

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

**FORM 8-K**

**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 26, 2022**



**LANDSTAR SYSTEM, INC.**

(Exact name of registrant as specified in its charter)

**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)

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))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
<b>Common Stock</b>	<b>LSTR</b>	<b>NASDAQ</b>

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.

## Item 2.02 Results of Operations and Financial Condition

On January 26, 2022, Landstar System, Inc. (“Landstar” or the “Company”) issued a press release announcing results for the fourth quarter of fiscal 2021. 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 26, 2022, 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 January 27, 2022 in connection with the Company’s release of results for the fourth quarter of fiscal 2021.

In the press release attached hereto as Exhibit 99.1 and the slide presentation attached hereto as Exhibit 99.2, the Company provided the following information that may be deemed a non-GAAP financial measure: variable contribution and variable contribution margin. In the slide presentation attached hereto as Exhibit 99.2, the Company provided the following information that may also be deemed a non-GAAP financial measure: (1) operating income as a percentage of gross profit and operating income as a percentage of variable contribution, each in the 2020 fiscal year period, excluding the impact of one-time costs to buyout certain incentive commission arrangements with several agents (the “Commission Buyout Costs”) and the impact of pandemic relief incentive payments; and (2) operating income as a percentage of gross profit in the 2020 fourth quarter, excluding the impact of the Commission Buyout Costs.

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 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.

The information furnished under Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.2 hereof, 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="#">Press Release, dated January 26, 2022, of Landstar System, Inc.</a>      |
| 99.2 | <a href="#">Slide Presentation, dated January 26, 2022, of Landstar System, Inc.</a> |
| 104  | Inline XBRL for the cover page of this Current Report on Form 8-K                    |

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 26, 2022

By: /s/ Fred L. Pensotti

Name: Fred L Pensotti

Title: Vice President and Chief Financial Officer



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

For Immediate Release

Contacts: Jim Gattoni (CEO)  
Fred Pensotti (CFO)  
Landstar System, Inc.  
[www.landstar.com](http://www.landstar.com)  
904-398-9400

January 26, 2022

**LANDSTAR SYSTEM ACHIEVES RECORD-BREAKING ANNUAL PERFORMANCE  
IN 2021 WITH RECORD DILUTED EARNINGS PER SHARE OF \$2.99  
IN THE 2021 FOURTH QUARTER**

Jacksonville, FL - Landstar System, Inc. (NASDAQ:LSTR) reported record quarterly revenue of \$1.945 billion in the 2021 fourth quarter, a 50 percent increase over revenue of \$1.296 billion in the 2020 fourth quarter. The Company also reported net income of \$113.3 million, or diluted earnings per share ("DEPS") of \$2.99, in the 2021 fourth quarter compared to net income in the 2020 fourth quarter of \$65.1 million, or DEPS of \$1.70. It should be noted that DEPS in the 2020 fourth quarter included a one-time charge of \$15.5 million, or \$0.31 per diluted share, related to buyouts of certain incentive commission arrangements with several Landstar independent sales agents. Operating income grew to an all-time quarterly record of \$148.7 million in the 2021 fourth quarter, compared to operating income of \$84.4 million in the 2020 fourth quarter. To put the strength of our 2021 fourth quarter performance into perspective, revenue, operating income, net income and DEPS increased 50 percent, 76 percent, 74 percent and 76 percent, respectively, over the 2020 fourth quarter, which at the time represented the highest amounts achieved for each of these financial metrics in any quarter in the Company's history.

Gross profit in the 2021 fourth quarter was \$209.8 million, an all-time quarterly record, compared to \$141.7 million in the 2020 fourth quarter. Variable contribution (defined as revenue less the costs of purchased transportation and commissions to agents) also reached an all-time quarterly record of \$263.3 million in the 2021 fourth quarter compared to \$182.4 million in the 2020 fourth quarter. A reconciliation of gross profit to variable contribution and gross profit margin to variable contribution margin for the 2021 and 2020 fourth quarters and year-to-date periods is provided in the Company's accompanying financial disclosures.

Trailing twelve-month return on average shareholders' equity was 47 percent and return on invested capital, representing net income divided by the sum of average equity plus average debt, was 42 percent. During the 2021 fourth quarter, Landstar purchased approximately 417,000 shares of its common stock, bringing the total number of shares purchased in fiscal year 2021 to approximately 734,000 at an aggregate cost of \$122.7 million. The Company is currently authorized to purchase up to 3,000,000 additional shares of the Company's common stock under its previously announced share purchase programs. Landstar announced today that its Board of Directors has declared a quarterly dividend of \$0.25 per share payable on March 11, 2022, to stockholders of record as of the close of business on February 14, 2022. It is currently the intention of the Board to pay dividends on a quarterly basis going forward.

Truck transportation revenue hauled by independent business capacity owners ("BCOs") and truck brokerage carriers in the 2021 fourth quarter was \$1.745 billion, or 90 percent of revenue, compared to \$1.202 billion, or 93 percent of revenue, in the 2020 fourth quarter. Revenue hauled by rail, air and ocean cargo carriers was \$174.6 million, or 9 percent of revenue, in the 2021 fourth quarter compared to approximately \$75.7 million, or 6 percent of revenue, in the 2020 fourth quarter.

Truckload transportation revenue hauled via van equipment in the 2021 fourth quarter was \$1.024 billion, an increase of 45 percent compared to \$706.7 million in the 2020 fourth quarter. Truckload transportation revenue hauled via unsided/platform equipment in the 2021 fourth quarter was \$436.7 million, an increase of 40 percent compared to \$311.3 million in the 2020 fourth quarter. Other truck transportation revenue, which includes power only, expedited, straight truck, cargo van and miscellaneous other truck transportation revenue, in the 2021 fourth quarter was \$252.4 million, an increase of 61 percent compared to \$157.1 million in the 2020 fourth quarter.

“Following a record-breaking 2021 third quarter, the 2021 fourth quarter once again reset the standard as the best quarterly financial performance in Landstar history. 2021 fourth quarter revenue, gross profit, variable contribution, net income and diluted earnings per share each set all-time quarterly records,” said Landstar President and CEO Jim Gattoni. “Our load volume hauled by truck in the 2021 fourth quarter grew 22 percent compared to the 2020 fourth quarter, which at the time was the highest quarterly load volume hauled by truck in Landstar history. Additionally, fourth quarter truck loadings increased from the 2021 third quarter by 7 percent, the largest ever increase in truck loadings from the third quarter to a 13-week fourth quarter in Landstar history. Our 2021 fourth quarter performance was particularly impressive considering we were following an already record-setting third quarter, and, in most years, load volume hauled by truck stays relatively flat sequentially from the third quarter to the fourth quarter. We attribute this unseasonal increase in volume to ongoing, broad-based demand for freight transportation services, with particular strength in sectors benefiting from consumer spending that, similar to the rest of 2021, continued to be a big driver of freight activity.”

Gattoni continued, “In our 2021 third quarter earnings release on October 20, 2021, we provided fourth quarter revenue and diluted earnings per share guidance. We updated that initial guidance on November 30, 2021, via a Form 8-K filed with the SEC that revised our initial guidance upwards based on trends in volume and rates through the first eight weeks of the fourth quarter. Based on our expectations for volume and pricing on loads hauled by truck, our November 30th updated guidance anticipated that revenue would be in the range of \$1.85 billion to \$1.90 billion and diluted earnings per share would be in the range of \$2.83 to \$2.93. Actual 2021 fourth quarter revenue was \$1.945 billion and DEPS was \$2.99, each exceeding the top end of our November 30th updated guidance ranges. The revenue upside to our updated guidance was entirely due to continued strength in revenue generated by ocean and air cargo carriers. The DEPS performance above our updated guidance was attributable to higher than anticipated revenue and approximately a \$0.04 DEPS benefit generated by a slightly lower than anticipated effective income tax rate.”

Gattoni continued, “As we look to the 2022 first quarter, we anticipate continued solid performance on the expectation that ongoing capacity constraints will support a strong freight environment in the near term. The strength in revenue per load on loads hauled via truck and the number of loads hauled via truck experienced in 2021 has continued into the first few weeks of January. Typically, revenue in the first quarter is expected to be lower than the revenue of the immediately preceding fourth quarter. Regardless, I expect the strong trends in revenue per load and loads hauled via truck to continue as we move through the remainder of the 2022 first quarter. As such, I expect revenue per load on loads hauled via truck to increase 14 to 17 percent and loads hauled via truck to increase by 12 to 14 percent, respectively, in the 2022 first quarter over the 2021 first quarter. Given those assumptions, I anticipate revenue for the 2022 first quarter to be in a range of \$1.70 billion to \$1.75 billion. Based on that range of revenue and assuming insurance and claims costs of 4.2 percent of BCO revenue and an effective income tax rate of 22.4 percent, which represents the Company’s annual estimated effective income tax rate of 24.2 percent, net of a discrete item related to equity compensation specific to the 2022 first quarter, I anticipate diluted earnings per share to be in a range of \$2.70 to \$2.80 in the 2022 first quarter.”

Gattoni continued, “Landstar’s financial performance in fiscal year 2021 was by far the best in the Company’s history. Revenue in fiscal 2021 was approximately \$6.5 billion, an annual record, and was approximately \$1.9 billion higher than the previous record set in 2018. Gross profit and variable contribution in 2021 were \$721 million and \$916 million, respectively, both also representing new annual records. Operating income in 2021 was an annual record of \$506 million and represented year-over-year growth of 100 percent. Diluted earnings per share in 2021 was an annual record of \$9.98, an increase of \$3.80, or 61 percent from our prior fiscal year record of \$6.18 in 2018. The Company also established numerous operational high-water marks in fiscal year 2021 on the strength of over 2.4 million loads hauled via truck capacity, the highest number of loads hauled via truck in any year in Landstar history. We ended 2021 with a year-end record number of trucks provided by BCOs and a record approved third-party truck brokerage carrier count.

Gattoni concluded, “These 2021 achievements speak to the strength and depth of the Landstar network, the ability of the Company and our agents to profitably scale operations to handle significantly higher volumes, and the power of our unique capacity network to execute. I am extremely pleased by our continued organic load volume growth and our ability to attract productive agents and capacity to the network. Landstar’s performance in 2021 was truly remarkable, and we now enter 2022 with a sense of accomplishment, looking forward to another exciting year for the Company, its employees, and the thousands of business owners who participate in the Landstar network.”

Landstar will provide a live webcast of its quarterly earnings conference call tomorrow morning at 8:00 a.m. 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 2021 Earnings Release Conference Call.”

***About Landstar:***

Landstar System, Inc. 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. Landstar transportation services companies are certified to ISO 9001:2015 quality management system standards and RC14001:2015 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.

***Non-GAAP Financial Measures:***

In this earnings release and accompanying financial disclosures, the Company provides the following information that may be deemed a non-GAAP financial measure: variable contribution and variable contribution margin. The Company 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. The Company 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.

**Forward Looking Statements Disclaimer:**

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: the impact of the coronavirus (COVID-19) pandemic; 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; 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; and other operational, financial or legal risks or uncertainties detailed in Landstar’s Form 10K for the 2020 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.

**Landstar System, Inc. and Subsidiary**  
**Consolidated Statements of Income**  
(Dollars in thousands, except per share amounts)  
(Unaudited)

	Fiscal Years Ended		Fiscal Quarters Ended	
	December 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
Revenue	\$ 6,537,568	\$ 4,132,981	\$ 1,945,017	\$ 1,296,355
Investment income	2,857	3,399	719	683
Costs and expenses:				
Purchased transportation	5,114,667	3,192,850	1,531,470	1,009,707
Commissions to agents	507,209	340,780	150,212	104,290
Other operating costs, net of gains on asset sales/dispositions	36,531	30,463	9,414	7,428
Insurance and claims	105,463	87,773	30,265	21,210
Selling, general and administrative	221,278	167,633	62,558	42,854
Depreciation and amortization	49,609	45,855	13,077	11,643
Impairment of intangible and other assets	—	2,582	—	—
Commission program termination costs	—	15,494	—	15,494
Total costs and expenses	<u>6,034,757</u>	<u>3,883,430</u>	<u>1,796,996</u>	<u>1,212,626</u>
Operating income	505,668	252,950	148,740	84,412
Interest and debt expense	3,976	3,953	1,002	1,017
Income before income taxes	501,692	248,997	147,738	83,395
Income taxes	120,168	56,891	34,423	18,324
Net income	<u>\$ 381,524</u>	<u>\$ 192,106</u>	<u>\$ 113,315</u>	<u>\$ 65,071</u>
Diluted earnings per share	<u>\$ 9.98</u>	<u>\$ 4.98</u>	<u>\$ 2.99</u>	<u>\$ 1.70</u>
Average diluted shares outstanding	<u>38,235,000</u>	<u>38,602,000</u>	<u>37,917,000</u>	<u>38,389,000</u>
Dividends per common share	<u>\$ 2.92</u>	<u>\$ 2.79</u>	<u>\$ 2.25</u>	<u>\$ 2.21</u>

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

	December 25, 2021	December 26, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 215,522	\$ 249,354
Short-term investments	35,778	41,375
Trade accounts receivable, less allowance of \$7,074 and \$8,670	1,154,314	764,169
Other receivables, including advances to independent contractors, less allowance of \$8,125 and \$7,239	101,124	134,757
Other current assets	16,162	18,520
Total current assets	1,522,900	1,208,175
Operating property, less accumulated depreciation and amortization of \$344,099 and \$299,407	317,386	296,996
Goodwill	40,768	40,949
Other assets	164,411	107,679
Total assets	\$ 2,045,465	\$ 1,653,799
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Cash overdraft	\$ 116,478	\$ 74,748
Accounts payable	604,130	380,505
Current maturities of long-term debt	36,561	35,415
Insurance claims	46,896	149,774
Dividends payable	75,387	76,770
Other current liabilities	130,531	88,925
Total current liabilities	1,009,983	806,137
Long-term debt, excluding current maturities	75,243	65,359
Insurance claims	49,509	38,867
Deferred income taxes and other non-current liabilities	48,720	51,601
Shareholders' equity:		
Common stock, \$0.01 par value, authorized 160,000,000 shares, issued 68,232,975 and 68,183,702	682	682
Additional paid-in capital	255,148	228,875
Retained earnings	2,317,184	2,046,238
Cost of 30,539,235 and 29,797,639 shares of common stock in treasury	(1,705,601)	(1,581,961)
Accumulated other comprehensive loss	(5,403)	(1,999)
Total shareholders' equity	862,010	691,835
Total liabilities and shareholders' equity	\$ 2,045,465	\$ 1,653,799

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

	Fiscal Years Ended		Fiscal Quarters Ended	
	December 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
<b>Revenue generated through (in thousands):</b>				
Truck transportation				
Truckload:				
Van equipment	\$3,525,830	\$2,192,254	\$1,023,805	\$ 706,702
Unsided/platform equipment	1,549,037	1,119,272	436,679	311,306
Less-than-truckload	117,505	97,546	31,954	26,562
Other truck transportation (1)	770,846	406,709	252,374	157,124
Total truck transportation	5,963,218	3,815,781	1,744,812	1,201,694
Rail intermodal	159,974	114,313	39,434	32,566
Ocean and air cargo carriers	327,160	132,180	135,209	43,178
Other (2)	87,216	70,707	25,562	18,917
	<u>\$6,537,568</u>	<u>\$4,132,981</u>	<u>\$1,945,017</u>	<u>\$1,296,355</u>
Revenue on loads hauled via BCO Independent Contractors (3) included in total truck transportation	\$2,612,188	\$1,866,526	\$ 712,875	\$ 554,523
<b>Number of loads:</b>				
Truck transportation				
Truckload:				
Van equipment	1,422,734	1,141,261	385,218	318,839
Unsided/platform equipment	521,891	458,550	140,297	119,854
Less-than-truckload	183,975	163,024	48,937	43,491
Other truck transportation (1)	300,710	206,305	92,308	64,636
Total truck transportation	2,429,310	1,969,140	666,760	546,820
Rail intermodal	52,310	46,280	11,890	12,870
Ocean and air cargo carriers	41,450	31,900	11,800	9,180
	<u>2,523,070</u>	<u>2,047,320</u>	<u>690,450</u>	<u>568,870</u>
Loads hauled via BCO Independent Contractors (3) included in total truck transportation	1,039,630	945,210	266,360	251,350
<b>Revenue per load:</b>				
Truck transportation				
Truckload:				
Van equipment	\$ 2,478	\$ 1,921	\$ 2,658	\$ 2,216
Unsided/platform equipment	2,968	2,441	3,113	2,597
Less-than-truckload	639	598	653	611
Other truck transportation (1)	2,563	1,971	2,734	2,431
Total truck transportation	2,455	1,938	2,617	2,198
Rail intermodal	3,058	2,470	3,317	2,530
Ocean and air cargo carriers	7,893	4,144	11,458	4,703
Revenue per load on loads hauled via BCO Independent Contractors (3)	\$ 2,513	\$ 1,975	\$ 2,676	\$ 2,206
<b>Revenue by capacity type (as a % of total revenue):</b>				
Truck capacity providers:				
BCO Independent Contractors (3)	40%	45%	37%	43%
Truck Brokerage Carriers	51%	47%	53%	50%
Rail intermodal	2%	3%	2%	3%
Ocean and air cargo carriers	5%	3%	7%	3%
Other	1%	2%	1%	1%

	December 25, 2021	December 26, 2020
<b>Truck Capacity Providers</b>		
BCO Independent Contractors (3)	11,057	10,242
Truck Brokerage Carriers:		
Approved and active (4)	64,476	46,053
Other approved	25,870	22,972
	<u>90,346</u>	<u>69,025</u>
Total available truck capacity providers	<u>101,403</u>	<u>79,267</u>
Trucks provided by BCO Independent Contractors (3)	11,864	10,991

- (1) Includes power-only, expedited, straight truck, cargo van, and miscellaneous other truck transportation revenue generated by the transportation logistics segment. Power-only refers to shipments where the Company furnishes a power unit and an operator but not trailing equipment, which is typically provided by the shipper or consignee.
- (2) Includes primarily reinsurance premium revenue generated by the insurance segment and intra-Mexico transportation services revenue generated by Landstar Metro.
- (3) BCO Independent Contractors are independent contractors who provide truck capacity to the Company under exclusive lease arrangements.
- (4) Active refers to Truck Brokerage Carriers who moved at least one load in the 180 days immediately preceding the fiscal quarter end.

**Landstar System, Inc. and Subsidiary**  
**Reconciliation of Gross Profit to Variable Contribution**  
(Dollars in thousands)  
(Unaudited)

	Fiscal Years Ended		Fiscal Quarters Ended	
	December 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
Revenue	\$6,537,568	\$4,132,981	\$1,945,017	\$1,296,355
Costs of revenue:				
Purchased transportation	5,114,667	3,192,850	1,531,470	1,009,707
Commissions to agents	507,209	340,780	150,212	104,290
Variable costs of revenue	5,621,876	3,533,630	1,681,682	1,113,997
Trailing equipment depreciation	35,204	34,892	8,842	8,550
Information technology costs (1)	13,560	9,791	4,026	2,770
Insurance-related costs (2)	109,387	90,778	31,212	21,939
Other operating costs	36,531	30,463	9,414	7,428
Other costs of revenue	194,682	165,924	53,494	40,687
Total costs of revenue	5,816,558	3,699,554	1,735,176	1,154,684
Gross profit	\$ 721,010	\$ 433,427	\$ 209,841	\$ 141,671
Gross profit margin	11.0%	10.5%	10.8%	10.9%
Plus: other costs of revenue	194,682	165,924	53,494	40,687
Variable contribution	\$ 915,692	\$ 599,351	\$ 263,335	\$ 182,358
Variable contribution margin	14.0%	14.5%	13.5%	14.1%

- (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.

DESIGNED TO RESPOND  
BUILT TO DELIVER



*Landstar System, Inc.*  
*Earnings Conference Call*  
*Fourth Quarter 2021*  
*January 26, 2022*



Date Published: 01/26/2022

## ***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 (1) operating income as a percentage of gross profit and operating income as a percentage of variable contribution, each in the 2020 fiscal year period, excluding the impact of the one-time costs to buyout certain incentive commission arrangements with several agents (the “Commission Buyout Costs”) and the impact of pandemic relief incentive payments; and (2) operating income as a percentage of gross profit in the 2020 fourth quarter, excluding the impact of the Commission Buyout Costs.

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 fourth quarters and fiscal year 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

## 2021 Results

\$6.5 billion in revenue

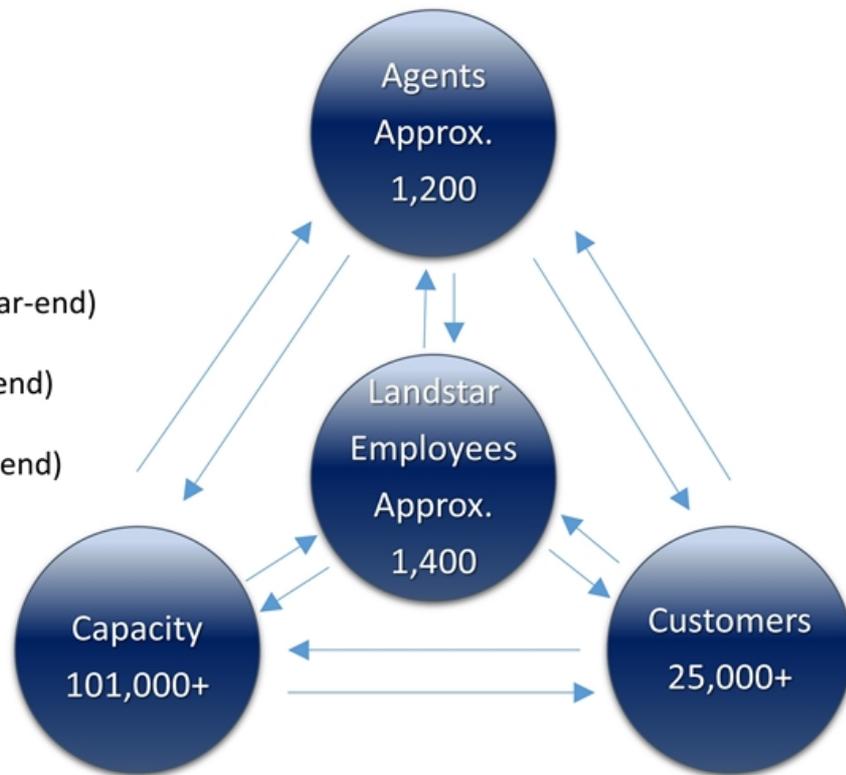
2.5 million loadings

593 million dollar agents

11,864 BCO trucks (2021 year-end)

90,346 Carriers (2021 year-end)

18,000+ Trailers (2021 year-end)



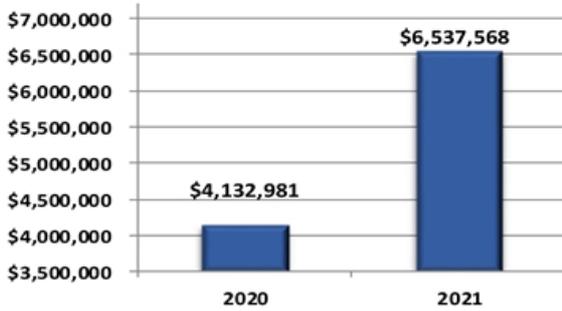
# Transportation Management Services

	Percentage of Revenue	
	4Q20	4Q21
Truck Transportation (1)		
Truckload		
Van equipment	55%	53%
Unsided/platform equipment	24%	22%
Less-than-truckload	2%	2%
Other truck transportation	12%	13%
Rail intermodal	3%	2%
Ocean and air cargo	3%	7%

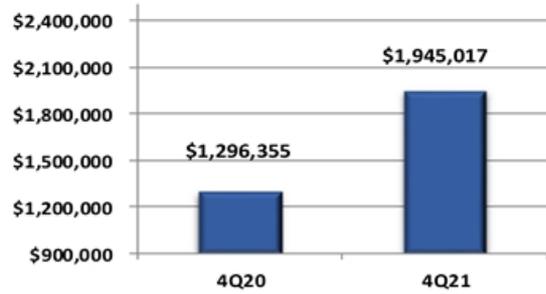
- (1) In connection with the impact of the pandemic on the demand for certain types of truck capacity, Landstar experienced a significant increase in demand for power-only, expedited, straight truck, cargo van and miscellaneous other truck transportation services that were formerly included in revenue from van or unsided/platform services. 2021 and 2020 fourth 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)

Fiscal Year



Quarter



Year over Prior Year	Rate <sup>(1)</sup>	Volume <sup>(2)</sup>	Change
Truck Revenue	26.7%	23.4%	56.3%
Rail Intermodal Revenue	23.8%	13.0%	39.9%
Ocean/Air Revenue	90.5%	29.9%	147.5%
Insurance Premiums	NA	NA	27.3%
<b>Total Revenue</b>			<b>58.2%</b>

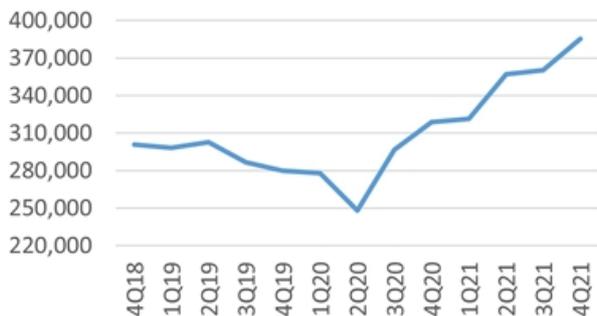
Qtr over Prior Year Qtr	Rate <sup>(1)</sup>	Volume <sup>(2)</sup>	Change
Truck Revenue	19.1%	21.9%	45.2%
Rail Intermodal Revenue	31.1%	-7.6%	21.1%
Ocean/Air Revenue	143.6%	28.5%	213.1%
Insurance Premiums	NA	NA	26.7%
<b>Total Revenue</b>			<b>50.0%</b>

- (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.

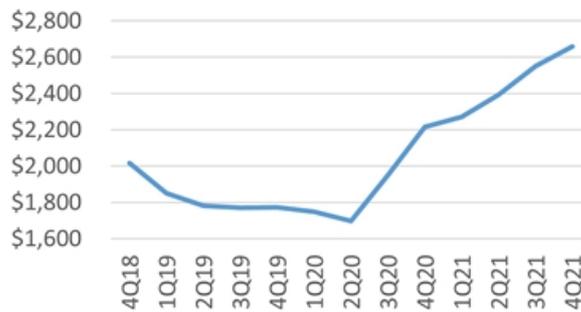
# Truckload Loadings and Revenue per Truckload Trends

## Van Equipment

### Number of Loads

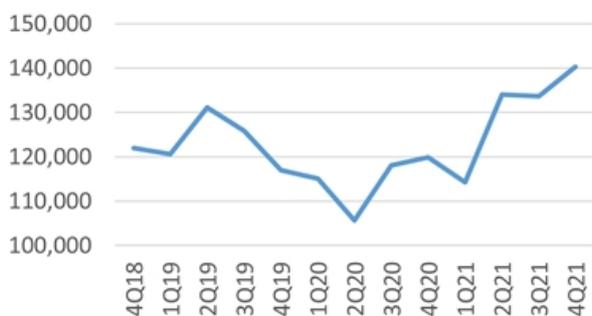


### Revenue per Load

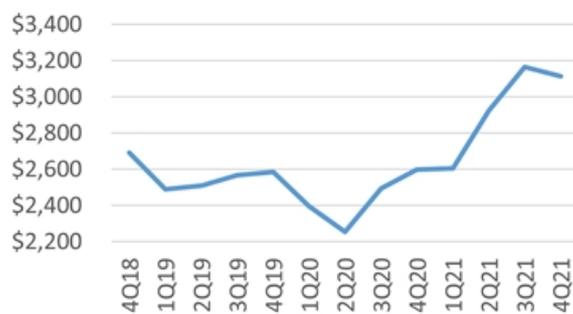


## Unsided/Platform Equipment

### Number of Loads



### Revenue per Load



# Industries Served

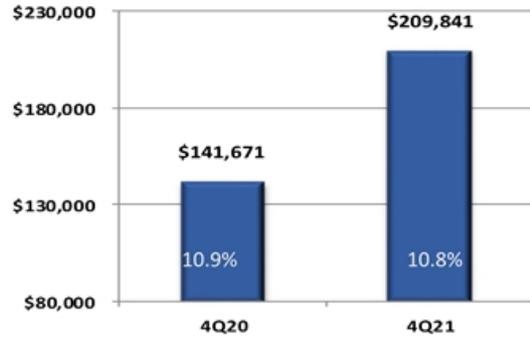
	As a Percentage of Revenue		Quarter over Prior Year Quarter Change in Revenue
	4Q20	4Q21	
Consumer Durables	28.0	32.3	74%
Machinery	10.8	10.3	43%
Building Products	8.9	7.8	32%
AA&E, Hazmat	8.0	7.6	44%
Automotive	8.0	7.2	35%
Substitute Line Haul	7.4	5.4	11%
Metals	4.4	4.7	57%
Foodstuffs	4.3	3.7	29%
Other	20.2	21.0	56%
<b>Transportation Revenue</b>	<u>100.0</u>	<u>100.0</u>	50%

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

Fiscal Year (3)

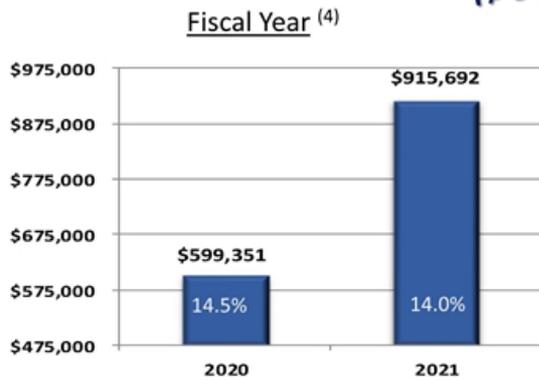


Quarter



- (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) 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<sup>(1)</sup> and Variable Contribution Margin<sup>(2)</sup> (\$'s in thousands)

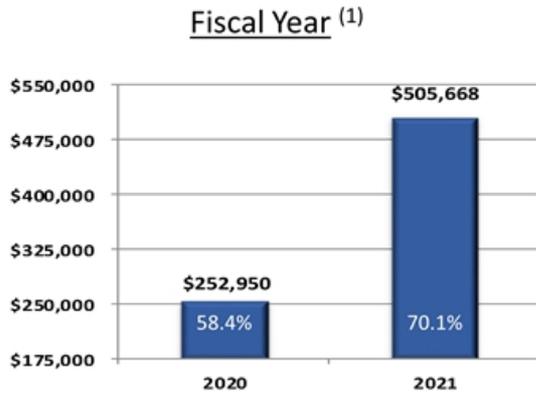


		Fiscal Year <sup>(3)</sup>
Changes in variable contribution margin		%
2020 Period		14.5
Revenue - fixed		0.3
Revenue - variable		-0.2
Pandemic relief (4)		0.3
Change in mix and other		-0.9
2021 Period		14.0

		4th Qtr <sup>(3)</sup>
Changes in variable contribution margin		%
2020 Period		14.1
Revenue - fixed		0.4
Revenue - variable		0.0
Pandemic relief		0.0
Change in mix and other		-1.0
2021 Period		13.5

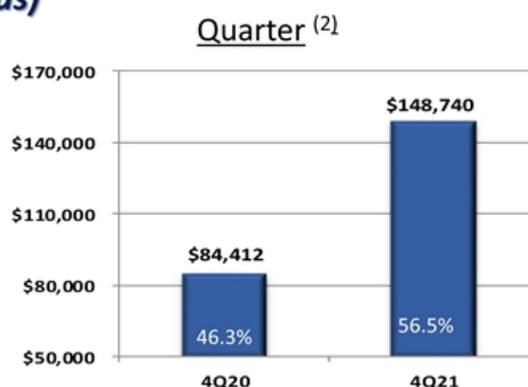
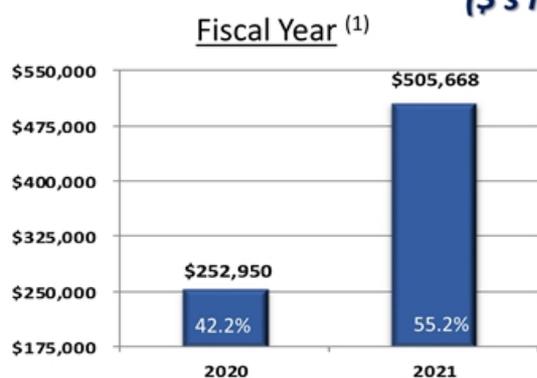
- (1) Variable contribution equals revenue less the cost of purchased transportation and commissions to agents.
- (2) Variable contribution margin equals variable contribution divided by revenue.
- (3) Revenue on transactions where the Company's variable contribution margin was based on a contractually pre-determined percentage of revenue accounted for 50% and 44% of revenue in the 2020 and 2021 fiscal year periods, respectively, and 47% and 41% of revenue in the 2020 and 2021 fourth 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)



- (1) Excluding the impact of the \$15.5 million one-time cost related to buyouts of certain agent incentive commission arrangements and the \$12.6 million of pandemic relief incentive payments from the 2020 fiscal year period, operating income as a percentage of gross profit was 63.0% in the 2020 fiscal year period.
- (2) Excluding the impact of the \$15.5 million one-time cost related to buyouts of certain incentive commission arrangements from the 2020 fourth quarter, operating income as a percentage of gross profit was 70.5% in the 2020 fourth quarter.

# Operating Income as a % of Variable Contribution (\$'s in thousands)



Changes in operating income as a % of variable contribution	Fiscal Year
	%
2020 Period	42.2
Other operating costs	1.1
Insurance and claims	2.9
SG&A	3.8
Depreciation and amortization	2.2
Impairment	0.4
Commission program termination costs	2.6
2021 Period	55.2

Changes in operating income as a % of variable contribution	4th Qtr
	%
2020 Period	46.3
Other operating costs	0.5
Insurance and claims	0.0
SG&A	-0.2
Depreciation and amortization	1.4
Impairment	0.0
Commission program termination costs	8.5
2021 Period	56.5

- (1) Excluding the impact of the \$15.5 million one-time cost related to buyouts of certain agent incentive commission arrangements and the \$12.6 million of pandemic relief incentive payments from the 2020 fiscal year period, operating income as a percentage of variable contribution was 45.9% in the 2020 fiscal year period.
- (2) Excluding the impact of the \$15.5 million one-time cost related to buyouts of certain incentive commission arrangements from the 2020 fourth quarter, operating income as a percentage of variable contribution was 54.8% in the 2020 fourth quarter.

# Truck Capacity Data

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

	Dec 26, 2020 <sup>(2)</sup>	Dec 25, 2021 <sup>(2)</sup>
BCO Independent Contractors	10,242	11,057
Truck Brokerage Carriers:		
Approved and Active <sup>(1)</sup>	46,053	64,476
Other Approved	22,972	25,870
	69,025	90,346
Total Available Truck Capacity Providers	79,267	101,403
Trucks Provided by BCO Independent Contractors	10,991	11,864

(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 \$260.3 million and \$168.8 million in the 2021 and 2020 fiscal year periods, respectively, and \$77.6 million and \$41.1 million in the 2021 and 2020 fourth quarters, respectively.

# Key Balance Sheet and Cash Flow Statistics

(\$'s in thousands)

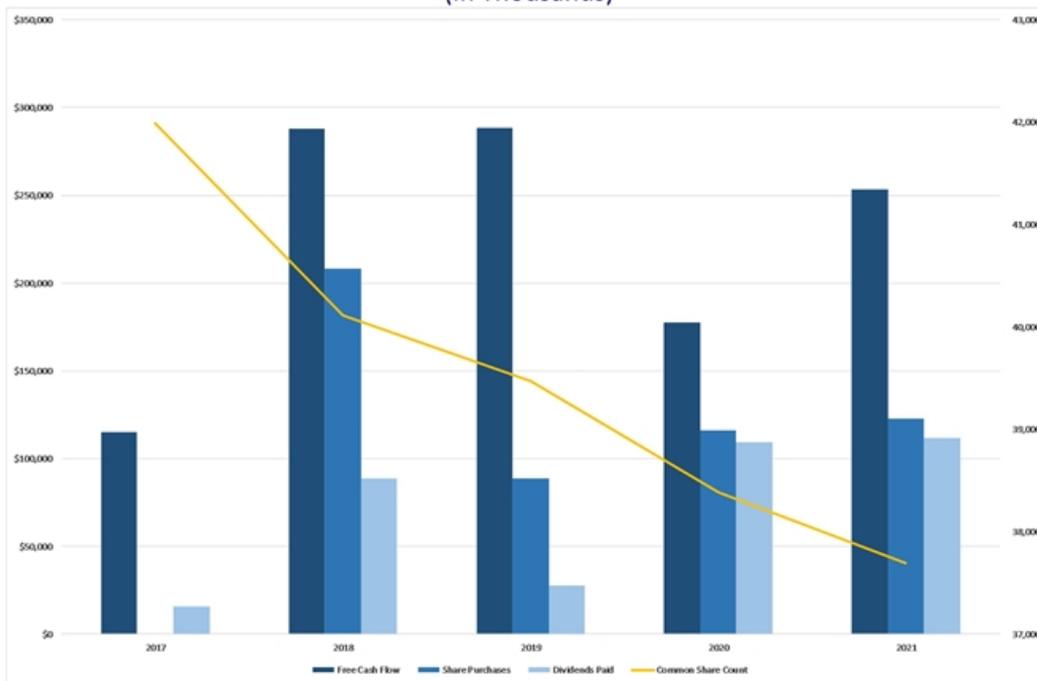
	Dec 26, 2020	Dec 25, 2021
<b>Balance sheet</b> (period end amounts):		
Debt to Capital	13%	11%
Net Cash (1)	\$ 189,955	\$ 139,496
<b>Cash flow:</b>		
Cash flow from operations	\$ 210,717	\$ 276,740
Capital expenditures (2)	\$ 33,392	\$ 23,261
Share repurchases	\$ 115,962	\$ 122,722
Dividends paid	\$ 109,504	\$ 111,961
<b>Returns (trailing 12 months):</b>		
Return on Equity	28%	47%
Return on Invested Capital	25%	42%
Return on Assets	14%	21%

(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 \$30.6 million and approximately \$2.8 million for the acquisition of a business during the 2020 fiscal year period.

# Free Cash Flow <sup>(1)</sup>, Stock Purchases and Dividends

(In Thousands)



2021	(000's)
Free cash flow (1)	\$ 253,479
Share purchases	\$ 122,722
Dividends paid	\$ 111,961
Ending common share count	37,694

(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 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
Revenue	\$ 6,537,568	\$ 4,132,981	\$ 1,945,017	\$ 1,296,355
Costs of revenue:				
Purchased transportation	5,114,667	3,192,850	1,531,470	1,009,707
Commissions to agents	507,209	340,780	150,212	104,290
Variable costs of revenue	5,621,876	3,533,630	1,681,682	1,113,997
Trailing equipment depreciation	35,204	34,892	8,842	8,550
Information technology costs (1)	13,560	9,791	4,026	2,770
Insurance-related costs (2)	109,387	90,778	31,212	21,939
Other operating costs	36,531	30,463	9,414	7,428
Other costs of revenue	194,682	165,924	53,494	40,687
Total costs of revenue	5,816,558	3,699,554	1,735,176	1,154,684
Gross profit	\$ 721,010	\$ 433,427	\$ 209,841	\$ 141,671
Gross profit margin	11.0%	10.5%	10.8%	10.9%
Plus: other costs of revenue	194,682	165,924	53,494	40,687
Variable contribution	\$ 915,692	\$ 599,351	\$ 263,335	\$ 182,358
Variable contribution margin	14.0%	14.5%	13.5%	14.1%

(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.

DESIGNED TO RESPOND  
BUILT TO DELIVER



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