Infosys Ltd
Form 6-K
February 20, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the month of February 2019

Commission File Number 001-35754

Infosys Limited

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Electronics City, Hosur Road, Bangalore - 560 100, Karnataka, India. +91-80-2852-0261

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F:

Form 20-F þ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1) : o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7) : o

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NOTICE TO STOCK EXCHANGES

We hereby furnish the United States Securities and Exchange Commission with a copy of the disclosure disseminated by Infosys Limited to the stock exchanges on February 18, 2019, which is attached to this Form 6-K as Exhibit 99.1.

This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

SIGNATURES

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.

	Infosys Limited
	/s/ Inderpreet Sawhney
	Inderpreet Sawhney
Date: February 19, 2019	*General Counsel and Chief Compliance Officer*

INDEX TO EXHIBITS

Exhibit No.	Description of Document
99.1	Disclosure to the stock exchanges dated February 18, 2019

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10,269

Change in net actuarial loss and prior service cost
(1,211
)

20

(1,211
)

20

Income tax benefit related to change in net actuarial loss and prior service cost
308

180

308

180

Change in net actuarial loss and prior service cost, net of taxes
(903
)

200

(903
)

200

Other comprehensive (loss) income, net of taxes
(37,397
)

33,006

(19,899
)

53,812

Comprehensive income
$
4,861

83,874

$
55,864

143,086

See accompanying notes to consolidated condensed financial statements.

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

	June 30, 2018	December 31, 2017
	(Dollars in thousands, except share amounts)	
Assets:		
Current assets:		
Cash and cash equivalents	$ 73,582	78,348
Receivables, net of allowance of $15,648 and $13,847, respectively	1,054,469	1,010,908
Inventories	74,079	73,543
Prepaid expenses and other current assets	165,626	160,094
Total current assets	1,367,756	1,322,893
Revenue earning equipment, net	8,846,796	8,355,262
Operating property and equipment, net of accumulated depreciation of $1,224,530 and $1,192,377, respectively	823,893	776,704
Goodwill	480,351	395,504
Intangible assets, net of accumulated amortization of $60,800 and $57,420, respectively	79,613	42,930
Direct financing leases and other assets	630,457	570,706
Total assets	$ 12,228,866	11,463,999
Liabilities and shareholders' equity:		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ 740,548	826,069
Accounts payable	706,239	599,303
Accrued expenses and other current liabilities	571,777	589,603
Total current liabilities	2,018,564	2,014,975
Long-term debt	5,237,377	4,583,582
Other non-current liabilities	822,077	812,642
Deferred income taxes	1,309,445	1,211,129
Total liabilities	9,387,463	8,622,328
Shareholders' equity:		
Preferred stock, no par value per share — authorized, 3,800,917; none outstanding, June 30, 2018 or December 31, 2017	—	—
Common stock, $0.50 par value per share — authorized, 400,000,000; outstanding, June 30, 2018 — 53,094,736 December 31, 2017 — 52,955,314	26,547	26,478
Additional paid-in capital	1,062,561	1,051,017
Retained earnings	2,580,262	2,471,677
Accumulated other comprehensive loss	(827,967)	(707,501)
Total shareholders' equity	2,841,403	2,841,671
Total liabilities and shareholders' equity	$ 12,228,866	11,463,999

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,	
	2018	2017
	(In thousands)	
Cash flows from operating activities from continuing operations:		
Net earnings	$75,763	89,274
Less: Loss from discontinued operations, net of tax	(1,688)	(657)
Earnings from continuing operations	77,451	89,931
Depreciation expense	681,285	621,020
Goodwill impairment charge	15,513	—
Used vehicle sales, net	13,422	14,542
Amortization expense and other non-cash charges, net	15,728	17,058
Non-operating pension costs and share-based compensation expense	13,732	23,979
Deferred income tax expense	79,944	42,490
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(26,643)	(75,093)
Inventories	438	2,524
Prepaid expenses and other assets	(15,157)	(1,115)
Accounts payable	27,429	7,666
Accrued expenses and other non-current liabilities	(62,704)	(11,307)
Net cash provided by operating activities from continuing operations	820,438	731,695
Cash flows from financing activities from continuing operations:		
Net change in commercial paper borrowings and revolving credit facilities	(8,049)	329,268
Debt proceeds	1,043,309	575,528
Debt repaid	(446,661)	(925,999)
Dividends on common stock	(55,095)	(47,250)
Common stock issued	4,663	6,007
Common stock repurchased	(17,221)	(58,228)
Debt issuance costs and other items	(1,884)	(1,285)
Net cash provided by (used in) financing activities	519,062	(121,959)
Cash flows from investing activities from continuing operations:		
Purchases of property and revenue earning equipment	(1,421,301)	(855,252)
Sales of revenue earning equipment	196,274	202,033
Sales of operating property and equipment	5,860	3,960
Acquisitions, net of cash acquired	(169,128)	—
Collections on direct finance leases and other items	39,375	32,829
Net cash used in investing activities	(1,348,920)	(616,430)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	3,334	3,352
Decrease in cash, cash equivalents, and restricted cash from continuing operations	(6,086)	(3,342)

Decrease in cash, cash equivalents, and restricted cash from discontinued operations	(631)	(355)
Decrease in cash, cash equivalents, and restricted cash	(6,717)	(3,697)
Cash, cash equivalents, and restricted cash at January 1	83,022	62,639
Cash, cash equivalents, and restricted cash at June 30	$76,305	58,942

See accompanying notes to consolidated condensed financial statements.

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

1. GENERAL

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 2017 Annual Report on Form 10-K and should be read in conjunction with the Consolidated Financial Statements and notes thereto except for the update to our revenue recognition significant accounting policies discussed below. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. 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.

Update to Significant Accounting Policies

Our significant accounting policies are detailed in "Note 1: Summary of Significant Accounting Policies" within Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2017. Significant changes to our accounting policies as a result of adopting ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) are discussed below:

Revenue Recognition

We recognize revenue upon the transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and amounts collected from customers for taxes, such as sales tax, and remitted to the applicable taxing authorities. We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectibility of consideration is probable. We generally recognize revenue over time as we perform because of continuous transfer of control to our customers.

We generate revenue primarily through the lease, rental and maintenance of revenue earning equipment and by providing logistics management and dedicated services. We classify our revenues in the categories of lease and rental, services and fuel. Our lease and rental revenues are accounted for in accordance with existing lease guidance in Leases (Topic 840) and our services and fuel revenues are accounted for in accordance with revenue recognition guidance in Topic 606.

Lease and rental

Lease and rental includes ChoiceLease and commercial rental revenues from our Fleet Management Solutions (FMS) business segment. We offer a full service lease as well as a lease with more flexible maintenance options under our ChoiceLease product line, which are marketed, priced and managed as bundled lease arrangements, and include equipment, service and financing components. We do not offer a stand-alone unbundled lease of new vehicles. For these reasons, both the lease and service components of our leases are included within lease and rental revenues.

ChoiceLease revenue is recognized in accordance with existing lease accounting guidance in Topic 840. Our ChoiceLease arrangements include lease deliverables such as the lease of a vehicle and the executory agreement for the maintenance, insurance, taxes and other services related to the leased vehicles during the lease term. Arrangement consideration is allocated between the lease deliverables and non-lease deliverables based on management's best estimate of the relative fair value of each deliverable. The arrangement consideration is accounted for pursuant to accounting guidance on leases. Our ChoiceLease arrangements provide for a fixed charge billing and a variable charge billing based on mileage or time usage. Fixed charges are typically billed at the beginning of the month for the services to be provided that month. Variable charges are typically billed a month in arrears.

Revenue from ChoiceLease and rental agreements is recognized based on the classification of the arrangement, typically as either an operating or direct financing lease (DFL).

The majority of our leases and all of our rental arrangements are classified as operating leases and, therefore, we recognize lease and commercial rental revenue on a straight-line basis as it becomes receivable over the term of the lease or rental arrangement. Lease and rental agreements do not usually provide for scheduled rent increases or escalations. However, most lease agreements allow for rate changes based upon changes in the Consumer Price Index (CPI). ChoiceLease and rental agreements also provide for vehicle usage charges based on a time charge and/or a fixed per-mile charge. The fixed time charge, the fixed per-mile charge and the changes in rates attributed to changes in the CPI are considered contingent rentals and are not considered fixed or determinable until the effect of CPI changes is implemented or the equipment usage occurs.

The non-lease components of our ChoiceLease arrangements include access to substitute vehicles, emergency road service, and safety services. These services are available to our customers throughout the lease term. Accordingly, revenue is recognized on a straight-line basis over the lease term.

Leases not classified as operating leases are generally considered direct financing leases. We recognize revenue for direct financing leases using the effective interest method, which provides a constant periodic rate of return on the outstanding investment on the lease. Cash receipts on impaired direct financing lease receivables are first applied to the direct financing lease receivable and then to any unrecognized income. A direct financing lease receivable is considered impaired, based on current information and events, if it is probable that we will be unable to collect all amounts due according to the contractual terms of the lease.

Services

Services include SelectCare and other revenues from our FMS business segment and all Dedicated Transportation Solutions (DTS) and Supply Chain Solutions (SCS) revenues.

Under our SelectCare arrangements, we provide maintenance and repairs required to keep a vehicle in good operating condition, schedule preventive maintenance inspections and provide access to emergency road service and substitute vehicles. The vast majority of our services are routine services performed on a recurring basis throughout the term of the arrangement. From time to time, we provide non-routine major repair services in order to place a vehicle back in service.

Through our SelectCare product line, we provide maintenance services to customers who do not choose to lease vehicles from us. Our maintenance service arrangement provides for a monthly fixed charge and a monthly variable charge based on mileage or time usage. Fixed charges are typically billed at the beginning of the month for the services to be provided that month. Variable charges are typically billed a month in arrears. Most maintenance agreements allow for rate changes based upon changes in the CPI. The fixed per-mile charge and the changes in rates attributed to changes in the CPI are recognized as earned. Costs associated with the activities performed under our maintenance arrangements are primarily comprised of labor, parts and outside work. These costs are expensed as incurred. Non-chargeable maintenance costs have been allocated and reflected within “Cost of services” based on the proportionate maintenance-related labor costs relative to all product lines.

The maintenance service is the only performance obligation in SelectCare contracts. This single performance obligation is satisfied at a point in time for transactional maintenance services or over time for contract maintenance agreements. For contract maintenance agreements, the maintenance performance obligation represents a series of distinct maintenance services performed during the contract period as the services provided are substantially the same and have the same pattern of transfer to our customers. Revenue from SelectCare contracts is recognized as maintenance services are rendered over the terms of the related arrangements. We generally account for long-term maintenance contracts as one-year contracts since our maintenance arrangements are generally cancelable, without penalty, after one year. As a practical expedient, we do not disclose information about remaining performance obligations that have original expected durations of one year or less. For maintenance contracts that are longer than one year (i.e., not cancelable without penalty), the revenue we recognize corresponds directly with the value of service transferred to date. We measure the progress of transfer based on the costs incurred to provide the service to the customer. The amount that we have the right to invoice for services performed aligns with this measure. As a practical expedient, we do not disclose information about remaining performance obligations for these contracts since the revenue recognized corresponds to the amount we have the right to invoice for services performed.

In our DTS business segment, we combine equipment, maintenance, drivers, administrative services and additional services to provide customers with a dedicated transportation solution. DTS transportation solutions are customized for our customers based on a transportation analysis to create a logistics design that includes the routing and scheduling of vehicles, the efficient use of vehicle capacity and overall asset utilization. In our SCS business, we offer a broad range of logistics management services designed to optimize the supply chain and address the key business requirements of our customers. SCS operates by industry verticals (Automotive, Technology and Healthcare, Consumer Packaged Goods and Retail, and Industrial) to enable our teams to focus on the specific needs of their customers. Our SCS services are supported by a variety of information technology and engineering solutions.

Revenues from DTS and SCS service contracts are recognized as services are rendered in accordance with contract terms, which typically include (1) fixed and variable billing rates, (2) cost-plus billing rates (based on actual costs incurred to perform services and a contracted mark-up), or (3) variable only or fixed only billing rates for the services. Our billing structure aligns with the value provided to our customers. As a practical expedient, we do not disclose information about remaining performance obligations for these contracts since the revenue recognized corresponds to the amount we have the right to invoice for services performed.

Our customers contract with us to provide a significant service of integrating a set of transportation or supply chain logistical components into a single transportation or supply chain solution. Therefore, we typically account for DTS and SCS service contracts as one performance obligation satisfied over time. Less commonly, however, we may promise to provide distinct goods or services within a contract, in which case we separate the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, we allocate the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. We infrequently sell standard products with observable standalone selling prices. More frequently, we sell a customized customer-specific solution, and in these cases we use the expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

Although not material to our financial statements, in certain contracts, a portion of the contract consideration may be contingent upon the satisfaction of performance criteria, attainment of pain/gain share thresholds or volume thresholds. The amount of contingent consideration included in the determination of the transaction price at the commencement of a contract is only included to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized under the contract will not occur in a future period. Actual amounts of consideration ultimately received may differ from our estimates. If actual results in the future vary from the initial estimates, we will adjust these estimates, which would affect revenue and earnings in the period such variances become known. In transportation management arrangements where we act as principal, revenue is reported on a gross basis, which includes third-party purchased transportation costs. To the extent that we are acting as an agent in the arrangement, revenue is reported net of purchased transportation costs.

Fuel

Fuel services include fuel services revenue from our FMS business segment. We provide our FMS customers with access to fuel at our maintenance facilities across the United States and Canada. Fuel services revenue is invoiced to customers at contracted rates, separate from other services being provided in other contracts, or at retail prices. Revenue from fuel services is recognized when fuel is delivered to customers. As a practical expedient, we do not disclose information about remaining performance obligations for these contracts since the revenue recognized corresponds to the amount we have the right to invoice for services performed. Fuel is largely a pass-through to our customers, for which we realize minimal changes in profitability during periods of steady market fuel prices. However, profitability may be positively or negatively impacted by sudden increases or decreases in market fuel prices during a short period of time as customer pricing for fuel services is established based on trailing market fuel costs.

Significant Judgments and Estimates

Our contracts with customers often include promises to transfer multiple services to a customer. Determining whether these services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Our DTS and SCS services depend on a significant level of integration and interdependency between the services provided within a contract. Judgment is required to determine whether each service is considered distinct and accounted for separately, or not distinct and accounted for together as a significant integrated service and recognized over time. In making this judgment, we consider whether the services provided, within the context of the contract, represent the transfer of individual services or a combined bundle of services to the customer. This involves evaluating the promises to a customer within a contract to identify the services that need to be performed in order for the transfer of control to occur. Since multiple services that occur at different points in time during a contract may be accounted for as an integrated service, judgment is required to assess the pattern of delivery to our customers.

Our judgments on collectibility are initially established when a business relationship with a customer is initiated and is continuously monitored as services are provided. We have a credit rating system based on internally developed standards and ratings provided by third parties. Our credit rating system, along with monitoring for delinquent payments, allows us to make decisions as to whether collectibility may not be reasonably assured. Factors considered during this process include historical payment trends, industry risks, liquidity of the customer, years in business, and judgments, liens or bankruptcies. When collectibility is not considered reasonably assured (typically when a customer is 120 days past due), revenue is not recognized until it is determined that the customer has the ability and intention to pay.

Contract Balances

We do not have material contract assets as we generally invoice customers as we perform services. Contract receivables are recorded in “Receivables, net” in the Consolidated Condensed Balance Sheets. Payment terms vary by contract type, although terms generally include a requirement of payment within 90 days. As a practical expedient, we do not assess whether a contract has a significant financing component as the period between the receipt of customer payment and the transfer of service to the customer is less than a year. Our contract liabilities consist of deferred revenue. We record deferred revenues when cash payments are received or due in advance of our performance, including amounts that are refundable. We classify deferred revenue as current as we expect to recognize this revenue within 12 months. Revenue is recognized upon satisfaction of the performance obligation.

Costs to Obtain and Fulfill a Contract

Our incremental direct costs of obtaining a contract, which primarily consist of sales commissions and start-up costs, are deferred and amortized over the period of contract performance or a longer period, generally the estimated life of the customer relationship if renewals are expected and the renewal commission is not commensurate with the initial commission. We capitalize incremental direct costs of obtaining a contract that i) relate directly to the contract and ii) are expected to be recovered through revenue generated under the contract. This requires an evaluation of whether the costs are incremental and would not have occurred absent the customer contract.

The current and noncurrent portions of incremental costs to obtain and fulfill a contract are included in “Prepaid expenses and other current assets” and “Direct financing leases and other assets” respectively, in the Consolidated Condensed Balance Sheets. Costs are amortized in “Selling, general and administrative expenses” in the Consolidated Condensed Statements of Earnings on a straight-line basis over the expected period of benefit.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Income Taxes

In February 2018, the FASB issued ASU No. 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which permits - but does not require - companies to reclassify stranded tax effects caused by 2017 tax reform from accumulated other comprehensive income to retained earnings. Additionally, the ASU requires new disclosures by all companies, whether they opt to do the reclassification or not. The standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. We adopted this standard using the aggregate portfolio approach and elected to reclassify $101 million of tax benefits resulting from the federal income tax rate change, net of associated state tax effect, from accumulated other comprehensive loss to retained earnings as of the beginning of 2018. This standard did not impact our results of operations or cash flows.

Share-Based Compensation

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting, which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The amendments in this update are effective for annual periods, and interim periods within those annual periods,
beginning after December 15, 2017, with early adoption permitted. We adopted the standard during the first quarter of 2018 and it did not have an impact on our consolidated financial position, results of operations, or cash flows.

Business Combinations

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The objective of the update is to add guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting, including acquisitions, disposals, goodwill, and consolidation. Companies must use a prospective approach to adopt ASU 2017-01, which was effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. We prospectively adopted this standard in the first quarter of 2018. The new standard did not have a material impact to the Company's consolidated condensed financial statements during the first or second quarter of 2018.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows, which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. In November 2016, the FASB issued additional guidance related to the statement of cash flows, which requires companies to explain the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. The standard was effective January 1, 2018, with early adoption permitted. We adopted the standard during the first quarter of 2018. As a result of this update, restricted cash is included within cash and cash equivalents on our statements of consolidated cash flows. As of June 30, 2018 and December 31, 2017, we had $3 million and $5 million respectively, in prepaid expenses and other current assets associated with our like-kind exchange program for certain of our U.S. based revenue earning equipment.

Leases

In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases. The objective of this update is to increase stakeholder's awareness of the amendments and to expedite the improvements related to ASU No. 2016-02, Leases (Topic 842). The amendments to this update affect narrow aspects of the guidance issued in ASU No. 2016-02, which are not yet effective. We will adopt the standard effective January 1, 2019, using the modified retrospective transition method. We are currently evaluating the impact of the adoption of this update on our consolidated financial position, results of operations, and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires lessees to classify leases as either finance or operating leases. This classification will determine whether the related expense will be recognized based on asset amortization and interest on the obligation or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of- use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. We do not expect the lessee requirements to have a material impact on our consolidated financial position, results of operations or cash flows.

The new standard continues to require lessors to separate the lease component from the non-lease component; however, it provides clarification on the scope of non-lease components (e.g., maintenance services). The new standard also provides more guidance on how to identify and separate the components. The lease component will be accounted for using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The non-lease component will be accounted for in accordance with the revenue recognition guidance, see below section "Revenue Recognition." The adoption of the new lease standard will primarily impact our ChoiceLease product line, which includes a vehicle lease as well as maintenance and other services related to the vehicle. We will generally continue to recognize revenue for the lease portion of the product line on a straight-line basis. Revenue from maintenance services will be recognized consistent with the timing pattern of maintenance costs, which will generally require the deferral of some portion of the

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

customer's lease payments when received, as maintenance costs are typically not incurred evenly over the life of a ChoiceLease contract.

We will adopt the standard effective January 1, 2019, using the modified retrospective transition method. Upon adoption, we will record a cumulative-effect adjustment to recognize deferred revenue related to the maintenance services on the opening balance sheet for 2017 and restate all prior periods presented (2017 and 2018). We expect the cumulative-effect adjustment will have a significant impact on our consolidated financial position. We continue to evaluate the impact of adoption of this standard on our results of operations. We do not expect the adoption of this standard to have an impact on our cash flows.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which together with related, subsequently issued guidance, requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. In addition, Topic 606 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. We adopted Topic 606 in the first quarter of 2018 using the full retrospective method, which required us to restate each prior reporting period presented.

Upon adoption of Topic 606, we applied the standard's practical expedient that permits the omission of disclosures of the prior period allocation of the transaction price to remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.

Adoption of the new revenue recognition standard impacted our previously reported Consolidated Condensed Statements of Operations and Comprehensive Income results as follows (in thousands, except per share amounts):

	Three months ended June 30, 2017			Six months ended June 30, 2017		
	As Previously Reported	New Revenue Standard Adjustments	As Revised	As Previously Reported	New Revenue Standard Adjustments	As Revised
Services revenue [(1)]	$871,027	(5,186)	865,841	$1,722,894	(16,366)	1,706,528
Total revenues	1,793,214	(5,186)	1,788,028	3,541,377	(16,366)	3,525,011
Cost of services [(1)]	734,764	(5,186)	729,578	1,448,844	(16,366)	1,432,478
Selling, general and administrative expenses	201,626	(162)	201,464	403,387	(828)	402,559
Earnings from continuing operations before income taxes	80,692	162	80,854	140,648	828	141,476
Provision for income taxes	29,349	110	29,459	51,026	519	51,545
Earnings from continuing operations	51,343	52	51,395	89,622	309	89,931
Net earnings	50,816	52	50,868	88,965	309	89,274

Comprehensive income	83,822	52	83,874	142,777	309	143,086
Earnings per common share - Basic						
Continuing operations	$0.97	—	0.97	$1.69	0.01	1.70
Earnings per common share - Diluted						
Continuing operations	$0.97	—	0.97	$1.68	0.01	1.69

(1) Amount includes $5 million and $16 million for the three and six months ended June 30, 2017, respectively, related to correction of a prior period error. We historically accounted for certain freight brokerage agreements as a principal and presented revenue and costs related to subcontracted transportation on a gross basis in our financial statements. In adopting Topic 606, we reviewed and evaluated our existing revenue contracts and determined that certain of our freight brokerage agreements should have historically been presented on a net basis as an agent. We evaluated the materiality of this revision, quantitatively and qualitatively. We concluded it was not material to any of our previously issued consolidated financial statements and correction as an out of period adjustment in the current period was not material.

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

Adoption of the new revenue recognition standard impacted our previously reported Consolidated Condensed Balance Sheet as follows (in thousands)

	December 31, 2017		
	As Previously Reported	New Revenue Standard Adjustment	As Revised
Prepaid expenses and other current assets	$159,483	611	160,094
Total current assets	1,322,282	611	1,322,893
Direct financing leases and other assets	559,549	11,157	570,706
Total assets	11,452,231	11,768	11,463,999
Accrued expenses and other current liabilities	587,406	2,197	589,603
Total current liabilities	2,012,778	2,197	2,014,975
Other non-current liabilities	812,089	553	812,642
Deferred income taxes	1,208,766	2,363	1,211,129
Total liabilities	8,617,215	5,113	8,622,328
Retained earnings	2,465,022	6,655	2,471,677
	2,835,016	6,655	2,841,671

Total shareholders' equity		
Total liabilities and shareholders' equity	11,452,231	11,768	11,463,999

3. ACQUISITIONS

On April 2, 2018, we acquired all of the outstanding equity of MXD Group, Inc. (MXD), an e-commerce fulfillment provider with a national network of facilities, including last mile delivery capabilities, for a purchase price of approximately $120 million. The acquisition is included in our SCS business segment. We acquired MXD to build the foundation of e-fulfillment and final mile capabilities for our e-commerce business.

During the six months ended June 30, 2018, we incurred acquisition transaction costs of $0.7 million related to the purchase that are reflected within "Selling, general and administrative expenses" in our Consolidated Condensed Statements of Earnings. The following table provides the preliminary purchase price allocation to the assets and the liabilities assumed as of the closing date of the MXD acquisition.

	(In thousands)
Assets:	
Operating property and equipment	$ 11,903
Goodwill	70,529
Customer relationships and other intangibles	37,551
Other assets, primarily accounts receivable	32,492
	152,475
Liabilities:	
Accrued liabilities	(18,108)
Deferred income taxes	(9,610)
Other liabilities, primarily accounts payable	(5,053)
Net assets acquired	$ 119,704

The excess of the purchase consideration over the aggregate estimated fair values of assets acquired and liabilities assumed was recorded as goodwill. The goodwill recognized reflects e-commerce growth opportunities, opportunities to cross-sell with our existing customer base and expected cost synergies of combining MXD with our business. The goodwill is not expected to be deductible for income tax purposes. Customer relationship intangible assets are expected to be amortized over 14 years.

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The results of operations of MXD were not material to our results of operations and therefore pro forma financial information for the acquisition was not presented.

On June 15, 2018, we acquired all of the outstanding equity of Metro Truck & Tractor Leasing (Metro), a full service leasing, rental and maintenance company for a purchase price of approximately $53 million. The acquisition is included in our FMS business segment. We acquired Metro to expand our presence in the Baltimore, Maryland area. The preliminary purchase accounting for this acquisition resulted in $3 million of the purchase price allocated to customer relationships and other intangible assets, $19 million allocated to tangible assets net of liabilities assumed and the remaining $30 million represents goodwill. The goodwill recognized reflects expected cost synergies and operational improvements in the combined companies and expected growth opportunities with Metro's current customers and prospects in the Maryland market. The goodwill is not expected to be deductible for income tax purposes. This allocation is subject to change as the Company finalizes purchase accounting. Transaction costs related to the acquisition were $0.4 million during the six months ended June 30, 2018 and were reflected within "Selling, general and administrative expenses" in our Consolidated Condensed Statements of Earnings.

The assets, liabilities and results of operations of Metro were not material to our consolidated financial position or results of operations and therefore pro forma financial information for the acquisition was not presented.

The estimated fair values of assets acquired and liabilities assumed in the acquisitions of both MXD and Metro are preliminary and are based on the information that was available as of the acquisition date. We believe that we have sufficient information to provide a reasonable basis for estimating the fair values of assets acquired and liabilities assumed; however, we are currently obtaining additional information which will be necessary to finalize our estimate of fair values. Therefore, the preliminary measurements of estimated fair values reflected are subject to change. We expect to finalize the valuation and complete the purchase consideration allocation no later than one year from the acquisition date. The primary areas of the purchase price allocation that are not yet finalized relate to fixed assets, income and non-income taxes, the valuation of intangible assets acquired and residual goodwill, as well as certain contingent liabilities. The preliminary amounts assigned to intangible assets by type for the MXD and Metro acquisitions are based on our preliminary valuation model.

4. REVENUE

Disaggregation of Revenue

The following tables disaggregate our revenue by primary geographical market, major product/service lines, and industry:

Primary Geographical Markets

	Three months ended June 30, 2018				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
United States	$1,134,499	330,622	484,194	(135,569)	1,813,746
Canada	75,864	—	47,747	(5,692)	117,919
Europe	85,090	—	—	—	85,090

Mexico	—	—	66,216	—	66,216
Singapore	—	—	6,367	—	6,367
Total revenue	$1,295,453	330,622	604,524	(141,261)	2,089,338

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	Three months ended June 30, 2017				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
United States	$1,016,870	272,446	363,466	(109,071)	1,543,711
Canada	68,000		41,650	(4,630)	105,020
Europe	78,709	—	—	—	78,709
Mexico	—	—	52,701	—	52,701
Singapore	—	—	7,887	—	7,887
Total revenue	$1,163,579	272,446	465,704	(113,701)	1,788,028

	Six months ended June 30, 2018				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
United States	$2,214,954	629,592	875,849	(263,285)	3,457,110
Canada	150,332	—	90,841	(10,765)	230,408
Europe	172,746	—	—	—	172,746
Mexico	—	—	120,476	—	120,476
Singapore	—	—	12,065	—	12,065
Total revenue	$2,538,032	629,592	1,099,231	(274,050)	3,992,805

	Six months ended June 30, 2017				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
United States	$2,007,131	539,076	721,812	(218,653)	3,049,366
Canada	133,822	—	82,496	(8,778)	207,540
Europe	155,096	—	—	—	155,096
Mexico	—	—	97,742	—	97,742
Singapore	—	—	15,267	—	15,267
Total revenue	$2,296,049	539,076	917,317	(227,431)	3,525,011

Major Products/Service Lines

	Three months ended June 30, 2018				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
ChoiceLease	$700,779	—	—	(65,203)	635,576
SelectCare	125,266	—	—	(7,543)	117,723
Commercial rental	232,425	—	—	(12,282)	220,143
Fuel	215,230	—	—	(56,233)	158,997
Other	21,753	—	—	—	21,753
DTS	—	330,622	—	—	330,622
SCS	—	—	604,524	—	604,524
Total revenue	$1,295,453	330,622	604,524	(141,261)	2,089,338

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

	Three months ended June 30, 2017				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
ChoiceLease	$662,462	—	—	(57,996)	604,466
SelectCare	117,384	—	—	(6,979)	110,405
Commercial rental	199,340	—	—	(8,887)	190,453
Fuel	165,014	—	—	(39,839)	125,175
Other	19,379	—	—	—	19,379
DTS	—	272,446	—	—	272,446
SCS	—	—	465,704	—	465,704
Total revenue	$1,163,579	272,446	465,704	(113,701)	1,788,028

	Six months ended June 30, 2018				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
ChoiceLease	$1,391,210	—		(128,373)	1,262,837
SelectCare	247,139	—		(14,364)	232,775
Commercial rental	436,955	—		(22,345)	414,610
Fuel	419,037	—		(108,968)	310,069
Other	43,691	—	—	—	43,691
DTS	—	629,592	—	—	629,592
SCS	—	—	1,099,231	—	1,099,231
Total revenue	$2,538,032	629,592	1,099,231	(274,050)	3,992,805

	Six months ended June 30, 2017				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
ChoiceLease					