

Key West Police & Fire Pension Fund v. Ryder System, Inc.

COURT: United States District Court for the Southern District of Florida
CASE NUMBER: 1:20-cv-22109
CLASS PERIOD: 07/23/2015 - 02/13/2020
CASE LEADERS: Salvatore J. Graziano, John Rizio-Hamilton, Adam H. Wierzbowski, Avi Josefson, Hannah Ross, Michael D. Blatchley
CASE TEAM: Matthew Traylor

On May 20, 2020, Bernstein Litowitz Berger & Grossmann filed a class action lawsuit for violations of the federal securities laws on behalf of its client, Key West Police & Fire Pension Fund ("Key West") in the U.S. District Court for the Southern District of Florida against Ryder System, Inc. ("Ryder" or the "Company") and certain of the Company's current and former senior executives (collectively, "Defendants"). Key West brings the case on behalf of investors in Ryder common stock between July 23, 2015 and February 13, 2020, inclusive (the "Class Period").

The case is captioned *Key West Police & Fire Pension Fund v. Ryder System, Inc.*, No. 1:20-cv-22109 (S.D. Fla.) and the complaint is based on an extensive proprietary investigation and a careful evaluation of the merits of this case. A copy of the complaint is available by clicking on the Case Documents tab on the left-hand side of the page.

Ryder's Alleged Fraud

Headquartered in Miami, Florida, Ryder is a global provider of transportation and supply chain solutions, including leasing trucks to end users. As part of Ryder's truck-leasing model, Ryder assigns residual values to its trucks for depreciation purposes and then sells those vehicles at the end of their useful lives. The Company calculates its depreciation expense by subtracting the residual value from the present value of its trucks and dividing that number by the number of years in the trucks' useful lives. An increase in the residual value of Ryder's trucks enables it to decrease the incremental depreciation expense recorded on those assets. Thus, the higher the residual value that Ryder assigns to its trucking fleet, the less depreciation expense the Company must record, which has the effect of increasing Ryder's pre-tax earnings on a dollar-for-dollar basis. The claims alleged in this case arise from Defendants' misrepresentations and omissions regarding the residual values that Ryder assigned to its trucks.

The complaint alleges that Defendants inflated Ryder's financial results by systematically overstating the residual value of its trucking fleet. While Ryder repeatedly increased the expected residual values of its trucks, the actual amount Ryder was receiving from sales of used trucks had started to decline. Nevertheless, the Company assured investors that it had been "conservative" in establishing the residual values of trucks in its fleet and "[w]e don't have a situation where we've got a bunch of vehicles that are at high residual values [and] have to be written down." As a result of Defendants' misrepresentations, shares of Ryder's common stock traded at artificially inflated prices during the Class Period.

The truth emerged through a series of disclosures beginning on July 30, 2019, when Ryder drastically reduced its full-year 2019 earnings forecast, which management attributed primarily to declining valuations of its trucks.

On October 29, 2019, the Company revealed that "our residual value estimates likely exceeded the expected future values that would be realized upon the sale of power vehicles in our fleet." As a result, Ryder significantly lowered

the residual value of its trucking fleet and incurred \$177 million in additional depreciation expense in the third quarter of 2019.

Then, on February 13, 2020, Ryder reported that, based on the significant reductions to the residual value of its fleet, it had incurred a total of \$357 million in additional depreciation expense for 2019, as well as a loss of \$58 million on the sale of used vehicles. The Company also announced that, for 2020, it expected to incur an additional \$275 million in depreciation expense on its fleet, and an additional \$20 million estimated loss on used vehicle sales. As a result of these disclosures, the price of Ryder common stock declined precipitously.

On August 3, 2020, the Court appointed City of Fort Lauderdale General Employees' Retirement System, Alaska Permanent Fund, and the City of Plantation Police Officers' Pension Fund Lead Plaintiffs in the case against Ryder. On October 5, 2020, Lead Plaintiffs filed their Amended Complaint. Lead Plaintiffs now await Defendants' anticipated motion to dismiss. On February 2, 2021, Lead Plaintiffs filed their opposition to Defendants' motion to dismiss. Defendants filed their reply in further support of their motion to dismiss on March 4, 2021. The Court held a hearing on Defendants' motion to dismiss on April 7, 2021. The parties await the Court's decision on Defendants' motion to dismiss.

Case Documents

- October 5, 2020 - Amended Complaint for Violations of The Federal Securities Laws
- May 20, 2020 - Ryder System, Inc. Initial Complaint
- May 20, 2020 - Ryder System, Inc. PSLRA Notice