

DESIGNED TO RESPOND  
BUILT TO DELIVER



*Landstar System, Inc.*  
*Earnings Conference Call*  
*Second Quarter 2017*  
*July 26, 2017*



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# ***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

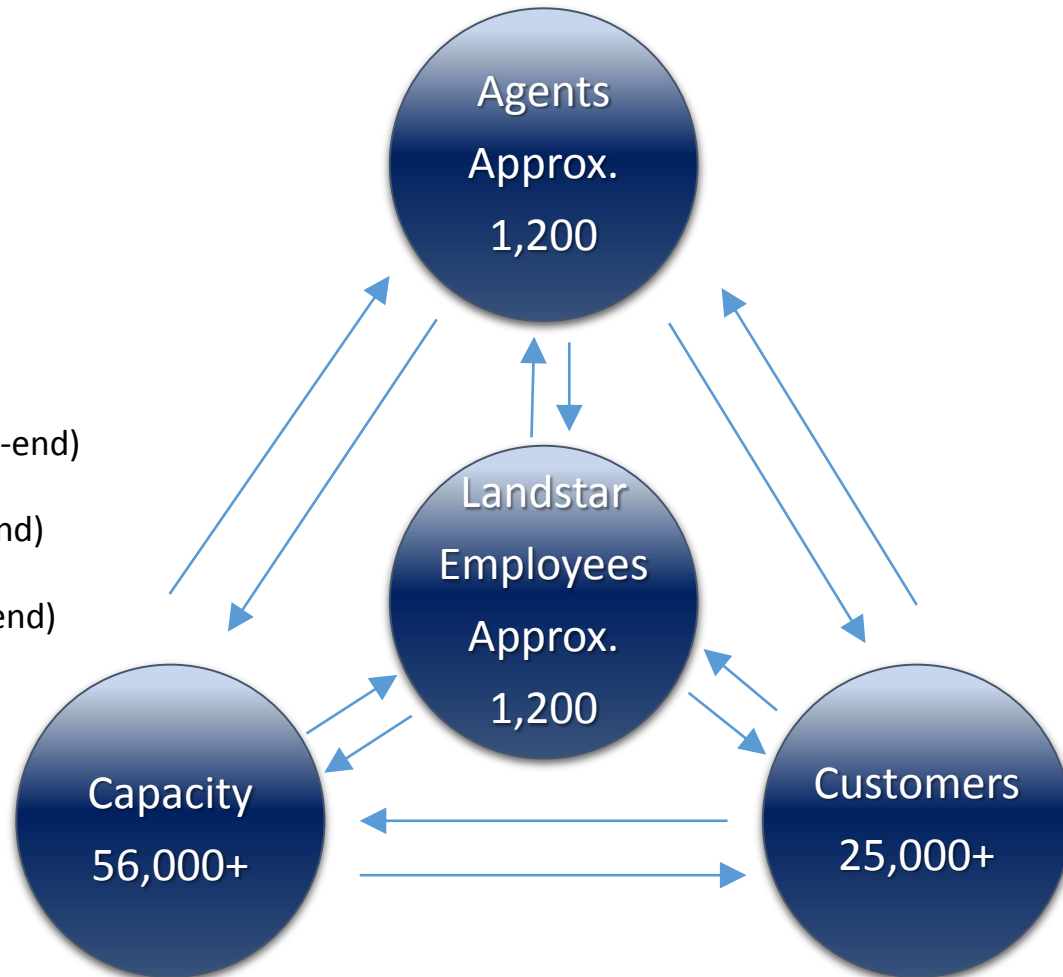
1.8 million loadings

502 million dollar agents

9,439 BCO trucks (2016 year-end)

47,453 Carriers (2016 year-end)

15,000+ Trailers (2016 year-end)

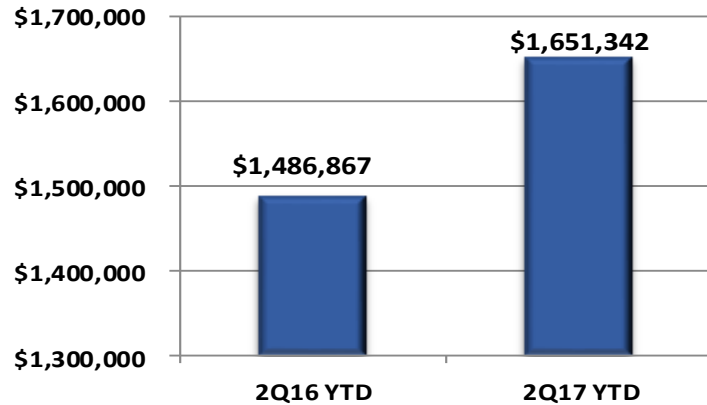


# Transportation Management Services

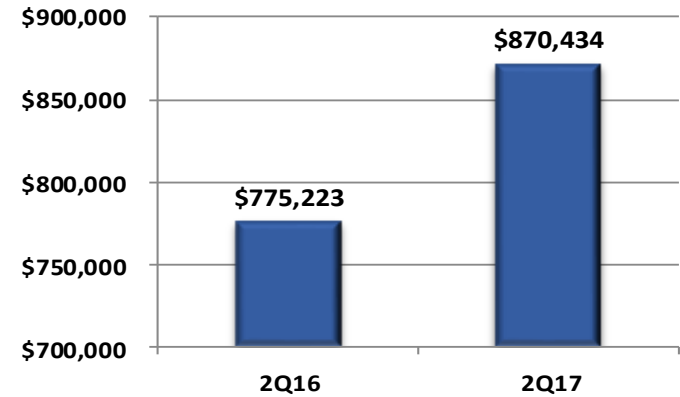
|                            | Percentage of Revenue |      |
|----------------------------|-----------------------|------|
|                            | 2Q16                  | 2Q17 |
| Truck Transportation       |                       |      |
| Truckload                  |                       |      |
| Van equipment              | 59%                   | 58%  |
| Unsided/platform equipment | 31%                   | 33%  |
| Less-than-truckload        | 2%                    | 3%   |
| Rail intermodal            | 3%                    | 2%   |
| Ocean and air cargo        | 2%                    | 2%   |

# Revenue (\$'s in thousands)

Year-to-Date



Quarter



| Year over Prior Year    | Rate <sup>(1)</sup> | Volume <sup>(2)</sup> | Change  |
|-------------------------|---------------------|-----------------------|---------|
| Truck Revenue           | 2.0%                | 10.1%                 | 12.3%   |
| Rail Intermodal Revenue | - 2.2%              | - 13.3%               | - 15.2% |
| Ocean/Air Revenue       | - 10.5%             | 22.1%                 | 9.2%    |
| Insurance Premiums      | NA                  | NA                    | 0.4%    |
| Total Revenue           |                     |                       | 11.1%   |

| Qtr over Prior Year Qtr | Rate <sup>(1)</sup> | Volume <sup>(2)</sup> | Change  |
|-------------------------|---------------------|-----------------------|---------|
| Truck Revenue           | 3.2%                | 10.0%                 | 13.5%   |
| Rail Intermodal Revenue | - 3.3%              | - 15.1%               | - 18.0% |
| Ocean/Air Revenue       | - 4.0%              | 19.0%                 | 14.2%   |
| Insurance Premiums      | NA                  | NA                    | 0.7%    |
| Total Revenue           |                     |                       | 12.3%   |

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

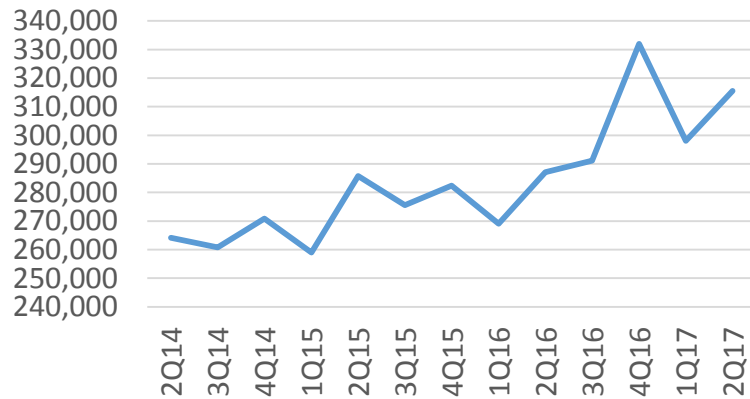
(2) Percentage change in volume is calculated on the number of loads hauled.

# Truckload Loadings and Revenue per Load

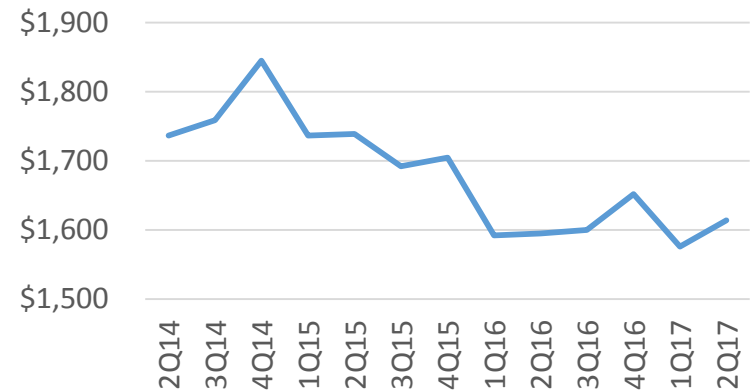
(Excludes LTL)

## Van Equipment

### Number of Loads

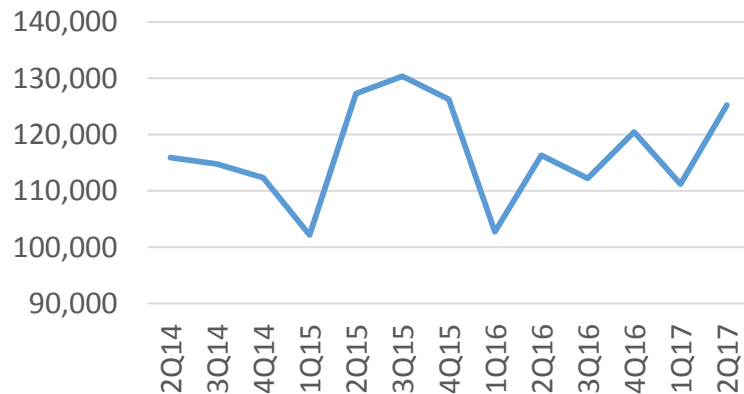


### Revenue per Load

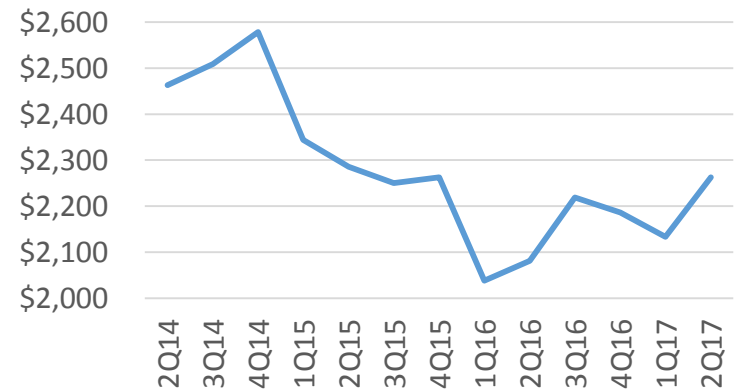


## Unsided/Platform Equipment

### Number of Loads



### Revenue per Load



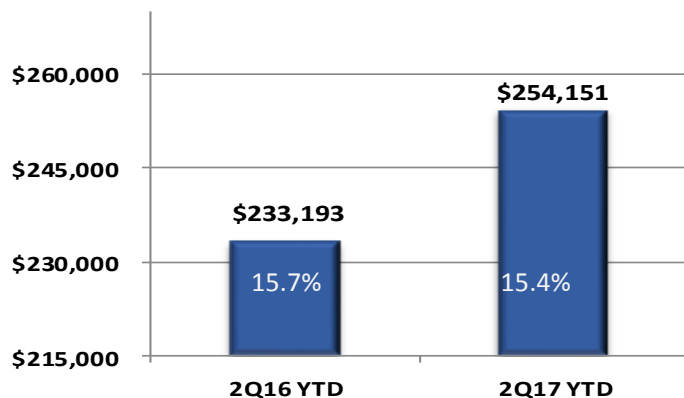
# Industries Served

|                               | As a Percentage of Revenue |              | Quarter over Prior<br>Year Quarter<br>Growth |
|-------------------------------|----------------------------|--------------|--|
|                               | 2Q16                       | 2Q17         |  |
| Consumer Durables             | 20.4                       | 21.1         | 16%  |
| Machinery                     | 14.6                       | 15.2         | 18%  |
| Automotive                    | 9.1                        | 8.2          | 1%   |
| Building Products             | 9.6                        | 9.7          | 13%  |
| Metals                        | 7.0                        | 6.7          | 9%   |
| AA&E, Hazmat                  | 8.0                        | 9.0          | 26%  |
| Foodstuffs                    | 5.1                        | 4.7          | 3%   |
| Energy                        | 3.0                        | 3.7          | 36%  |
| Other                         | 23.2                       | 21.7         | 6%   |
| <b>Transportation Revenue</b> | <u>100.0</u>               | <u>100.0</u> | 12%  |



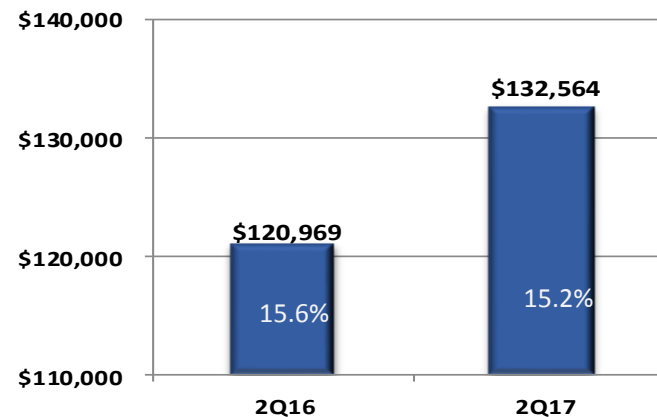
# Gross Profit <sup>(1)</sup> and Gross Profit Margin <sup>(2)</sup> (\$'s in thousands)

## Year-to-Date



|                                       | 2nd Qtr YTD <sup>(3)</sup> |
|---------------------------------------|----------------------------|
| <b>Changes in gross profit margin</b> | <b>%</b>                   |
| 2016 Period                           | 15.7                       |
| Revenue - fixed gp margin             | 0.0                        |
| Revenue - variable gp margin          | -0.1                       |
| Change in mix and other               | -0.2                       |
| 2017 Period                           | 15.4                       |

## Quarter



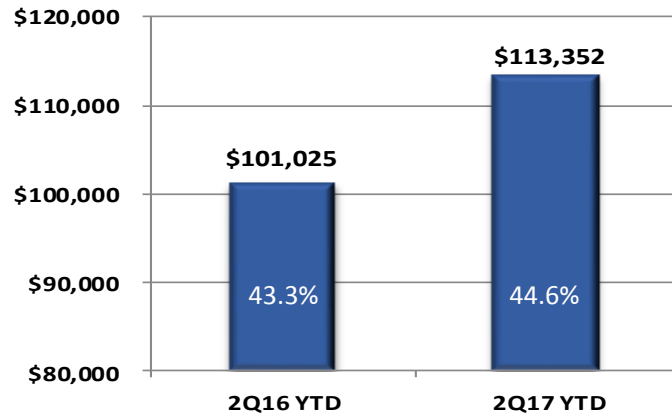
|                                       | 2nd Qtr <sup>(3)</sup> |
|---------------------------------------|------------------------|
| <b>Changes in gross profit margin</b> | <b>%</b>               |
| 2016 Period                           | 15.6                   |
| Revenue - fixed gp margin             | 0.0                    |
| Revenue - variable gp margin          | -0.2                   |
| Change in mix and other               | -0.2                   |
| 2017 Period                           | 15.2                   |

- (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) Revenue on transactions with a fixed gross profit margin was 56% and 54% of revenue in the 2016 and 2017 year-to-date periods, respectively, and 55% and 54% of revenue in the 2016 and 2017 second quarters, respectively.

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

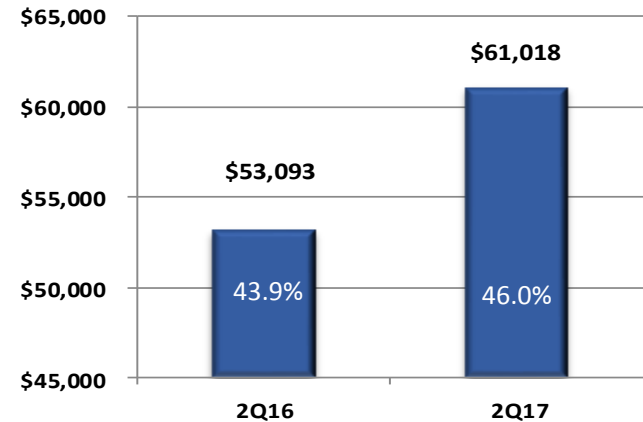
(\$'s in thousands)

## Year-to-Date



|                                    | 2nd Qtr YTD |
|------------------------------------|-------------|
| <b>Changes in operating margin</b> | <b>%</b>    |
| 2016 Period                        | 43.3        |
| Other operating costs              | 0.3         |
| Insurance and claims               | 1.9         |
| SG&A                               | -0.5        |
| Depreciation and amortization      | -0.4        |
| 2017 Period                        | 44.6        |

## Quarter



|                                    | 2nd Qtr  |
|------------------------------------|----------|
| <b>Changes in operating margin</b> | <b>%</b> |
| 2016 Period                        | 43.9     |
| Other operating costs              | -0.2     |
| Insurance and claims               | 2.9      |
| SG&A                               | -0.3     |
| Depreciation and amortization      | -0.3     |
| 2017 Period                        | 46.0     |

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

# Truck Capacity Data

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

|  | Jun 25,<br>2016 <sup>(2)</sup> | Dec 31,<br>2016 | Jul 1,<br>2017 <sup>(2)</sup> |
|--|--------------------------------|-----------------|-------------------------------|
| BCO Independent Contractors                    | 8,856                          | 8,824           | 8,818                         |
| Truck Brokerage Carriers:                      |                                |                 |                               |
| Approved and Active <sup>(1)</sup>             | 30,137                         | 31,471          | 31,636                        |
| Other Approved                                 | 15,594                         | 15,982          | 15,381                        |
|  | 45,731                         | 47,453          | 47,017                        |
| Total Available Truck Capacity Providers       | 54,587                         | 56,277          | 55,835                        |
| Trucks Provided by BCO Independent Contractors | 9,462                          | 9,439           | 9,404                         |

(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 \$80.6 million and \$56.3 million in the 2017 and 2016 year-to-date periods, respectively, and \$42.1 million and \$30.8 million in the 2017 and 2016 second quarters, respectively.

# Key Balance Sheet and Cash Flow Statistics

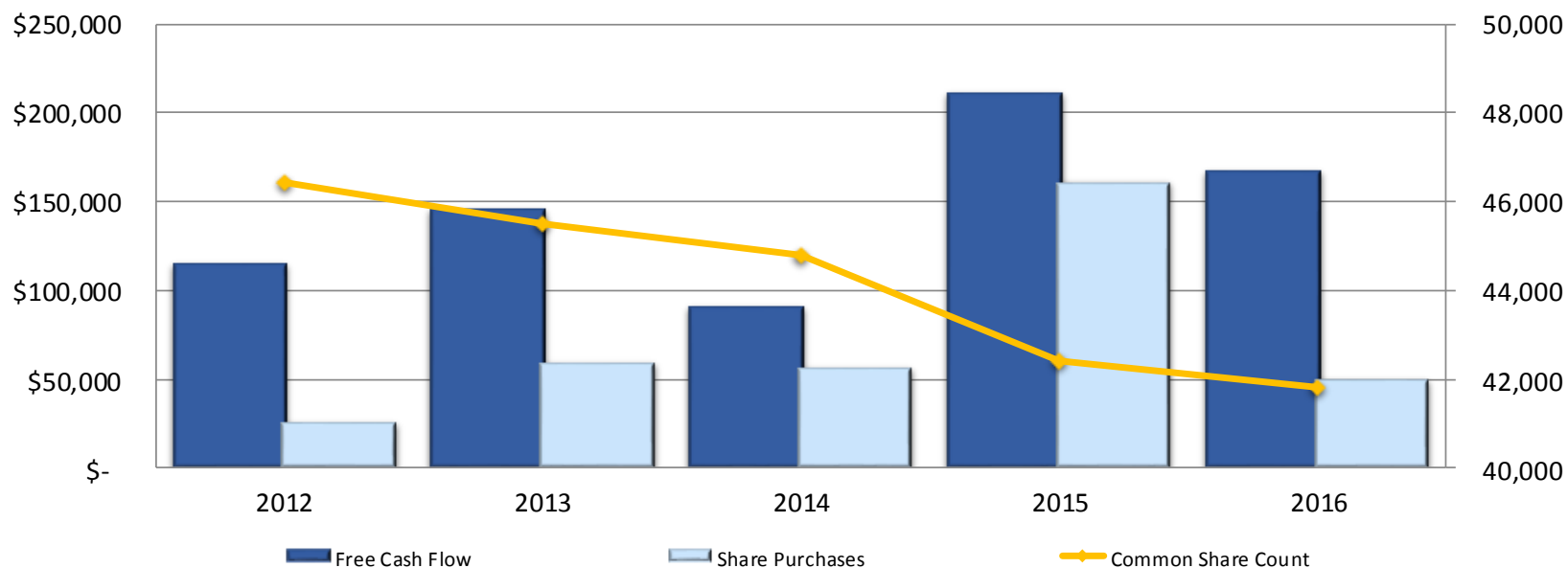
(\$'s in thousands)

|                                     | YTD<br>Jun 25,<br>2016 | YTD<br>Jul 1,<br>2017 |
|-------------------------------------|------------------------|-----------------------|
| Balance sheet (period end amounts): |                        |                       |
| Debt to Capital                     | 19%                    | 16%                   |
| Net Cash (1)                        | \$ 95,965              | \$ 154,274            |
| Cash flow:                          |                        |                       |
| Cash flow from operations           | \$ 105,135             | \$ 79,799             |
| Capital expenditures                | \$ 8,955               | \$ 6,628              |
| Share repurchases                   | \$ 26,485              | \$ -                  |
| Dividends paid                      | \$ 6,782               | \$ 7,544              |
| Returns:                            |                        |                       |
| TTM Return on Equity                | 29%                    | 27%                   |
| TTM Return on Invested Capital      | 23%                    | 22%                   |
| TTM Return on Assets                | 14%                    | 14%                   |

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

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

(In Thousands)



|                           |           |
|---------------------------|-----------|
| Second quarter 2017 YTD   | (000's)   |
| Free cash flow (1)        | \$ 73,171 |
| Share purchases           | \$ -      |
| Ending common share count | 41,947    |

(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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