

DESIGNED TO RESPOND
BUILT TO DELIVER



Landstar System, Inc.
Earnings Conference Call
Fourth Quarter 2020
January 27, 2021



Forward Looking Statements Disclaimer:

The following is a “safe harbor” statement under the Private Securities Litigation Reform Act of 1995. Statements made in this slide presentation that are not based on historical facts are “forward looking statements.” This presentation may make certain statements containing forward-looking statements, such as statements which relate to Landstar’s business objectives, plans, strategies and expectations. Such statements are by nature subject to uncertainties and risks, including but not limited to: the impact of the coronavirus (COVID-19) pandemic and the operational, financial and legal risks detailed in Landstar’s Form 10-K for the 2019 fiscal year, described in the section Risk Factors, and other SEC filings from time to time. These risks and uncertainties could cause actual results or events to differ materially from historical results or those anticipated. Investors should not place undue reliance on such forward-looking statements, and Landstar undertakes no obligation to publicly update or revise any forward-looking statements.

Non-GAAP Financial Measures:

In this slide presentation, the Company provides the following information that may be deemed a non-GAAP financial measure: (1) operating margin in the 2020 fiscal year period, excluding the impact of the one-time costs to buyout certain incentive commission arrangements with several agents (the “Commission Buyout Costs”) and the one-time costs of pandemic relief incentive payments made to the Company’s agents and BCOs in April and May 2020; and (2) operating margin in the 2020 fourth quarter period, excluding the Commission Buyout Costs.

Management believes that it is appropriate to present this financial information for the following reasons: (1) disclosure of these matters will allow investors to better understand the underlying trends in the Company’s financial condition and results of operations; (2) this information will facilitate comparisons by investors of the Company’s results as compared to the results of peer companies; and (3) management considers this financial information in its decision making.

Model Definition

Landstar is a worldwide, asset-light provider of integrated transportation management solutions delivering safe, specialized transportation services to a broad range of customers utilizing a network of agents, third party capacity providers and employees.

The Network

2020 Results

\$4.1 billion in revenue

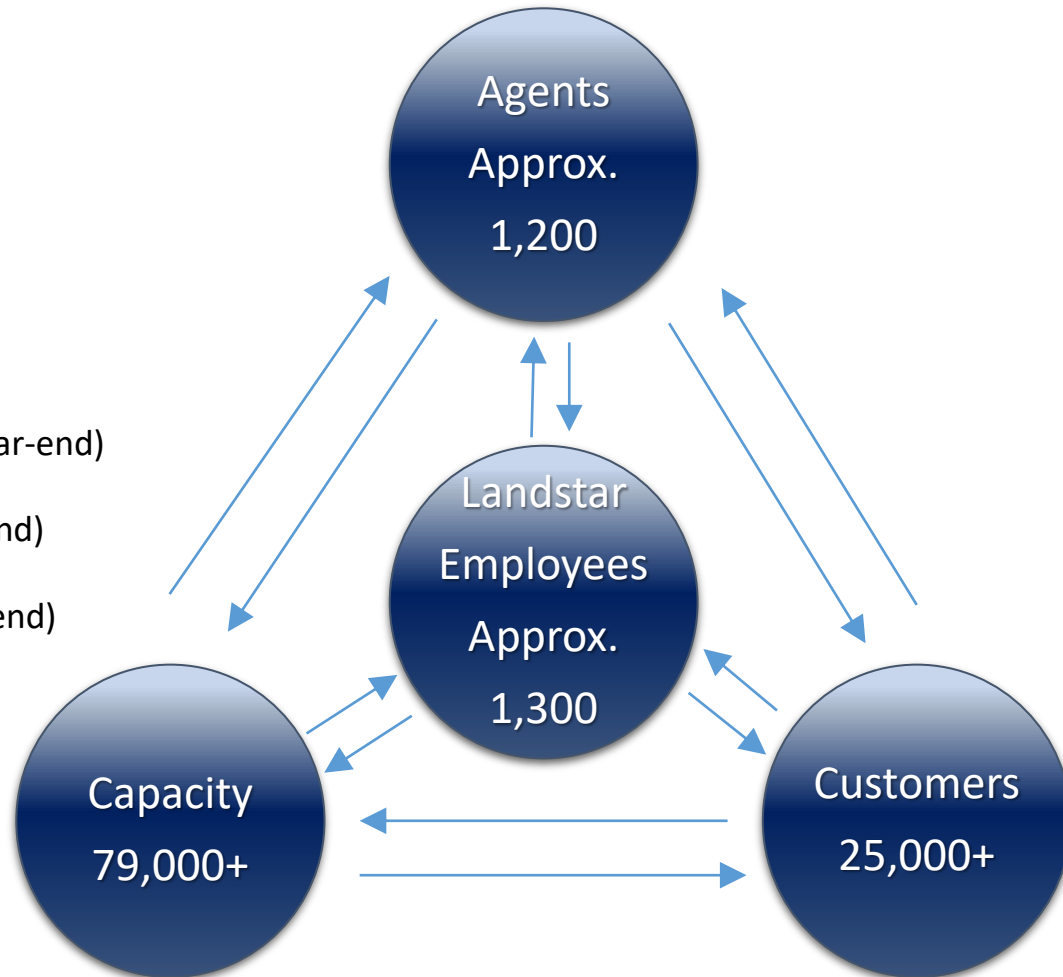
2.0 million loadings

508 million dollar agents

10,991 BCO trucks (2020 year-end)

69,025 Carriers (2020 year-end)

17,000+ Trailers (2020 year-end)

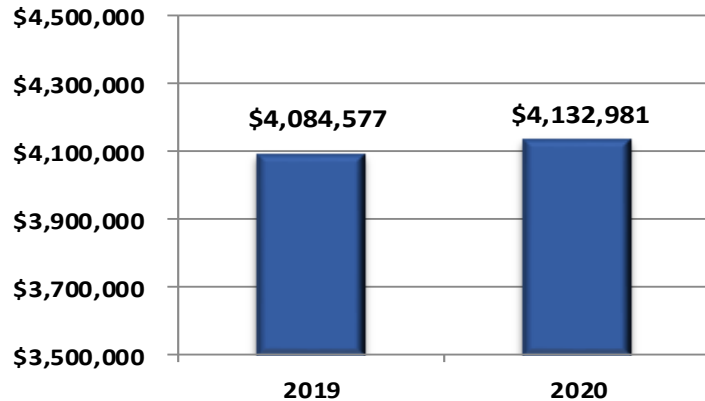


Transportation Management Services

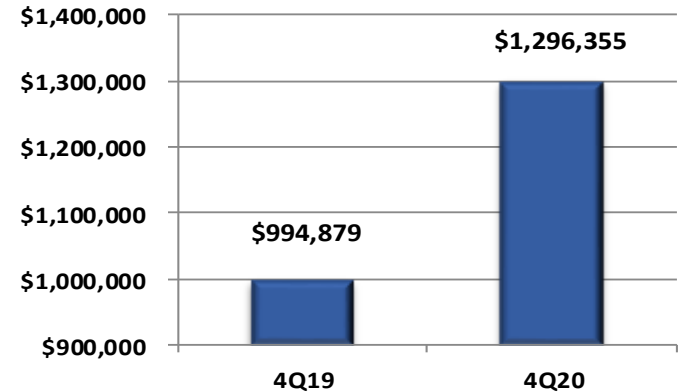
	Percentage of Revenue	
	4Q19	4Q20
Truck Transportation		
Truckload		
Van equipment	57%	63%
Unsided/platform equipment	32%	27%
Less-than-truckload	2%	2%
Rail intermodal	3%	3%
Ocean and air cargo	3%	3%

Revenue (\$'s in thousands)

Fiscal Year



Quarter



Year over Prior Year	Rate ⁽¹⁾	Volume ⁽²⁾	Change
Truck Revenue	3.3%	- 1.9%	1.3%
Rail Intermodal Revenue	- 0.6%	- 2.8%	- 3.4%
Ocean/Air Revenue	2.7%	5.9%	8.8%
Insurance Premiums	NA	NA	0.4%
Total Revenue			1.2%

Qtr over Prior Year Qtr	Rate ⁽¹⁾	Volume ⁽²⁾	Change
Truck Revenue	16.9%	12.8%	31.8%
Rail Intermodal Revenue	0.6%	5.3%	5.9%
Ocean/Air Revenue	16.2%	15.3%	34.0%
Insurance Premiums	NA	NA	7.4%
Total Revenue			30.3%

(1) Percentage change in rate is calculated on a revenue per load basis.

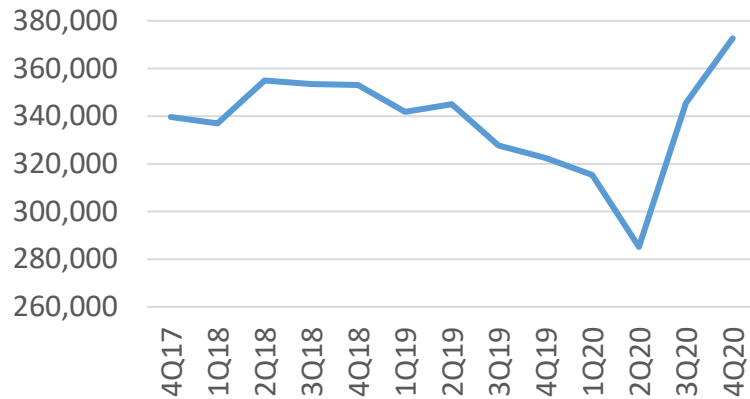
(2) Percentage change in volume is calculated on the number of loads hauled.

Truckload Loadings and Revenue per Load

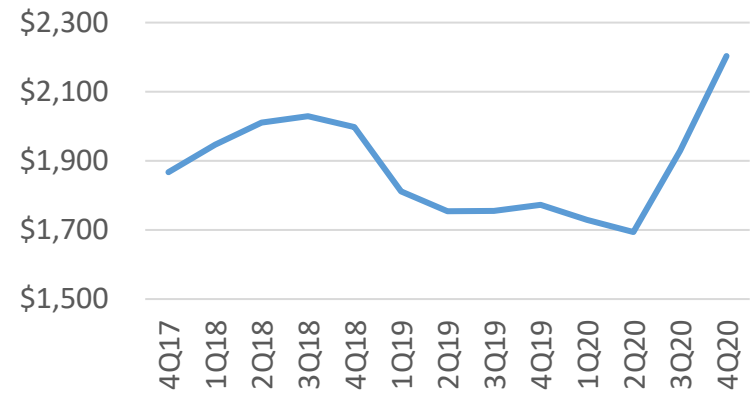
(Excludes LTL)

Van Equipment

Number of Loads

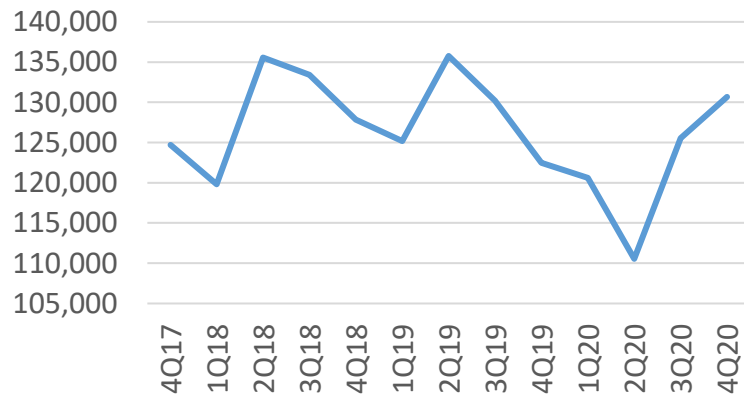


Revenue per Load

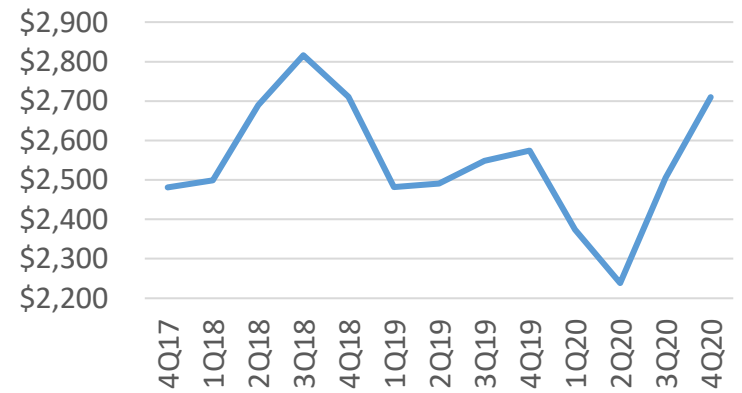


Unsided/Platform Equipment

Number of Loads



Revenue per Load

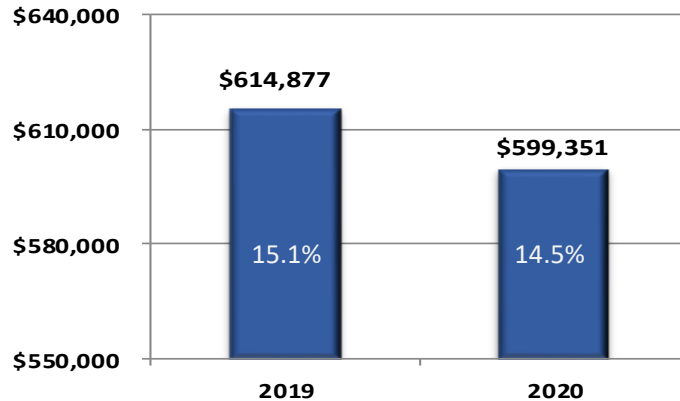


Industries Served

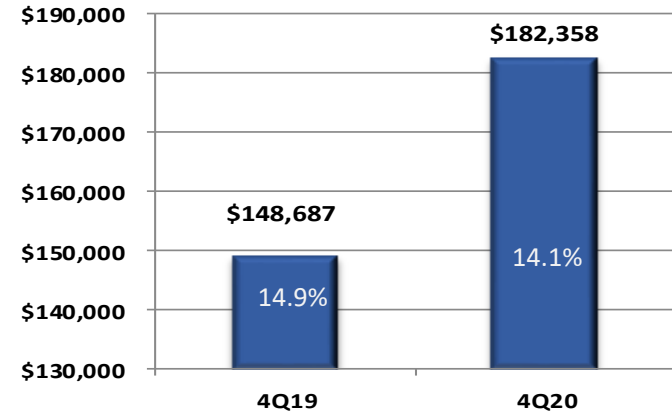
	As a Percentage of Transportation Revenue		Quarter over Prior Year Quarter Growth
	4Q19	4Q20	
Consumer Durables	24.6	28.0	48%
Machinery	14.1	10.8	0%
Building Products	9.0	8.9	29%
AA&E, Hazmat	8.2	8.0	27%
Automotive	7.7	8.0	36%
Foodstuffs	4.5	4.3	25%
Metals	5.7	4.4	3%
Substitute Line Haul	4.4	7.4	120%
Other	21.8	20.2	21%
Transportation Revenue	<u>100.0</u>	<u>100.0</u>	31%

Gross Profit ⁽¹⁾ and Gross Profit Margin ⁽²⁾ (\$'s in thousands)

Fiscal Year (4)



Quarter



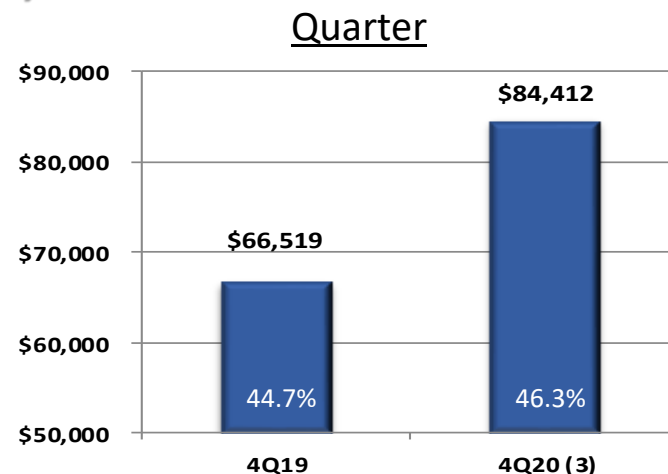
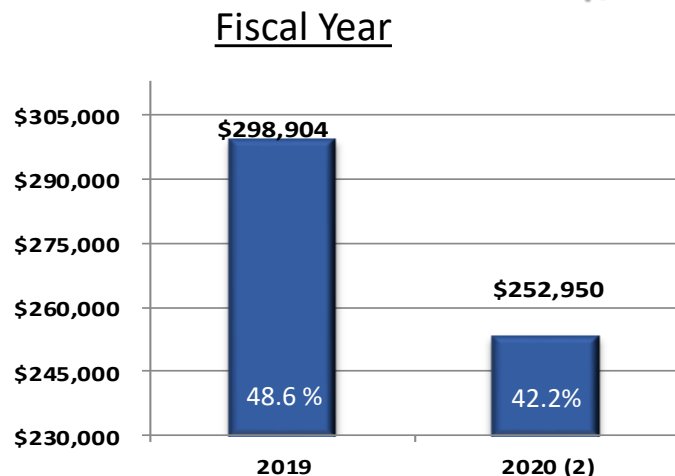
	Fiscal Year ⁽³⁾
Changes in gross profit margin	%
2019 Period	15.1
Revenue - fixed gp margin	0.1
Revenue - variable gp margin	-0.2
Pandemic relief (4)	-0.3
Change in mix and other	-0.2
2020 Period	14.5

	4th Qtr ⁽³⁾
Changes in gross profit margin	%
2019 Period	14.9
Revenue - fixed gp margin	0.1
Revenue - variable gp margin	-0.5
Pandemic relief	0.0
Change in mix and other	-0.4
2020 Period	14.1

- (1) Gross profit equals revenue less the cost of purchased transportation and commissions to agents.
- (2) Gross profit margin equals gross profit divided by revenue.
- (3) Revenue on transactions with a fixed gross profit margin was 51% and 50% of revenue in the 2019 and 2020 fiscal year periods, respectively, and 51% and 47% of revenue in the 2019 and 2020 fourth quarters, respectively.
- (4) Includes the impact of approximately \$12.6 million related to BCO and agent pandemic relief incentive payments made in April and May 2020. The Company paid both the hauling BCO and agent dispatching the load an extra \$50 for each BCO load delivered during these months.

Operating Income and Operating Margin ⁽¹⁾

(\$'s in thousands)



	Fiscal Year
Changes in operating margin	%
2019 Period	48.6
Other operating costs	1.0
Insurance and claims	-1.8
SG&A	-2.1
Depreciation and amortization	-0.4
Impairment	-0.5
Commission program termination costs	-2.6
2020 Period	42.2

	4th Qtr
Changes in operating margin	%
2019 Period	44.7
Other operating costs	1.8
Insurance and claims	4.8
SG&A	2.2
Depreciation and amortization	1.3
Impairment	0.0
Commision program termination costs	-8.5
2020 Period	46.3

- (1) Operating margin equals operating income divided by gross profit.
- (2) Excluding the impact of the \$15.5 million one-time cost related to buyouts of certain agent incentive commission arrangements and the \$12.6 million of pandemic relief incentive payments from the 2020 fiscal year period, operating margin was 45.9% in the 2020 fiscal year period.
- (3) Excluding the impact of the \$15.5 million one-time cost related to buyouts of certain incentive commission arrangements from the 2020 fourth quarter, operating margin was 54.8% in the 2020 fourth quarter.

Truck Capacity Data

(All information is provided as of the end of the period)

	Dec 28, 2019 ⁽²⁾	Dec 26, 2020 ⁽²⁾
BCO Independent Contractors	9,554	10,242
Truck Brokerage Carriers:		
Approved and Active ⁽¹⁾	39,497	46,053
Other Approved	16,820	22,972
	56,317	69,025
Total Available Truck Capacity Providers	65,871	79,267
Trucks Provided by BCO Independent Contractors	10,243	10,991

(1) Active refers to truck brokerage carriers who hauled freight for Landstar in the 180 day period immediately preceding the period end.

(2) Fuel surcharges billed to customers on freight hauled by BCO Independent Contractors, which are paid 100% to the BCO and excluded from revenue, and the cost of purchased transportation were \$168.8 million and \$225.4 million in the 2020 and 2019 year-to-date periods, respectively, and \$41.1 million and \$55.3 million in the 2020 and 2019 fourth quarters, respectively.

Key Balance Sheet and Cash Flow Statistics

(\$'s in thousands)

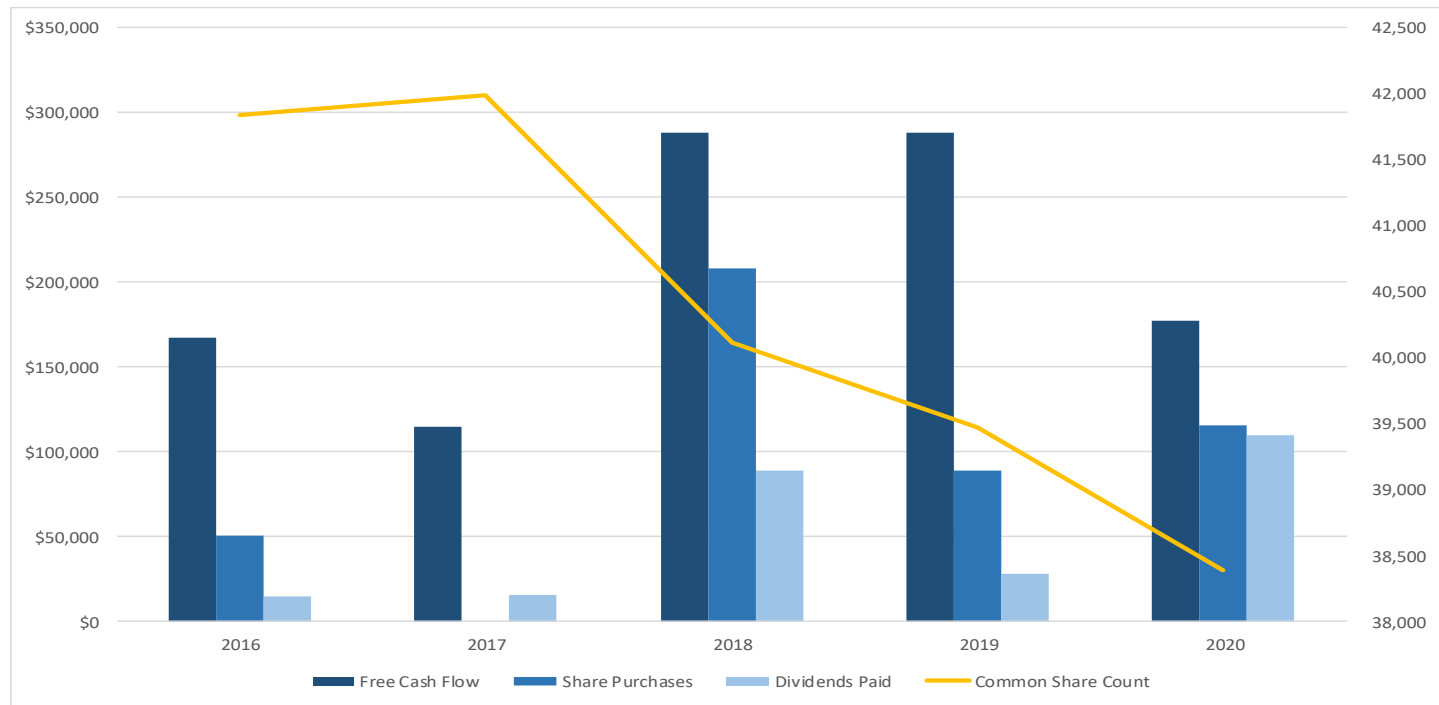
	YTD Dec 28, 2019	YTD Dec 26, 2020
Balance sheet (period end amounts):		
Debt to Capital	14%	13%
Net Cash (1)	\$ 239,572	\$ 189,955
Cash flow:		
Cash flow from operations	\$ 307,840	\$ 210,717
Capital expenditures (2)	\$ 19,416	\$ 33,392
Share repurchases	\$ 88,578	\$ 115,962
Dividends paid	\$ 27,891	\$ 109,504
Returns:		
TTM Return on Equity	31%	28%
TTM Return on Invested Capital	27%	25%
TTM Return on Assets	17%	14%

(1) Net cash is defined as cash and cash equivalents plus short term investments less outstanding debt.

(2) Capital expenditures includes cash capital expenditures of \$30.6 million and approximately \$2.8 million for the acquisition of a business during the 2020 year-to-date period.

Free Cash Flow ⁽¹⁾, Stock Purchases and Dividends

(In Thousands)



2020	(000's)
Free cash flow (1)	\$ 177,325
Share purchases	\$ 115,962
Dividends paid	\$ 109,504
Ending common share count	38,386

(1) Free cash flow is defined as cash flow from operations less capital expenditures, each set forth on the prior slide.

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