

DESIGNED TO RESPOND
BUILT TO DELIVER



Landstar System, Inc.
Earnings Conference Call
Third Quarter 2021
October 20, 2021



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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 and legal risks detailed in Landstar’s Form 10-K for the 2020 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.

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 as well as operating income as a percentage of gross profit and operating income as a percentage of variable contribution, each in the 2020 year-to-date period, excluding the impact of pandemic relief incentive payments.

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 2021 and 2020 third quarters and year-to-date periods is included in this slide presentation as Appendix A.

Who We Are

Landstar is a worldwide, technology-enabled, asset-light provider of integrated transportation management solutions delivering safe, specialized transportation services to a broad range of customers utilizing a network of agents, third party capacity providers and employees.

Our Network

September 25, 2021

\$4.6 billion in YTD revenue

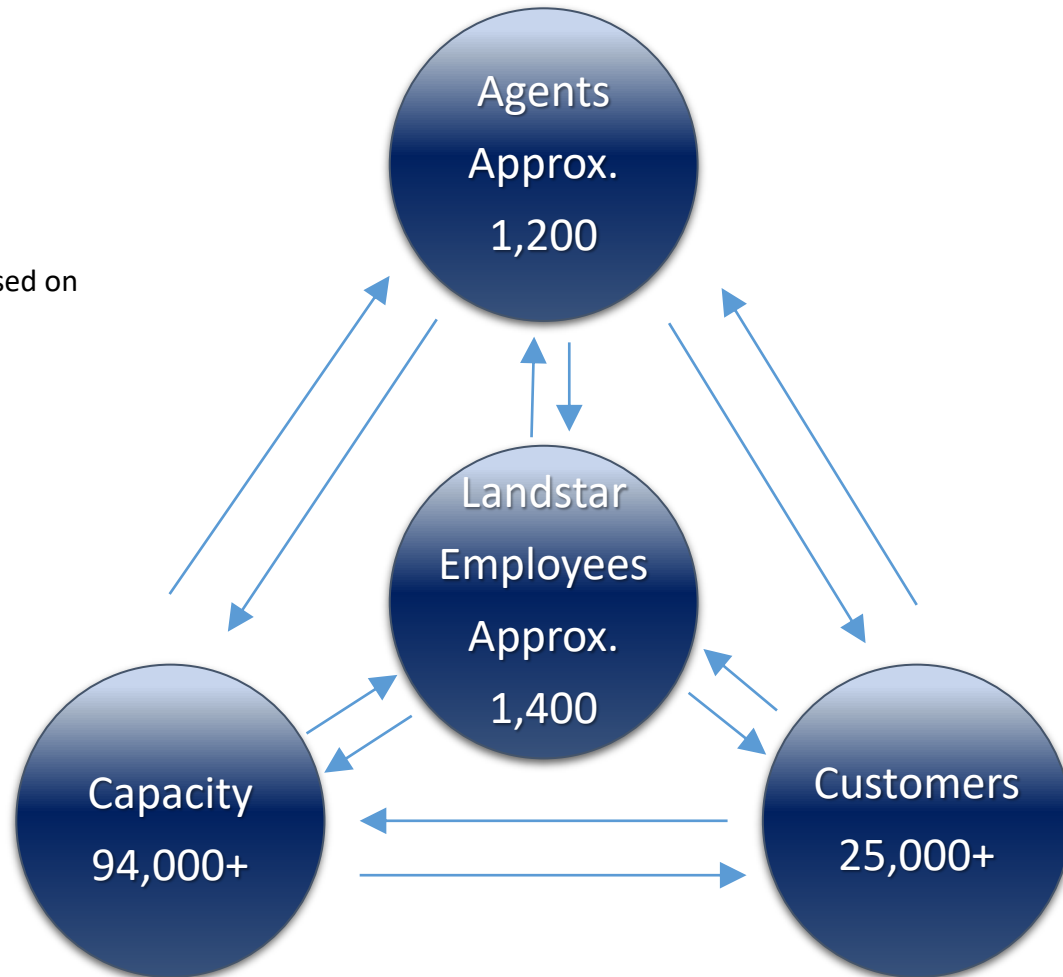
1.8 million YTD loadings

508 million dollar agents (based on 2020 fiscal year)

11,746 BCO trucks

83,278 Carriers

17,900+ Trailers



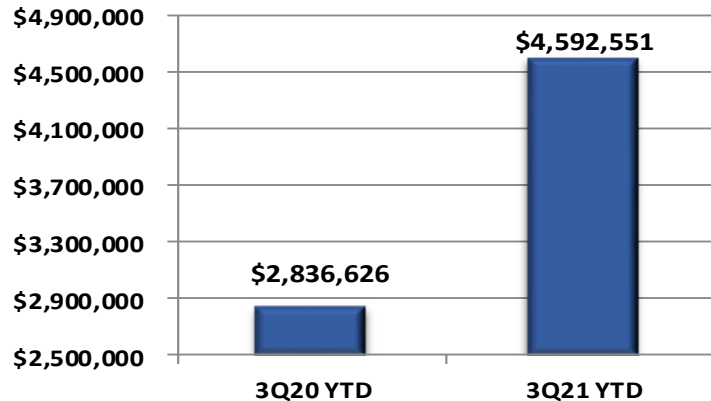
Transportation Management Services

	Percentage of Revenue	
	3Q20	3Q21
Truck Transportation (1)		
Truckload		
Van equipment	53%	53%
Unsided/platform equipment	27%	24%
Less-than-truckload	2%	2%
Other truck transportation	10%	12%
Rail intermodal	3%	3%
Ocean and air cargo	3%	5%

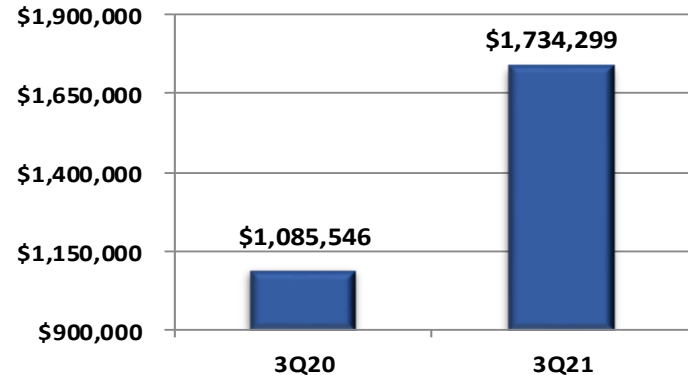
- (1) In connection with the impact of the pandemic on the demand for certain types of truck capacity, Landstar experienced a significant increase in demand for power-only, expedited, straight truck, cargo van and miscellaneous other truck transportation services that were formerly included in revenue from van or unsided/platform services. 2021 and 2020 third quarter truck transportation hauled via van equipment, unsided/platform equipment and other truck transportation as presented in this slide presentation, including number of loads and revenue per load data, reflect our revised categorization of our revenue generated through truck transportation services. This revised categorization had no impact on total truck transportation revenue or the Company's consolidated financial statements for any period.

Revenue (\$'s in thousands)

Year-to-Date



Quarter



Year over Prior Year	Rate ⁽¹⁾	Volume ⁽²⁾	Change
Truck Revenue	30.2%	23.9%	61.4%
Rail Intermodal Revenue	21.9%	21.0%	47.5%
Ocean/Air Revenue	65.3%	30.5%	115.7%
Insurance Premiums	NA	NA	27.5%
Total Revenue			61.9%

Qtr over Prior Year Qtr	Rate ⁽¹⁾	Volume ⁽²⁾	Change
Truck Revenue	29.1%	21.7%	57.1%
Rail Intermodal Revenue	27.7%	14.5%	46.1%
Ocean/Air Revenue	115.5%	22.9%	164.9%
Insurance Premiums	NA	NA	29.1%
Total Revenue			59.8%

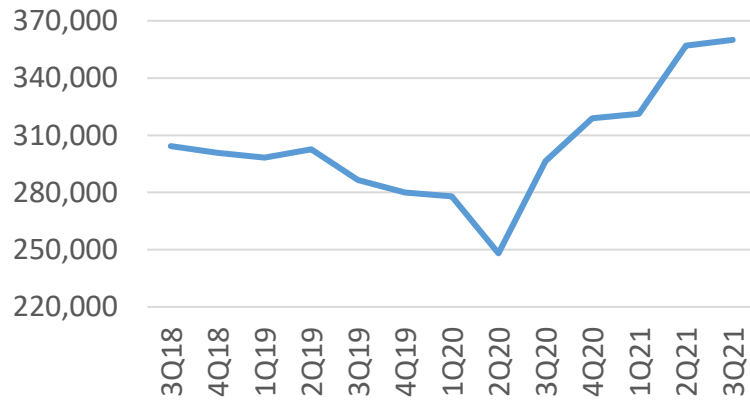
(1) Percentage change in rate is calculated on a revenue per load basis.

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

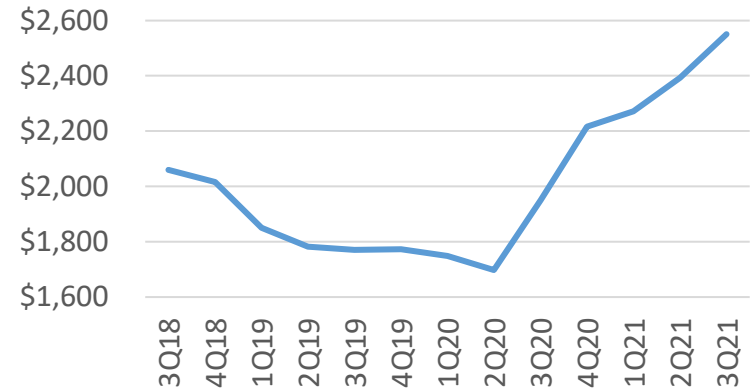
Truckload Loadings and Revenue per Truckload Trends

Van Equipment

Number of Loads

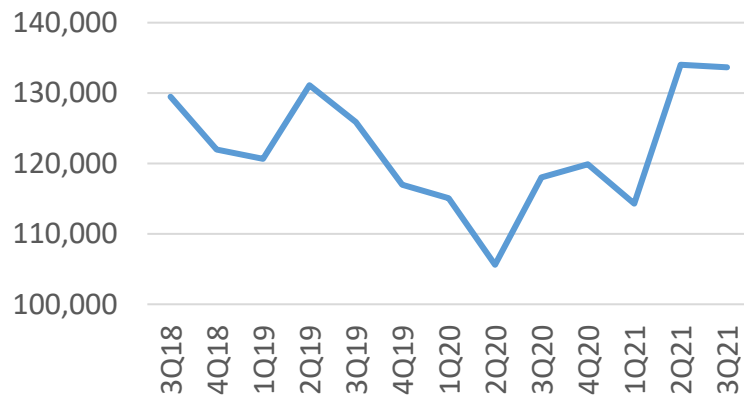


Revenue per Load

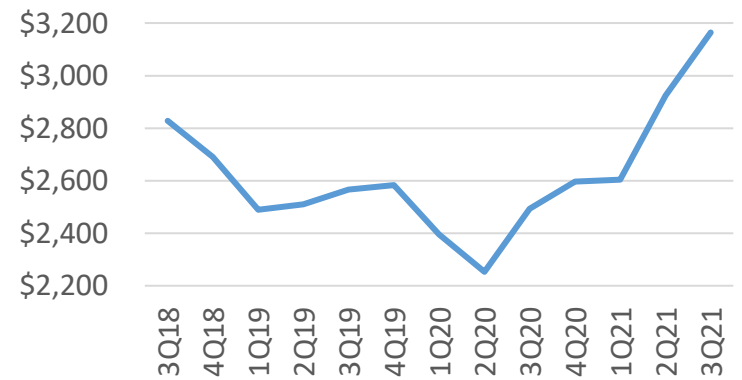


Unsided/Platform Equipment

Number of Loads



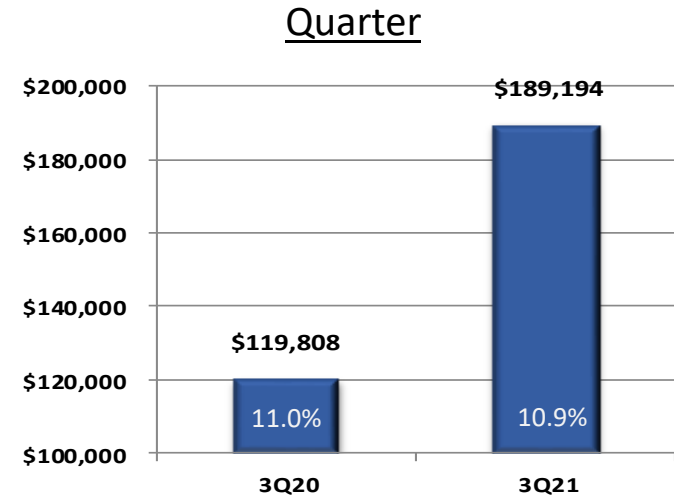
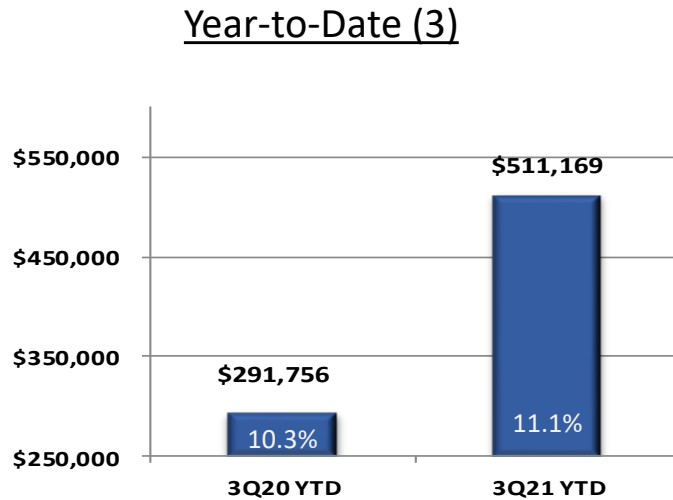
Revenue per Load



Industries Served

	As a Percentage of Revenue		Quarter over Prior Year Quarter Change in Revenue
	3Q20	3Q21	
Consumer Durables	25.5	30.3	90%
Machinery	12.1	11.1	46%
AA&E, Hazmat	9.0	8.7	55%
Building Products	9.8	8.2	34%
Automotive	7.7	6.8	43%
Substitute Line Haul	5.2	5.4	66%
Metals	4.8	5.1	72%
Foodstuffs	4.9	3.9	28%
Other	21.0	20.5	56%
Transportation Revenue	<u>100.0</u>	<u>100.0</u>	60%

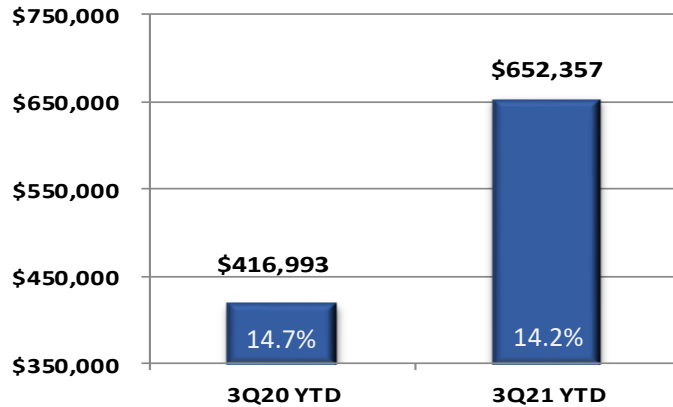
Gross Profit⁽¹⁾ and Gross Profit Margin ⁽²⁾ (\$'s in thousands)



- (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) Includes the impact of approximately \$12.6 million related to BCO and agent pandemic relief incentive payments made in April and May 2020. The Company paid both the hauling BCO and agent dispatching the load an extra \$50 for each BCO load delivered during these months.

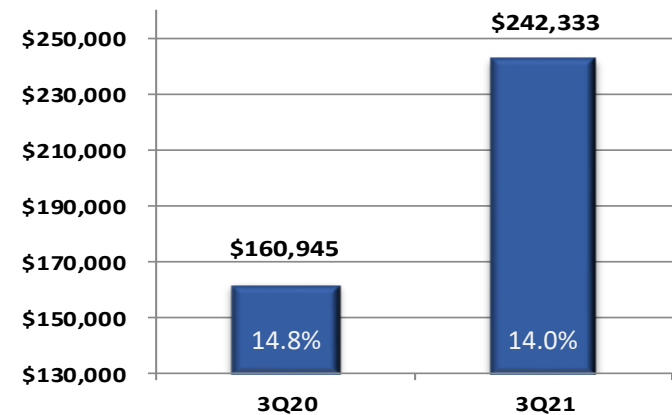
Variable Contribution⁽¹⁾ and Variable Contribution Margin⁽²⁾ (\$'s in thousands)

Year-to-Date⁽⁴⁾



	3rd Qtr YTD ⁽³⁾
Changes in variable contribution margin	%
2020 Period	14.7
Revenue - fixed	0.2
Revenue - variable	-0.3
Pandemic relief (4)	0.4
Change in mix and other	-0.8
2021 Period	14.2

Quarter

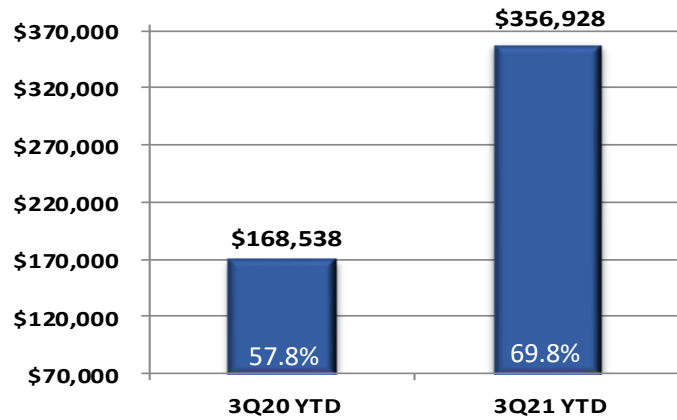


	3rd Qtr ⁽³⁾
Changes in variable contribution margin	%
2020 Period	14.8
Revenue - fixed	0.2
Revenue - variable	0.1
Pandemic relief	0.0
Change in mix and other	-1.1
2021 Period	14.0

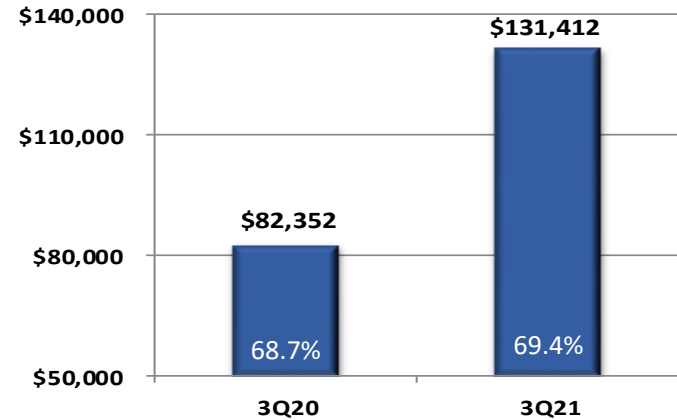
- (1) Variable contribution equals revenue less the cost of purchased transportation and commissions to agents.
- (2) Variable contribution margin equals variable contribution divided by revenue.
- (3) Revenue on transactions where the Company's variable contribution margin was based on a contractually pre-determined percentage of revenue accounted for 52% and 46% of revenue in the 2020 and 2021 year-to-date periods, respectively, and 51% and 44% of revenue in the 2020 and 2021 third quarters, respectively.
- (4) Includes the impact of approximately \$12.6 million related to BCO and agent pandemic relief incentive payments made in April and May 2020. The Company paid both the hauling BCO and agent dispatching the load an extra \$50 for each BCO load delivered during these months.

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

Year-to-Date ⁽¹⁾



Quarter

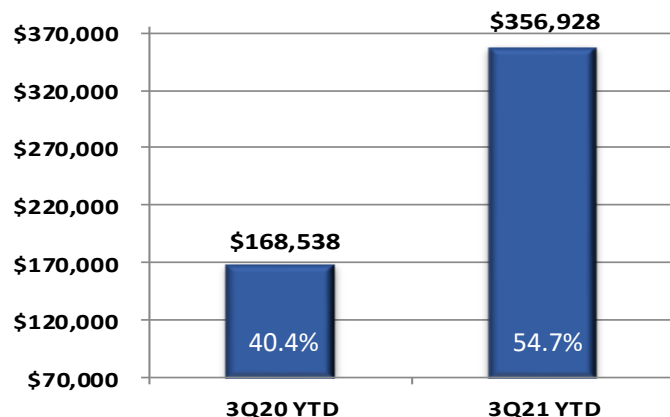


- (1) Excluding the impact of the \$12.6 million of pandemic relief incentive payments from the 2020 year-to-date period, operating income as a percentage of gross profit was 59.5%.

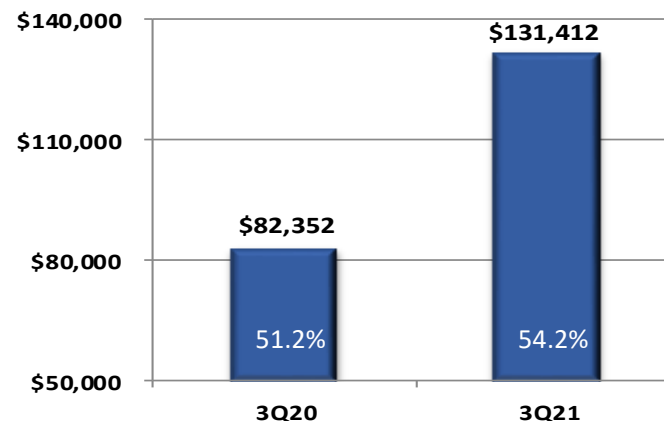
Operating Income as a % of Variable Contribution

(\$'s in thousands)

Year-to-Date ⁽¹⁾



Quarter



	3rd Qtr YTD
Changes in operating income as a % of variable contribution	%
2020 Period	40.4
Other operating costs	1.4
Insurance and claims	4.1
SG&A	5.6
Depreciation and amortization	2.6
Impairment	0.6
2021 Period	54.7

	3rd Qtr
Changes in operating income as a % of variable contribution	%
2020 Period	51.2
Other operating costs	0.2
Insurance and claims	1.2
SG&A	-0.3
Depreciation and amortization	1.9
Impairment	0.0
2021 Period	54.2

- (1) Excluding the impact of the \$12.6 million of pandemic relief incentive payments from the 2020 year-to-date period, operating income as a percentage of variable contribution was 42.2%.

Truck Capacity Data

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

	Sep 26, 2020 ⁽²⁾	Dec 26, 2020	Sep 25, 2021 ⁽²⁾
BCO Independent Contractors	9,866	10,242	10,955
Truck Brokerage Carriers:			
Approved and Active ⁽¹⁾	41,246	46,053	58,676
Other Approved	22,181	22,972	24,602
	63,247	69,025	83,278
Total Available Truck Capacity Providers	73,293	79,267	94,233
Trucks Provided by BCO Independent Contractors	10,571	10,991	11,746

(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 \$182.7 million and \$127.7 million in the 2021 and 2020 year-to-date periods, respectively, and \$68.7 million and \$40.1 million in the 2021 and 2020 third quarters, respectively.

Key Balance Sheet and Cash Flow Statistics

(\$'s in thousands)

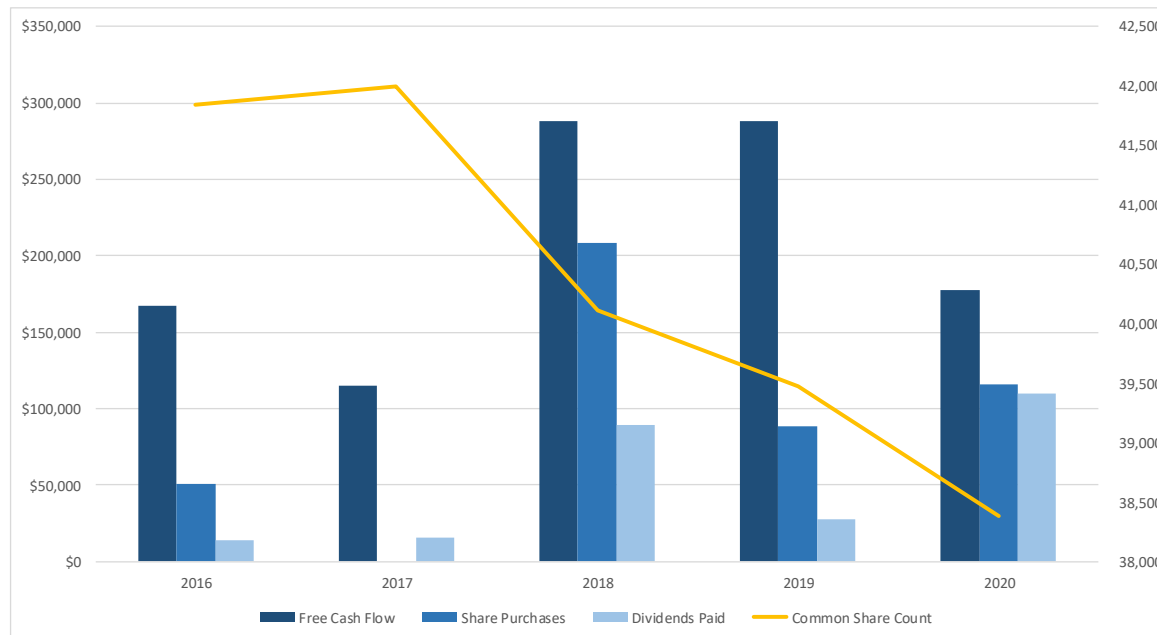
	Sep 26, 2020	Sep 25, 2021
Balance sheet (period end amounts):		
Debt to Capital	11%	10%
Net Cash (1)	\$ 170,329	\$ 169,867
Cash flow (year-to-date):		
Cash flow from operations	\$ 185,548	\$ 216,990
Capital expenditures (2)	\$ 28,192	\$ 18,561
Share repurchases	\$ 115,962	\$ 50,230
Dividends paid	\$ 101,442	\$ 102,463
Returns (trailing 12 months):		
Return on Equity	26%	43%
Return on Invested Capital	22%	38%
Return on Assets	13%	20%

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

(2) Capital expenditures includes cash capital expenditures of \$25.4 million and approximately \$2.8 million for the acquisition of a business during the 2020 year-to-date period.

Free Cash Flow ⁽¹⁾, Stock Purchases and Dividends

(In Thousands)



Third quarter 2021 YTD	(000's)
Free cash flow (1)	\$ 198,429
Share purchases	\$ 50,230
Dividends paid	\$ 102,463
Ending common share count	38,109

(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*)

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
Revenue	\$ 4,592,551	\$ 2,836,626	\$ 1,734,299	\$ 1,085,546
Costs of revenue:				
Purchased transportation	3,583,197	2,183,143	1,356,671	838,753
Commissions to agents	356,997	236,490	135,295	85,848
Variable costs of revenue	3,940,194	2,419,633	1,491,966	924,601
Trailing equipment depreciation	26,362	26,342	8,615	8,397
Information technology costs (1)	9,534	7,021	3,450	2,722
Insurance-related costs (2)	78,175	68,839	30,502	22,657
Other operating costs	27,117	23,035	10,572	7,361
Other costs of revenue	141,188	125,237	53,139	41,137
Total costs of revenue	4,081,382	2,544,870	1,545,105	965,738
Gross profit	<u>\$ 511,169</u>	<u>\$ 291,756</u>	<u>\$ 189,194</u>	<u>\$ 119,808</u>
Gross profit margin	11.1%	10.3%	10.9%	11.0%
Plus: other costs of revenue	141,188	125,237	53,139	41,137
Variable contribution	<u>\$ 652,357</u>	<u>\$ 416,993</u>	<u>\$ 242,333</u>	<u>\$ 160,945</u>
Variable contribution margin	14.2%	14.7%	14.0%	14.8%

(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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