
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) April 26, 2017



LANDSTAR SYSTEM, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

021238
(Commission
File Number)

06-1313069
(I.R.S. Employer
Identification No.)

13410 Sutton Park Drive South, Jacksonville, Florida
(Address of principal executive offices)

32224
(Zip Code)

(904) 398-9400
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On April 26, 2017, Landstar System, Inc. issued a press release announcing results for the first quarter of fiscal 2017. A copy of the press release is attached hereto as Exhibit 99.1.

The information contained in Item 7.01 concerning the presentation to Landstar investors is hereby incorporated into this Item 2.02 by reference.

The information furnished under Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1 hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

Item 7.01 Regulation FD Disclosure

A slide presentation, dated April 26, 2017, is attached hereto as Exhibit 99.2 and is incorporated herein by reference. The slide presentation provides information that may be referred to by the Company on its conference call with investors scheduled to occur on April 27, 2017 in connection with the Company’s release of results for the first quarter of fiscal 2017.

The information furnished under Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.2 hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

Item 9.01 Financial Statements and Exhibits

Exhibits

99.1 News Release dated April 26, 2017 of Landstar System, Inc.

99.2 Slide Presentation dated April 26, 2017 of Landstar System, Inc.

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 hereunto duly authorized.

LANDSTAR SYSTEM, INC.

Date: April 26, 2017

By: /s/ L. Kevin Stout

Name: L. Kevin Stout

Title: Vice President and Chief Financial Officer



*Landstar System, Inc.
13410 Sutton Park Drive, South
Jacksonville, FL 32224
904 398 9400*

For Immediate Release

April 26, 2017

Contact: Kevin Stout
Landstar System, Inc.
www.landstar.com
904-398-9400

**LANDSTAR SYSTEM REPORTS RECORD FIRST QUARTER
REVENUE OF \$781 MILLION AND RECORD FIRST QUARTER DILUTED EARNINGS PER SHARE OF \$0.77**

Jacksonville, FL – Landstar System, Inc. (NASDAQ: LSTR) reported record first quarter diluted earnings per share of \$0.77 in the 2017 first quarter, on record first quarter revenue of \$781 million. Landstar reported diluted earnings per share of \$0.69 on revenue of \$712 million in the 2016 first quarter. Gross profit (defined as revenue less the cost of purchased transportation and commissions to agents) was \$121.6 million, a record first quarter gross profit, in the 2017 first quarter compared to \$112.2 million in the 2016 first quarter. Operating margin, representing operating income divided by gross profit, was 43.0 percent in the 2017 first quarter.

Truck transportation revenue hauled by independent business capacity owners (“BCOs”) and truck brokerage carriers in the 2017 first quarter was \$726.8 million, or 93 percent of revenue, compared to \$655.1 million, or 92 percent of revenue, in the 2016 first quarter. Truckload transportation revenue hauled via van equipment in the 2017 first quarter was \$470.0 million compared to \$428.2 million in the 2016 first quarter. Truckload transportation revenue hauled via unsided/platform equipment in the 2017 first quarter was \$237.2 million compared to \$209.4 million in the 2016 first quarter. Revenue hauled by rail, air and ocean cargo carriers was \$42.4 million, or 5 percent of revenue, in the 2017 first quarter compared to \$44.9 million, or 6 percent of revenue, in the 2016 first quarter.

Trailing twelve-month return on average shareholders' equity was 27 percent and trailing twelve-month return on invested capital, net income divided by the sum of average equity plus average debt, was 22 percent. Currently, there are approximately 1,036,000 shares of the Company's common stock available for purchase under Landstar's authorized share purchase program. As of April 1, 2017, the Company had \$278 million in cash and short term investments and \$214 million available for borrowings under the Company's senior credit facility.

In addition, Landstar announced today that its Board of Directors has declared a quarterly dividend of \$0.09 per share payable on June 2, 2017, to stockholders of record as of the close of business on May 11, 2017. It is currently the intention of the Board to pay dividends on a quarterly basis going forward.

"Diluted earnings per share was \$0.77 in the 2017 first quarter, the highest first quarter diluted earnings per share in Landstar history. Revenue was \$781 million with gross profit of \$121.6 million in the 2017 first quarter, both being first quarter records. The number of loads hauled via truck during the 2017 first quarter was also higher than any first quarter in Landstar history. Given the soft demand environment and readily available truck capacity during the quarter, I am extremely pleased with the execution of the Landstar model," said Landstar's President and Chief Executive Officer, Jim Gattoni.

Gattoni continued, "The number of loads hauled via truck in the 2017 first quarter increased 10 percent over the 2016 first quarter, driven by an 11 percent increase in the number of loads hauled via van equipment, an 8 percent increase in the number of loads hauled via unsided/platform equipment and an 11 percent increase in less-than-truckload volume. The number of loads hauled via unsided/platform equipment benefited from a 9 percent increase in the number of heavy/specialized loads, which comprised approximately 14 percent of Landstar's unsided/platform loads in the 2017 first quarter. The number of loads hauled via railroads, ocean cargo carriers and air cargo carriers was 1 percent lower in the 2017 first quarter compared to the 2016 first quarter, due to softness in rail intermodal volume."

Gattoni further commented, "As expected, the pricing environment for our truckload services continued to be soft in the 2017 first quarter, as industry-wide truck capacity continued to be readily available. However, the percentage change in year-over-year revenue per load on loads hauled via truck improved each month. Moreover, in

February, the Company experienced its first year-over-year monthly increase in truck revenue per load in two years. As a result, revenue per load on loads hauled via truck was 1 percent higher in the 2017 first quarter compared to the 2016 first quarter. First quarter operating margin is typically lower than that of the following three quarters. Despite the soft pricing environment, 2017 first quarter operating margin was 43.0 percent, in line with seasonal historical first quarter operating margin, and diluted earnings per share in the 2017 first quarter increased 12 percent over the 2016 first quarter.”

Gattoni continued, “We have experienced consistent load growth in loads hauled via truck throughout the 2017 first quarter and into the first several weeks of April. I expect that trend to continue and therefore expect the number of loads hauled via truck in the 2017 second quarter to increase in a mid to upper single digit range over the 2016 second quarter. My expectation is that pricing conditions for truck services in the 2017 second quarter will continue to be soft with little change in the level of available truck capacity. Assuming those truck conditions remain, I expect 2017 second quarter truck revenue per load to be higher than the 2016 second quarter in a low single digit percentage range. I anticipate revenue for the 2017 second quarter to be in a range of \$820 million to \$870 million and, assuming that range of estimated revenue and normalized insurance and claims expense, I would anticipate 2017 second quarter diluted earnings per share to be in a range of \$0.84 to \$0.89 per share compared to \$0.76 per diluted share in the 2016 second quarter.”

Landstar will provide a live webcast of its quarterly earnings conference call tomorrow morning at 8:00 a.m. ET. To access the webcast, visit the Company’s website at www.landstar.com; click on “Investor Relations” and “Webcasts,” then click on “Landstar’s First Quarter 2017 Earnings Release Conference Call.”

The following is a “safe harbor” statement under the Private Securities Litigation Reform Act of 1995. Statements contained in this press release that are not based on historical facts are “forward-looking statements”. This press release contains forward-looking statements, such as statements which relate to Landstar’s business objectives, plans, strategies and expectations. Terms such as “anticipates,” “believes,” “estimates,” “intention,” “expects,” “plans,” “predicts,” “may,” “should,” “could,” “will,” the negative

thereof and similar expressions are intended to identify forward-looking statements. Such statements are by nature subject to uncertainties and risks, including but not limited to: an increase in the frequency or severity of accidents or other claims; unfavorable development of existing accident claims; dependence on third party insurance companies; dependence on independent commission sales agents; dependence on third party capacity providers; decreased demand for transportation services; U.S. foreign trade relationships; substantial industry competition; disruptions or failures in the Company's computer systems; cyber and other information security incidents; dependence on key vendors; changes in fuel taxes; status of independent contractors; regulatory and legislative changes; regulations focused on diesel emissions and other air quality matters; catastrophic loss of a Company facility; intellectual property; unclaimed property; and other operational, financial or legal risks or uncertainties detailed in Landstar's Form 10K for the 2016 fiscal year, described in Item 1A Risk Factors, and in 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 the Company undertakes no obligation to publicly update or revise any forward-looking statements.

About Landstar:

Landstar System, Inc. is a worldwide, asset-light provider of integrated transportation management solutions delivering safe, specialized transportation logistics services to a broad range of customers utilizing a network of agents, third-party capacity providers and employees. All Landstar transportation services companies are certified to ISO 9001:2008 quality management system standards and RC14001:2013 environmental, health, safety and security management system standards. Landstar System, Inc. is headquartered in Jacksonville, Florida. Its common stock trades on The NASDAQ Stock Market® under the symbol LSTR.

(Tables follow)

Landstar System, Inc. and Subsidiary
Consolidated Statements of Income
(Dollars in thousands, except per share amounts)
(Unaudited)

	Thirteen Weeks Ended	
	April 1, 2017	March 26, 2016
Revenue	\$ 780,908	\$ 711,644
Investment income	414	380
Costs and expenses:		
Purchased transportation	595,523	540,328
Commissions to agents	63,798	59,092
Other operating costs, net of gains on asset sales/dispositions	6,897	7,407
Insurance and claims	14,513	14,213
Selling, general and administrative	38,323	34,614
Depreciation and amortization	9,934	8,438
Total costs and expenses	<u>728,988</u>	<u>664,092</u>
Operating income	52,334	47,932
Interest and debt expense	1,083	889
Income before income taxes	51,251	47,043
Income taxes	18,868	17,859
Net income	<u>\$ 32,383</u>	<u>\$ 29,184</u>
Earnings per common share	<u>\$ 0.77</u>	<u>\$ 0.69</u>
Diluted earnings per share	<u>\$ 0.77</u>	<u>\$ 0.69</u>
Average number of shares outstanding:		
Earnings per common share	<u>41,879,000</u>	<u>42,395,000</u>
Diluted earnings per share	<u>41,998,000</u>	<u>42,489,000</u>
Dividends per common share	<u>\$ 0.09</u>	<u>\$ 0.08</u>

Landstar System, Inc. and Subsidiary
Consolidated Balance Sheets
(Dollars in thousands, except per share amounts)
(Unaudited)

	April 1, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 215,468	\$ 178,897
Short-term investments	62,058	66,560
Trade accounts receivable, less allowance of \$5,524 and \$5,161	439,510	463,102
Other receivables, including advances to independent contractors, less allowance of \$5,706 and \$5,523	23,875	18,567
Other current assets	8,095	10,281
Total current assets	<u>749,006</u>	<u>737,407</u>
Operating property, less accumulated depreciation and amortization of \$195,581 and \$190,374	263,375	272,843
Goodwill	31,134	31,134
Other assets	62,627	55,207
Total assets	<u>\$ 1,106,142</u>	<u>\$ 1,096,591</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	\$ 29,373	\$ 36,251
Accounts payable	200,675	219,409
Current maturities of long-term debt	42,909	45,047
Insurance claims	28,859	26,121
Accrued income taxes	19,430	5,437
Other current liabilities	47,391	48,046
Total current liabilities	<u>368,637</u>	<u>380,311</u>
Long-term debt, excluding current maturities	82,987	93,257
Insurance claims	27,847	26,883
Deferred income taxes and other non-current liabilities	52,928	53,583
Shareholders' equity:		
Common stock, \$0.01 par value, authorized 160,000,000 shares, issued 67,671,338 and 67,585,675 shares	677	676
Additional paid-in capital	201,948	199,414
Retained earnings	1,541,606	1,512,993
Cost of 25,749,493 and 25,747,541 shares of common stock in treasury	(1,167,600)	(1,167,437)
Accumulated other comprehensive loss	(2,888)	(3,089)
Total shareholders' equity	<u>573,743</u>	<u>542,557</u>
Total liabilities and shareholders' equity	<u>\$ 1,106,142</u>	<u>\$ 1,096,591</u>

Landstar System, Inc. and Subsidiary
Supplemental Information
(Unaudited)

	Thirteen Weeks Ended	
	April 1, 2017	March 26, 2016
Revenue generated through (in thousands):		
Truck transportation		
Truckload:		
Van equipment	\$469,783	\$428,193
Unsided/platform equipment	237,177	209,422
Less-than-truckload	19,857	17,477
Total truck transportation	726,817	655,092
Rail intermodal	22,842	26,108
Ocean and air cargo carriers	19,590	18,808
Other (1)	11,659	11,636
	<u>\$780,908</u>	<u>\$711,644</u>
Revenue on loads hauled via BCO Independent Contractors (2) included in total truck transportation	\$364,908	\$334,278
Number of loads:		
Truck transportation		
Truckload:		
Van equipment	298,066	269,040
Unsided/platform equipment	111,185	102,742
Less-than-truckload	29,919	26,898
Total truck transportation	439,170	398,680
Rail intermodal	10,650	12,030
Ocean and air cargo carriers	5,730	4,560
	<u>455,550</u>	<u>415,270</u>
Loads hauled via BCO Independent Contractors (2) included in total truck transportation	218,230	197,670
Revenue per load:		
Truck transportation		
Truckload:		
Van equipment	\$ 1,576	\$ 1,592
Unsided/platform equipment	2,133	2,038
Less-than-truckload	664	650
Total truck transportation	1,655	1,643
Rail intermodal	2,145	2,170
Ocean and air cargo carriers	3,419	4,125
Revenue per load on loads hauled via BCO Independent Contractors (2)	\$ 1,672	\$ 1,691
Revenue by capacity type (as a % of total revenue):		
Truck capacity providers:		
BCO Independent Contractors (2)	47%	47%
Truck Brokerage Carriers	46%	45%
Rail intermodal	3%	4%
Ocean and air cargo carriers	3%	3%
Other	1%	2%
	April 1, 2017	March 26, 2016
Truck Capacity Providers		
BCO Independent Contractors (2)	8,772	8,889
Truck Brokerage Carriers:		
Approved and active (3)	31,566	29,523
Other approved	15,889	15,748
	<u>47,455</u>	<u>45,271</u>
Total available truck capacity providers	<u>56,227</u>	<u>54,160</u>
Trucks provided by BCO Independent Contractors (2)	9,370	9,497

(1) Includes primarily reinsurance premium revenue generated by the insurance segment.

(2) BCO Independent Contractors are independent contractors who provide truck capacity to the Company under exclusive lease arrangements.

(3) Active refers to Truck Brokerage Carriers who moved at least one load in the 180 days immediately preceding the fiscal quarter end.

Exhibit 99.2

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Landstar System, Inc.
Earnings Conference Call
First Quarter 2017
April 26, 2017



Date Published: 04/26/2017

The following is a “safe harbor” statement under the Private Securities Litigation Reform Act of 1995. Statements made during this presentation that are not based on historical facts are “forward looking statements.” During this presentation, I 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 2016 fiscal year, described in the section titled 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.

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

2016 Results

\$3.2 billion in revenue

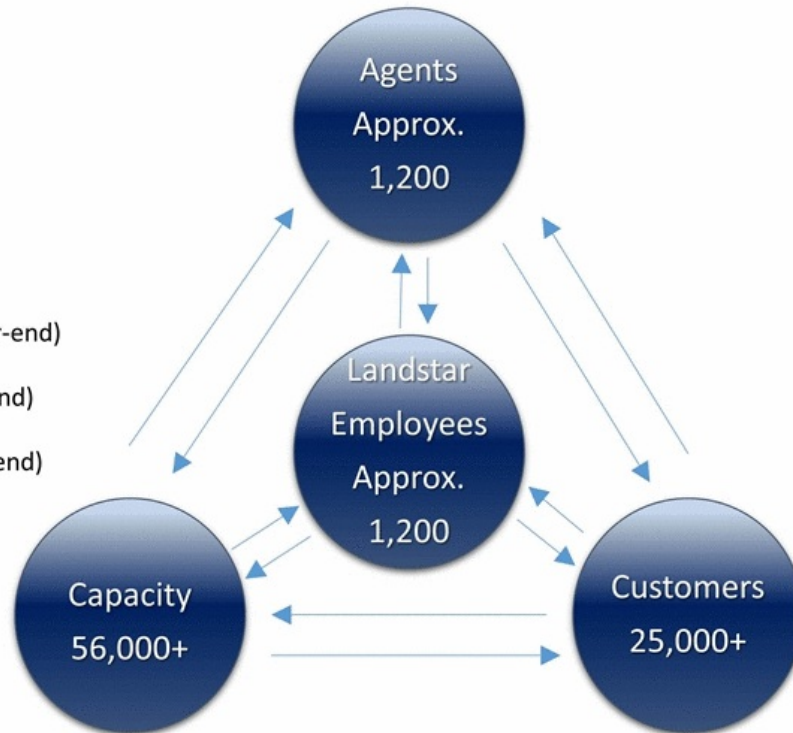
1.8 million loadings

502 million dollar agents

9,439 BCO trucks (2016 year-end)

47,453 Carriers (2016 year-end)

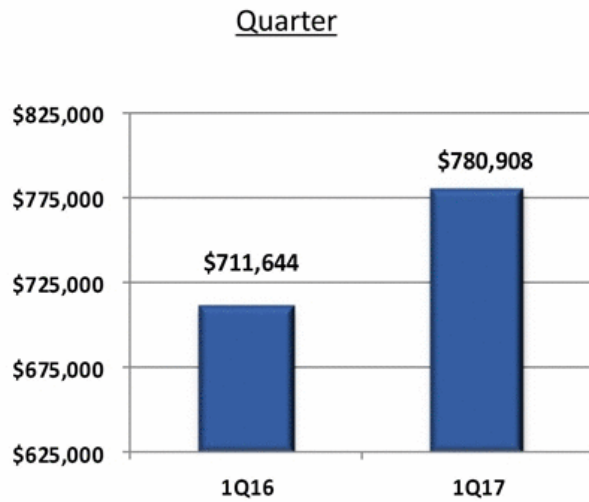
15,000+ Trailers (2016 year-end)



Transportation Management Services

	Percentage of Revenue	
	1Q16	1Q17
Truck Transportation		
Truckload		
Van equipment	60%	60%
Unsided/platform equipment	29%	30%
Less-than-truckload	2%	3%
Rail intermodal	4%	3%
Ocean and air cargo	3%	3%

Revenue (\$'s in thousands)



Quarter

Qtr over Prior Qtr	Rate ⁽¹⁾	Volume ⁽²⁾	Change
Truck Revenue	0.7%	10.2%	10.9%
Rail Intermodal Revenue	-1.2%	-11.5%	-12.5%
Ocean/Air Revenue	-17.1%	25.7%	4.2%
Insurance Premiums	NA	NA	0.1%
Total Revenue			9.7%

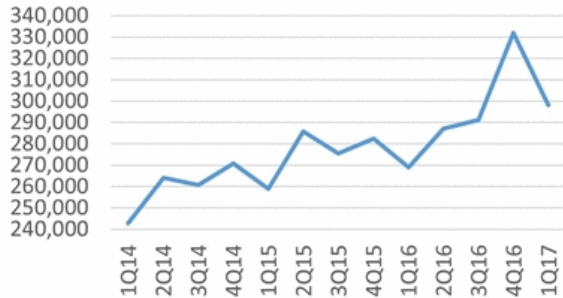
(1) Percentage change in rate is calculated on a revenue per load basis.

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

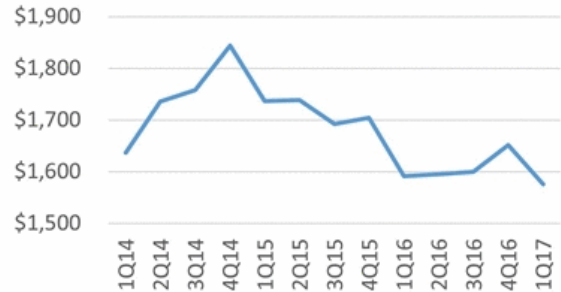
Truckload Loadings and Revenue per Load (Excludes LTL)

Van Equipment

Number of Loads

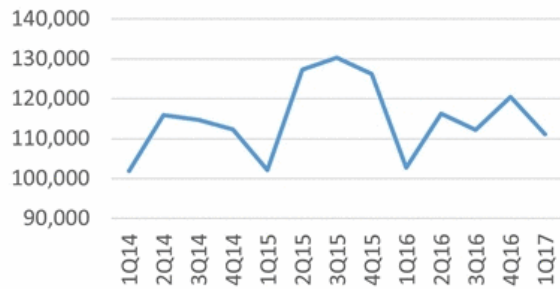


Revenue per Load



Unsided/Platform Equipment

Number of Loads



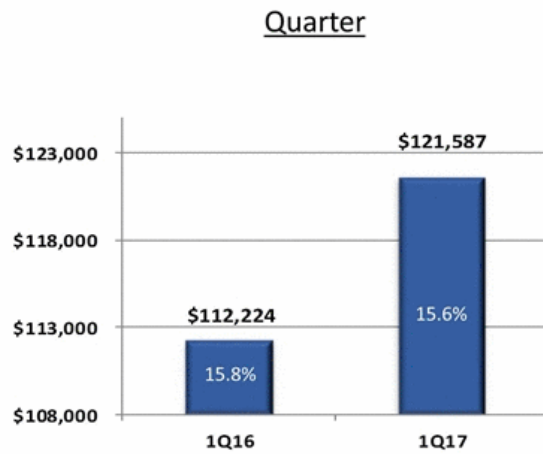
Revenue per Load



Industries Served

	As a Percentage of Revenue		Quarter over Prior Year Quarter Growth
	1Q16	1Q17	
Consumer Durables	20.5	21.5	15%
Machinery	14.4	15.3	16%
Automotive	9.7	8.7	-1%
Building Products	8.6	8.6	9%
Metals	6.7	6.7	10%
AA&E, Hazmat	7.5	8.8	29%
Foodstuffs	5.5	5.2	4%
Energy	2.9	3.1	15%
Other	24.2	22.3	1%
Transportation Revenue	<u>100.0</u>	<u>100.0</u>	10%

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



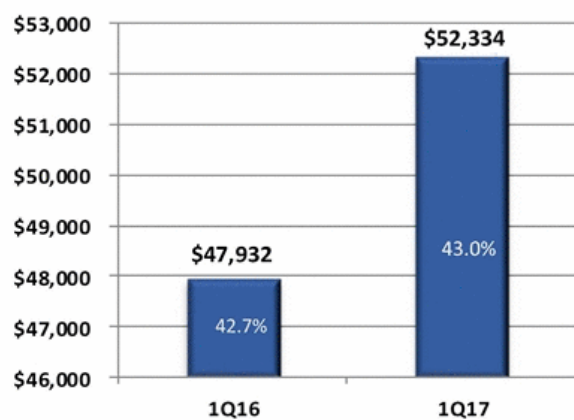
	1st Qtr ⁽³⁾
Changes in gross profit margin	%
2016 Period	15.8
Revenue - fixed gp margin	0.0
Revenue - variable gp margin	0.0
Change in mix and other	-0.2
2017 Period	15.6

- (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 56% and 54% of revenue in the 2016 and 2017 first quarters, respectively.

Operating Income and Operating Margin ⁽¹⁾

(\$'s in thousands)

Quarter



	1st Qtr
Changes in operating margin	%
2016 Period	42.7
Other operating costs	0.9
Insurance and claims	0.7
SG&A	-0.7
Depreciation and amortization	-0.6
2017 Period	43.0

(1) Operating margin equals operating income divided by gross profit.

Truck Capacity Data

(All information contained in the table is provided as of the end of the period)

	Mar 26, 2016 ⁽²⁾	Dec 31, 2016	Apr 1, 2017 ⁽²⁾
BCO Independent Contractors	8,889	8,824	8,772
Truck Brokerage Carriers:			
Approved and Active ⁽¹⁾	29,523	31,471	31,566
Other Approved	15,748	15,982	15,889
	45,271	47,453	47,455
Total Available Truck Capacity Providers	54,160	56,277	56,227
Trucks Provided by BCO Independent Contractors	9,497	9,439	9,370

(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 \$38.5 million and \$25.5 million in the 2017 and 2016 first quarters, respectively.

Key Balance Sheet and Cash Flow Statistics

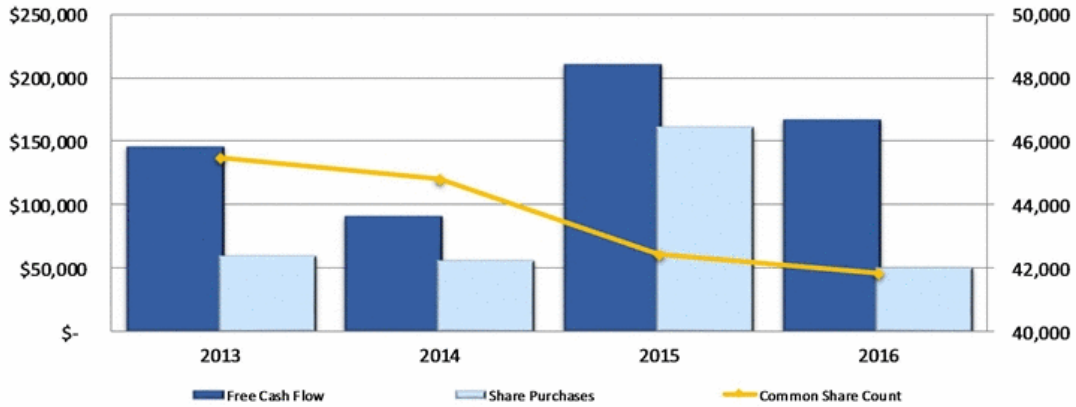
(\$'s in thousands)

	QTR Mar 26, 2016	QTR Apr 1, 2017
Balance sheet (period end amounts):		
Debt to Capital	21%	18%
Net Cash (1)	\$ 92,891	\$ 151,630
Cash flow:		
Cash flow from operations	\$ 72,038	\$ 61,948
Capital expenditures	\$ 828	\$ 4,978
Share repurchases	\$ 10,228	\$ -
Dividends paid	\$ 3,396	\$ 3,770
Returns:		
TTM Return on Equity	31%	27%
TTM Return on Invested Capital	25%	22%
TTM Return on Assets	15%	14%

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

Free Cash Flow ⁽¹⁾ / Share Purchases

(In Thousands)



First quarter 2017	(000's)
Free cash flow (1)	\$ 56,970
Share purchases	\$ -
Ending common share count	41,922

(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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Date Published: 04/26/2017