

DESIGNED TO RESPOND
BUILT TO DELIVER



Landstar System, Inc.
Earnings Conference Call
Fourth Quarter 2023
January 31, 2024



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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 or legal risks or uncertainties detailed in Landstar’s Form 10-K for the 2022 fiscal year and Form 10-Qs for the 2023 first and third fiscal quarters, 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 the Company 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 2023 and 2022 fourth quarters and fiscal year periods is included in this slide presentation as Appendix A.

Who We Are

Landstar, a Fortune 500 company, is a 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

2023 Results

\$5.30 billion in revenue

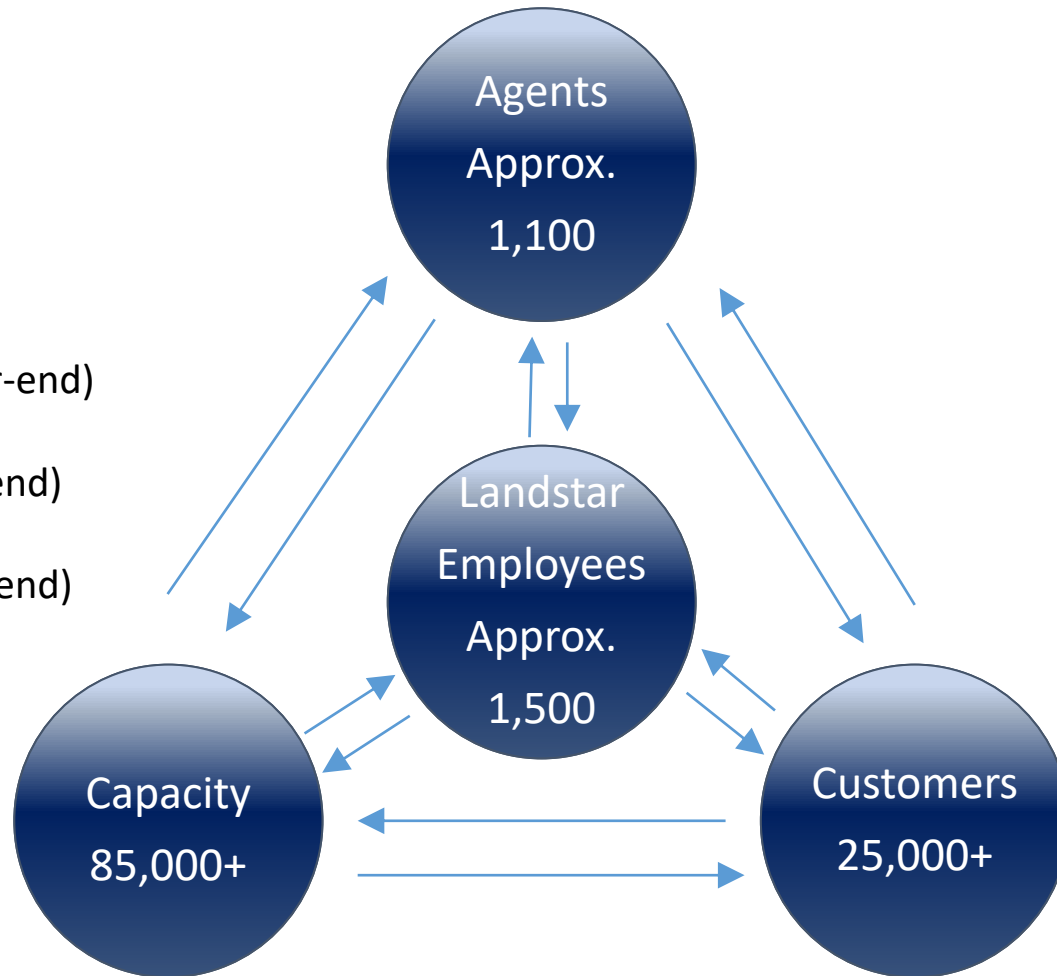
2.20 million loadings

524 million dollar agents

9,809 BCO trucks (2023 year-end)

76,635 Carriers (2023 year-end)

18,000+ Trailers (2023 year-end)

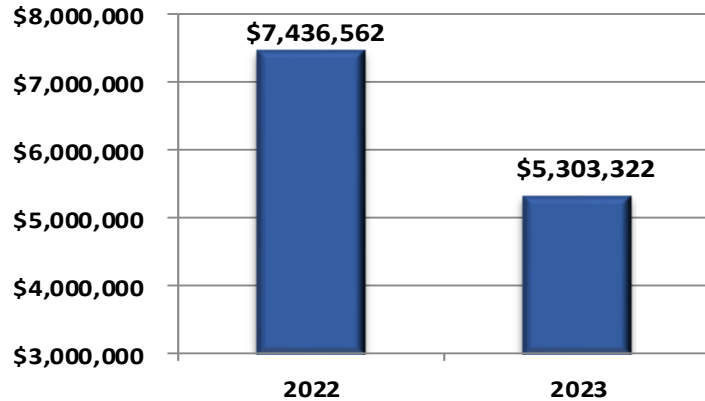


Transportation Management Services

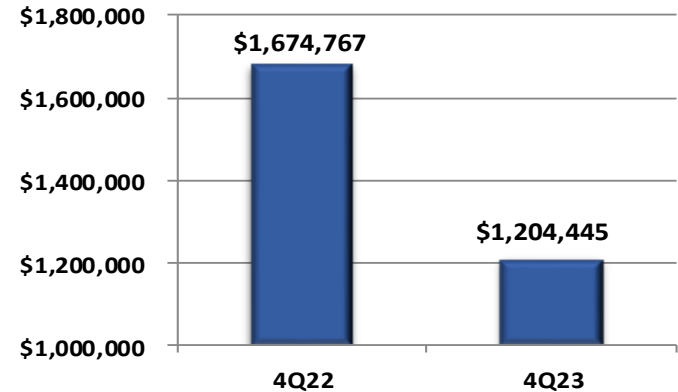
	Percentage of Revenue	
	4Q22	4Q23
Truck Transportation		
Truckload		
Van equipment	52%	51%
Unsided/platform equipment	25%	28%
Less-than-truckload	2%	2%
Other truck transportation	12%	8%
Rail intermodal	2%	2%
Ocean and air cargo	5%	5%

Revenue (\$'s in thousands)

Fiscal Year



Quarter



Year over Prior Year	Rate ⁽²⁾	Volume ⁽³⁾	Change
Truck Revenue	- 12.7%	- 16.6%	- 27.2%
Rail Intermodal Revenue	- 6.8%	- 27.2%	- 32.2%
Ocean/Air Revenue	- 39.2%	- 21.6%	- 52.3%
Insurance Premiums	NA	NA	- 7.7%
Total Revenue			- 28.7%

Qtr over Prior Year Qtr	Rate ⁽²⁾	Volume ⁽³⁾	Change
Truck Revenue	- 9.6%	- 21.7%	- 29.2%
Rail Intermodal Revenue	- 8.6%	- 14.8%	- 22.1%
Ocean/Air Revenue	- 23.3%	0.0%	- 23.3%
Insurance Premiums	NA	NA	- 11.6%
Total Revenue			- 28.1%

(1) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2022 fourth quarter included fourteen weeks of operations whereas the 2023 fourth quarter included thirteen weeks. Fiscal year 2022 included fifty-three weeks of operations whereas fiscal year 2023 included fifty-two.

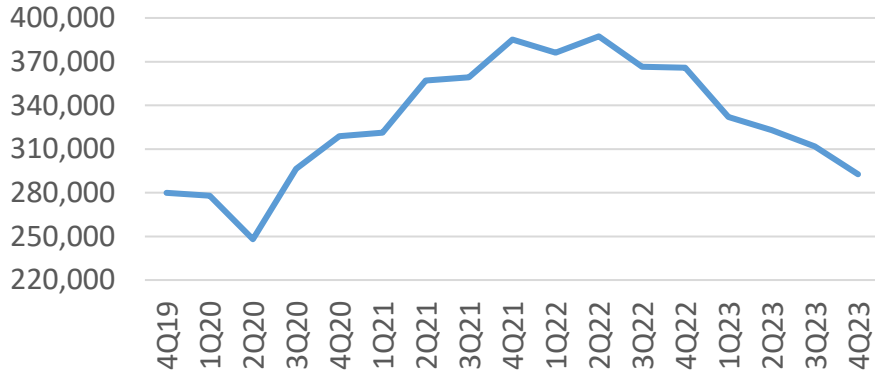
(2) Percentage change in rate is calculated on a revenue per load basis.

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

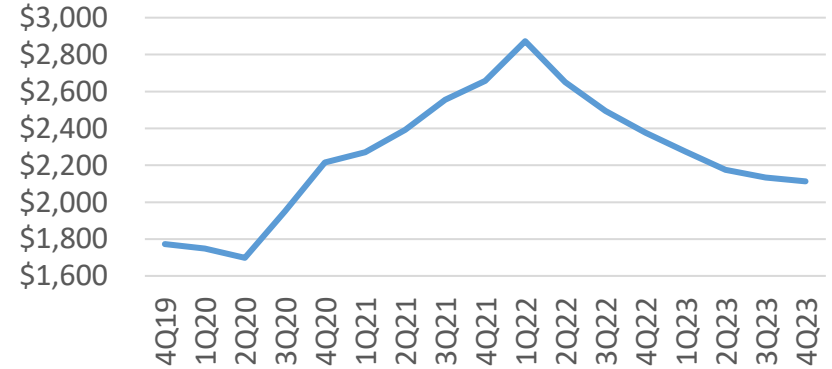
Truckload Loadings and Revenue per Truckload Trends

Van Equipment

Number of Loads

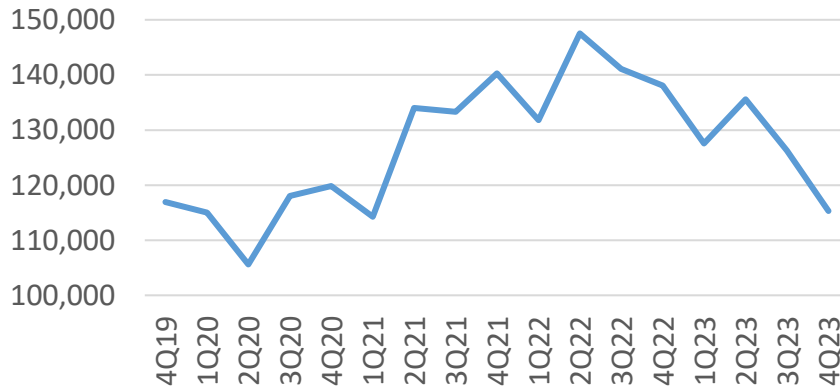


Revenue per Load

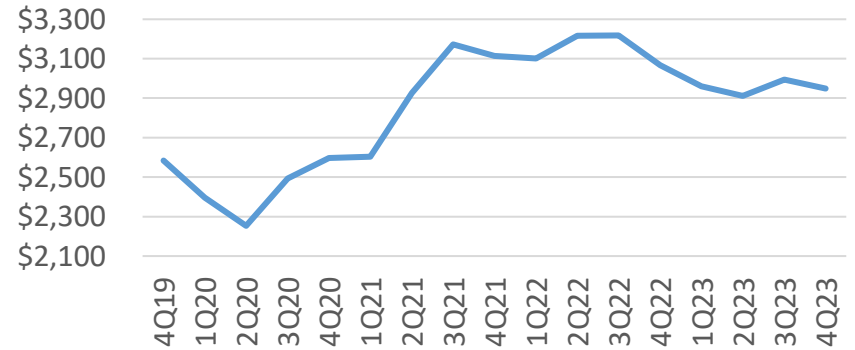


Unsided/Platform Equipment

Number of Loads



Revenue per Load



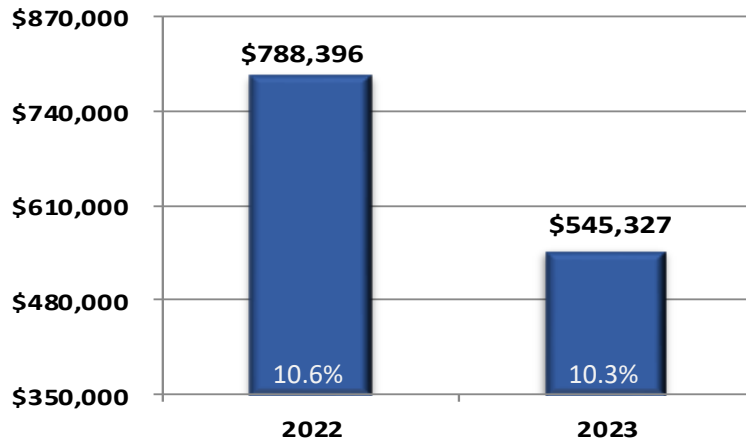
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Industries Served

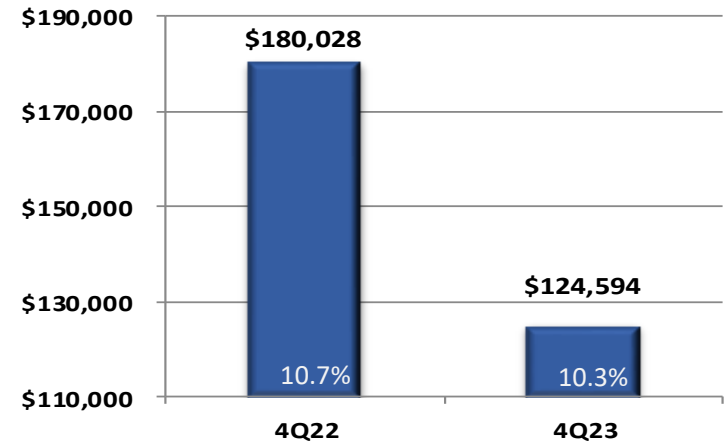
	As a Percentage of Revenue		Quarter over Prior Year Quarter Change in Revenue
	4Q22	4Q23	
Consumer Durables	28.9	27.8	-31%
Machinery	12.5	13.7	-21%
Automotive	10.9	11.6	-23%
Building Products	7.7	8.1	-25%
AA&E, Hazmat	7.8	7.6	-30%
Metals	4.6	4.9	-24%
Foodstuffs	3.3	2.7	-40%
Substitute Line Haul	3.6	2.4	-53%
Other	20.7	21.2	-27%
Transportation Revenue	<u>100.0</u>	<u>100.0</u>	-28%

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

Fiscal Year

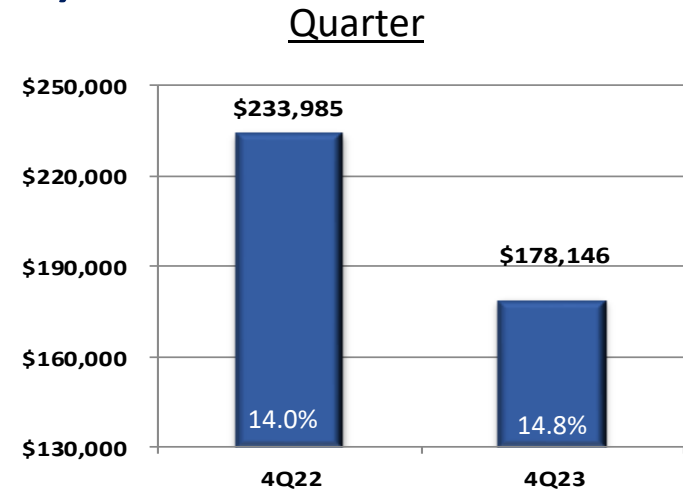
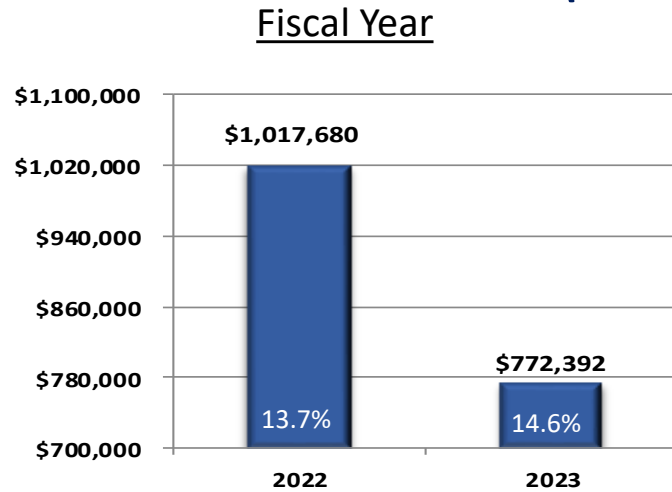


Quarter



- (1) Gross profit equals revenue less the cost of purchased transportation, commissions to agents and other costs of revenue.
- (2) Gross profit margin equals gross profit divided by revenue.
- (3) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2022 fourth quarter included fourteen weeks of operations whereas the 2023 fourth quarter included thirteen weeks. Fiscal year 2022 included fifty-three weeks of operations whereas fiscal year 2023 included fifty-two.

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



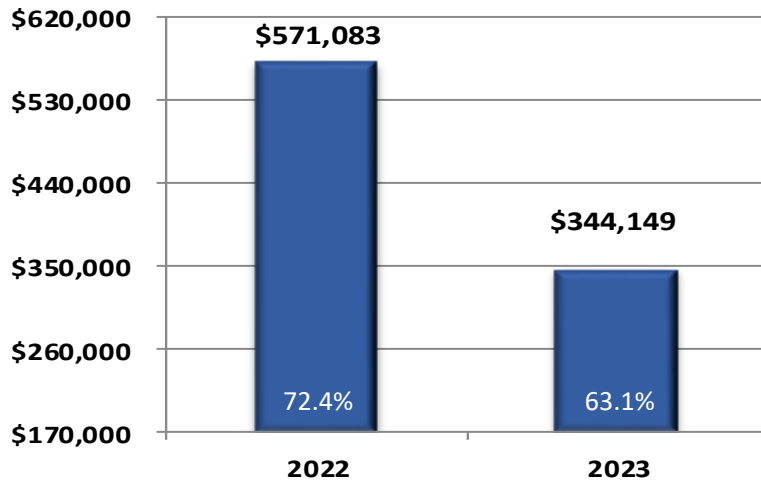
	Fiscal Year ⁽⁴⁾
Changes in variable contribution margin	%
2022 Period	13.7
Revenue - fixed	-0.1
Revenue - variable	0.6
Change in mix and other	0.4
2023 Period	14.6

	4th Qtr ⁽⁴⁾
Changes in variable contribution margin	%
2022 Period	14.0
Revenue - fixed	0.4
Revenue - variable	0.0
Change in mix and other	0.4
2023 Period	14.8

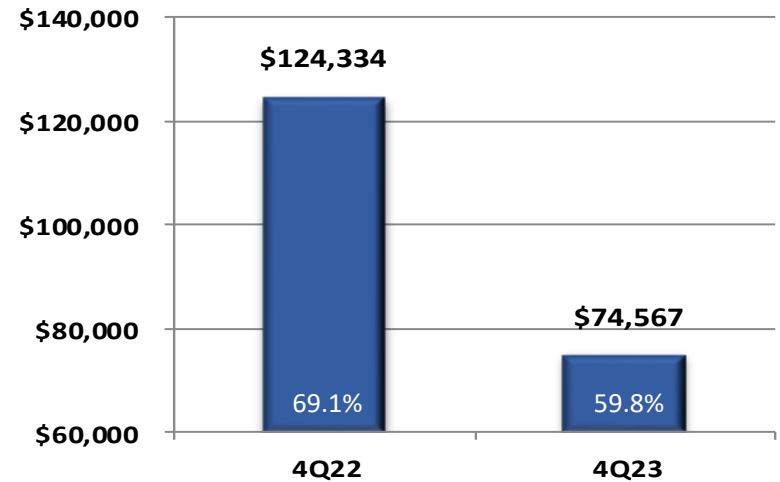
- (1) Variable contribution equals revenue less the cost of purchased transportation and commissions to agents.
- (2) Variable contribution margin equals variable contribution divided by revenue.
- (3) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2022 fourth quarter included fourteen weeks of operations whereas the 2023 fourth quarter included thirteen weeks. Fiscal year 2022 included fifty-three weeks of operations whereas fiscal year 2023 included fifty-two.
- (4) Revenue on transactions where the Company's variable contribution margin was based on a contractually pre-determined percentage of revenue accounted for 40% and 43% of revenue in the 2022 and 2023 fiscal year periods, respectively, and 41% and 43% of revenue in the 2022 and 2023 fourth quarters, respectively.

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

Fiscal Year



Quarter

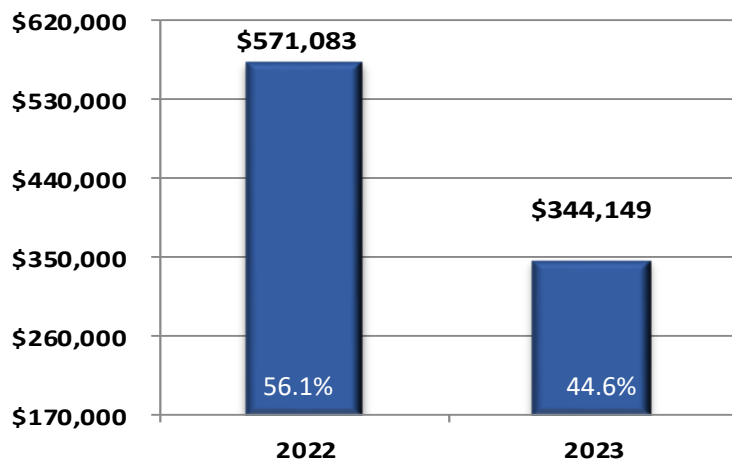


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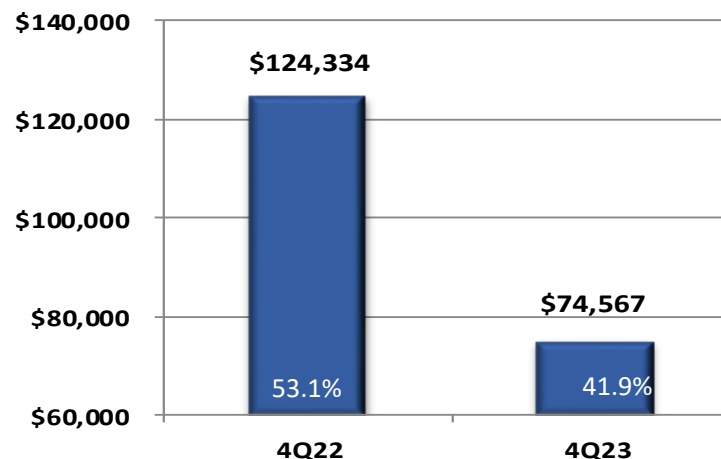
Operating Income as a % of Variable Contribution

(\$'s in thousands)

Fiscal Year



Quarter



	Fiscal Year
Changes in operating income as a % of variable contribution	%
2022 Period	56.1
Other operating costs	-2.5
Insurance and claims	-1.4
SG&A	-5.7
Depreciation and amortization	-1.9
2023 Period	44.6

	4th Qtr
Changes in operating income as a % of variable contribution	%
2022 Period	53.1
Other operating costs	-3.0
Insurance and claims	-1.3
SG&A	-5.6
Depreciation and amortization	-1.3
2023 Period	41.9

(1) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2022 fourth quarter included fourteen weeks of operations whereas the 2023 fourth quarter included thirteen weeks. Fiscal year 2022 included fifty-three weeks of operations whereas fiscal year 2023 included fifty-two.

Truck Capacity Data

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

	Dec 31, 2022 ⁽²⁾	Dec 30, 2023 ⁽²⁾
BCO Independent Contractors	10,393	9,024
Truck Brokerage Carriers:		
Approved and Active ⁽¹⁾	66,745	49,111
Other Approved	30,999	27,524
	97,744	76,635
Total Available Truck Capacity Providers	108,137	85,659
Trucks Provided by BCO Independent Contractors	11,281	9,809

(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 \$324.4 million and \$445.0 million in the 2023 and 2022 fiscal year periods, respectively, and \$79.5 million and \$114.8 million in the 2023 and 2022 fourth quarters, respectively.

Key Balance Sheet and Cash Flow Statistics

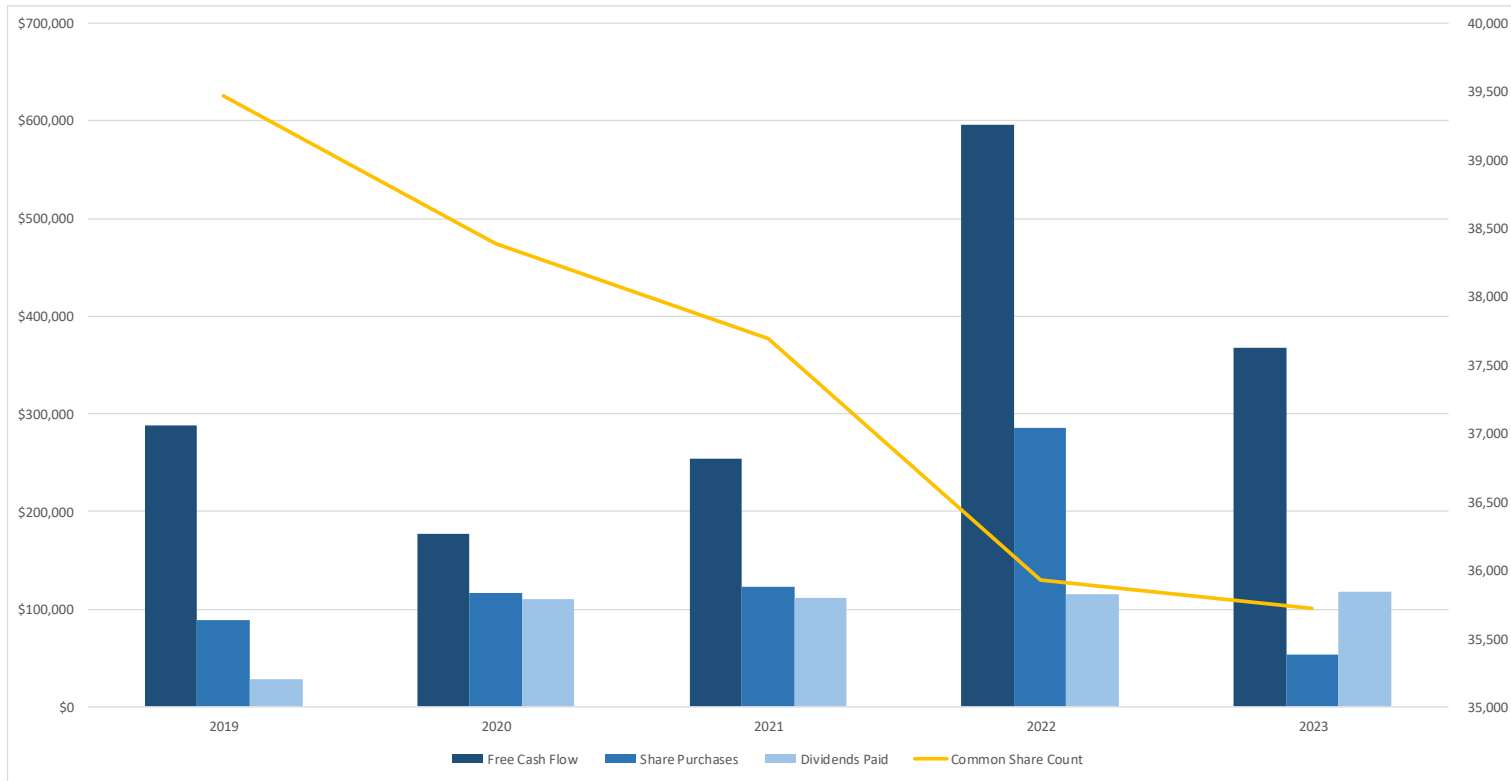
(\$'s in thousands)

	Dec 31, 2022	Dec 30, 2023
Balance sheet (period end amounts):		
Debt to Capital	10%	7%
Net Cash (1)	\$ 290,136	\$ 469,564
Cash flow:		
Cash flow from operations	\$ 622,659	\$ 393,648
Capital expenditures	\$ 26,005	\$ 25,688
Share repurchases	\$ 285,983	\$ 53,919
Dividends paid	\$ 115,671	\$ 117,130
Returns (trailing 12 months):		
Return on Equity	50%	27%
Return on Invested Capital	44%	25%
Return on Assets	21%	14%

(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)



2023	(000's)
Free cash flow (1)	\$ 367,960
Share purchases	\$ 53,919
Dividends paid	\$ 117,130
Ending common share count	35,717

(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*)

	Fiscal Years Ended		Fiscal Quarters Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Revenue	\$ 5,303,322	\$ 7,436,562	\$ 1,204,445	\$ 1,674,767
Costs of revenue:				
Purchased transportation	4,068,262	5,804,017	927,028	1,291,676
Commissions to agents	462,668	614,865	99,271	149,106
Variable costs of revenue	4,530,930	6,418,882	1,026,299	1,440,782
Trailing equipment depreciation	31,319	36,653	7,079	8,893
Information technology costs (1)	25,486	19,834	5,695	5,966
Insurance-related costs (2)	116,069	127,605	27,585	28,784
Other operating costs	54,191	45,192	13,193	10,314
Other costs of revenue	227,065	229,284	53,552	53,957
Total costs of revenue	4,757,995	6,648,166	1,079,851	1,494,739
Gross profit	<u>\$ 545,327</u>	<u>\$ 788,396</u>	<u>\$ 124,594</u>	<u>\$ 180,028</u>
Gross profit margin	10.3%	10.6%	10.3%	10.7%
Plus: other costs of revenue	227,065	229,284	53,552	53,957
Variable contribution	<u>\$ 772,392</u>	<u>\$ 1,017,680</u>	<u>\$ 178,146</u>	<u>\$ 233,985</u>
Variable contribution margin	14.6%	13.7%	14.8%	14.0%

(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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