG&A expenses as a percentage of total revenue remained at 11% for both the second quarter of 2021 and the six months ended June 30, 2021.

Non-Operating Pension Costs, net

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Non-operating pension costs, net	**$ (373)**	$ 936	**$ (382)**	$ 2,157	**NM**	**NM**

Non-operating pension costs, net include the amortization of net actuarial loss and prior service cost, interest cost and expected return on plan assets components of pension and postretirement benefit costs, as well as any significant charges for settlements or curtailments if recognized.

Used Vehicle Sales, net

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
(Gains) losses on used vehicle sales, net	**$ (51,634)**	$ 9,488	**$ (80,485)**	$ 30,172	**NM**	**NM**

Used vehicle sales, net includes gains or losses from sales of used vehicles, selling costs associated with used vehicles and write-downs of vehicles held for sale to fair market values (referred to as "valuation adjustments"). Used vehicle sales, net was a net gain in the second quarter and six months ended June 30, 2021 as compared to a net loss in the prior year periods due to higher gains on sales of used vehicles and lower valuation adjustments.

Average proceeds per unit in the second quarter of 2021 and for the six months ended June 30, 2021 increased reflecting higher pricing. The following table presents the used vehicle pricing changes compared with the prior year:

	Proceeds per unit change 2021/2020 [1]	
	Three Months	Six Months
Tractors	**73%**	**47%**
Trucks	**72%**	**54%**

(1) Represents percentage change compared to prior year period in average sales proceeds on used vehicle sales using constant currency.

Interest expense

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Interest expense	**$ 54,155**	$ 67,285	**$ 108,861**	$ 129,851	**(20)%**	**(16)%**
Effective interest rate	**3.4%**	3.3%	**3.4%**	3.2%		

Interest expense decreased 20% in the second quarter of 2021 and 16% for the six months ended June 30, 2021 reflecting lower average outstanding debt, partially offset by a higher portion of fixed rate debt. The decrease in average outstanding debt reflects lower borrowing needs due to lower vehicle capital spending in 2020 and increased free cash flow.

Miscellaneous (income) loss, net

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Miscellaneous (income) loss, net	**$ (43,812)**	$ (9,946)	**$ (49,246)**	$ (1,278)	**NM**	**NM**

Miscellaneous (income) loss, net consists of investment income on securities used to fund certain benefit plans, interest income, gains on sales of operating property, foreign currency transaction remeasurement and other non-operating items. Miscellaneous (income) loss, net was income of $44 million and $49 million in the second quarter of 2021 and for the six months ended June 30, 2021 primarily due to higher gains on sale of properties in the U.K..

Restructuring and other items, net

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Restructuring and other items, net	**$ 7,667**	$ 37,200	**$ 18,326**	$ 68,147	**(79)%**	**(73)%**

Refer to Note 15, "Other Items Impacting Comparability" in the Notes to Condensed Consolidated Financial Statements for a discussion of restructuring charges and other items.

Provision for (benefit from) income taxes

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Provision for (benefit from) income taxes	**$ 54,005**	$ (21,072)	**$ 72,688**	$ (25,577)	**NM**	**NM**
Effective tax rate from continuing operations	**26.5%**	22.2%	**26.5%**	12.3%		
Comparable tax rate on continuing operations [(1)]	**26.5%**	22.8%	**26.3%**	21.5%		

(1) Non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of the most comparable GAAP measure to the non-GAAP financial measure and the reasons why management believes this measure is important to investors.

Refer to our discussion of the changes in our provision for income taxes and effective tax rate from continuing operations in Note 7, "Income Taxes".

OPERATING RESULTS BY BUSINESS SEGMENT

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Revenue:						
Fleet Management Solutions	**$ 1,408,241**	$ 1,198,177	**$ 2,743,726**	$ 2,538,414	**18%**	**8%**
Supply Chain Solutions	**775,630**	519,318	**1,482,330**	1,147,765	**49%**	**29%**
Dedicated Transportation Solutions	**354,711**	293,944	**675,218**	628,832	**21%**	**7%**
Eliminations	**(156,345)**	(116,157)	**(297,415)**	(258,423)	**(35)%**	**(15)%**
Total	**$ 2,382,237**	$ 1,895,282	**$ 4,603,859**	$ 4,056,588	**26%**	**13%**
Operating Revenue: [1]						
Fleet Management Solutions	**$ 1,224,673**	$ 1,073,515	**$ 2,392,786**	$ 2,231,059	**14%**	**7%**
Supply Chain Solutions	**534,558**	405,057	**1,037,156**	872,368	**32%**	**19%**
Dedicated Transportation Solutions	**255,849**	227,931	**492,688**	464,616	**12%**	**6%**
Eliminations	**(92,260)**	(83,259)	**(182,447)**	(173,552)	**(11)%**	**(5)%**
Total	**$ 1,922,820**	$ 1,623,244	**$ 3,740,183**	$ 3,394,491	**18%**	**10%**
Earnings (loss) from continuing operations before income taxes:						
Fleet Management Solutions	**$ 158,451**	$ (103,735)	**$ 221,853**	$ (218,309)	**NM**	**NM**
Supply Chain Solutions	**41,041**	36,916	**73,998**	67,941	**11%**	**9%**
Dedicated Transportation Solutions	**13,162**	21,233	**26,144**	33,413	**(38)%**	**(22)%**
Eliminations	**(19,186)**	(7,745)	**(31,460)**	(17,814)	**NM**	**(77)%**
	193,468	(53,331)	**290,535**	(134,769)	**NM**	**NM**
Unallocated Central Support Services	**(17,864)**	(10,718)	**(36,296)**	(20,104)	**(67)%**	**(81)%**
Non-operating pension costs	**373**	(936)	**382**	(2,157)	**NM**	**NM**
Other items impacting comparability, net [2]	**27,596**	(29,792)	**19,219**	(51,381)	**NM**	**NM**
Earnings (loss) from continuing operations before income taxes	**$ 203,573**	$ (94,777)	**$ 273,840**	$ (208,411)	**NM**	**NM**

(1) Non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of the most comparable GAAP measure to the non-GAAP financial measure and the reasons why management believes this measure is important to investors.

(2) Refer to Note 15, "Other Items Impacting Comparability," and below for a discussion of items excluded from our primary measure of segment performance.

As part of management's evaluation of segment operating performance, we define the primary measurement of our segment financial performance as segment "Earnings (loss) from continuing operations before income taxes" (EBT), which includes an allocation of Central Support Services (CSS), and excludes non-operating pension costs, net and certain other items as discussed in Note 15, "Other Items Impacting Comparability," in the Notes to Condensed Consolidated Financial Statements. CSS represents those costs incurred to support all business segments, including finance and procurement, corporate services, human resources, information technology, public affairs, legal, marketing, and corporate communications.

The objective of the EBT measurement is to provide clarity on the profitability of each segment and, ultimately, to hold leadership of each business segment accountable for their allocated share of CSS costs. Segment results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented. Certain costs are not attributable to any segment and remain unallocated in CSS, including costs for investor relations, public affairs and certain executive compensation.

Our FMS segment leases revenue earning equipment, as well as provides rental vehicles, fuel, maintenance and other ancillary services to the SCS and DTS segments. Inter-segment EBT allocated to SCS and DTS includes earnings related to equipment used in providing services to SCS and DTS customers. EBT related to inter-segment equipment and services billed to SCS and DTS customers (equipment contribution) are included in both FMS and the segment that served the customer and then eliminated upon consolidation (presented as "Eliminations").

The following table sets forth the benefits from equipment contribution included in EBT for our SCS and DTS business segments:

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Equipment Contribution:						
Supply Chain Solutions	**$ 7,822**	$ 3,238	**$ 13,045**	$ 7,798	**NM**	**67%**
Dedicated Transportation Solutions	**11,364**	4,507	**18,415**	10,016	**NM**	**84%**
Total	**$ 19,186**	$ 7,745	**$ 31,460**	$ 17,814	**NM**	**77%**

The increase in SCS and DTS equipment contribution in the second quarter of 2021 and the six months ended June 30, 2021 is primarily related to the declining impact associated with the prior residual value estimate changes on vehicles used to provide services to SCS and DTS customers and higher rental and fuel activity.

Items excluded from our segment EBT measure and their classification within our Condensed Consolidated Statements of Earnings are as follows:

		Three months ended June 30,		Six months ended June 30,	
Description	Classification	**2021**	2020	**2021**	2020
		(In thousands)			
Restructuring and other, net [1]	Restructuring and other items, net	**$ (2,577)**	$ (26,168)	**$ (5,605)**	$ (46,789)
ERP implementation costs [1]	Restructuring and other items, net	**(5,090)**	(11,032)	**(12,721)**	(21,358)
Gains on sale of properties [1]	Miscellaneous (income) loss, net	**35,263**	—	**36,768**	—
ChoiceLease liability insurance revenue [1]	Revenue	**—**	7,409	**777**	16,767
Other items impacting comparability, net		**27,596**	(29,792)	**19,219**	(51,381)
Non-operating pension costs, net [2]	Non-operating pension costs	**373**	(936)	**382**	(2,157)
		$ 27,969	$ (30,728)	**$ 19,601**	$ (53,538)

(1) Refer to Note 15, "Other Items Impacting Comparability," in the Notes to Condensed Consolidated Financial Statements for additional information.
(2) Refer to Note 14, "Employee Benefit Plans," in the Notes to Condensed Consolidated Financial Statements for additional information.

Note: Amounts may not be additive due to rounding.

Fleet Management Solutions

		Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
		2021	2020	**2021**	2020	Three Months	Six Months
		(In thousands)					
ChoiceLease	$	**802,832**	766,168	**1,599,920**	1,558,367	**5%**	**3%**
SelectCare		**136,503**	125,851	**267,171**	261,997	**8%**	**2%**
Commercial rental [1]		**266,969**	169,171	**489,978**	374,937	**58%**	**31%**
Other		**18,369**	12,332	**35,717**	35,758	**49%**	**—%**
Fuel services		**183,568**	117,253	**350,163**	290,588	**57%**	**21%**
ChoiceLease liability insurance [2]		**—**	7,409	**777**	16,767	**NM**	**(95)%**
FMS total revenue	$	**1,408,241**	1,198,179	**2,743,726**	2,538,414	**18%**	**8%**
FMS operating revenue [3]	$	**1,224,673**	1,073,515	**2,392,786**	2,231,059	**14%**	**7%**
FMS EBT	$	**158,451**	(103,735)	**221,853**	(218,309)	**NM**	**NM**
FMS EBT as a % of FMS total revenue		**11.3%**	(8.7)%	**8.1%**	(8.6)%	**NM**	**NM**
FMS EBT as a % of FMS operating revenue [3]		**12.9%**	(9.7)%	**9.3%**	(9.8)%	**NM**	**NM**

	Twelve months ended June 30,		Change 2021/2020
	2021	2020	
FMS EBT as a % of FMS total revenue	**5.5%**	(7.6)%	**NM**
FMS EBT as a % of FMS operating revenue [3]	**6.3%**	(8.8)%	**NM**

(1) For the three months ended June 30, 2021 and 2020, rental revenue from lease customers in place of a lease vehicle represented 29% and 34% of commercial rental revenue, respectively. For the six months ended June 30, 2021 and 2020, rental revenue from lease customers in place of a lease vehicle represented 30% and 37% of commercial rental revenue, respectively.

(2) In the first quarter of 2020, we announced our plan to exit the extension of our liability insurance coverage for ChoiceLease customers. The exit of this program was completed in the first quarter of 2021.

(3) Non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of the most comparable GAAP measure to the non-GAAP financial measure and the reasons why management believes this measure is important to investors.

FMS total revenue increased 18% to $1.4 billion in the second quarter of 2021 and increased 8% to $2.7 billion for the six months ended June 30, 2021 due to higher operating revenue and fuel revenue. FMS operating revenue increased 14% to $1.2 billion in the second quarter and 7% to $2.4 billion for the six months ended June 30, 2021 primarily due to higher commercial rental and ChoiceLease revenue.

ChoiceLease revenue increased 5% in the second quarter of 2021 and 3% for the six months ended June 30, 2021 primarily due to higher prices on new vehicles, higher mileage-based revenue due to prior year impacts of the COVID-19 effects, and partially offset by lower revenue from a smaller fleet. SelectCare revenue increased 8% in the second quarter of 2021and 2% for the six months ended June 30, 2021 due to higher volumes. Commercial rental revenue increased 58% in the second quarter and 31% in the six months ended June 30, 2021 primarily due to higher demand and pricing. Commercial rental demand in the prior year was negatively impacted by the COVID-19 effects. Commercial rental pricing increased 13% in the second quarter of 2021 and increased 11% for the six months ended June 30, 2021. Fuel services revenue increased 57% in the second quarter of 2021 and 21% in the six months ended June 30, 2021 primarily reflecting higher fuel costs passed through to customers and higher gallons sold.

FMS EBT in the second quarter of 2021 increased to earnings of $158 million from a loss of $104 million in the prior year period. FMS EBT in the six months ended June 30, 2021, increased to earnings of $222 million from a loss of $218 million in the prior year period. The increase reflects lower depreciation expense of $131 million and $223 million in the three and six months ended June 30, 2021, respectively, resulting primarily from prior residual value estimate changes, including higher used vehicle

sales results. The increase in EBT also reflects higher commercial rental and ChoiceLease results. Higher commercial rental results were primarily due to higher pricing and increased utilization on a smaller average power fleet in 2021. Rental power fleet utilization increased to 80% from 56% in the second quarter of 2021 and, increased to 76% from 60% in the six months ended June 30, 2021. ChoiceLease results benefited from higher lease pricing and increased miles driven, partially offset by a smaller lease fleet. In 2020, EBT included negative impacts from the COVID-19 effects due to lower rental demand and higher bad debt expense which was partially offset by COVID-19-related cost actions and lower medical expenses.

During the second quarter of 2021, we completed a review of the residual values and useful lives of revenue earning equipment. Prior to our review, the residual value estimates of our total fleet already reflected historically low levels, with used tractor prices only falling below those estimates in four of the last 21 years. Based on the results of our analysis, we primarily adjusted our residual value estimates for certain tractors and useful lives of certain classes of our revenue earning equipment, impacting approximately 15% of our total fleet. These estimate changes are intended to further reduce the probability of losses or need for accelerated depreciation during a potential cyclical downturn, even if tractor pricing returns to historical trough levels. The adjustment is expected to increase depreciation expense in 2021 by $18 million or approximately 1% of estimated annual depreciation expense. The impact was not material to our results of operations for the second quarter of 2021. Refer to Note 5, "Revenue Earning Equipment, net" for further details.

Our global fleet of owned and leased revenue earning equipment and SelectCare vehicles, including vehicles under on-demand maintenance, is summarized as follows (number of units rounded to the nearest hundred):

				Change	
	June 30, 2021	December 31, 2020	June 30, 2020	June 2021/ Dec 2020	June 2021/ June 2020
End of period vehicle count					
By type:					
Trucks [1]	**75,400**	77,300	82,800	**(2)%**	**(9)%**
Tractors [2]	**72,000**	73,300	79,400	**(2)%**	**(9)%**
Trailers and other [3]	**43,400**	44,100	45,800	**(2)%**	**(5)%**
Total	**190,800**	194,700	208,000	**(2)%**	**(8)%**
By product line:					
ChoiceLease	**146,200**	149,600	154,600	**(2)%**	**(5)%**
Commercial rental	**38,000**	35,000	36,800	**9%**	**3%**
Service vehicles and other	**2,300**	2,400	2,600	**(4)%**	**(12)%**
	186,500	187,000	194,000	**—%**	**(4)%**
Held for sale	**4,300**	7,700	14,000	**(44)%**	**(69)%**
Total	**190,800**	194,700	208,000	**(2)%**	**(8)%**
Customer vehicles under SelectCare contracts [4]	**52,900**	50,300	54,900	**5%**	**(4)%**
Quarterly average vehicle count					
By product line:					
ChoiceLease	**146,900**	150,400	156,900	**(2)%**	**(6)%**
Commercial rental	**36,700**	35,100	38,200	**5%**	**(4)%**
Service vehicles and other	**2,300**	2,500	2,700	**(8)%**	**(15)%**
	185,900	188,000	197,800	**(1)%**	**(6)%**
Held for sale	**5,100**	9,000	13,100	**(43)%**	**(61)%**
Total	**191,000**	197,000	210,900	**(3)%**	**(9)%**
Customer vehicles under SelectCare contracts [4]	**53,200**	52,700	55,200	**1%**	**(4)%**
Customer vehicles under SelectCare on-demand [5]	**6,400**	6,400	6,900	**—%**	**(7)%**
Total vehicles serviced	**250,600**	256,100	273,000	**(2)%**	**(8)%**

(1) *Generally comprised of Class 1 through Class 7 type vehicles with a Gross Vehicle Weight (GVW) up to 33,000 pounds.*
(2) *Generally comprised of over the road on highway tractors and are primarily comprised of Class 8 type vehicles with a GVW of over 33,000 pounds.*
(3) *Generally comprised of dry, flatbed and refrigerated type trailers.*
(4) *Excludes customer vehicles under SelectCare on-demand contracts.*
(5) *Comprised of the number of unique vehicles serviced under on-demand maintenance agreements for the quarterly periods. This does not represent averages for the periods. Vehicles included in the count may have been serviced more than one time during the respective period.*

Note: Quarterly amounts were computed using a 6-point average based on monthly information.

The following table provides information on our global active ChoiceLease fleet (number of units rounded to nearest hundred):

				Change	
	June 30, 2021	December 31, 2020	June 30, 2020	June 2021/ Dec 2020	June 2021/ June 2020
End of period active ChoiceLease vehicle count (1)	**141,000**	142,300	144,900	**(1)%**	**(3)%**
Quarterly average active ChoiceLease vehicle count (1)	**141,400**	143,100	146,600	**(1)%**	**(4)%**
Quarterly revenue per active ChoiceLease vehicle (2)	**$ 5,700**	$ 5,700	$ 5,200	**—%**	**10%**

(1) *Active ChoiceLease vehicles are calculated as those units currently earning revenue and not classified as not yet earning or no longer earning units.*
(2) *Calculated based on the reported quarterly ChoiceLease revenue.*

The following table provides commercial rental statistics on our global power fleet which excludes trailers:

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
Average commercial rental power fleet size — in service (1)	**30,600**	31,300	**30,000**	32,300	**(2)%**	**(7)%**
Commercial rental utilization — power fleet (2)	**79.6%**	55.9%	**76.4%**	60.3%	**NM**	**NM**

(1) *Number of units rounded to the nearest hundred and calculated using quarterly average unit counts.*
(2) *Rental utilization is calculated using the number of days units are rented divided by the number of days units available to rent based on the days in a calendar year.*

The following table provides a breakdown of our non-revenue earning equipment included in our end of period global fleet count (number of units rounded to nearest hundred):

				Change	
	June 30, 2021	December 31, 2020	June 30, 2020	June 2021/ Dec 2020	June 2021/ June 2020
Not yet earning revenue (NYE)	**2,400**	1,900	1,500	**26%**	**60%**
No longer earning revenue (NLE):					
Units held for sale	**4,300**	7,700	14,000	**(44)%**	**(69)%**
Other NLE units	**2,500**	3,200	8,500	**(22)%**	**(71)%**
Total NLE	**6,800**	10,900	22,500	**(38)%**	**(70)%**
Total	**9,200**	12,800	24,000	**(28)%**	**(62)%**

NYE units represent new vehicles on hand that are being prepared for deployment to a lease customer or into the rental fleet. Preparations include activities such as adding lift gates, paint, decals, cargo area and refrigeration equipment. NYE units increased 60% compared to June 30, 2020 reflecting increased rental capital spending to meet higher rental demand.

NLE units represent vehicles held for sale and vehicles for which no revenue has been earned in the previous 30 days. Accordingly, these vehicles may be temporarily out of service, being prepared for sale or awaiting redeployment. NLE units decreased 70% compared to June 30, 2020 due to a decrease in units held for sale, a lower number of vehicles being prepared for sale or redeployment and higher utilization of our rental fleet.

Supply Chain Solutions

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands, except vehicle counts)					
Automotive	**$ 179,849**	$ 109,119	**$ 351,721**	$ 280,860	**65%**	**25%**
Technology and healthcare	**57,529**	54,950	**112,234**	112,616	**5%**	**—%**
Consumer packaged goods and retail	**233,791**	196,683	**454,277**	384,719	**19%**	**18%**
Industrial and other	**63,389**	44,305	**118,924**	94,173	**43%**	**26%**
Subcontracted transportation	**211,879**	102,208	**392,013**	237,936	**NM**	**65%**
Fuel	**29,193**	12,053	**53,161**	37,461	**NM**	**42%**
SCS total revenue	**$ 775,630**	$ 519,318	**$ 1,482,330**	$ 1,147,765	**49%**	**29%**
SCS operating revenue [1]	**$ 534,558**	$ 405,057	**$ 1,037,156**	$ 872,368	**32%**	**19%**
SCS EBT	**$ 41,041**	$ 36,916	**$ 73,998**	$ 67,941	**11%**	**9%**
SCS EBT as a % of SCS total revenue	**5.3%**	7.1%	**5.0%**	5.9%	**(180) bps**	**(90) bps**
SCS EBT as a % of SCS operating revenue [1]	**7.7%**	9.1%	**7.1%**	7.8%	**(140) bps**	**(70) bps**
Memo:						
End of period fleet count	**10,000**	9,800	**10,000**	9,800	**2%**	**2%**

	Twelve months ended June 30,		Change 2021/2020
	2021	2020	
SCS EBT as a % of SCS total revenue	**5.8%**	5.6%	**20 bps**
SCS EBT as a % of SCS operating revenue [1]	**8.2%**	7.5%	**70 bps**

(1) Non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of the most comparable GAAP measure to the non-GAAP financial measure and the reasons why management believes this measure is important to investors.

SCS total revenue increased 49% in the second quarter and 29% in the six months ended June 30, 2021 as a result of higher operating revenue (a non-GAAP measure excluding fuel and subcontracted transportation) and subcontracted transportation. SCS operating revenue increased 32% and 19% in the second quarter and six months ended June 30, 2021, respectively, as a result of higher automotive revenues, reflecting increased volumes and prior-year COVID-19 effects. SCS operating revenue also increased due to new business and higher volumes across other industries.

SCS EBT increased 11% in the second quarter and 9% for the six months ended June 30, 2021 primarily due to revenue growth in the automotive business, partially offset by strategic investments in marketing and technology, as well as increased incentive compensation and medical costs.

In the prior year periods, SCS customer volumes in the automotive business significantly declined due to temporary production shutdowns beginning late in the first quarter of 2020 related to COVID-19. These operations restarted during the second quarter of 2020 and were followed by increased consumer demand in the second half of 2020, which helped contribute to

a worldwide semiconductor supply shortage in early 2021. This supply shortage impacted the production activity of our automotive customers in the first half of 2021.

Dedicated Transportation Solutions

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands, except vehicle counts)					
DTS total revenue	**$ 354,711**	$ 293,944	**$ 675,218**	$ 628,832	**21%**	**7%**
DTS operating revenue [1]	**$ 255,849**	$ 227,931	**$ 492,688**	$ 464,616	**12%**	**6%**
DTS EBT	**$ 13,162**	$ 21,233	**$ 26,144**	$ 33,413	**(38)%**	**(22)%**
DTS EBT as a % of DTS total revenue	**3.7%**	7.2%	**3.9%**	5.3%	**(350) bps**	**(140) bps**
DTS EBT as a % of DTS operating revenue [1]	**5.1%**	9.3%	**5.3%**	7.2%	**(420) bps**	**(190) bps**
Memo:						
End of period fleet count	**10,400**	9,300	**10,400**	9,300	**12%**	**12%**

	Twelve months ended June 30,		Change 2021/2020
	2021	2020	
DTS EBT as a % of DTS total revenue	**5.2%**	5.2%	**— bps**
DTS EBT as a % of DTS operating revenue [1]	**6.9%**	7.3%	**(40) bps**

(1) Non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of the most comparable GAAP measure to the non-GAAP financial measure and the reasons why management believes this measure is important to investors.

DTS total revenue increased 21% in the second quarter of 2021 and 7% for the six months ended June 30, 2021 due to higher subcontracted transportation and operating revenue (a non-GAAP measure excluding fuel and subcontracted transportation) growth. DTS operating revenue increased 12% in the second quarter of 2021 and 6% in the six months ended June 30, 2021, primarily reflecting new business and higher volumes. Revenue growth from new business can be largely attributed to wins from competitors and private fleet conversions.

DTS EBT decreased 38% in second quarter of 2021 and 22% for the six months ended June 30, 2021, primarily due to increased labor costs resulting from a tight driver labor market, higher insurance costs, and strategic investments.

Central Support Services

	Three months ended June 30,		Six months ended June 30,		Change 2021/2020	
	2021	2020	**2021**	2020	Three Months	Six Months
	(In thousands)					
Human resources	**$ 5,954**	$ 4,651	**$ 11,542**	$ 10,504	**28%**	**10%**
Finance and procurement	**19,092**	16,358	**37,988**	35,597	**17%**	**7%**
Corporate services and public affairs	**3,378**	1,726	**5,074**	3,710	**96%**	**37%**
Information technology	**29,246**	22,285	**55,665**	47,650	**31%**	**17%**
Legal and safety	**7,507**	6,661	**14,939**	14,624	**13%**	**2%**
Marketing	**7,629**	3,655	**16,750**	8,930	**NM**	**88%**
Other	**20,778**	8,600	**40,184**	16,802	**NM**	**NM**
Total CSS	**93,584**	63,936	**182,142**	137,817	**46%**	**32%**
Allocation of CSS to business segments	**(75,720)**	(53,218)	**(145,846)**	(117,713)	**42%**	**24%**
Unallocated CSS	**$ 17,864**	$ 10,718	**$ 36,296**	$ 20,104	**67%**	**81%**

Total CSS costs increased 46% in the second quarter of 2021 and increased 32% for the six months ended June 30, 2021 due to higher incentive compensation-related expenses in 2021 and continuing strategic investments in technology and marketing. Unallocated CSS costs increased to $18 million and $36 million in the second quarter of 2021 and for the six months ended June 30, 2021 due to higher incentive compensation-related expenses in 2021 due to improved performance.

FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

The following is a summary of our cash flows from continuing operations:

	Six months ended June 30,	
	2021	2020
	(In thousands)	
Net cash provided by (used in):		
Operating activities	**$ 1,131,233**	$ 1,098,785
Investing activities	**(533,408)**	(492,266)
Financing activities	**(478,971)**	154,732
Effect of exchange rate changes on cash	**(2,369)**	(3,022)
Net change in cash and cash equivalents	**$ 116,485**	$ 758,229

	Six months ended June 30,	
	2021	2020
	(In thousands)	
Net cash provided by operating activities		
Earnings (loss) from continuing operations	**$ 201,152**	$ (182,834)
Non-cash and other, net	**950,869**	1,182,891
Collections on sales-type leases	**62,778**	54,724
Changes in operating assets and liabilities	**(83,566)**	44,004
Cash flows from operating activities from continuing operations	**$ 1,131,233**	$ 1,098,785

Cash provided by operating activities remained at $1.1 billion for the six months ended June 30, 2021 reflecting higher earnings offset by higher working capital needs. Our working capital needs are primarily driven by the timing of collections of our receivables and payments of our trade payables, as well as changes in other assets and liabilities. The impact from changes in operating assets and liabilities was primarily due to an increase in receivables due to higher revenues and timing of collections. Cash used in investing activities increased to $533 million for the six months ended June 30, 2021 compared with $492 million in 2020 primarily due to an increase in cash paid for capital expenditures partially offset by higher proceeds from the sale of revenue earning equipment and operating property and equipment. Cash provided by (used in) financing activities was ($479) million for the six months ended June 30, 2021 compared to $155 million in 2020 due to lower borrowing needs.

The following table shows our free cash flow computation:

	Six months ended June 30,	
	2021	2020
	(In thousands)	
Net cash provided by operating activities	**$ 1,131,233**	$ 1,098,785
Sales of revenue earning equipment [(1)]	**330,277**	214,189
Sales of operating property and equipment [(1)]	**44,409**	4,231
Other [(1)]	**691**	—
Total cash generated [(2)]	**1,506,610**	1,317,205
Purchases of property and revenue earning equipment [(1)]	**(904,399)**	(704,930)
Free cash flow [(2)]	**$ 602,211**	$ 612,275

(1) Included in cash flows from investing activities.
(2) Non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of the most comparable GAAP measure to the non-GAAP financial measure and the reasons why management believes this measure is important to investors.

Free cash flow (a non-GAAP measure) decreased slightly to $602 million for the six months ended June 30, 2021 from $612 million in 2020 primarily due to an increase in cash paid for capital expenditures partially offset by higher proceeds from the sale of revenue earning equipment and operating property and equipment.

Capital expenditures generally represent the purchase of revenue earning equipment (trucks, tractors and trailers) within our FMS segment. These expenditures primarily support the ChoiceLease and commercial rental product lines. The level of capital required to support the ChoiceLease product line varies based on customer contract signings for replacement vehicles and growth. These contracts are long-term agreements that result in predictable cash flows typically over three to seven years for trucks and tractors and ten years for trailers. We utilize capital for the purchase of vehicles in our commercial rental product line to replenish and expand the fleet available for shorter-term use by contractual or occasional customers. Operating property and equipment expenditures primarily relate to spending on items such as vehicle maintenance facilities and equipment, computer and telecommunications equipment, investments in technologies, and warehouse facilities and equipment.

The following table provides a summary of gross capital expenditures:

	Six months ended June 30,	
	2021	2020
	(In thousands)	
Revenue earning equipment:		
ChoiceLease	**$ 501,053**	$ 463,744
Commercial rental	**397,092**	69,414
	898,145	533,158
Operating property and equipment	**64,886**	63,671
Gross capital expenditures [1]	**963,031**	596,829
Changes in accounts payable related to purchases of property and revenue earning equipment	**(58,632)**	108,101
Cash paid for purchases of property and revenue earning equipment	**$ 904,399**	$ 704,930

(1) Gross capital expenditures excluded approximately $6 million during the six months ended June 30, 2021 and 2020 of assets held under finance leases resulting from new or the extension of existing finance leases and other additions.

Gross capital expenditures increased 61% to $963 million for the six months ended June 30, 2021 reflecting higher planned investments in the rental fleet.

Financing and Other Funding Transactions

We utilize external capital primarily to support working capital needs and growth in our asset-based product lines. The variety of financing alternatives typically available to fund our capital needs include commercial paper, long-term and medium-term public and private debt, asset-backed securities, bank term loans, leasing arrangements, and bank credit facilities. Our principal sources of financing are issuances of commercial paper and medium-term notes.

Cash and cash equivalents totaled $268 million as of June 30, 2021. As of June 30, 2021, approximately $101 million was held outside the U.S. and is available to fund operations and other growth of non-U.S. subsidiaries. If we decide to repatriate cash and cash equivalents held outside the U.S., we may be subject to additional income taxes and foreign withholding taxes. However, our intent is to permanently reinvest these foreign amounts outside the U.S. and our current plans do not demonstrate a need to repatriate these foreign amounts to fund our U.S. operations.

We believe that our operating cash flows, together with our access to the public unsecured bond market, commercial paper market and other available debt financing, will be adequate to meet our operating, investing and financing needs in the foreseeable future. However, there can be no assurance that volatility and disruption in the public unsecured debt market or the commercial paper market would not impair our ability to access these markets on terms commercially acceptable to us or at all. If we cease to have access to public bonds, commercial paper and other sources of unsecured borrowings, we would meet our liquidity needs by drawing upon contractually committed lending agreements and/or by seeking other funding sources.

Refer to Note 9, "Debt," in the Notes to Condensed Consolidated Financial Statements for information on our net worth covenant, global revolving credit facility, trade receivables program (which was extended to April 2022 during the second quarter of 2021), medium-term notes, and asset-backed financing obligations.

Our ability to access unsecured debt in the capital markets is impacted by both our short-term and long-term debt ratings. These ratings are intended to provide guidance to investors in determining the credit risk associated with our particular securities based on current information obtained by the rating agencies from us or from other sources. Ratings are not recommendations to buy, sell or hold our debt securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Lower ratings generally result in higher borrowing costs, as well as reduced access to unsecured capital markets. A significant downgrade of our short-term debt ratings would impair our ability to issue commercial paper and likely require us to rely on alternative funding sources. A significant downgrade would not affect our ability to borrow amounts under our global revolving credit facility described below, assuming ongoing compliance with the terms and conditions of the credit facility.

Our debt ratings and rating outlooks as of June 30, 2021 were as follows:

	Rating Summary			
	Short-term	**Short-term Outlook**	**Long-term**	**Long-term Outlook**
Standard & Poor's Ratings Services	A2	—	BBB	Stable
Moody's Investors Service	P2	Stable	Baa2	Stable
Fitch Ratings	F2	—	BBB+	Negative
DBRS	R-1 (Low)	Stable	A (Low)	Stable

As of June 30, 2021, we had the following amounts available to fund operations under the following facilities:

	(In millions)	
Global revolving credit facility	$	1,319
Trade receivables program	$	300

In accordance with our funding philosophy, we attempt to align the aggregate average remaining re-pricing life of our debt with the aggregate average remaining re-pricing life of our assets. We utilize both fixed-rate and variable-rate debt to achieve this alignment and generally target a mix of 20% - 40% variable-rate debt as a percentage of total debt outstanding. The variable-rate portion of our total debt (including notional value of swap agreements) was 6% and 9% as of June 30, 2021 and December 31, 2020, respectively.

Our debt to equity ratio was 258% and 293% as of June 30, 2021 and December 31, 2020, respectively. The debt to equity ratio represents total debt divided by total equity.

Share Repurchases and Cash Dividends

Refer to Note 10, "Share Repurchase Programs," in the Notes to Condensed Consolidated Financial Statements for a discussion of share repurchases.

In both May 2021 and 2020, our Board of Directors declared a quarterly cash dividend of $0.56 per share of common stock. The dividends were paid during the second quarter of each respective year. In July 2021, our Board of Directors declared a quarterly cash dividend of $0.58 per share of common stock.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to Note 2, "Recent Accounting Pronouncements," in the Notes to Condensed Consolidated Financial Statements for a discussion of recent accounting pronouncements.

NON-GAAP FINANCIAL MEASURES

This Quarterly Report on Form 10-Q includes information extracted from condensed consolidated financial information, but not required by generally accepted accounting principles in the United States (GAAP) to be presented in the financial statements. Certain elements of this information are considered "non-GAAP financial measures" as defined by SEC rules. Non-GAAP financial measures should be considered in addition to, but not as a substitute for or superior to, other measures of financial performance or liquidity prepared in accordance with GAAP. Also, our non-GAAP financial measures may not be comparable to financial measures used by other companies. We provide a reconciliation of each of these non-GAAP financial measures to the most comparable GAAP measure in this non-GAAP financial measures section or in our results and liquidity discussions above. We also provide the reasons why management believes each non-GAAP financial measure is useful to investors in this section.

Specifically, we refer to the following non-GAAP financial measures in this Form 10-Q:

Non-GAAP Financial Measure	Comparable GAAP Measure
Operating Revenue Measures:	
Operating Revenue	Total Revenue
FMS Operating Revenue	FMS Total Revenue
SCS Operating Revenue	SCS Total Revenue
DTS Operating Revenue	DTS Total Revenue
FMS EBT as a % of FMS Operating Revenue	FMS EBT as a % of FMS Total Revenue
SCS EBT as a % of SCS Operating Revenue	SCS EBT as a % of SCS Total Revenue
DTS EBT as a % of DTS Operating Revenue	DTS EBT as a % of DTS Total Revenue
Comparable Earnings Measures:	
Comparable Earnings (Loss) Before Income Tax	Earnings (Loss) Before Income Tax
Comparable Earnings (Loss)	Earnings (Loss) from Continuing Operations
Comparable Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	Net Earnings (Loss)
Comparable EPS	EPS from Continuing Operations
Comparable Tax Rate	Effective Tax Rate from Continuing Operations
Adjusted Return on Equity (ROE)	Not Applicable. However, non-GAAP elements of the calculation have been reconciled to the corresponding GAAP measures. A numerical reconciliation of net earnings to adjusted net earnings and average shareholders' equity to adjusted average equity is provided in the following reconciliations.
Cash Flow Measures:	
Total Cash Generated and Free Cash Flow	Cash Provided by Operating Activities

Set forth in the table below is an overview of each non-GAAP financial measure and why management believes that the presentation of each non-GAAP financial measure provides useful information to investors.

Operating Revenue Measures:	
Operating Revenue FMS Operating Revenue SCS Operating Revenue DTS Operating Revenue FMS EBT as a % of FMS Operating Revenue SCS EBT as a % of SCS Operating Revenue DTS EBT as a % of DTS Operating Revenue	*Operating revenue* is defined as total revenue for Ryder System, Inc. or each business segment (FMS, SCS and DTS) excluding any (1) fuel and (2) subcontracted transportation, as well as (3) revenue from our ChoiceLease liability insurance program which was discontinued in early 2020. 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, SCS EBT and DTS EBT, our primary measures of segment performance, are not non-GAAP measures. *Fuel*: We exclude FMS, SCS and DTS 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 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 SCS and DTS 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. *ChoiceLease liability insurance:* We exclude ChoiceLease liability insurance as we announced our plan in the first quarter of 2020 to exit the extension of our liability insurance coverage for ChoiceLease customers. The exit of this program was completed in the first quarter of 2021. We are excluding the revenues associated with this program for better comparability of our on-going operations.

Comparable Earnings Measures:	
Comparable Earnings (Loss) before Income Taxes (EBT) Comparable Earnings (Loss) Comparable Earnings (Loss) per Diluted Common Share (EPS) Comparable Tax Rate Adjusted Return on Equity (ROE)	*Comparable EBT, comparable earnings and comparable EPS* are defined, respectively, as GAAP EBT earnings and EPS, all from continuing operations, excluding (1) non-operating pension costs, net 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, net:* Our comparable earnings measures exclude non-operating pension costs, which include the amortization of net actuarial loss and prior service cost, interest cost and expected return on plan assets components of pension and postretirement benefit costs, as well as any significant charges for settlements or curtailments if recognized. We exclude non-operating pension costs, net becaus we consider these to be impacted by financial market performance and outside the operational performanc of our business. *Other Items Impacting Comparability:* Our comparable and adjusted earnings measures also exclude other significant items that are not representative of our business operations as detailed in the reconciliatio table below. These other significant items vary from period to period and, in some periods, there may be n such significant items. *Comparable tax rate* is computed using the same methodology as the GAAP provision for income tax Income tax effects of non-GAAP adjustments are calculated based on the marginal tax rates to which the non-GAAP adjustments are related. *Adjusted ROE* is defined as adjusted net earnings divided by adjusted average shareholders' equity and represents the rate of return on shareholders' investment. Other items impacting comparability described above are excluded, as applicable, from the calculation of net earnings and average shareholders' equity. We use adjusted ROE as an internal measure of how effectively we use the owned capital invested in our operations.

Comparable Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	*Comparable EBITDA* is defined as net earnings (loss), first adjusted to exclude discontinued operation and the following items, all from continuing operations: (1) non-operating pension costs, net and (2) any other items that are not representative of our business operations (these items are the same items that are excluded from comparable earnings measures for the relevant periods as described immediately above) ar then adjusted further for (1) interest expense, (2) income taxes, (3) depreciation, (4) used vehicle sales results and (5) amortization. We believe comparable EBITDA provides investors with useful information, as it is a standard measu commonly reported and widely used by analysts, investors and other interested parties to measure financia performance and our ability to service debt and meet our payment obligations. In addition, we believe tha the inclusion of comparable EBITDA provides consistency in financial reporting and enables analysts anc investors to perform meaningful comparisons of past, present and future operating results. Other compani may calculate comparable EBITDA differently; therefore, our presentation of comparable EBITDA may not be comparable to similarly-titled measures used by other companies. Comparable EBITDA should not be considered as an alternative to net earnings (loss), earnings (loss) from continuing operations before income taxes or earnings (loss) from continuing operations determined in accordance with GAAP, as an indicator of the Company's operating performance, as an alternative to cash flows from operating activities (determined in accordance with GAAP), as an indicator of cash flows or as a measure of liquidity.
Cash Flow Measures:	
Total Cash Generated Free Cash Flow	We consider total cash generated and free cash flow to be important measures of comparative operatin performance, as our principal sources of operating liquidity are cash from operations and proceeds from tl sale of revenue earning equipment. *Total Cash Generated* is defined as the sum of (1) net cash provided by operating activities, (2) net cas provided by the sale of revenue earning equipment, (3) net cash provided by the sale of operating property and equipment and (4) 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* is defined as the net amount of cash generated from operating activities and investing activities (excluding acquisitions) from continuing operations. We calculate free cash flow as the sum of (net cash provided by operating activities, (2) net cash provided by the sale of revenue earning equipment and operating property and equipment, and (3) other cash inflows from investing activities, less (4) purchases of property and revenue earning equipment. We believe free cash flow provides investors with 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. * See Total Cash Generated and Free Cash Flow reconciliations in the Financial Resources and Liquidity section of Management's Discussion and Analysis.

The following table provides a reconciliation of GAAP earnings (loss) before taxes (EBT), earnings (loss), and earnings (loss) per diluted share (Diluted EPS) from continuing operations to comparable EBT, comparable earnings (loss) and comparable EPS. Certain items included in EBT, earnings and diluted EPS from continuing operations have been excluded from our comparable EBT, comparable earnings and comparable diluted EPS measures. The following table lists a summary of these items, which are discussed in more detail throughout our MD&A and within the Notes to Condensed Consolidated Financial Statements:

	Continuing Operations			
	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands, except per share amounts)			
EBT	**$ 203,573**	$ (94,777)	**$ 273,840**	$ (208,411)
Non-operating pension costs, net	**(373)**	936	**(382)**	2,157
Restructuring and other, net [1]	**2,577**	26,168	**5,605**	46,789
ERP implementation costs [1]	**5,090**	11,032	**12,721**	21,358
Gains on sale of properties [1]	**(35,263)**	—	**(36,768)**	—
ChoiceLease liability insurance revenue [1]	**—**	(7,409)	**(777)**	(16,767)
Comparable EBT	**$ 175,604**	$ (64,049)	**$ 254,239**	$ (154,873)
Earnings (loss)	**$ 149,568**	$ (73,705)	**$ 201,152**	$ (182,834)
Non-operating pension costs, net	**(1,031)**	(79)	**(1,786)**	21
Restructuring and other, net (including ChoiceLease liability insurance results) [1]	**3,204**	16,139	**5,784**	25,037
ERP implementation costs [1]	**3,779**	8,188	**9,444**	15,852
Gains on sale of properties [1]	**(26,812)**	—	**(27,999)**	—
Tax adjustments, net [2]	**430**	—	**733**	20,363
Comparable Earnings	**$ 129,138**	$ (49,457)	**$ 187,328**	$ (121,561)
Diluted EPS	**$ 2.78**	$ (1.41)	**$ 3.75**	$ (3.50)
Non-operating pension costs, net	**(0.02)**	—	**(0.03)**	—
Restructuring and other, net (including ChoiceLease liability insurance results) [1]	**0.06**	0.30	**0.10**	0.48
ERP implementation costs [1]	**0.07**	0.16	**0.18**	0.30
Gains on sale of properties [1]	**(0.50)**	—	**(0.52)**	—
Tax adjustments, net [2]	**0.01**	—	**0.01**	0.39
Comparable EPS	**$ 2.40**	$ (0.95)	**$ 3.49**	$ (2.33)

(1) Refer to Note 15, "Other Items Impacting Comparability," in the Notes to Condensed Consolidated Financial Statements for additional information.
(2) Refer to the reconciliation of the comparable provision for income taxes table below for information on adjustments related to tax matters.

Note: Amounts may not be additive due to rounding.

The following table provides a reconciliation of the provision for income taxes and effective tax rate to the comparable provision for income taxes and comparable tax rate:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Provision for (benefit from) income taxes	**$ 54,005**	$ (21,072)	**$ 72,688**	$ (25,577)
Tax adjustments, net [2]	**(430)**	—	**(733)**	(20,363)
Income tax effects of non-GAAP adjustments [1]	**(7,109)**	6,480	**(5,044)**	12,628
Comparable provision for (benefit from) income taxes [1]	**$ 46,466**	$ (14,592)	**$ 66,911**	$ (33,312)
Effective tax rate on continuing operations [3]	**26.5 %**	22.2 %	**26.5 %**	12.3 %
Tax adjustments and income tax effects of non-GAAP adjustments [1] [2]	**— %**	0.6 %	**(0.2) %**	9.2 %
Comparable tax rate on continuing operations [1] [3]	**26.5 %**	22.8 %	**26.3 %**	21.5 %

(1) The comparable provision for income taxes is computed using the same methodology as the GAAP provision of income taxes. Income tax effects of non-GAAP adjustments are calculated based on the marginal tax rates to which the non-GAAP adjustments are related.

(2) In the second quarter and six months ended June 30, 2021, we recorded tax expense related to expiring state net operating losses. For the six months ended June 30, 2020 we recorded tax expenses of $7 million and $13 million related to expiring state net operating losses and a valuation allowance on our U.K. deferred tax assets, respectively.

(3) The effective tax rate on continuing operations and comparable tax rate are based on EBT and comparable EBT, respectively, found on the previous page.

The following table provides a reconciliation of earnings (loss) to comparable EBITDA:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Net earnings (loss)	**$ 149,105**	$ (74,099)	**$ 199,930**	$ (183,712)
Loss from discontinued operations, net of tax	**463**	394	**1,222**	878
Provision for (benefit from) income taxes	**54,005**	(21,072)	**72,688**	(25,577)
EBT	**203,573**	(94,777)	**273,840**	(208,411)
Non-operating pension costs, net	**(373)**	936	**(382)**	2,157
Other items impacting comparability, net [1]	**(27,596)**	29,792	**(19,219)**	51,381
Comparable EBT	**175,604**	(64,049)	**254,239**	(154,873)
Interest expense	**54,155**	67,285	**108,861**	129,851
Depreciation	**444,259**	532,947	**905,420**	1,056,171
Used vehicle sales, net [2] [3]	**(51,634)**	9,488	**(80,485)**	30,172
Amortization	**1,671**	1,973	**3,435**	4,018
Comparable EBITDA[3]	**$ 624,055**	$ 547,644	**$ 1,191,470**	$ 1,065,339

(1) Refer to the table above in the Operating Results by Segment for a discussion on items excluded from our comparable measures and their classification within our Condensed Consolidated Statements of Earnings and Note 15,"Other Items Impacting Comparability" in the Notes to Condensed Consolidated Financial Statements for additional information.

(2) Refer to Note 5, "Revenue Earning Equipment, net," in the Notes to Condensed Consolidated Financial Statements for additional information.

(3) Comparable EBITDA has been recast to exclude gains/losses from the sale of used vehicles.

The following table provides a reconciliation of total revenue to operating revenue:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	(In thousands)			
Total revenue	**$ 2,382,237**	$ 1,895,282	**$ 4,603,859**	$ 4,056,588
Subcontracted transportation	**(271,644)**	(144,035)	**(502,915)**	(345,988)
Fuel	**(187,773)**	(120,594)	**(359,984)**	(299,342)
ChoiceLease liability insurance revenue [1]	**—**	(7,409)	**(777)**	(16,767)
Operating revenue	**$ 1,922,820**	$ 1,623,244	**$ 3,740,183**	$ 3,394,491

(1) *In the first quarter of 2020, we announced our plan to exit the extension of our liability insurance coverage for ChoiceLease customers. The exit of this program was completed in the first quarter of 2021.*

The following table provides a reconciliation of FMS total revenue to FMS operating revenue:

	Three months ended June 30,		Six months ended June 30,		Twelve months ended June 30,	
	2021	2020	**2021**	2020	**2021**	2020
	(In thousands)					
FMS total revenue	**$ 1,408,241**	$ 1,198,177	**$ 2,743,726**	$ 2,538,414	**$ 5,375,779**	$ 5,367,308
Fuel	**(183,568)**	(117,253)	**(350,163)**	(290,588)	**(628,649)**	(686,713)
ChoiceLease liability insurance revenue [1]	**—**	(7,409)	**(777)**	(16,767)	**(7,827)**	(35,466)
FMS operating revenue	**$ 1,224,673**	$ 1,073,515	**$ 2,392,786**	$ 2,231,059	**$ 4,739,303**	$ 4,645,129
FMS EBT	**$ 158,451**	$ (103,735)	**$ 221,853**	$ (218,309)	**$ 298,205**	$ (407,240)
FMS EBT as a % of FMS total revenue	**11.3%**	(8.7)%	**8.1%**	(8.6)%	**5.5%**	(7.6)%
FMS EBT as a % of FMS operating revenue	**12.9%**	(9.7)%	**9.3%**	(9.8)%	**6.3%**	(8.8)%

(1) *In the first quarter of 2020, we announced our plan to exit the extension of our liability insurance coverage for ChoiceLease customers. The exit of this program was completed in the first quarter of 2021.*

The following table provides a reconciliation of SCS total revenue to SCS operating revenue:

	Three months ended June 30,		Six months ended June 30,		Twelve months ended June 30,	
	2021	2020	**2021**	2020	**2021**	2020
	(In thousands)					
SCS total revenue	**$ 775,630**	$ 519,318	**$ 1,482,330**	$ 1,147,765	**$ 2,878,985**	$ 2,414,054
Subcontracted transportation	**(211,879)**	(102,208)	**(392,013)**	(237,936)	**(748,014)**	(529,104)
Fuel	**(29,193)**	(12,053)	**(53,161)**	(37,461)	**(95,816)**	(92,462)
SCS operating revenue	**$ 534,558**	$ 405,057	**$ 1,037,156**	$ 872,368	**$ 2,035,155**	$ 1,792,488
SCS EBT	**$ 41,041**	$ 36,916	**$ 73,998**	$ 67,941	**$ 165,997**	$ 134,910
SCS EBT as a % of SCS total revenue	**5.3%**	7.1%	**5.0%**	5.9%	**5.8%**	5.6%
SCS EBT as a % of SCS operating revenue	**7.7%**	9.1%	**7.1%**	7.8%	**8.2%**	7.5%

The following table provides a reconciliation of DTS total revenue to DTS operating revenue:

	Three months ended June 30,		Six months ended June 30,		Twelve months ended June 30,	
	2021	2020	**2021**	2020	**2021**	2020
	(In thousands)					
DTS total revenue	**$ 354,711**	$ 293,944	**$ 675,218**	$ 628,832	**$ 1,275,760**	$ 1,334,450
Subcontracted transportation	**(59,765)**	(41,827)	**(110,902)**	(108,052)	**(194,758)**	(253,809)
Fuel	**(39,097)**	(24,186)	**(71,628)**	(56,164)	**(123,684)**	(127,015)
DTS operating revenue	**$ 255,849**	$ 227,931	**$ 492,688**	$ 464,616	**$ 957,318**	$ 953,626
DTS EBT	**$ 13,162**	$ 21,233	**$ 26,144**	$ 33,413	**$ 66,173**	$ 70,018
DTS EBT as a % of DTS total revenue	**3.7%**	7.2%	**3.9%**	5.3%	**5.2%**	5.2%
DTS EBT as a % of DTS operating revenue	**5.1%**	9.3%	**5.3%**	7.2%	**6.9%**	7.3%

The following tables provide numerical reconciliations of net earnings to adjusted net earnings and average shareholders' equity to adjusted average shareholders' equity (Adjusted ROE), and of the non-GAAP elements used to calculate the adjusted return on equity to the corresponding GAAP measures:

	Twelve months ended June 30,	
	2021	2020
	(In thousands)	
Net earnings (loss) (12-month rolling period)	**$ 261,392**	$ (328,702)
Other items impacting comparability, net [4]	**19,779**	91,935
Income taxes [1]	**79,930**	(94,417)
Adjusted earnings (loss) before income taxes	**361,101**	(331,184)
Adjusted income taxes [2]	**(80,094)**	94,076
Adjusted net earnings (loss) **[A]**	**$ 281,007**	$ (237,108)
Average shareholders' equity	**$ 2,252,610**	$ 2,392,550
Average adjustments to shareholders' equity [3]	**44,961**	28,386
Adjusted average shareholders' equity **[B]**	**$ 2,297,571**	$ 2,420,936
Adjusted return on equity **[A/B]**	**12.2%**	(9.8)%

(1) Includes income taxes on discontinued operations.
(2) Represents provision for income taxes plus income taxes on other items impacting comparability.
(3) Represents the impact of other items impacting comparability, net of tax, to equity for the respective period.
(4) Refer to the table below for a composition of Other items impacting comparability, net for the 12-month rolling period:

	Twelve months ended June 30,	
	2021	2020
	(In thousands)	
Restructuring and other, net	**$ 35,179**	$ 92,274
ERP Implementation costs	**25,614**	35,127
Gains on sale of properties	**(42,186)**	—
Early redemption of medium-term notes	**8,999**	—
ChoiceLease liability insurance revenue	**(7,827)**	(35,466)
Other items impacting comparability, net	**$ 19,779**	$ 91,935

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Forward-looking statements (within the meaning of the Federal Private Securities Litigation Reform Act of 1995) are statements that relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends concerning matters that are not historical facts. These statements are often preceded by or include the words "believe," "expect," "intend," "estimate," "anticipate," "will," "may," "could," "should" or similar expressions. This Quarterly Report contains forward-looking statements including, statements regarding:

- our expectations regarding the COVID-19 effects on our business and financial results including revenue and cash flow;
- our expectations in our FMS business segment regarding anticipated ChoiceLease revenue, fleet growth and earnings and commercial rental revenue and demand;
- our expectations in our SCS and DTS business segments regarding anticipated operating revenue, trends, earnings, sales activity and growth rates;
- our expectations of the long-term residual values of revenue earning equipment;
- the expected pricing for used vehicles and vehicle replacement parts;
- our expectations of the impact of a potential cyclical downturn, including the probability of incurring losses or having to incur accelerated depreciation;
- our expectations of cash flow from operating activities, free cash flow, and capital expenditures through the end of 2021;
- the adequacy of our accounting estimates and reserves for pension expense, compensation expense and employee benefit plan obligations, depreciation and residual value guarantees, goodwill impairment, accounting changes, and income taxes;
- our expected future contractual cash obligations and commitments;
- the adequacy of our fair value estimates of employee incentive awards under our share-based compensation plans, publicly traded debt and other debt;
- our ability to fund all of our operating, investing and financial needs for the foreseeable future through internally generated funds and outside funding sources;
- our expected level of use and availability of outside funding sources, anticipated future payments under debt and lease agreements, and risk of losses resulting from counterparty default under hedging and derivative agreements;
- the anticipated impact of fuel price and exchange rate fluctuations;
- our expectations as to return on pension plan assets, future pension expense and estimated contributions;
- our expectations regarding the scope and anticipated outcomes with respect to certain claims, proceedings and lawsuits;
- the ultimate disposition of estimated environmental liabilities;
- our ability to access commercial paper and other available debt financing in the capital markets;
- the size and impact of our strategic investments;
- our expectations regarding the achievement of our return on equity improvement initiatives;
- our expectations regarding the diminishing impact of prior residual value estimate changes on return on equity improvement;
- our expectations regarding maintenance costs and the benefits of maintenance cost initiatives;
- our expectations regarding the benefits of terminating lease insurance;

- our expectations regarding the adequacy of credit reserves;
- the status of our unrecognized tax benefits related to the U.S. federal, state and foreign tax positions;
- our estimates for self-insurance loss reserves;
- our expectations regarding losses under guarantees;
- our expectation on the realizability of our deferred tax assets; and
- our expectations regarding the completion and ultimate outcome of certain tax audits.

These statements, as well as other forward-looking statements contained in this Quarterly Report, are based on our current plans and expectations and are subject to risks, uncertainties and assumptions. We caution readers that certain important factors could cause actual results and events to differ significantly from those expressed in any forward-looking statements. These risk factors, include the following:

- Market Conditions:
  - Changes in general economic and financial conditions in the U.S. and worldwide leading to decreased demand for our services and products, lower profit margins, increased levels of bad debt and reduced access to credit and financial markets.
  - Decreases in freight demand that would impact both our transactional and variable-based contractual business.
  - Changes in our customers' operations, financial condition or business environment that may limit their demand for, or ability to purchase, our services and products.
  - Decreases in market demand affecting the commercial rental market and used vehicle sales as well as global economic conditions.
  - Volatility in customer volumes and shifting customer demand in the industries serviced by our SCS business.
  - Changes in current financial, tax or regulatory requirements that could negatively impact our financial results.
- Competition:
  - Advances in technology may impact demand for our services or may require increased investments to remain competitive.
  - Competition from other service providers, who may have greater capital resources or lower capital costs, or from our customers, who may choose to provide services themselves.
  - Continued consolidation in the markets in which we operate, which may create large competitors with greater financial resources.
  - Our inability to maintain current pricing levels due to economic conditions, demand for services, customer acceptance or competition.
- Profitability:
  - Our inability to obtain adequate profit margins for our services.
  - Lower than expected sales volumes or customer retention levels.
  - Decreases in commercial rental fleet utilization and pricing.
  - Lower than expected used vehicle sales pricing levels and fluctuations in the anticipated proportion of retail versus wholesale sales.
  - Loss of key customers in our SCS and DTS business segments.
  - Our inability to adapt our product offerings to meet changing consumer preferences on a cost-effective basis.

- The inability of our legacy information technology systems to provide timely access to data.
- Sudden changes in fuel prices and fuel shortages.
- Higher prices for vehicles, diesel engines and fuel as a result of new regulations.
- Higher than expected maintenance costs and lower than expected benefits associated with our maintenance initiatives.
- Lower than expected revenue growth due to production delays at our automotive SCS customers, primarily related to the worldwide semiconductor supply shortage.
- The inability of an OEM or supplier to provide vehicles or components, primarily related to the worldwide semiconductor supply shortage.
- Our inability to successfully execute our strategic returns and asset management initiatives, maintain our fleet at normalized levels and right-size our fleet in line with demand.
- Our key assumptions and pricing structure of our SCS and DTS contracts prove to be inaccurate.
- Increased unionizing, labor strikes and work stoppages.
- Difficulties in attracting and retaining drivers and technicians due to driver and technician shortages, which may result in higher costs to procure drivers and technicians and higher turnover rates affecting our customers.
- Our inability to manage our cost structure.
- Our inability to limit our exposure for customer claims.
- Unfavorable or unanticipated outcomes in legal or regulatory proceedings or uncertain positions.
- Business interruptions or expenditures due to severe weather or natural occurrences.

• Financing Concerns:

- Higher borrowing costs.
- Unanticipated interest rate and currency exchange rate fluctuations.
- Negative funding status of our pension plans caused by lower than expected returns on invested assets and unanticipated changes in interest rates.
- Withdrawal liability as a result of our participation in multi-employer plans.
- Instability in U.S. and worldwide credit markets, resulting in higher borrowing costs and/or reduced access to credit.

• Accounting Matters:

- Reductions in residual values or useful lives of revenue earning equipment.
- Increases in compensation levels, retirement rate and mortality resulting in higher pension expense; regulatory changes affecting pension estimates, accruals and expenses.
- Changes in accounting rules, assumptions and accruals.
- Difficulties and delays in implementing our Enterprise Resource Planning system and related processes.

• Other risks detailed from time to time in our SEC filings including our 2020 Annual Report on Form 10-K and in "Item 1A.-Risk Factors" of this Quarterly Report.

New risk factors emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. As a result, we cannot provide assurance as to our future results or achievements. You

should not place undue reliance on the forward-looking statements contained herein, which speak only as of the date of this Quarterly Report. We do not intend, or assume any obligation, to update or revise any forward-looking statements contained in this Quarterly Report, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to Ryder's exposures to market risks since December 31, 2020. Please refer to the 2020 Annual Report on Form 10-K for a complete discussion of Ryder's exposures to market risks.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the second quarter of 2021, we carried out an evaluation, under the supervision and with the participation of management, including Ryder's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Ryder's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the second quarter of 2021, Ryder's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) were effective.

Changes in Internal Control over Financial Reporting

During the three months ended June 30, 2021, we implemented the financial module of our new enterprise resource planning (ERP) system to replace existing core financial systems. As a result of the implementation, there were certain changes to our internal control over financial reporting related to the new ERP system. There have been no other changes in our internal control over financial reporting that occurred during the three months ended June 30, 2021 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, please refer to Item 1, Note 16, “Contingencies and Other Matters,” in the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

To our knowledge and except to the extent additional factual information disclosed in this Quarterly Report on Form 10-Q relates to such risk factors, there have been no material changes in the risk factors described in “Item 1A. Risk Factors” in our Form 10-K for the year ended December 31, 2020, filed with the SEC on February 19, 2021. Our operations could also be affected by additional risk factors that are not presently known to us or by factors that we currently consider not material to our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information with respect to purchases we made of our common stock during the three months ended June 30, 2021:

	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares That May Yet Be Purchased Under the Anti-Dilutive Program [2]
April 1 through April 30, 2021	**8,627**	**$ 78.35**	**—**	**575,045**
May 1 through May 31, 2021	**350,044**	**84.71**	**350,044**	**225,001**
June 1 through June 30, 2021	**304**	**78.37**	**—**	**225,001**
Total	**358,975**	**$ 84.55**	**350,044**	

(1) During the three months ended June 30, 2021, we purchased an aggregate of 8,931 shares of our common stock in employee-related transactions. Employee-related transactions may include: (i) shares of common stock withheld as payment for the exercise price of options exercised or to satisfy the employees' tax withholding liability associated with our share-based compensation programs and (ii) open-market purchases by the trustee of Ryder’s deferred compensation plans relating to investments by employees in our stock, one of the investment options available under the plans.

(2) In December 2019, our Board of Directors authorized a new share repurchase program intended to mitigate the dilutive impact of shares issued under our employee stock plans. Under the December 2019 program, we are authorized to repurchase up to 1.5 million shares of common stock issued to employees under our employee stock plans from December 1, 2019 to December 11, 2021. Share repurchases are made periodically in open-market transactions using the Company's working capital, and are subject to market conditions, legal requirements, and other factors. In addition, we have been granted the authority to establish prearranged written trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the repurchase program.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Robert E. Sanchez pursuant to Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of John J. Diez pursuant to Rule 13a-14(a) or Rule 15d-14(a)
32	Certification of Robert E. Sanchez and John J. Diez pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C Section 1350
101.INS	XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

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 thereunto duly authorized.

RYDER SYSTEM, INC.
(Registrant)

Date: July 28, 2021 By: /s/ JOHN J. DIEZ
John J. Diez
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: July 28, 2021 By: /s/ CRISTINA GALLO-AQUINO
Cristina Gallo-Aquino
Senior Vice President and Controller
(Principal Accounting Officer)

EXHIBIT 31.1

CERTIFICATION

I, Robert E. Sanchez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ryder System, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2021

/s/ ROBERT E. SANCHEZ

Robert E. Sanchez
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, John J. Diez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ryder System, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2021

/s/ JOHN J. DIEZ

John J. Diez
Executive Vice President and Chief Financial Officer

EXHIBIT 32

CERTIFICATION

In connection with the Quarterly Report of Ryder System, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Robert E. Sanchez, President and Chief Executive Officer of the Company, and John J. Diez, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT E. SANCHEZ

Robert E. Sanchez
President and Chief Executive Officer
July 28, 2021

/s/ JOHN J. DIEZ

John J. Diez
Executive Vice President and Chief Financial Officer
July 28, 2021