

DESIGNED TO RESPOND
BUILT TO DELIVER



Landstar System, Inc.
Earnings Conference Call
Second Quarter 2022
July 20, 2022



Date Published: 07/20/2022

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 operational, financial and legal risks detailed in Landstar’s Form 10-K for the 2021 fiscal year and Form 10-Q for the 2022 first fiscal quarter, 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: variable contribution, variable contribution margin and operating income as a percentage of variable contribution.

Management believes variable contribution and variable contribution margin are useful measures of the variable costs that we incur at a shipment-by-shipment level attributable to our transportation network of third-party capacity providers and independent agents in order to provide services to our customers. Management believes that operating income as a percentage of variable contribution is a useful measure as: (i) variable costs of revenue for a significant portion of the Company's business are highly influenced by short-term market-based trends in the freight transportation industry, whereas other costs, including other costs of revenue, are much less impacted by short-term freight market trends; and (ii) this measure is meaningful to investors' evaluations of the Company's management of costs attributable to operations other than the purely variable costs associated with purchased transportation and commissions to agents that the Company incurs to provide services to our customers.

Management also believes that it is appropriate to present each of the financial measures that may be deemed a non-GAAP financial measure, as referred to above, 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.

A tabulation of the expenses identified as costs of revenue as well as a reconciliation of gross profit to variable contribution and gross profit margin to variable contribution margin for the 2022 and 2021 second quarters and year-to-date periods is included in this slide presentation as Appendix A.

Who We Are

Landstar, a Fortune 500 company, is a worldwide, technology-enabled, 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.

Our Network

June 25, 2022 YTD Results

\$3.95 billion in revenue

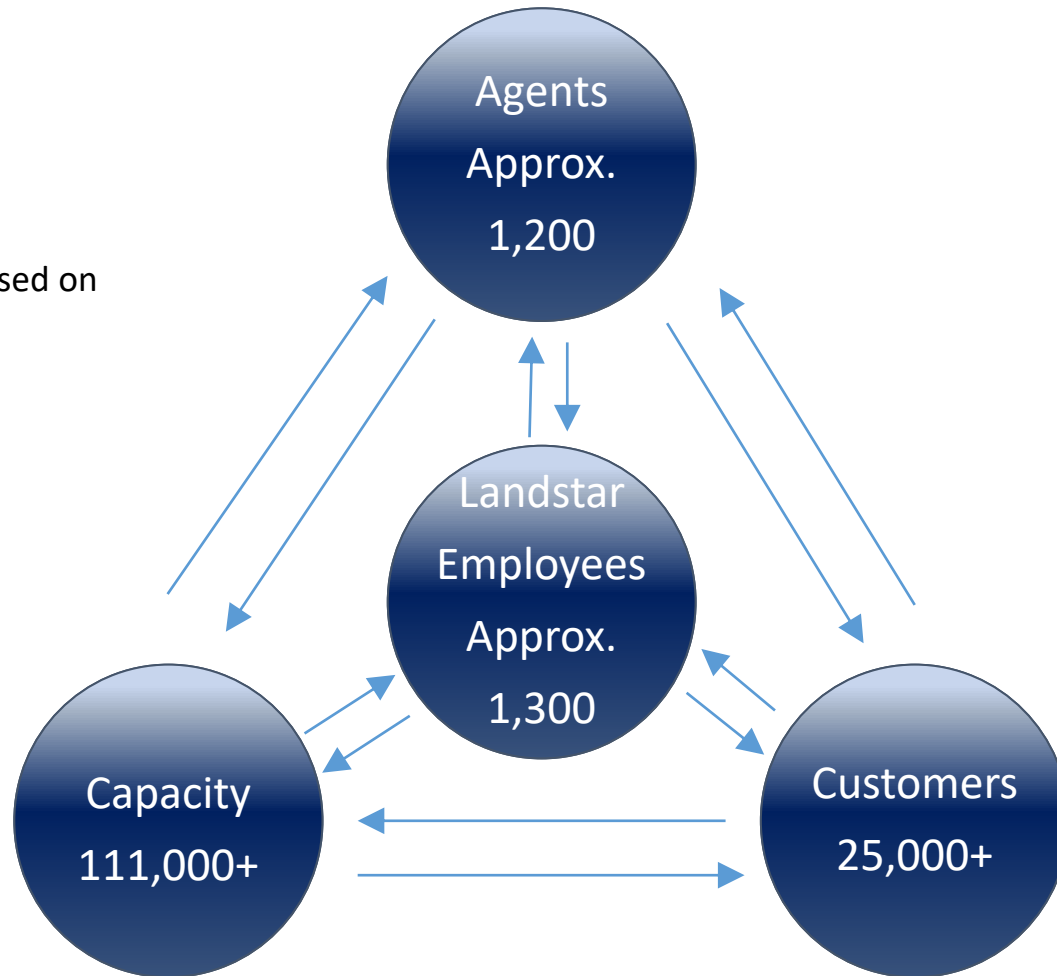
1.35 million loadings

593 million dollar agents (based on 2021 fiscal year)

11,887 BCO trucks

100,103 Carriers

18,000+ Trailers



Transportation Management Services

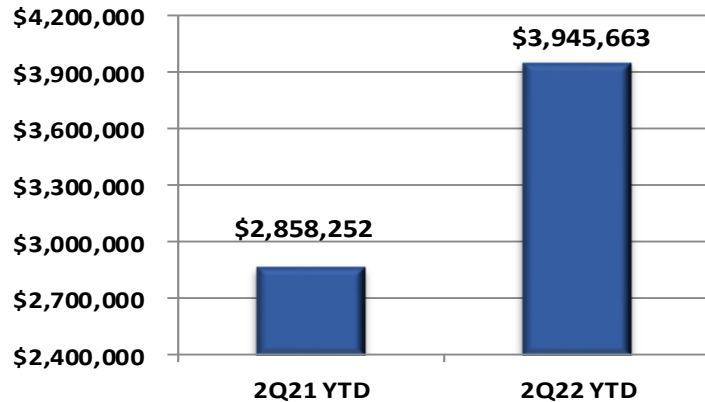
	Percentage of Revenue	
	2Q21	2Q22
Truck Transportation (1)		
Truckload		
Van equipment	54%	52%
Unsided/platform equipment	25%	24%
Less-than-truckload	2%	2%
Other truck transportation	11%	11%
Rail intermodal	3%	2%
Ocean and air cargo	4%	8%

- (1) In connection with the impact of the pandemic on the demand for certain types of truck capacity, Landstar experienced a significant increase in demand for power-only, expedited, straight truck, cargo van and miscellaneous other truck transportation services that were formerly included in revenue from van or unsided/platform services. 2022 and 2021 second quarter truck transportation hauled via van equipment, unsided/platform equipment and other truck transportation as presented in this slide presentation, including number of loads and revenue per load data, reflect our revised categorization of our revenue generated through truck transportation services. This revised categorization had no impact on total truck transportation revenue or the Company's consolidated financial statements for any period.

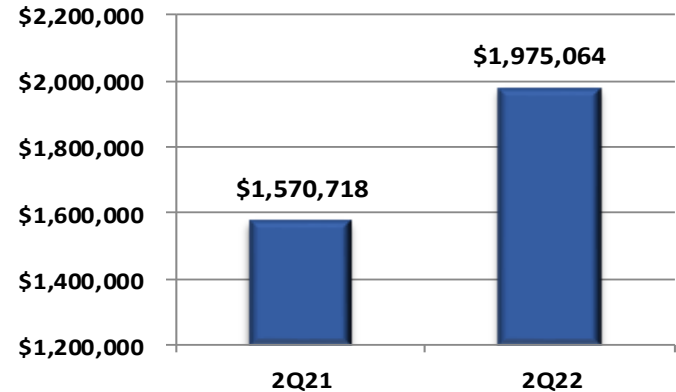
Revenue

(\$'s in thousands)

Year-to-Date



Quarter



Year over Prior Year	Rate ⁽¹⁾	Volume ⁽²⁾	Change
Truck Revenue	15.6%	14.7%	32.6%
Rail Intermodal Revenue	25.3%	-9.6%	13.2%
Ocean/Air Revenue	145.1%	17.6%	188.3%
Insurance Premiums	NA	NA	12.7%
Total Revenue			38.0%

Qtr over Prior Year Qtr	Rate ⁽¹⁾	Volume ⁽²⁾	Change
Truck Revenue	9.7%	10.3%	21.0%
Rail Intermodal Revenue	27.5%	-23.2%	-2.1%
Ocean/Air Revenue	138.1%	10.8%	163.7%
Insurance Premiums	NA	NA	12.4%
Total Revenue			25.7%

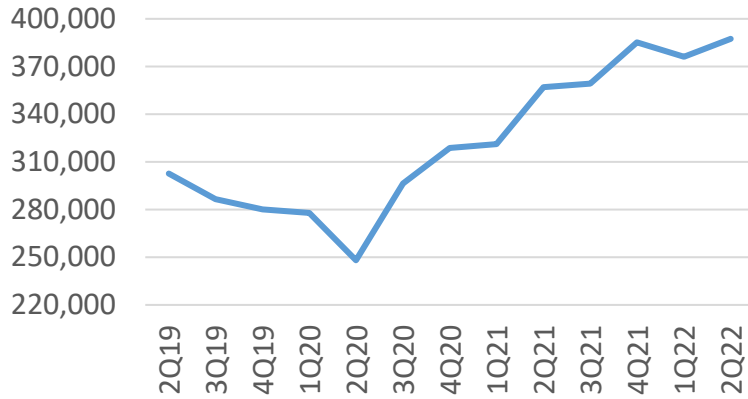
(1) Percentage change in rate is calculated on a revenue per load basis.

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

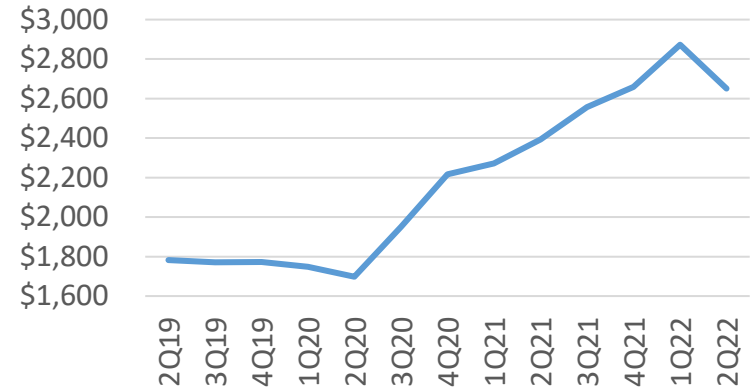
Truckload Loadings and Revenue per Truckload Trends

Van Equipment

Number of Loads

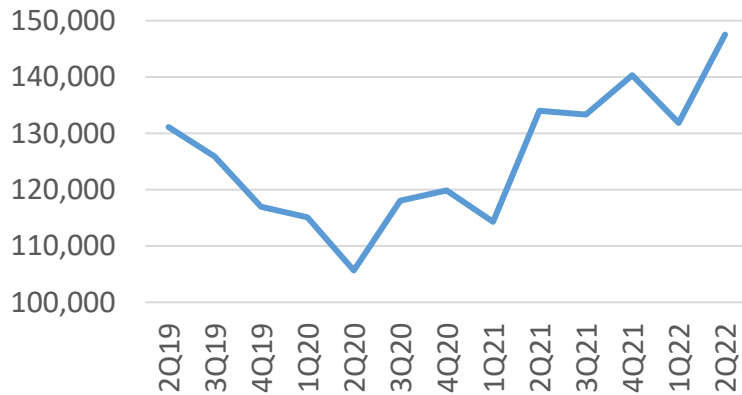


Revenue per Load

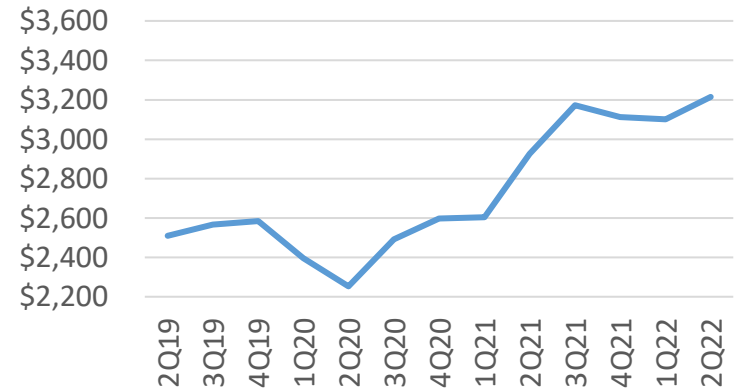


Unsided/Platform Equipment

Number of Loads



Revenue per Load

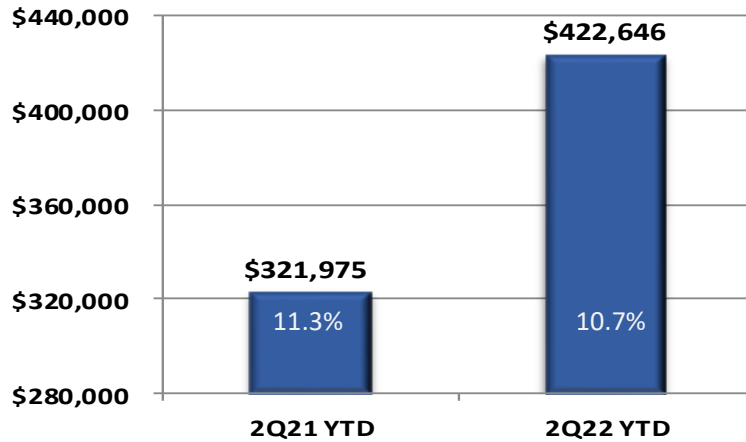


Industries Served

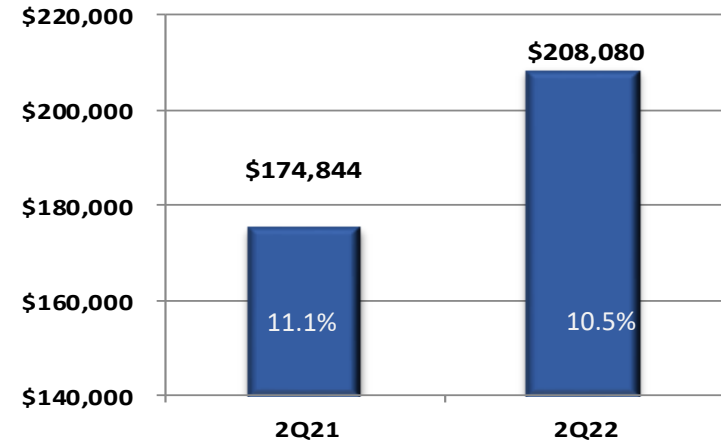
	As a Percentage of Revenue		Quarter over Prior Year Quarter Change in Revenue
	2Q21	2Q22	
Consumer Durables	29.5	29.4	26%
Machinery	11.2	11.5	28%
Automotive	6.7	8.8	66%
Building Products	8.7	8.3	20%
AA&E, Hazmat	9.2	8.1	12%
Metals	5.2	5.1	24%
Substitute Line Haul	6.1	3.6	-27%
Foodstuffs	3.7	3.2	10%
Other	19.7	22.0	40%
Transportation Revenue	<u>100.0</u>	<u>100.0</u>	26%

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

Year-to-Date



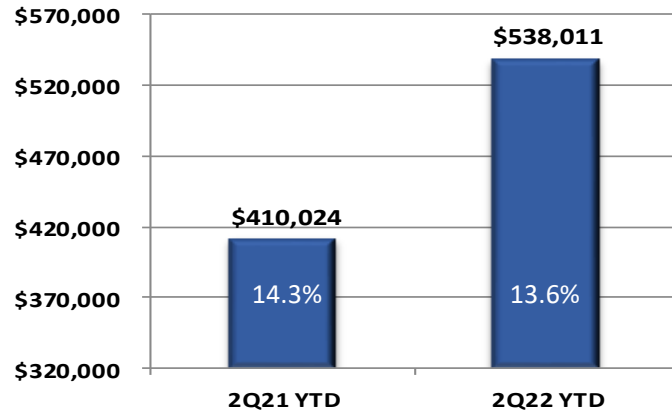
Quarter



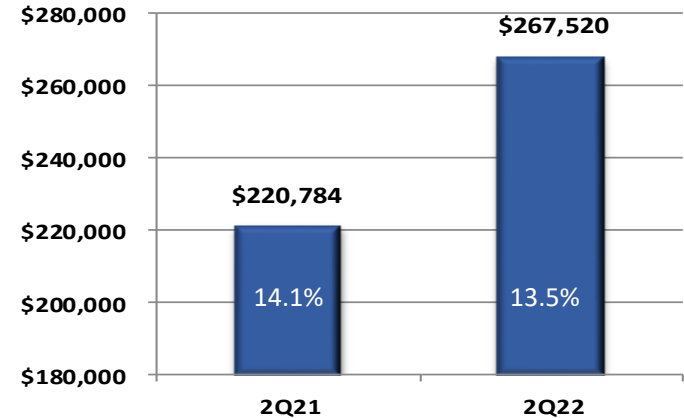
- (1) Gross profit equals revenue less the cost of purchased transportation and commissions to agents.
- (2) Gross profit margin equals gross profit divided by revenue.

Variable Contribution⁽¹⁾ and Variable Contribution Margin⁽²⁾ (\$'s in thousands)

Year-to-Date



Quarter



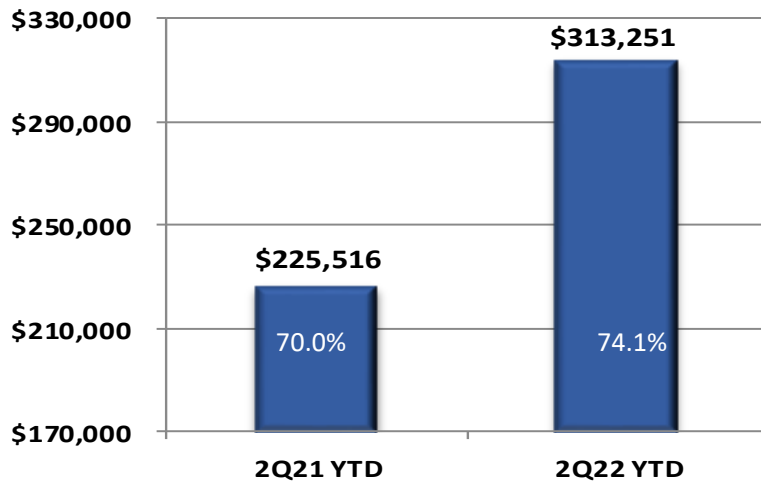
	2nd Qtr YTD ⁽³⁾
Changes in variable contribution margin	%
2021 Period	14.3
Revenue - fixed	0.0
Revenue - variable	0.3
Change in mix and other	-1.0
2022 Period	13.6

	2nd Qtr ⁽³⁾
Changes in variable contribution margin	%
2021 Period	14.1
Revenue - fixed	0.1
Revenue - variable	0.4
Change in mix and other	-1.1
2022 Period	13.5

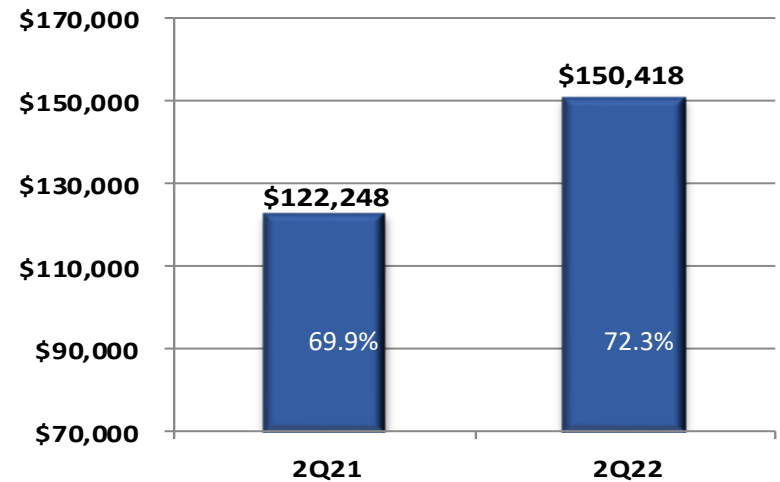
- (1) Variable contribution equals revenue less the cost of purchased transportation and commissions to agents.
- (2) Variable contribution margin equals variable contribution divided by revenue.
- (3) Revenue on transactions where the Company's variable contribution margin was based on a contractually pre-determined percentage of revenue accounted for was 47% and 41% of revenue in the 2021 and 2022 year-to-date periods, respectively, and 46% and 40% of revenue in the 2021 and 2022 second quarters, respectively.

Operating Income as a % of Gross Profit (\$'s in thousands)

Year-to-Date



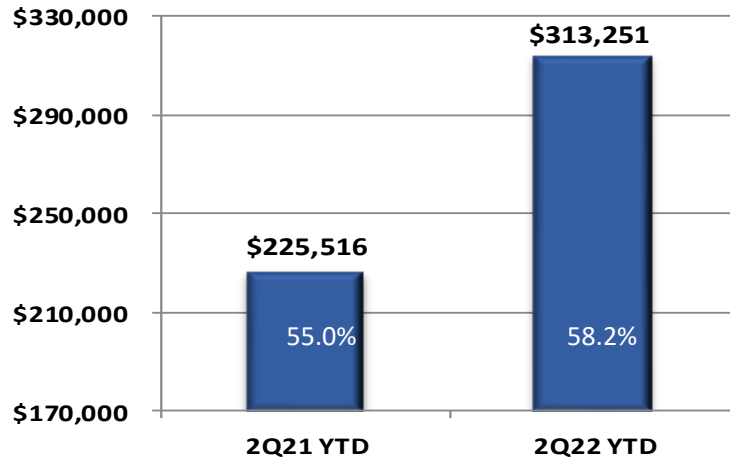
Quarter



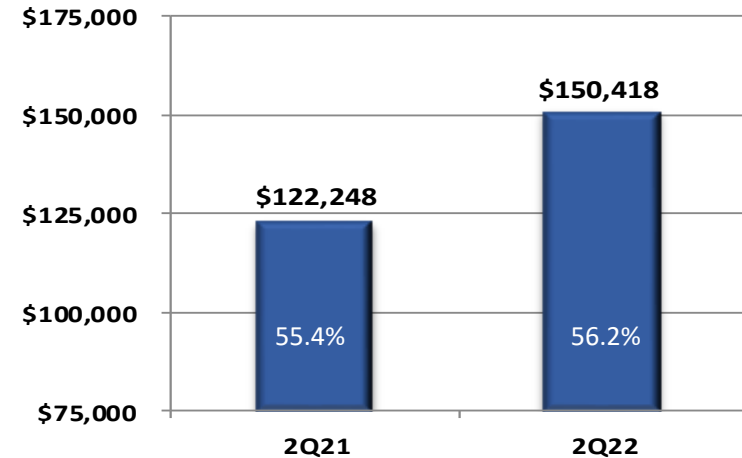
Operating Income as a % of Variable Contribution

(\$'s in thousands)

Year-to-Date



Quarter



	2nd Qtr YTD
Changes in operating income as a % of variable contribution	%
2021 Period	55.0
Other operating costs	0.0
Insurance and claims	-1.0
SG&A	3.5
Depreciation and amortization	0.7
2022 Period	58.2

	2nd Qtr
Changes in operating income as a % of variable contribution	%
2021 Period	55.4
Other operating costs	0.1
Insurance and claims	-1.9
SG&A	2.4
Depreciation and amortization	0.2
2022 Period	56.2

Truck Capacity Data

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

	Jun 26, 2021 ⁽²⁾	Dec 25, 2021	Jun 25, 2022 ⁽²⁾
BCO Independent Contractors	10,778	11,057	11,023
Truck Brokerage Carriers:			
Approved and Active ⁽¹⁾	53,891	64,476	70,649
Other Approved	24,098	25,870	29,454
	77,989	90,346	100,103
Total Available Truck Capacity Providers	88,767	101,403	111,126
Trucks Provided by BCO Independent Contractors	11,557	11,864	11,887

(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 \$209.8 million and \$114.0 million in the 2022 and 2021 year-to-date periods, respectively, and \$127.0 million and \$65.2 million in the 2022 and 2021 second quarters, respectively.

Key Balance Sheet and Cash Flow Statistics

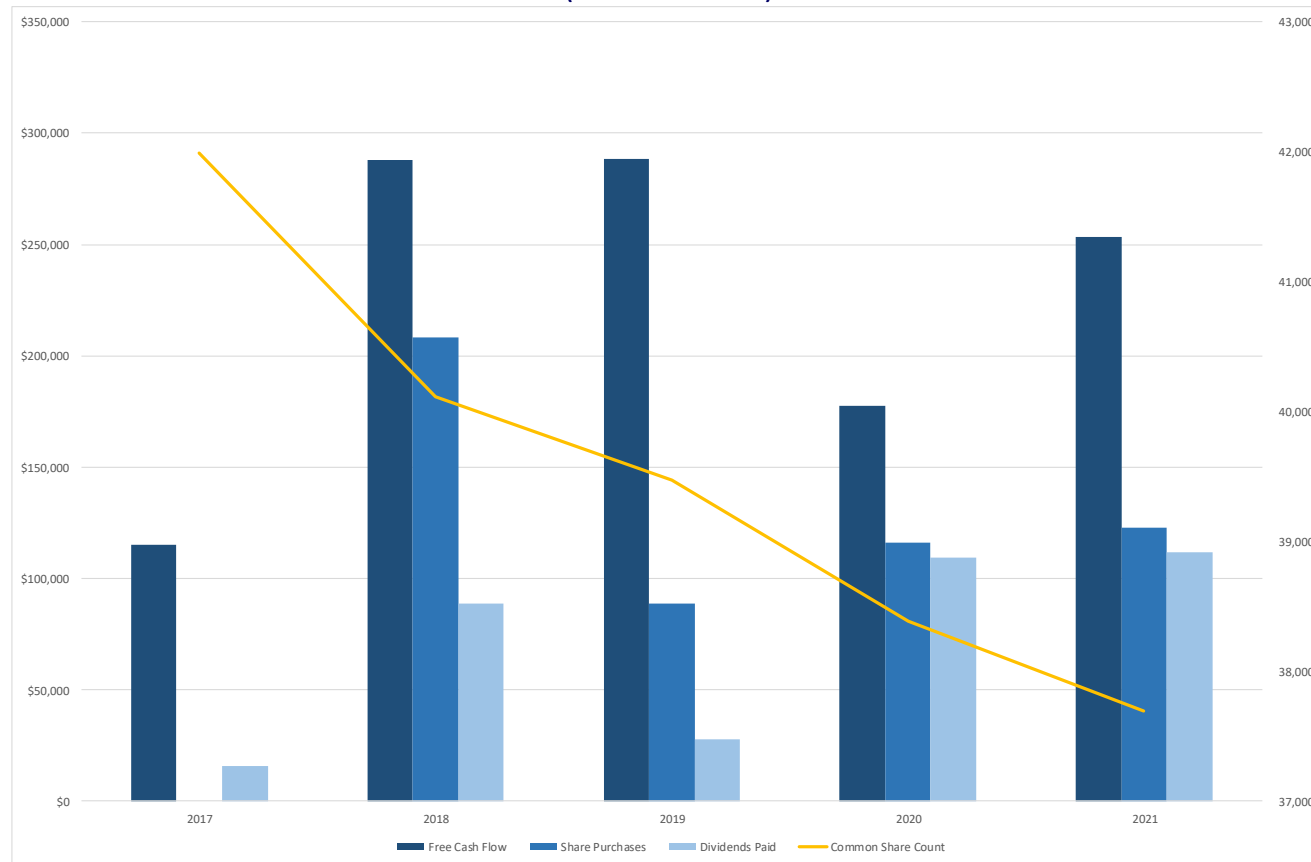
(\$'s in thousands)

	Jun 26, 2021	Jun 25, 2022
Balance sheet (period end amounts):		
Debt to Capital	9%	11%
Net Cash (1)	\$ 157,333	\$ 8,943
Cash flow (year-to-date):		
Cash flow from operations	\$ 137,176	\$ 209,651
Capital expenditures	\$ 9,000	\$ 7,467
Share repurchases	\$ 23,837	\$ 212,632
Dividends paid	\$ 92,905	\$ 93,968
Returns (trailing 12 months):		
Return on Equity	41%	52%
Return on Invested Capital	36%	46%
Return on Assets	20%	23%

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

Free Cash Flow ⁽¹⁾, Stock Purchases and Dividends

(In Thousands)



Second Quarter 2022 YTD	(000's)
Free cash flow (1)	\$ 202,184
Share purchases	\$ 212,632
Dividends paid	\$ 93,968
Ending common share count	36,430

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

Appendix A

Reconciliation of Gross Profit to Variable Contribution (*\$'s in thousands*)

	Twenty Six Weeks Ended		Thirteen Weeks Ended	
	June 25, 2022	June 26, 2021	June 25, 2022	June 26, 2021
Revenue	\$ 3,945,663	\$ 2,858,252	\$ 1,975,064	\$ 1,570,718
Costs of revenue:				
Purchased transportation	3,096,018	2,226,526	1,545,688	1,228,241
Commissions to agents	<u>311,634</u>	<u>221,702</u>	<u>161,856</u>	<u>121,693</u>
Variable costs of revenue	3,407,652	2,448,228	1,707,544	1,349,934
Trailing equipment depreciation	18,363	17,747	9,280	8,840
Information technology costs (1)	9,039	6,084	4,993	3,146
Insurance-related costs (2)	66,441	47,673	34,786	25,051
Other operating costs	<u>21,522</u>	<u>16,545</u>	<u>10,381</u>	<u>8,903</u>
Other costs of revenue	115,365	88,049	59,440	45,940
Total costs of revenue	<u>3,523,017</u>	<u>2,536,277</u>	<u>1,766,984</u>	<u>1,395,874</u>
Gross profit	<u>\$ 422,646</u>	<u>\$ 321,975</u>	<u>\$ 208,080</u>	<u>\$ 174,844</u>
Gross profit margin	10.7%	11.3%	10.5%	11.1%
Plus: other costs of revenue	<u>115,365</u>	<u>88,049</u>	<u>59,440</u>	<u>45,940</u>
Variable contribution	<u>\$ 538,011</u>	<u>\$ 410,024</u>	<u>\$ 267,520</u>	<u>\$ 220,784</u>
Variable contribution margin	13.6%	14.3%	13.5%	14.1%

(1) Includes costs of revenue incurred related to internally developed software including ASC 350-40 amortization, implementation costs, hosting costs and other support costs utilized to support the Company's independent commission sales agents, third party capacity providers, and customers, included as a portion of depreciation and amortization and of selling, general and administrative in the Company's Consolidated Statements of Income.

(2) Primarily includes (i) insurance premiums paid for commercial auto liability, general liability, cargo and other lines of coverage related to the transportation of freight; (ii) the related cost of claims incurred under those programs; and (iii) brokerage commissions and other fees incurred relating to the administration of insurance programs available to BCO Independent Contractors that are reinsured by the Company, which are included in selling, general and administrative in the Company's Consolidated Statements of Income.

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