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

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**FORM 8-K**

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

**Date of Report (Date of earliest event reported) January 31, 2018**

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**LANDSTAR SYSTEM, INC.**

(Exact name of registrant as specified in its charter)

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**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)

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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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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## Item 2.02 Results of Operations and Financial Condition

On January 31, 2018, Landstar System, Inc. issued a press release announcing results for the fourth 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 January 31, 2018, 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 February 1, 2018 in connection with the Company’s release of results for the fourth 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 | <a href="#">News Release dated January 31, 2018 of Landstar System, Inc.</a>       |
| 99.2 | <a href="#">Slide Presentation dated January 31, 2018 of Landstar System, Inc.</a> |

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: January 31, 2018

By: /s/ L. Kevin Stout

Name: L. Kevin Stout

Title: Vice President and Chief Financial Officer



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

For Immediate Release

Contact: Kevin Stout  
Landstar System, Inc.  
[www.landstar.com](http://www.landstar.com)  
904-398-9400

January 31, 2018

**LANDSTAR SYSTEM REPORTS RECORD QUARTERLY REVENUE  
OF \$1.052 BILLION, RECORD QUARTERLY DILUTED EARNINGS PER SHARE  
AND AN INCREASED QUARTERLY DIVIDEND**

Jacksonville, FL – Landstar System, Inc. (NASDAQ: LSTR) reported net income of \$64.8 million, or \$1.54 per diluted share, in the 2017 fourth quarter on record revenue of \$1.052 billion. Included in net income in the 2017 fourth quarter are one-time tax benefits of approximately \$19.5 million, or \$0.46 per diluted share, related to the Company's reasonable estimate of the change in future tax rates on net deferred tax liabilities as a result of the enactment of the Tax Cuts and Jobs Act in December 2017. Excluding the impact of the revaluation of the deferred tax liabilities, the Company's 2017 fourth quarter net income was \$45.2 million and diluted earnings per share was \$1.08, each of which would also have been quarterly records from continuing operations.

Revenue for the 2017 fourth quarter represented the first quarter in the Company's history to surpass \$1 billion. The Company also established new quarterly records for gross profit (defined as revenue less the cost of purchased transportation and commissions to agents) and operating income in the 2017 fourth quarter. Gross profit was \$149.7 million and operating income was \$70.0 million in the 2017 fourth quarter. Operating margin, representing operating income divided by gross profit, was 46.8 percent in the 2017 fourth quarter.

Truck transportation revenue hauled by independent business capacity owners (“BCOs”) and truck brokerage carriers in the 2017 fourth quarter was \$967.5 million, or 92 percent of revenue, compared to \$832.2 million, or 93 percent of revenue, in the 2016 fourth quarter. Truckload transportation revenue hauled via van equipment in the 2017 fourth quarter was \$634.4 million compared to \$548.4 million in the 2016 fourth quarter. Truckload transportation revenue hauled via unsided/platform equipment in the 2017 fourth quarter was \$309.5 million compared to \$263.3 million in the 2016 fourth quarter. Revenue hauled by rail, air and ocean cargo carriers was \$68.0 million, or 6 percent of revenue, in the 2017 fourth quarter compared to \$48.7 million, or 5 percent of revenue, in the 2016 fourth quarter.

Fiscal year 2017 return on average shareholders’ equity was 29 percent and return on invested capital, representing net income divided by the sum of average equity plus average debt, was 24 percent. As previously disclosed, the Company announced that on December 11, 2017, its Board of Directors increased the number of shares of its common stock that the Company is authorized to purchase under its stock purchase program to 3,000,000 and also that its Board declared a special one-time cash dividend in the amount of \$1.50 per share, that was paid on January 26, 2018, to stockholders of record as of the close of business on January 12, 2018. Currently, there are 3,000,000 shares of the Company’s common stock available for purchase under Landstar’s authorized share purchase program. In addition, Landstar announced today that its Board of Directors has declared a quarterly dividend of \$0.15 per share payable on March 16, 2018 to stockholders of record at the close of business on February 19, 2018. This represents a 50 percent increase to the Company’s previous quarterly dividend. It is currently the intention of the Board to pay dividends on a quarterly basis going forward.

Commenting on Landstar’s 2017 fourth quarter results, Landstar’s President and CEO Jim Gattoni said, “The 2017 fourth quarter was a historic quarter for the Company as it represented the first quarter ever that the Company exceeded \$1 billion in revenue. The Company also set quarterly records in the 2017 fourth quarter for many other financial metrics. Revenue, gross profit, operating income, net income and diluted earnings per share were all quarterly records. The number of loads hauled via truck in the fourth quarter of 2017 was also an all-time Landstar quarterly record. 2017 fourth quarter revenue, gross profit, operating income, net income and diluted earnings per share

grew 18%, 13%, 10%, 64% and 64%, respectively, over the 2016 fourth quarter despite the 2016 fourth quarter having one additional week of operations. Excluding the impact of the revaluation of the deferred tax liabilities as a result of the enactment of the Tax Cuts and Jobs Act in December 2017, net income and diluted earnings per share grew 14% and 15%, respectively, over the 2016 fourth quarter.”

Gattoni continued, “The number of loads hauled via truck in the 2017 fourth quarter increased 3 percent over the 2016 fourth quarter, driven by a 2 percent increase in the number of loads hauled via van equipment, a 4 percent increase in the number of loads hauled via unsided/platform equipment and a 9 percent increase in LTL volume. As previously disclosed in the Company’s 2017 third quarter earnings press release dated October 25, 2017, the 2016 fourth quarter included an extra week and, in 2016, Christmas day fell on a Sunday, making the week including Christmas in 2016 more productive than years when Christmas falls on a weekday, as in 2017 when Christmas fell on a Monday. We estimate that the extra week, plus the increased productivity due to the timing of Christmas, added approximately 30,000 loads to the 2016 fourth quarter. Excluding these loads, we estimate that the number of loads hauled via truck in the 2017 fourth quarter exceeded the 2016 fourth quarter by approximately 10 percent. The number of loads hauled via railroads, ocean cargo carriers and air cargo carriers in the fourth quarter increased 9 percent over the 2016 fourth quarter.”

Gattoni further stated, “The pricing environment for our truckload services was strong throughout the 2017 fourth quarter. Industry-wide truck capacity was tight throughout the quarter resulting in year-over-prior-year increases in revenue per load on loads hauled via truck of 11 percent, 14 percent and 14 percent as compared to October, November and December of 2016, respectively.”

Gattoni further commented, “Landstar’s financial performance in fiscal year 2017 was the best in the Company’s history. Landstar set many annual financial and operational high water marks in 2017, including revenue, gross profit, operating income, net income, diluted earnings per share, truck loads and year end truck count provided by BCOs. Revenue in fiscal 2017 was approximately \$3.6 billion, an annual record. Gross profit in 2017 was \$544 million, also an annual record. Record revenue and gross profit

in 2017 was provided on the strength of approximately 1,903,000 loads hauled via truck capacity, the highest number of loads hauled via truck in any year in Landstar history. Operating income in 2017 was an annual record of \$244 million and represented year-over-year growth of 9 percent. Diluted earnings per share in 2017 was an annual record of \$4.21 and represented year-over-year growth of 30 percent. Excluding the impact of the revaluation of the deferred tax liabilities as a result of the enactment of the Tax Cuts and Jobs Act in December 2017, the Company's fiscal year 2017 diluted earnings per share was \$3.75, which also would have been an annual record. The year-over-year earnings growth rates are particularly impressive given a significant increase in the provision for incentive compensation in 2017 and the fact that 2016 had one additional week of operations compared to 2017. These 2017 achievements speak to the strength and depth of the Landstar network and ability to execute. I am extremely pleased by our continued organic load volume growth and our ability to continue to attract productive agents and capacity to the network."

Gattoni further commented, "With respect to near term performance, during the first three weeks of 2018, we are experiencing growth in the number of loads hauled via truck in the high single-digit percentage range over the 2017 first quarter. I expect that trend to continue throughout the 2018 first quarter. As it pertains to revenue per load on loads hauled via truck, rates continue to be strong and I do not expect a significant change in the rate environment over the balance of the 2018 first quarter. As such, I expect revenue per load on loads hauled via truck in the 2018 first quarter to increase in a mid-teen percentage range over the 2017 first quarter. Assuming the current environment continues throughout the 2018 first quarter, I anticipate revenue for the 2018 first quarter to be in a range of \$925 million to \$975 million. Assuming that range of estimated revenue, I would anticipate 2018 first quarter diluted earnings per share to be in a range of \$1.22 to \$1.27 per share. The estimated range of diluted earnings per share assumes insurance and claims costs at 3.5 percent of BCO revenue, representing the historical annual average of insurance and claims costs to BCO revenue over the previous 5 years, and an annual effective income tax rate of approximately 24.5 percent, prior to any discrete items that may occur in 2018."

Landstar will provide a live webcast of its quarterly earnings conference call tomorrow morning at 8:00 am ET. To access the webcast, visit the Company's website at [www.landstar.com](http://www.landstar.com); click on "Investor Relations" and "Webcasts," then click on "Landstar's Fourth Quarter 2017 Earnings Release Conference Call."

This earnings announcement, as well as an accompanying slide presentation, is available through the Company's website at <http://investor.landstar.com> under "Presentations" and on a Form 8-K filed with the Securities and Exchange Commission.

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; acquired business and noncontrolling interests 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. 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)

|   | Fiscal Years Ended   |                      | Fiscal Quarters Ended |                      |
|---|----------------------|----------------------|-----------------------|----------------------|
|   | December 30,<br>2017 | December 31,<br>2016 | December 30,<br>2017  | December 31,<br>2016 |
| Revenue   | \$ 3,646,364         | \$ 3,167,634         | \$ 1,051,592          | \$ 892,829           |
| Investment income   | 2,498                | 1,502                | 765                   | 402                  |
| Costs and expenses:   |                      |                      |                       |                      |
| Purchased transportation  | 2,805,109            | 2,415,663            | 815,171               | 684,918              |
| Commissions to agents   | 297,410              | 264,205              | 86,732                | 75,130               |
| Other operating costs, net of gains/losses on asset sales/dispositions          | 28,687               | 29,702               | 6,190                 | 8,218                |
| Insurance and claims  | 62,545               | 57,280               | 16,212                | 14,485               |
| Selling, general and administrative   | 170,583              | 143,239              | 47,404                | 37,028               |
| Depreciation and amortization   | 40,560               | 35,796               | 10,599                | 9,687                |
| Total costs and expenses  | <u>3,404,894</u>     | <u>2,945,885</u>     | <u>982,308</u>        | <u>829,466</u>       |
| Operating income  | 243,968              | 223,251              | 70,049                | 63,765               |
| Interest and debt expense   | 3,166                | 3,794                | 607                   | 1,069                |
| Income before income taxes  | 240,802              | 219,457              | 69,442                | 62,696               |
| Income taxes  | 63,806               | 82,107               | 4,759                 | 23,122               |
| Net income  | 176,996              | 137,350              | 64,683                | 39,574               |
| Less: Net loss attributable to noncontrolling interest                          | (92)                 | —                    | (69)                  | —                    |
| Net income attributable to Landstar System, Inc. and subsidiary                 | <u>\$ 177,088</u>    | <u>\$ 137,350</u>    | <u>\$ 64,752</u>      | <u>\$ 39,574</u>     |
| Earnings per common share attributable to Landstar System, Inc. and subsidiary  | <u>\$ 4.22</u>       | <u>\$ 3.26</u>       | <u>\$ 1.54</u>        | <u>\$ 0.95</u>       |
| Diluted earnings per share attributable to Landstar System, Inc. and subsidiary | <u>\$ 4.21</u>       | <u>\$ 3.25</u>       | <u>\$ 1.54</u>        | <u>\$ 0.94</u>       |
| Average number of shares outstanding:   |                      |                      |                       |                      |
| Earnings per common share   | <u>41,938,000</u>    | <u>42,112,000</u>    | <u>41,981,000</u>     | <u>41,805,000</u>    |
| Diluted earnings per share  | <u>42,024,000</u>    | <u>42,236,000</u>    | <u>42,054,000</u>     | <u>41,938,000</u>    |
| Dividends per common share  | <u>\$ 1.88</u>       | <u>\$ 0.34</u>       | <u>\$ 1.60</u>        | <u>\$ 0.09</u>       |

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

|   | December 30,<br>2017 | December 31,<br>2016 |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| Current assets:   |                      |                      |
| Cash and cash equivalents   | \$ 242,416           | \$ 178,897           |
| Short-term investments  | 48,928               | 66,560               |
| Trade accounts receivable, less allowance of \$6,131 and \$5,161  | 631,164              | 463,102              |
| Other receivables, including advances to independent contractors, less allowance of \$6,012 and \$5,523 | 24,301               | 18,567               |
| Other current assets  | 14,394               | 10,281               |
| Total current assets  | <u>961,203</u>       | <u>737,407</u>       |
| Operating property, less accumulated depreciation and amortization of \$218,700 and \$190,374           | 276,011              | 272,843              |
| Goodwill  | 39,065               | 31,134               |
| Other assets  | 76,181               | 55,207               |
| Total assets  | <u>\$ 1,352,460</u>  | <u>\$ 1,096,591</u>  |
| <b>LIABILITIES AND EQUITY</b>   |                      |                      |
| Current liabilities:  |                      |                      |
| Cash overdraft  | \$ 42,242            | \$ 36,251            |
| Accounts payable  | 285,132              | 219,409              |
| Current maturities of long-term debt  | 42,051               | 45,047               |
| Insurance claims  | 38,919               | 26,121               |
| Dividends payable   | 62,985               | —                    |
| Accrued compensation  | 30,103               | 7,769                |
| Other current liabilities   | 47,211               | 45,714               |
| Total current liabilities   | <u>548,643</u>       | <u>380,311</u>       |
| Long-term debt, excluding current maturities  | 83,062               | 93,257               |
| Insurance claims  | 30,141               | 26,883               |
| Deferred income taxes and other non-current liabilities   | 36,737               | 53,583               |
| Equity  |                      |                      |
| Landstar System, Inc. and subsidiary shareholders' equity   |                      |                      |
| Common stock, \$0.01 par value, authorized 160,000,000 shares, issued 67,740,380 and 67,585,675 shares  | 677                  | 676                  |
| Additional paid-in capital  | 209,599              | 199,414              |
| Retained earnings   | 1,611,158            | 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  | (3,162)              | (3,089)              |
| Total Landstar System, Inc. and subsidiary shareholders' equity   | <u>650,672</u>       | <u>542,557</u>       |
| Noncontrolling interest   | 3,205                | —                    |
| Total equity  | <u>653,877</u>       | <u>542,557</u>       |
| Total liabilities and equity  | <u>\$ 1,352,460</u>  | <u>\$ 1,096,591</u>  |

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

|  | Fiscal Years Ended   |                      | Fiscal Quarters Ended |                      |
|--|----------------------|----------------------|-----------------------|----------------------|
|  | December 30,<br>2017 | December 31,<br>2016 | December 30,<br>2017  | December 31,<br>2016 |
| <b>Revenue generated through (in thousands):</b>   |                      |                      |                       |                      |
| Truck transportation   |                      |                      |                       |                      |
| Truckload:   |                      |                      |                       |                      |
| Van equipment  | \$2,163,832          | \$1,900,406          | \$ 634,430            | \$ 548,426           |
| Unsided/platform equipment   | 1,134,660            | 963,649              | 309,466               | 263,280              |
| Less-than-truckload  | 89,041               | 74,530               | 23,644                | 20,464               |
| Total truck transportation   | 3,387,533            | 2,938,585            | 967,540               | 832,170              |
| Rail intermodal  | 96,416               | 103,721              | 27,846                | 26,734               |
| Ocean and air cargo carriers   | 110,898              | 78,513               | 40,190                | 22,013               |
| Other (1)  | 51,517               | 46,815               | 16,016                | 11,912               |
|  | <u>\$3,646,364</u>   | <u>\$3,167,634</u>   | <u>\$1,051,592</u>    | <u>\$ 892,829</u>    |
| Revenue on loads hauled via BCO Independent Contractors (2) included in total truck transportation | \$1,655,026          | \$1,488,925          | \$ 443,462            | \$ 402,077           |
| <b>Number of loads:</b>  |                      |                      |                       |                      |
| Truck transportation   |                      |                      |                       |                      |
| Truckload:   |                      |                      |                       |                      |
| Van equipment  | 1,282,632            | 1,179,183            | 339,738               | 331,975              |
| Unsided/platform equipment   | 487,652              | 451,686              | 124,716               | 120,460              |
| Less-than-truckload  | 132,776              | 115,521              | 34,036                | 31,205               |
| Total truck transportation   | 1,903,060            | 1,746,390            | 498,490               | 483,640              |
| Rail intermodal  | 45,000               | 48,820               | 12,960                | 12,700               |
| Ocean and air cargo carriers   | 25,420               | 20,690               | 7,270                 | 5,780                |
|  | <u>1,973,480</u>     | <u>1,815,900</u>     | <u>518,720</u>        | <u>502,120</u>       |
| Loads hauled via BCO Independent Contractors (2) included in total truck transportation            | 916,190              | 865,430              | 229,360               | 234,550              |
| <b>Revenue per load:</b>   |                      |                      |                       |                      |
| Truck transportation   |                      |                      |                       |                      |
| Truckload:   |                      |                      |                       |                      |
| Van equipment  | \$ 1,687             | \$ 1,612             | \$ 1,867              | \$ 1,652             |
| Unsided/platform equipment   | 2,327                | 2,133                | 2,481                 | 2,186                |
| Less-than-truckload  | 671                  | 645                  | 695                   | 656                  |
| Total truck transportation   | 1,780                | 1,683                | 1,941                 | 1,721                |
| Rail intermodal  | 2,143                | 2,125                | 2,149                 | 2,105                |
| Ocean and air cargo carriers   | 4,363                | 3,795                | 5,528                 | 3,808                |
| Revenue per load on loads hauled via BCO Independent Contractors (2)                               | \$ 1,806             | \$ 1,720             | \$ 1,933              | \$ 1,714             |
| <b>Revenue by capacity type (as a % of total revenue):</b>   |                      |                      |                       |                      |
| Truck capacity providers:  |                      |                      |                       |                      |
| BCO Independent Contractors (2)  | 45%                  | 47%                  | 42%                   | 45%                  |
| Truck Brokerage Carriers   | 48%                  | 46%                  | 50%                   | 48%                  |
| Rail intermodal  | 3%                   | 3%                   | 3%                    | 3%                   |
| Ocean and air cargo carriers   | 3%                   | 2%                   | 4%                    | 2%                   |
| Other  | 1%                   | 1%                   | 2%                    | 1%                   |
| <b>Truck Capacity Providers</b>  |                      |                      |                       |                      |
| BCO Independent Contractors (2)  |                      |                      | December 30,<br>2017  | December 31,<br>2016 |
|  |                      |                      | 9,087                 | 8,824                |
| Truck Brokerage Carriers:  |                      |                      |                       |                      |
| Approved and active (3)  |                      |                      | 34,243                | 31,471               |
| Other approved   |                      |                      | 15,691                | 15,982               |
|  |                      |                      | <u>49,934</u>         | <u>47,453</u>        |
| Total available truck capacity providers   |                      |                      | <u>59,021</u>         | <u>56,277</u>        |
| Trucks provided by BCO Independent Contractors (2)   |                      |                      | 9,696                 | 9,439                |

(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.

DESIGNED TO RESPOND  
BUILT TO DELIVER



*Landstar System, Inc.  
Earnings Conference Call  
Fourth Quarter 2017  
January 31, 2018*



Date Published: 01/31/2018

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 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

## 2017 Results

\$3.6 billion in revenue

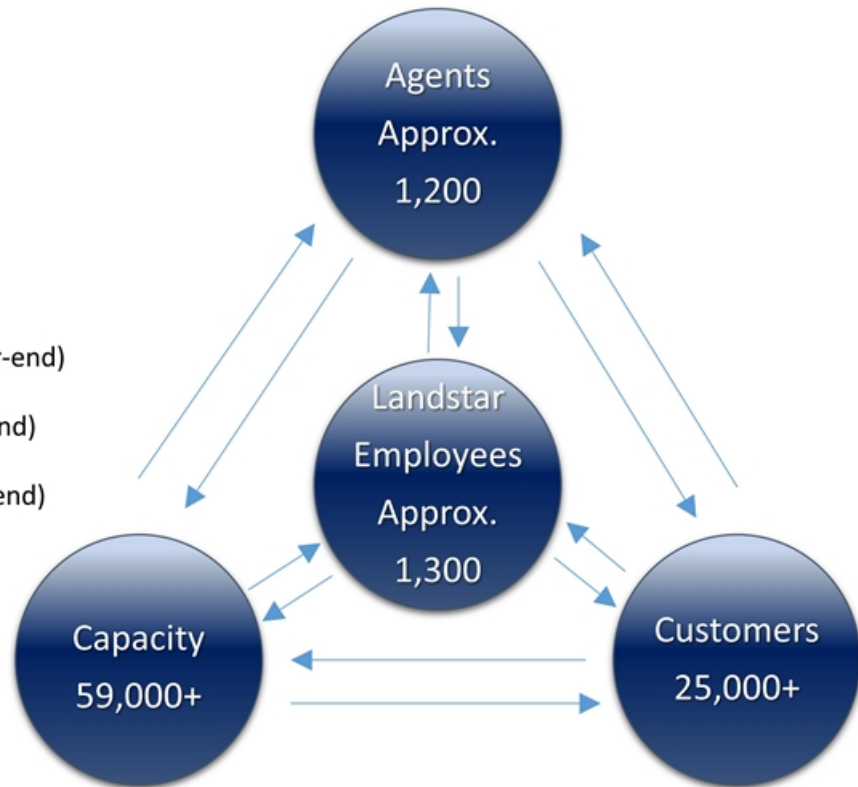
2.0 million loadings

542 million dollar agents

9,696 BCO trucks (2017 year-end)

49,934 Carriers (2017 year-end)

15,000+ Trailers (2017 year-end)



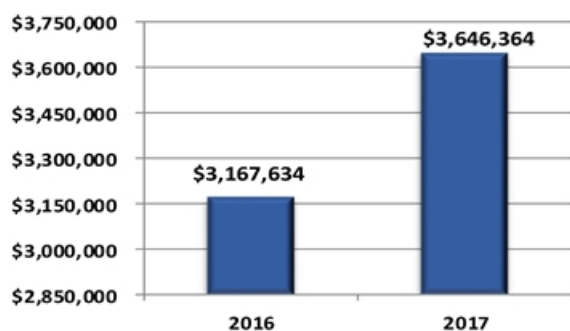


# Transportation Management Services

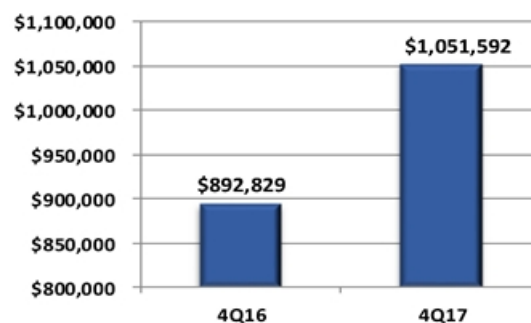
|                            | Percentage of Revenue |      |
|----------------------------|-----------------------|------|
|                            | 4Q16                  | 4Q17 |
| Truck Transportation       |                       |      |
| Truckload                  |                       |      |
| Van equipment              | 61%                   | 60%  |
| Unsided/platform equipment | 29%                   | 29%  |
| Less-than-truckload        | 2%                    | 2%   |
| Rail intermodal            | 3%                    | 3%   |
| Ocean and air cargo        | 2%                    | 4%   |

# Revenue (\$'s in thousands)

Fiscal Year <sup>(1)</sup>



Quarter <sup>(1)</sup>



| Year over Prior Year    | Rate <sup>(2)</sup> | Volume <sup>(3)</sup> | Change       |
|-------------------------|---------------------|-----------------------|--------------|
| Truck Revenue           | 5.8%                | 9.0%                  | 15.3%        |
| Rail Intermodal Revenue | 0.8%                | -7.8%                 | -7.0%        |
| Ocean/Air Revenue       | 15.0%               | 22.9%                 | 41.2%        |
| Insurance Premiums      | NA                  | NA                    | 1.2%         |
| <b>Total Revenue</b>    |                     |                       | <b>15.1%</b> |

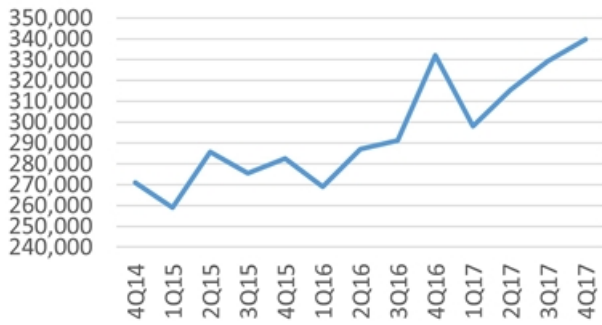
| Qtr over Prior Year Qtr | Rate <sup>(2)</sup> | Volume <sup>(3)</sup> | Change       |
|-------------------------|---------------------|-----------------------|--------------|
| Truck Revenue           | 12.8%               | 3.1%                  | 16.3%        |
| Rail Intermodal Revenue | 2.1%                | 2.0%                  | 4.2%         |
| Ocean/Air Revenue       | 45.2%               | 25.8%                 | 82.6%        |
| Insurance Premiums      | NA                  | NA                    | 2.3%         |
| <b>Total Revenue</b>    |                     |                       | <b>17.8%</b> |

- (1) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2017 fourth quarter included thirteen weeks of operations whereas the 2016 fourth quarter included fourteen weeks. Fiscal year 2017 included fifty-two weeks of operations whereas fiscal year 2016 included fifty-three.
- (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 Load (Excludes LTL)

Number of Loads (1)

## Van Equipment



Revenue per Load

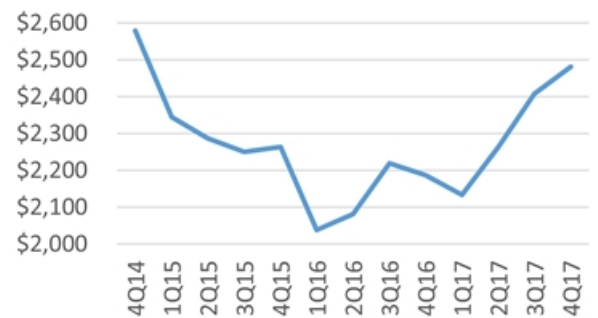


Number of Loads (1)

## Unsided/Platform Equipment



Revenue per Load



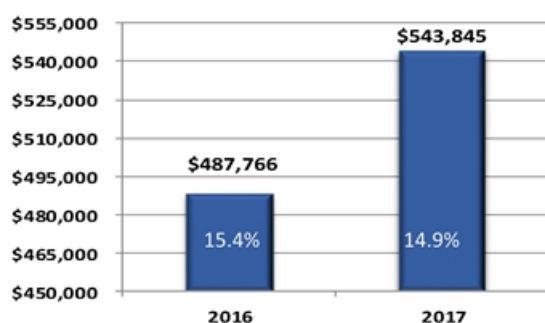
(1) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2017, 2015 and 2014 fourth quarters included thirteen weeks of operations whereas the 2016 fourth quarter included fourteen weeks.

# Industries Served

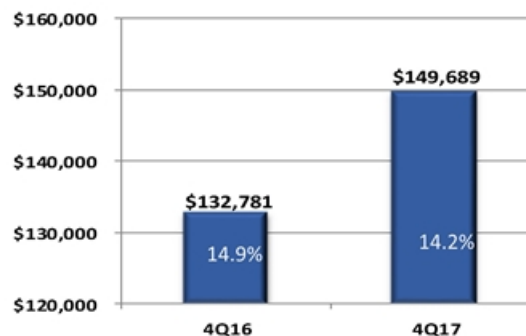
|                               | As a Percentage of Revenue |              | Quarter over Prior<br>Year Quarter<br>Growth |
|-------------------------------|----------------------------|--------------|--|
|                               | 4Q16                       | 4Q17         |  |
| Consumer Durables             | 21.6                       | 23.2         | 27%  |
| Machinery                     | 14.2                       | 13.4         | 12%  |
| Automotive                    | 9.1                        | 7.3          | -5%  |
| Building Products             | 8.1                        | 9.1          | 32%  |
| Metals                        | 6.1                        | 6.2          | 20%  |
| AA&E, Hazmat                  | 7.2                        | 7.5          | 22%  |
| Foodstuffs                    | 5.5                        | 5.4          | 17%  |
| Energy                        | 3.1                        | 2.8          | 6%   |
| Other                         | 25.1                       | 25.1         | 18%  |
| <b>Transportation Revenue</b> | <u>100.0</u>               | <u>100.0</u> | 18%  |

# Gross Profit <sup>(1)</sup> and Gross Profit Margin <sup>(2)</sup> (\$'s in thousands)

Fiscal Year <sup>(3)</sup>



Quarter <sup>(3)</sup>



|                                | Fiscal Year <sup>(4)</sup> |
|--------------------------------|----------------------------|
| Changes in gross profit margin | %                          |
| 2016 Period                    | 15.4                       |
| Revenue - fixed gp margin      | 0.0                        |
| Revenue - variable gp margin   | -0.2                       |
| Change in mix and other        | -0.3                       |
| 2017 Period                    | 14.9                       |

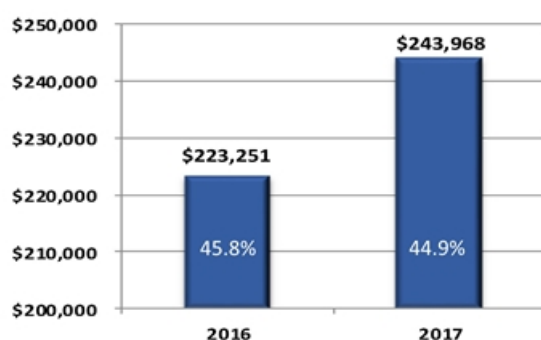
|                                | 4th Qtr <sup>(4)</sup> |
|--------------------------------|------------------------|
| Changes in gross profit margin | %                      |
| 2016 Period                    | 14.9                   |
| Revenue - fixed gp margin      | 0.0                    |
| Revenue - variable gp margin   | -0.2                   |
| Change in mix and other        | -0.5                   |
| 2017 Period                    | 14.2                   |

- (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) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2017 fourth quarter included thirteen weeks of operations whereas the 2016 fourth quarter included fourteen weeks. Fiscal year 2017 included fifty-two weeks of operations whereas fiscal year 2016 included fifty-three.
- (4) Revenue on transactions with a fixed gross profit margin was 55% and 53% of revenue in the 2016 and 2017 year-to-date periods, respectively, and 53% and 50% of revenue in the 2016 and 2017 fourth quarters, respectively.

# Operating Income and Operating Margin <sup>(1)</sup>

(\$'s in thousands)

Fiscal Year <sup>(2)</sup>



Quarter <sup>(2)</sup>



|                                    | Fiscal Year |
|------------------------------------|-------------|
| <b>Changes in operating margin</b> | <b>%</b>    |
| 2016 Period                        | 45.8        |
| Other operating costs              | 0.8         |
| Insurance and claims               | 0.4         |
| SG&A                               | -2.0        |
| Depreciation and amortization      | -0.1        |
| 2017 Period                        | 44.9        |

|                                    | 4th Qtr  |
|------------------------------------|----------|
| <b>Changes in operating margin</b> | <b>%</b> |
| 2016 Period                        | 48.0     |
| Other operating costs              | 2.1      |
| Insurance and claims               | 0.3      |
| SG&A                               | -3.8     |
| Depreciation and amortization      | 0.2      |
| 2017 Period                        | 46.8     |

- (1) Operating margin equals operating income divided by gross profit.
- (2) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2017 fourth quarter included thirteen weeks of operations whereas the 2016 fourth quarter included fourteen weeks. Fiscal year 2017 included fifty-two weeks of operations whereas fiscal year 2016 included fifty-three.

# Truck Capacity Data

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

|  | Dec 31,<br>2016 <sup>(2)</sup> | Dec 30,<br>2017 <sup>(2)</sup> |
|--|--------------------------------|--------------------------------|
| BCO Independent Contractors                    | 8,824                          | 9,087                          |
| Truck Brokerage Carriers:                      |                                |                                |
| Approved and Active <sup>(1)</sup>             | 31,471                         | 34,243                         |
| Other Approved                                 | 15,982                         | 15,691                         |
|  | 47,453                         | 49,934                         |
| Total Available Truck Capacity Providers       | 56,277                         | 59,021                         |
| Trucks Provided by BCO Independent Contractors | 9,439                          | 9,696                          |

(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 \$170.8 million and \$129.7 million in the 2017 and 2016 year-to-date periods, respectively, and \$48.8 million and \$38.6 million in the 2017 and 2016 fourth quarters, respectively.

# Key Balance Sheet and Cash Flow Statistics

(\$'s in thousands)

|  | YTD<br>Dec 31,<br>2016 | YTD<br>Dec 30,<br>2017 |
|--|------------------------|------------------------|
| <b>Balance sheet (period end amounts):</b> |                        |                        |
| Debt to Capital                            | 20%                    | 16%                    |
| Net Cash (1)                               | \$ 107,153             | \$ 166,231             |
| <b>Cash flow:</b>                          |                        |                        |
| Cash flow from operations                  | \$ 190,242             | \$ 138,963             |
| Capital expenditures <sup>(2)</sup>        | \$ 22,645              | \$ 24,046              |
| Share repurchases                          | \$ 50,516              | \$ -                   |
| Dividends paid                             | \$ 14,332              | \$ 15,938              |
| <b>Returns:</b>                            |                        |                        |
| TTM Return on Equity                       | 28%                    | 29%                    |
| TTM Return on Invested Capital             | 22%                    | 24%                    |
| TTM Return on Assets                       | 14%                    | 15%                    |

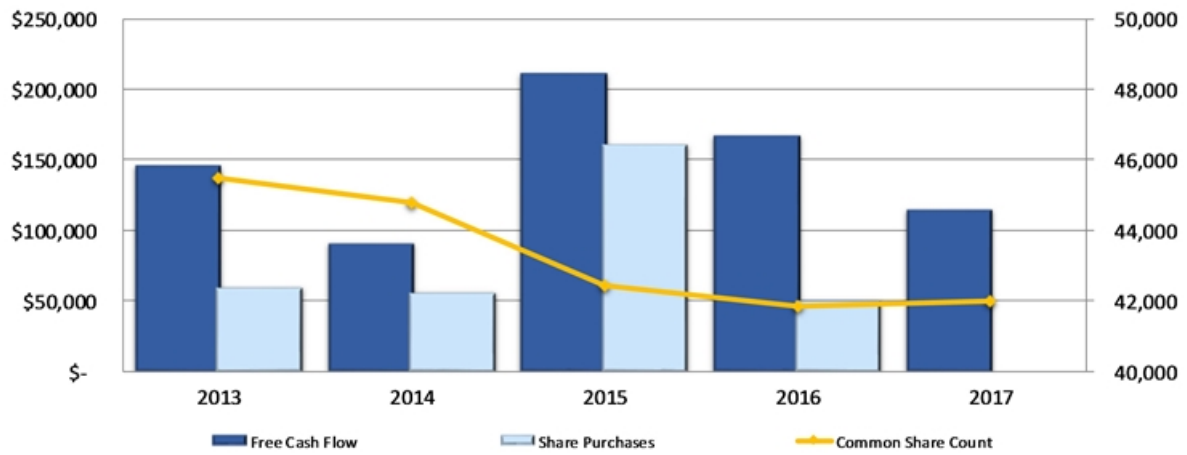
(1) Net cash is defined as cash and cash equivalents plus short term investments less outstanding debt.

(2) Capital expenditures includes approximately \$8.5 million for the acquisition of a business during the 2017 year-to-date period.



# Free Cash Flow <sup>(1)</sup> / Share Purchases

(In Thousands)



|                           |            |
|---------------------------|------------|
| Fourth quarter 2017 YTD   | (000's)    |
| Free cash flow (1)        | \$ 114,917 |
| Share purchases           | \$ -       |
| Ending common share count | 41,991     |

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

DESIGNED TO RESPOND  
BUILT TO DELIVER



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