

RYDER SYSTEM INC
Form 10-Q
July 23, 2013

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, 2013
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 (I.R.S. Employer Identification No.)
organization)

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)
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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). YES ☒ NO ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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 (\$0.50 par value per share) outstanding at June 30, 2013 was 52,326,720.

RYDER SYSTEM, INC.
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
	(In thousands, except per share amounts)			
Lease and rental revenues	\$688,048	675,623	\$1,347,756	1,313,481
Services revenue	707,666	675,533	1,397,127	1,353,885
Fuel services revenue	208,285	212,704	422,133	432,770
Total revenues	1,603,999	1,563,860	3,167,016	3,100,136
Cost of lease and rental	473,528	474,272	943,648	933,216
Cost of services	592,221	564,609	1,177,658	1,140,278
Cost of fuel services	204,626	209,337	414,919	424,910
Other operating expenses	33,291	33,664	71,259	67,913
Selling, general and administrative expenses	195,842	189,332	385,655	384,316
Gains on vehicle sales, net	(23,197)	(22,546)	(46,203)	(44,537)
Interest expense	33,901	35,622	68,355	70,387
Miscellaneous income, net	(3,575)	(1,341)	(8,145)	(5,821)
Restructuring and other charges, net	—	7,142	—	8,007
	1,506,637	1,490,091	3,007,146	2,978,669
Earnings from continuing operations before income taxes	97,362	73,769	159,870	121,467
Provision for income taxes	34,787	27,002	56,493	39,824
Earnings from continuing operations	62,575	46,767	103,377	81,643
Loss from discontinued operations, net of tax	(381)	(44)	(1,259)	(599)
Net earnings	\$62,194	46,723	\$102,118	81,044
Earnings (loss) per common share — Basic				
Continuing operations	\$1.21	0.92	\$2.00	1.60
Discontinued operations	(0.01)	—	(0.02)	(0.01)
Net earnings	\$1.20	0.92	\$1.98	1.59
Earnings (loss) per common share — Diluted				
Continuing operations	\$1.19	0.91	\$1.98	1.59
Discontinued operations	—	—	(0.02)	(0.01)
Net earnings	\$1.19	0.91	\$1.96	1.58
Cash dividends declared per common share	\$0.31	0.29	\$0.62	0.58

See accompanying notes to consolidated condensed financial statements.

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

	Three months ended June 30, 2013		Six months ended June 30, 2013		2012	
	(In thousands)					
Net earnings	\$62,194	46,723	\$102,118		81,044	
Other comprehensive (loss) income:						
Change in cumulative translation adjustment and other, before and after tax	(16,239	) (16,940	) (49,943	) 5,863		
Amortization of pension and postretirement items	8,180	7,095	16,534		14,326	
Income tax expense related to amortization of pension and postretirement items	(2,782	) (2,490	) (5,717	) (5,033)	
Amortization of pension and postretirement items, net of taxes	5,398	4,605	10,817		9,293	
Change in net actuarial loss	(5,762	) (4,081	) (5,762	) (4,081)	
Income tax benefit related to change in net actuarial loss	2,048	1,534	2,048		1,534	
Change in net actuarial loss, net of taxes	(3,714	) (2,547	) (3,714	) (2,547)	
Other comprehensive (loss) income, net of taxes	(14,555	) (14,882	) (42,840	) 12,609		
Comprehensive income	\$47,639	31,841	\$59,278		93,653	

See accompanying notes to consolidated condensed financial statements.

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

	June 30, 2013	December 31, 2012
	(Dollars in thousands, except per share amount)	
Assets:		
Current assets:		
Cash and cash equivalents	\$73,429	66,392
Receivables, net	772,262	775,765
Inventories	61,672	64,146
Prepaid expenses and other current assets	154,972	133,934
Total current assets	1,062,335	1,040,237
Revenue earning equipment, net of accumulated depreciation of \$3,485,433 and \$3,514,910, respectively	5,987,803	5,754,608
Operating property and equipment, net of accumulated depreciation of \$987,312 and \$966,220, respectively	626,932	624,853
Goodwill	383,371	384,216
Intangible assets	75,520	80,475
Direct financing leases and other assets	424,386	434,590
Total assets	\$8,560,347	8,318,979
Liabilities and shareholders' equity:		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$258,697	367,975
Accounts payable	458,627	398,983
Accrued expenses and other current liabilities	479,302	505,707
Total current liabilities	1,196,626	1,272,665
Long-term debt	3,655,710	3,452,821
Other non-current liabilities	939,682	948,932
Deferred income taxes	1,220,970	1,177,074
Total liabilities	7,012,988	6,851,492
Shareholders' equity:		
Preferred stock of no par value per share — authorized, 3,800,917; none outstanding, June 30, 2013 or December 31, 2012	—	—
Common stock of \$0.50 par value per share — authorized, 400,000,000; outstanding, June 30, 2013 — 52,326,720; December 31, 2012 — 51,371,696	26,163	25,686
Additional paid-in capital	860,650	808,230
Retained earnings	1,291,005	1,221,190
Accumulated other comprehensive loss	(630,459)	(587,619)
Total shareholders' equity	1,547,359	1,467,487
Total liabilities and shareholders' equity	\$8,560,347	8,318,979
See accompanying notes to consolidated condensed financial statements.		

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

	Six months ended June 30,	
	2013	2012
	(In thousands)	
Cash flows from operating activities from continuing operations:		
Net earnings	\$ 102,118	81,044
Less: Loss from discontinued operations, net of tax	(1,259)	(599)
Earnings from continuing operations	103,377	81,643
Depreciation expense	465,979	460,081
Gains on vehicle sales, net	(46,203)	(44,537)
Share-based compensation expense	9,602	9,085
Amortization expense and other non-cash charges, net	27,289	24,873
Deferred income tax expense	48,176	37,442
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(16,591)	(29,119)
Inventories	2,089	2,142
Prepaid expenses and other assets	(17,392)	5,723
Accounts payable	23,708	(11,161)
Accrued expenses and other non-current liabilities	(36,257)	(64,151)
Net cash provided by operating activities from continuing operations	563,777	472,021
Cash flows from financing activities from continuing operations:		
Net change in commercial paper borrowings	180,777	187,935
Debt proceeds	254,371	378,000
Debt repaid, including capital lease obligations	(320,862)	(205,324)
Dividends on common stock	(32,055)	(29,656)
Common stock issued	41,428	15,771
Common stock repurchased	—	(23,290)
Excess tax benefits from share-based compensation	3,289	968
Debt issuance costs	(2,008)	(2,358)
Net cash provided by financing activities from continuing operations	124,940	322,046
Cash flows from investing activities from continuing operations:		
Purchases of property and revenue earning equipment	(948,114)	(1,203,985)
Sales of revenue earning equipment	225,749	194,907
Sale and leaseback of revenue earning equipment	—	130,184
Sales of operating property and equipment	3,296	4,381
Acquisitions	(1,420)	(2,426)
Collections on direct finance leases	39,854	32,586
Changes in restricted cash	(15,142)	19,306
Insurance recoveries	8,173	—
Net cash used in investing activities from continuing operations	(687,604)	(825,047)
Effect of exchange rate changes on cash	6,966	1,216
Increase (decrease) in cash and cash equivalents from continuing operations	8,079	(29,764)

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Cash flows from discontinued operations:

Operating cash flows	(1,031)	(2,274)
Effect of exchange rate changes on cash	(11	)	25)
Decrease in cash and cash equivalents from discontinued operations	(1,042	)	(2,249)
Increase (decrease) in cash and cash equivalents	7,037		(32,013)
Cash and cash equivalents at January 1	66,392		104,572	
Cash and cash equivalents at June 30	\$73,429		72,559	
See accompanying notes to consolidated condensed financial statements.				

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

	Preferred Stock Amount	Common Shares	Stock Par	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
(Dollars in thousands, except per share amount)							
Balance at December 31, 2012	\$—	51,371,696	\$25,686	808,230	1,221,190	(587,619)	1,467,487
Net earnings	—	—	—	—	102,118	—	102,118
Other comprehensive loss	—	—	—	—	—	(42,840)	(42,840)
Comprehensive income	—	—	—	—	—	—	59,278
Common stock dividends declared \$0.62 per share	—	—	—	—	(32,303)	—	(32,303)
Common stock issued under employee stock option and stock purchase plans ⁽¹⁾	—	946,714	473	40,378	—	—	40,851
Benefit plan stock sales ⁽²⁾	—	8,310	4	573	—	—	577
Share-based compensation	—	—	—	9,602	—	—	9,602
Tax benefits from share-based compensation	—	—	—	1,867	—	—	1,867
Balance at June 30, 2013	\$—	52,326,720	\$26,163	860,650	1,291,005	(630,459)	1,547,359

(1)Net of common shares delivered as payment for the exercise price or to satisfy the option holders' withholding tax liability upon exercise of options.

(2)Represents open-market transactions of common shares by the trustee of Ryder's deferred compensation plans. See accompanying notes to consolidated condensed financial statements.

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

(A) INTERIM FINANCIAL STATEMENTS

The accompanying unaudited Consolidated Condensed 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 (VIEs) required to be consolidated in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with the accounting policies described in our 2012 Annual Report on Form 10-K and should be read in conjunction with the Consolidated Financial Statements and notes thereto. These financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of 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 unaudited and are not necessarily indicative of the results that can be expected for a full year. Prior year amounts have been reclassified to conform to the current period presentation. These reclassifications were immaterial to the financial statements taken as a whole.

(B) RECENT ACCOUNTING PRONOUNCEMENTS

In July 2013, the Financial Accounting Standards Board (FASB) issued accounting guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward exists. Under this guidance, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Other than the change in presentation within the Consolidated Balance Sheet, this accounting guidance will not have an impact on our consolidated financial position, results of operations or cash flows.

(C) ACQUISITIONS

Euroway Ltd. — On August 1, 2012, we acquired all of the common stock of Euroway Ltd., a U.K.-based, full service leasing, rental and maintenance company for a purchase price of \$2.4 million and assumed capital lease obligations and debt of \$20.3 million. Approximately \$1.2 million of the stock purchase price has been paid, and the majority of the capital lease obligations have been repaid as of June 30, 2013. The purchase price includes \$0.5 million in contingent consideration to be paid to the seller provided certain conditions are met. As of June 30, 2013, the fair value of the contingent consideration has been reflected in “Accrued expenses and other current liabilities” in our Consolidated Condensed Balance Sheet. See Note (N), “Fair Value Measurements,” for additional information. The acquisition included Euroway's fleet of approximately 560 full service lease vehicles as well as 800 contract maintenance vehicles. As of June 30, 2013, goodwill and customer relationship intangibles related to the Euroway acquisition were \$6.5 million and \$2.8 million, respectively. The combined network operates under the Ryder name, complementing our FMS business segment coverage in the U.K.

During the six months ended June 30, 2013 and June 30, 2012, we paid \$1.4 million and \$2.4 million, respectively, related to acquisitions completed in years prior to 2012.

(D) DISCONTINUED OPERATIONS

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In 2009, we ceased SCS service operations in Brazil, Argentina, Chile and European markets. Accordingly, results of these operations, financial position and cash flows are separately reported as discontinued operations for all periods presented either in the Consolidated Condensed Financial Statements or notes thereto.

Summarized results of discontinued operations were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Pre-tax (loss) income from discontinued operations	\$(298	) 66	\$(1,199	) (509
Income tax expense	(83	) (110	) (60	) (90
Loss from discontinued operations, net of tax	\$(381	) (44	) \$(1,259	) (599

Results of discontinued operations in 2013 and 2012 reflected losses related to adverse legal developments and professional and administrative fees associated with our discontinued South American operations.

RYDER SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)

(unaudited)

The following is a summary of assets and liabilities of discontinued operations:

	June 30, 2013	December 31, 2012
	(In thousands)	
Total assets, primarily deposits	\$3,621	4,460
Total liabilities, primarily contingent accruals	\$5,067	5,329

Although we discontinued our South American operations in 2009, we continue to be party to various federal, state and local legal proceedings involving labor matters, tort claims and tax assessments. We have established loss provisions for any matters where we believe a loss is probable and can be reasonably estimated. Other than with respect to the matters discussed below, for matters where a reserve has not been established and for which we believe a loss is reasonably possible, as well as for matters where a reserve has been recorded but for which an exposure to loss in excess of the amount accrued is reasonably possible, we believe that such losses will not have a material effect on our consolidated financial statements.

In Brazil, we were assessed \$4.2 million (before and after tax) in prior years for various federal income taxes and social contribution taxes for the 1997 and 1998 tax years. We have successfully overturned these federal tax assessments in the lower courts; however, there is a reasonable possibility that these rulings could be reversed and we would be required to pay the assessments. We believe it is more likely than not that our position will ultimately be sustained if appealed and no amounts have been reserved for these matters. We are entitled to indemnification for a portion of any resulting liability on these federal tax claims which, if honored, would reduce the estimated loss.

In Brazil, we were assessed \$4.7 million (before and after tax) in prior years for certain state operating tax credits utilized between 2001 and 2003. Although there is a reasonable possibility that we could incur this loss, we believe it is more likely than not that our position will ultimately be sustained and no amounts have been reserved for these matters.

(E) SHARE-BASED COMPENSATION PLANS

Share-based incentive awards are provided to employees under the terms of various share-based compensation plans (collectively, the "Plans"). The Plans are administered by the Compensation Committee of the Board of Directors. Awards under the Plans principally include at-the-money stock options, nonvested stock and cash awards. Nonvested stock awards include grants of market-based, performance-based, and time-vested restricted stock rights. Under the terms of our Plans, dividends may be granted on our stock options, nonvested stock and cash awards. We have historically granted dividends with nonvested stock awards but not with our stock option awards. Dividends on nonvested stock granted after 2011 are not paid unless the award vests. Upon vesting, the amount of the dividends paid is equal to the aggregate dividends declared on common shares during the period from the date of grant of the award until the date the shares underlying the award are delivered.

The following table provides information on share-based compensation expense and income tax benefits recognized during the periods:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Stock option and stock purchase plans	\$2,193	2,274	\$4,303	4,638
Nonvested stock	2,799	2,374	5,299	4,447

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Share-based compensation expense	4,992		4,648		9,602		9,085	
Income tax benefit	(1,640)	(1,522)	(3,327)	(3,006)
Share-based compensation expense, net of tax	\$3,352		3,126		\$6,275		6,079	

During the six months ended June 30, 2013 and 2012, approximately 381,000 and 460,000 stock options, respectively, were granted under the Plans. These awards generally vest evenly over a three year period beginning on the date of grant. The stock options granted in 2013 have contractual terms of ten years and stock options granted in 2012 have contractual terms of seven years. The fair value of each option award at the date of grant was estimated using a Black-Scholes-Merton option-pricing valuation model. The weighted-average fair value per option granted during the six months ended June 30, 2013 and 2012 was \$13.99 and \$14.07, respectively.

RYDER SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)

(unaudited)

During the six months ended June 30, 2013 and 2012, approximately 22,000 and 93,000 market-based restricted stock rights, respectively, were granted under the Plans. The awards were segmented into three performance periods of one, two and three years. At the end of each performance period, 25%-125% of the award may be earned based on Ryder's total shareholder return (TSR) as compared to the TSR of a peer group over the applicable performance period. For the 2013 awards, Ryder's TSR will be compared to the TSR of a custom peer group. For the 2012 awards, Ryder's TSR will be compared to the TSR of the S&P 500. If earned, employees will receive the grant of stock at the end of the relevant three year performance period provided they continue to be employed with Ryder, subject to Compensation Committee approval. The fair value of the market-based restricted stock rights was estimated using a lattice-based option-pricing valuation model that incorporates a Monte-Carlo simulation. The fair value of the market-based awards was determined and fixed on the grant date and considers the likelihood of Ryder achieving the market-based condition. The weighted-average fair value per market-based restricted stock right granted during the six months ended June 30, 2013 and 2012 was \$53.32 and \$43.39, respectively.

During the six months ended June 30, 2013, approximately 15,000 performance-based restricted stock rights were granted under the Plans. For these awards, 25%-125% of the awards may be earned based on Ryder's 2013 adjusted return on capital (ROC) measured against a ROC target. If earned, employees will receive the grant of stock three years after the grant date, provided they continue to be employed with Ryder, subject to Compensation Committee approval. Share-based compensation expense is recognized on a straight-line basis over the vesting period, based upon the probability that the performance target will be met. During the six months ended June 30, 2013, approximately 30,000 performance-based restricted stock rights were also awarded under the Plans for which the annual ROC target will be determined in future years. These awards will be considered granted under accounting guidance for stock compensation once the Compensation Committee approves the annual ROC target and communicates the terms of the awards to the recipients.

During the six months ended June 30, 2013 and 2012, approximately 146,000 and 123,000 time-vested restricted stock rights, respectively, were granted under the Plans. The time-vested restricted stock rights entitle the holder to shares of common stock when the awards generally vest at the end of the three-year period after the grant date. The fair value of the time-vested awards is determined and fixed on the date of grant based on Ryder's stock price on the date of grant. The weighted-average fair value per time-vested restricted stock right granted during the six months ended June 30, 2013 and 2012 was \$58.06 and \$52.64, respectively.

During the six months ended June 30, 2013 and 2012, employees who received market-based restricted stock rights also received market-based cash awards. In addition, in 2012, the majority of the employees who received time-vested restricted stock rights also received market-based cash awards. The cash awards have the same vesting provisions as the market-based restricted stock rights. The cash awards are accounted for as liability awards under the share-based compensation accounting guidance as the awards are based upon the performance of our common stock and are settled in cash. As a result, the liability is adjusted to reflect fair value at the end of each reporting period. The fair value of the cash awards was estimated using a lattice-based option-pricing valuation model that incorporates a Monte-Carlo simulation.

The following table is a summary of compensation expense recognized for market-based cash awards in addition to the share-based compensation expense reported in the previous table:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Cash awards	\$889	788	\$2,163	1,385

Total unrecognized pre-tax compensation expense related to all share-based compensation arrangements at June 30, 2013 was \$32.2 million and is expected to be recognized over a weighted-average period of 1.8 years.

RYDER SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)

(unaudited)

(F) EARNINGS PER SHARE

We compute earnings per share using the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Our nonvested stock granted prior to 2012 are considered participating securities since the share-based awards contain a non-forfeitable right to dividend cash payments prior to vesting. Under the two-class method, earnings per common share are computed by dividing the sum of distributed earnings and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, undistributed earnings are allocated to both common shares and participating securities based on the weighted average shares outstanding during the period.

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

	Three months ended June 30, 2013		Six months ended June 30, 2013	
	2012		2012	
	(In thousands, except per share amounts)			
Earnings per share — Basic:				
Earnings from continuing operations	\$62,575	46,767	\$103,377	81,643
Less: Distributed and undistributed earnings allocated to nonvested stock	(556)	(590)	(978)	(1,062)
Earnings from continuing operations available to common shareholders — Basic	\$62,019	46,177	\$102,399	80,581
Weighted average common shares outstanding — Basic	51,445	50,433	51,201	50,459
Earnings from continuing operations per common share — Basic	\$1.21	0.92	\$2.00	1.60
Earnings per share — Diluted:				
Earnings from continuing operations	\$62,575	46,767	\$103,377	81,643
Less: Distributed and undistributed earnings allocated to nonvested stock	(552)	(587)	(972)	(1,057)
Earnings from continuing operations available to common shareholders — Diluted	\$62,023	46,180	\$102,405	80,586
Weighted average common shares outstanding — Basic	51,445	50,433	51,201	50,459
Effect of dilutive equity awards	478	264	457	351
Weighted average common shares outstanding — Diluted	51,923	50,697	51,658	50,810
Earnings from continuing operations per common share — Diluted	\$1.19	0.91	\$1.98	1.59
Anti-dilutive equity awards not included above	593	2,414	1,003	2,044

RYDER SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)

(unaudited)

(G) RESTRUCTURING AND OTHER CHARGES

The components of restructuring and other charges, net in the three and six months ended June 30, 2013 and 2012, respectively, were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Restructuring charges, net:				
Severance and employee-related costs	\$ —	7,142	\$ —	7,142
Contract termination costs	—	—	—	865
Total	\$ —	7,142	\$ —	8,007

During the second quarter of 2012, we approved a plan to eliminate approximately 350 employees, primarily in the U.S., as a result of cost containment actions. These actions resulted in the payment of severance and other termination benefits, which have been completed. During the first half of 2012, we also recorded exit costs of \$0.9 million associated with non-essential leased facilities assumed in the Hill Hire acquisition.

Activity related to restructuring reserves including discontinued operations was as follows:

	December 31, 2012 Balance (In thousands)	Additions	Deductions		Foreign Translation Adjustments	June 30, 2013 Balance
			Cash Payments	Non-Cash Reductions (1)		
Employee severance and benefits	\$3,147	—	2,164	—	(158)	825
Contract termination costs	1,728	—	1,168	—	(99)	461
Total	\$4,875	—	3,332	—	(257)	1,286

(1) Non-cash reductions represent adjustments to the restructuring reserve as actual costs were less than originally estimated.

At June 30, 2013, the majority of outstanding restructuring obligations are required to be paid by the end of the year.