

DESIGNED TO RESPOND
BUILT TO DELIVER



Landstar System, Inc.
Earnings Conference Call
First Quarter 2022
April 20, 2022



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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 2021 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.

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 2022 and 2021 first quarters 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

March 26, 2022 Results

\$1.97 billion in YTD revenue

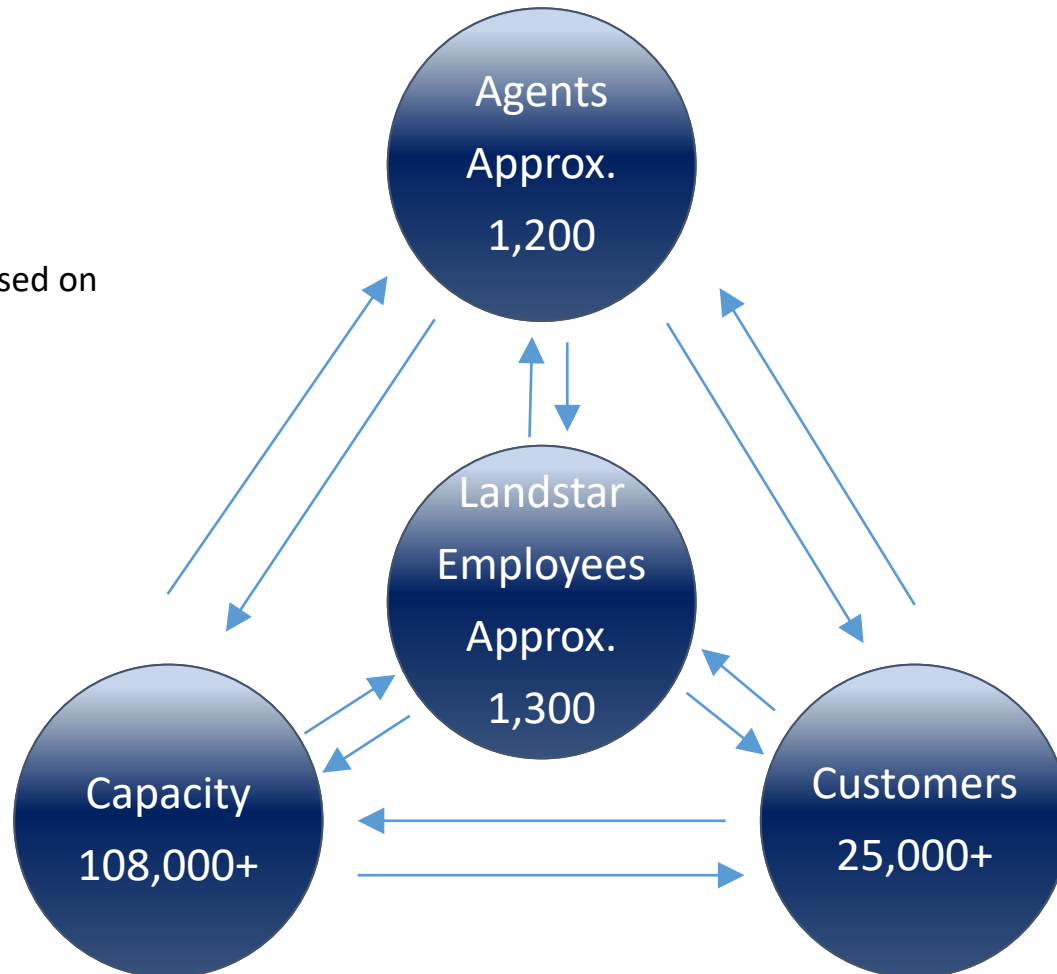
666 thousand loadings

593 million dollar agents (based on 2021 fiscal year)

11,935 BCO trucks

96,953 Carriers

18,000+ Trailers



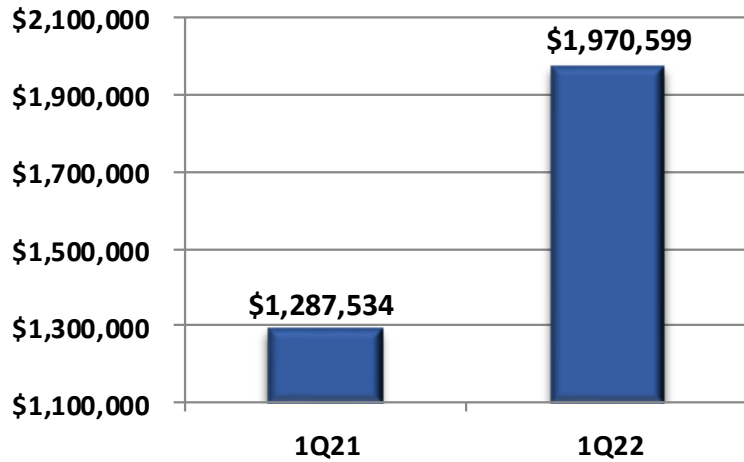
Transportation Management Services

	Percentage of Revenue	
	1Q21	1Q22
Truck Transportation (1)		
Truckload		
Van equipment	57%	55%
Unsided/platform equipment	23%	21%
Less-than-truckload	2%	2%
Other truck transportation	11%	12%
Rail intermodal	2%	2%
Ocean and air cargo	4%	8%

- (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. 2022 and 2021 first 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)

Quarter



Quarter

Qtr over Prior Year Qtr	Rate ⁽¹⁾	Volume ⁽²⁾	Change
Truck Revenue	22.5%	19.8%	46.7%
Rail Intermodal Revenue	24.7%	7.9%	34.6%
Ocean/Air Revenue	155.1%	25.2%	219.4%
Insurance Premiums	NA	NA	13.1%
Total Revenue			53.1%

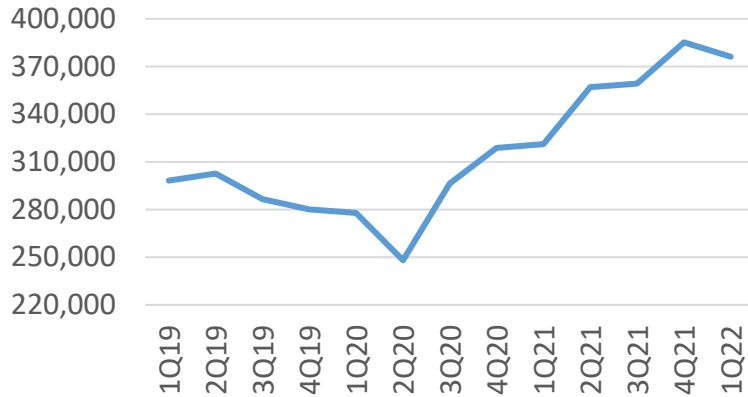
(1) Percentage change in rate is calculated on a revenue per load basis.

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

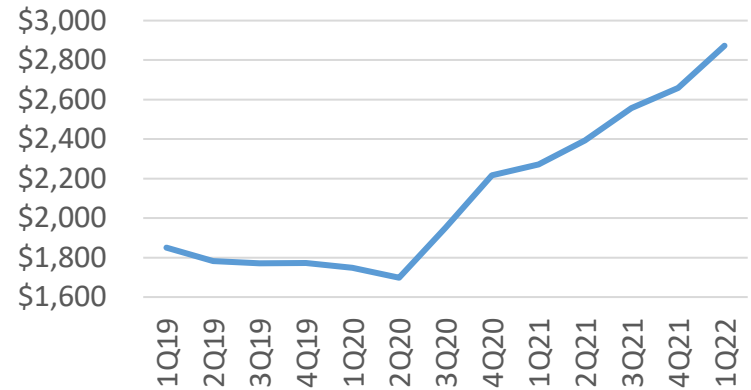
Truckload Loadings and Revenue per Truckload Trends

Van Equipment

Number of Loads

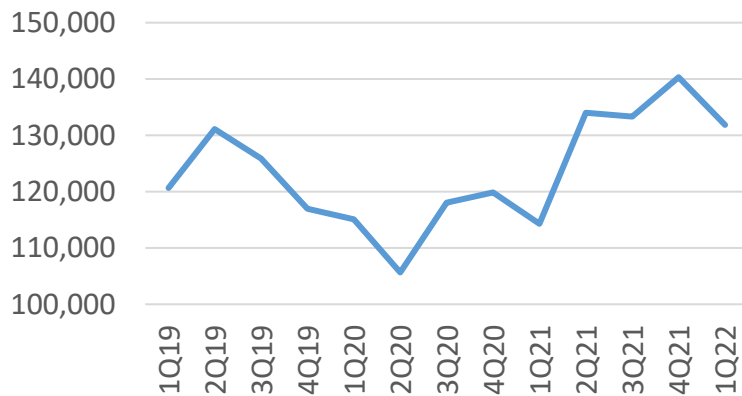


Revenue per Load

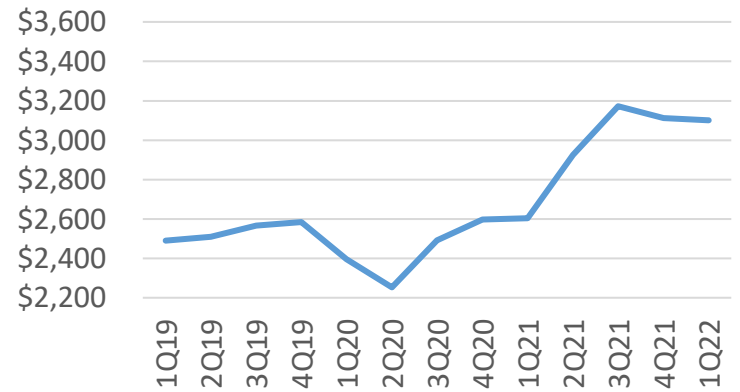


Unsided/Platform Equipment

Number of Loads



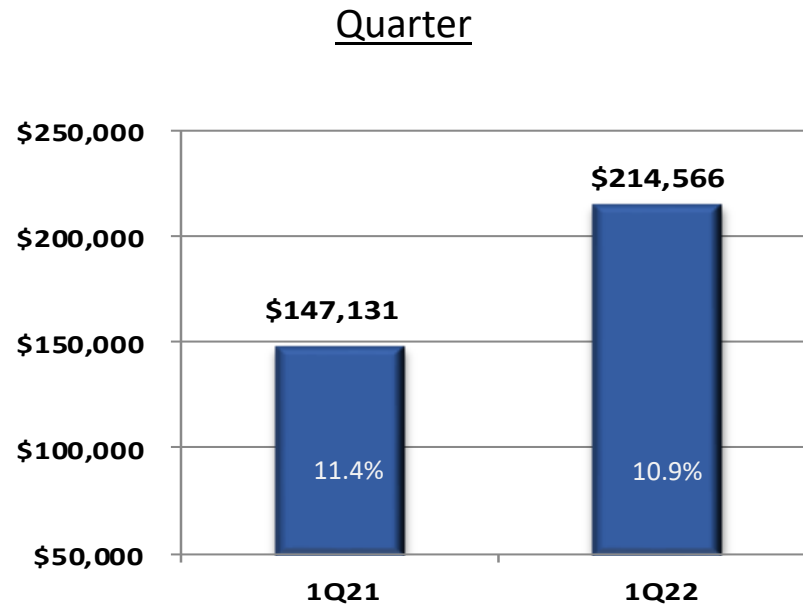
Revenue per Load



Industries Served

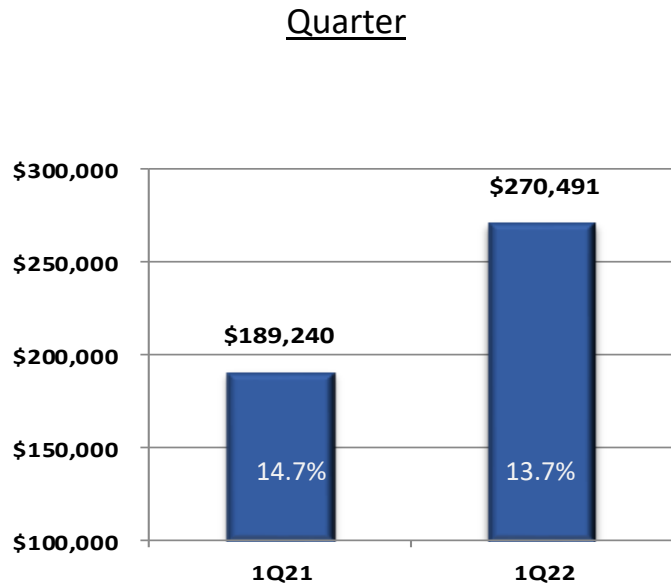
	As a Percentage of Revenue		Quarter over Prior Year Quarter Change in Revenue
	1Q21	1Q22	
Consumer Durables	28.7	31.4	68%
Automotive	8.6	10.2	83%
Machinery	11.0	10.1	41%
AA&E, Hazmat	8.8	8.0	40%
Building Products	8.5	7.6	37%
Metals	4.9	4.6	43%
Substitute Line Haul	6.8	4.5	2%
Foodstuffs	3.9	3.7	47%
Other	18.8	19.9	62%
Transportation Revenue	<u>100.0</u>	<u>100.0</u>	54%

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.

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

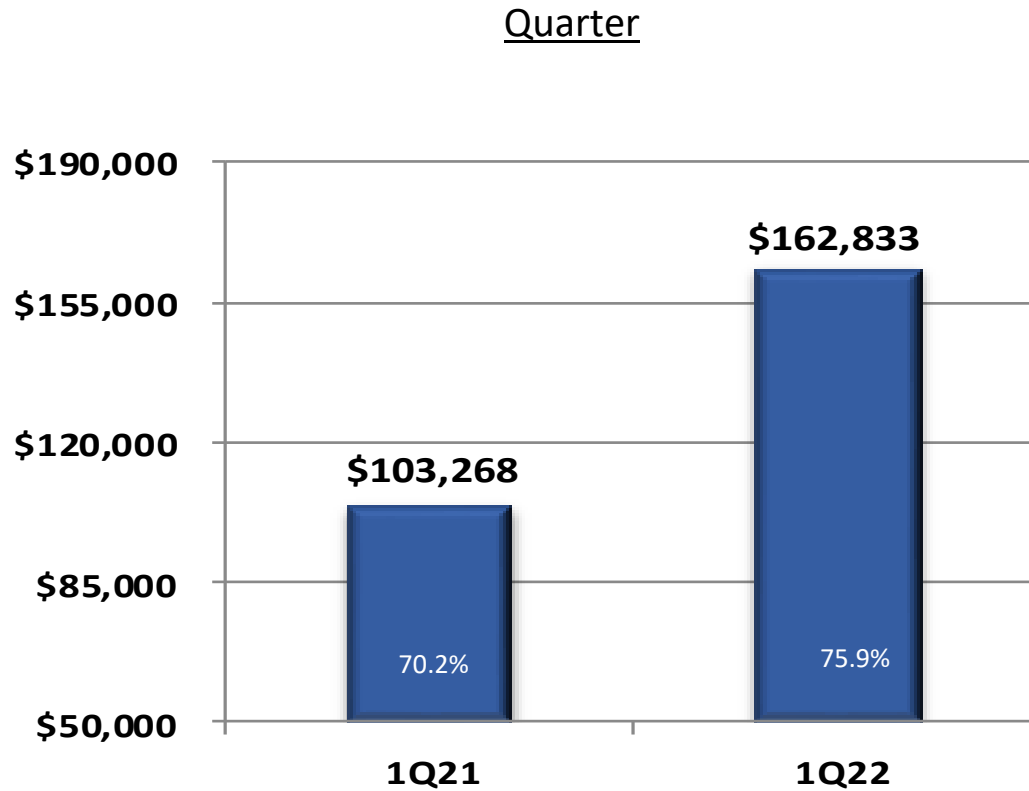


Quarter

	1st Qtr ⁽³⁾
Changes in variable contribution margin	%
2021 Period	14.7
Revenue - fixed	0.0
Revenue - variable	0.1
Change in mix and other	-1.1
2022 Period	13.7

- (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 48% and 41% of revenue in the 2021 and 2022 first quarters, respectively.

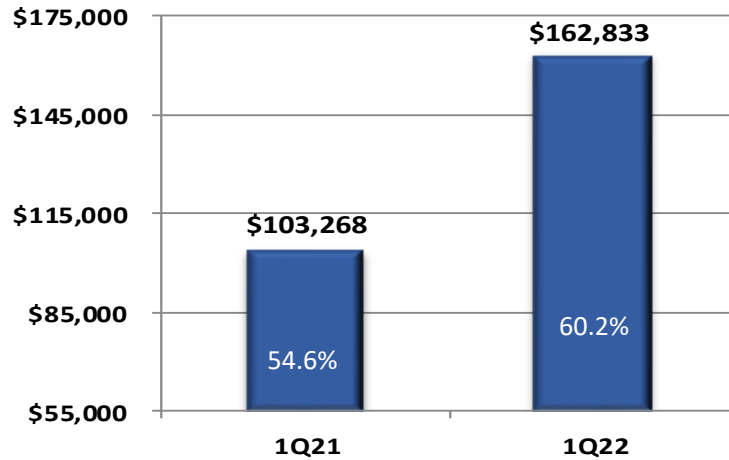
Operating Income as a % of Gross Profit (\$'s in thousands)



Operating Income as a % of Variable Contribution

(\$'s in thousands)

Quarter



	1st Qtr
Changes in operating income as a % of variable contribution	%
2021 Period	54.6
Other operating costs	-0.1
Insurance and claims	-0.1
SG&A	4.5
Depreciation and amortization	1.3
2022 Period	60.2

Truck Capacity Data

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

	Mar 27, 2021 ⁽²⁾	Dec 25, 2021	Mar 26, 2022 ⁽²⁾
BCO Independent Contractors	10,498	11,057	11,089
Truck Brokerage Carriers:			
Approved and Active ⁽¹⁾	49,538	64,476	68,859
Other Approved	23,246	25,870	28,094
	72,784	90,346	96,953
Total Available Truck Capacity Providers	83,282	101,403	108,042
Trucks Provided by BCO Independent Contractors	11,268	11,864	11,935

(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 \$82.8 million and \$48.8 million in the 2022 and 2021 first quarters, respectively.

Key Balance Sheet and Cash Flow Statistics

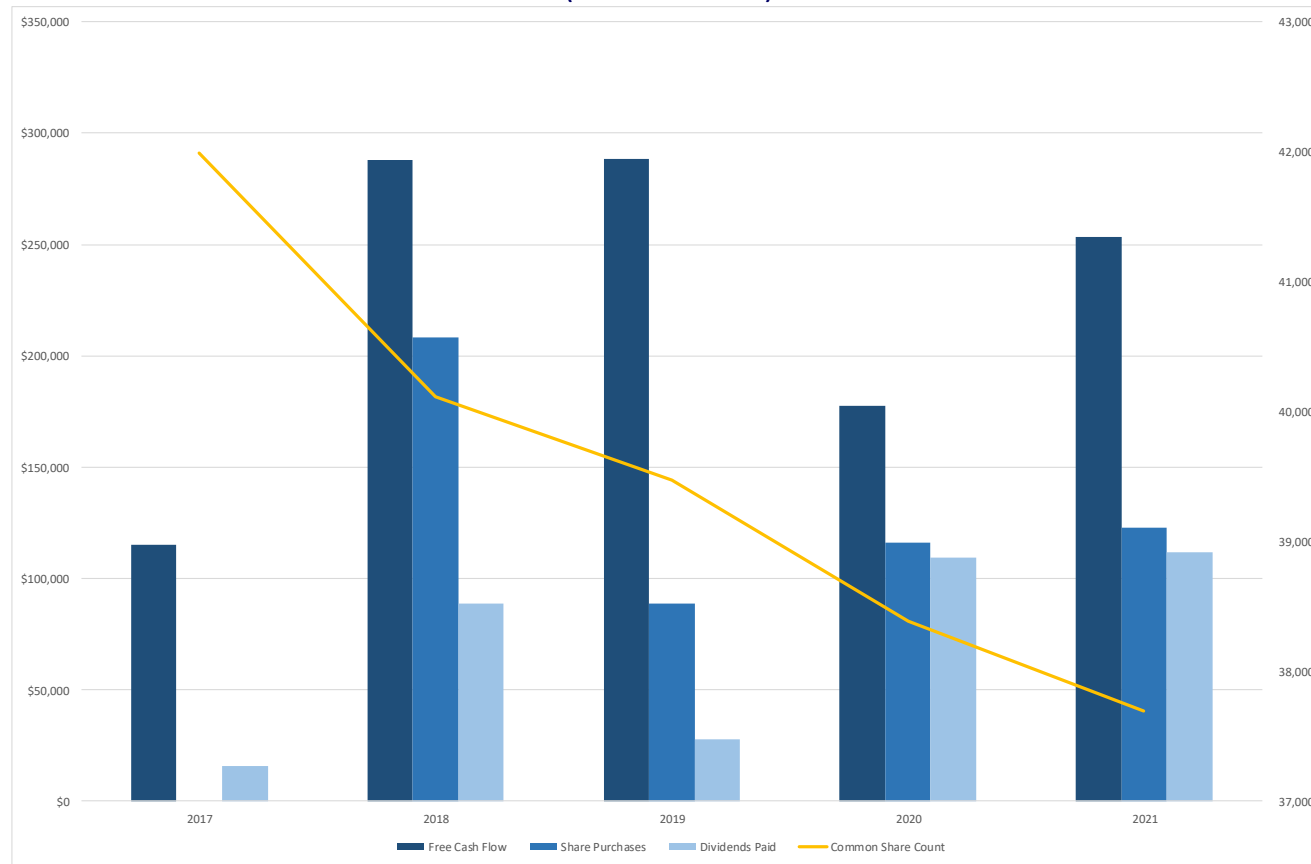
(\$'s in thousands)

	Mar 27, 2021	Mar 26, 2022
Balance sheet (period end amounts):		
Debt to Capital	11%	17%
Net Cash (1)	\$ 169,800	\$ 9,432
Cash flow:		
Cash flow from operations	\$ 69,891	\$ 94,965
Capital expenditures	\$ 4,076	\$ 3,609
Share repurchases	\$ -	\$ 109,332
Dividends paid	\$ 84,837	\$ 84,711
Returns (trailing 12 months):		
Return on Equity	33%	51%
Return on Invested Capital	29%	45%
Return on Assets	16%	23%

(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)



First Quarter 2022	(000's)
Free cash flow (1)	\$ 91,356
Share purchases	\$ 109,332
Dividends paid	\$ 84,711
Ending common share count	37,127

(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 Quarters Ended	
	March 26, 2022	March 27, 2021
Revenue	\$ 1,970,599	\$ 1,287,534
Costs of revenue:		
Purchased transportation	1,550,330	998,285
Commissions to agents	<u>149,778</u>	<u>100,009</u>
Variable costs of revenue	1,700,108	1,098,294
Trailing equipment depreciation	9,083	8,907
Information technology costs (1)	4,046	2,938
Insurance-related costs (2)	31,655	22,622
Other operating costs	<u>11,141</u>	<u>7,642</u>
Other costs of revenue	55,925	42,109
Total costs of revenue	<u>1,756,033</u>	<u>1,140,403</u>
Gross profit	<u>\$ 214,566</u>	<u>\$ 147,131</u>
Gross profit margin	10.9%	11.4%
Plus: other costs of revenue	<u>55,925</u>	<u>42,109</u>
Variable contribution	<u>\$ 270,491</u>	<u>\$ 189,240</u>
Variable contribution margin	13.7%	14.7%

(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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