

DESIGNED TO RESPOND  
BUILT TO DELIVER



*Landstar System, Inc.*  
*Earnings Conference Call*  
*Second Quarter 2020*  
*July 22, 2020*



Date Published: 07/22/2020

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 impact of coronavirus (COVID-19) pandemic and the operational, financial and legal risks detailed in Landstar’s Form 10-K for the 2019 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.

In this slide presentation, the Company provides the following information that may be deemed a non-GAAP financial measure: operating margin in the 2020 year-to-date and second quarter periods, excluding the impact of pandemic relief incentive payments from each period.

Management believes that it is appropriate to present this financial information 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.

# ***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

## 2019 Results

\$4.1 billion in revenue

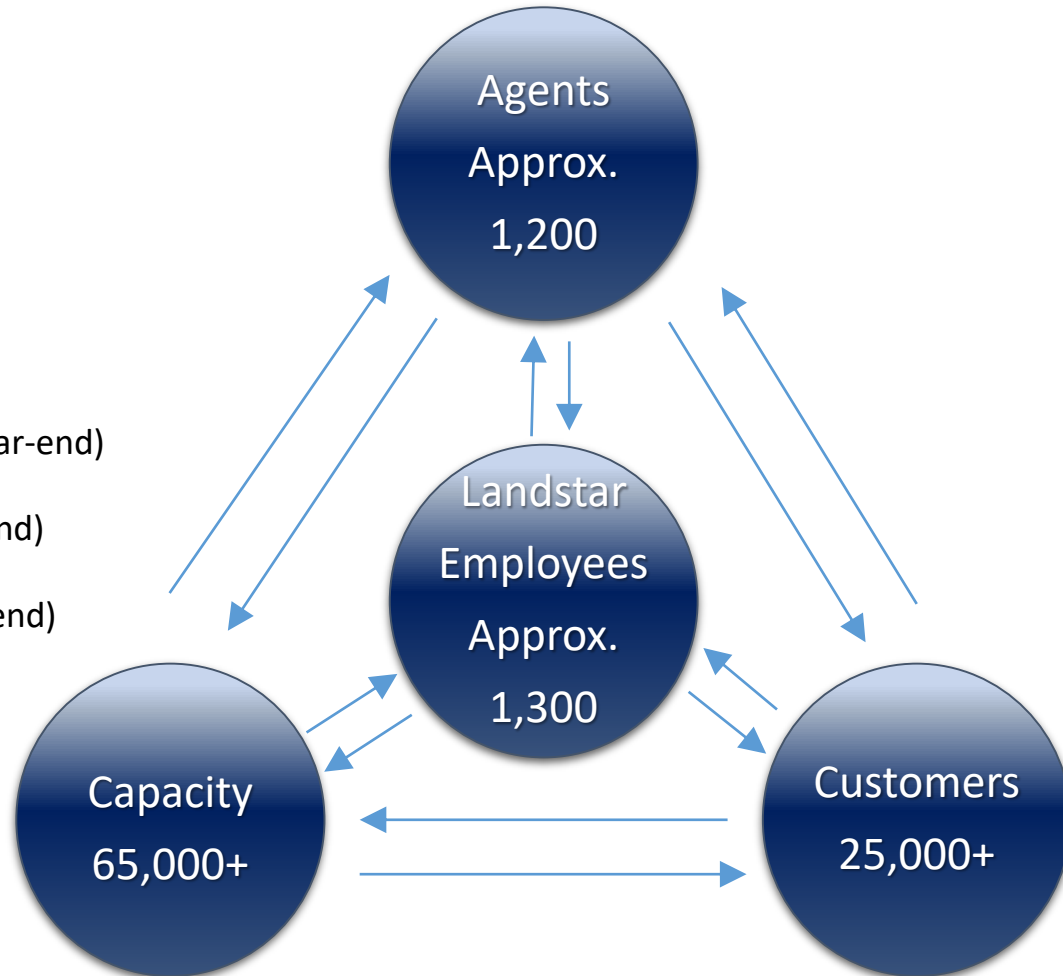
2.1 million loadings

555 million dollar agents

10,243 BCO trucks (2019 year-end)

56,317 Carriers (2019 year-end)

17,000+ Trailers (2019 year-end)

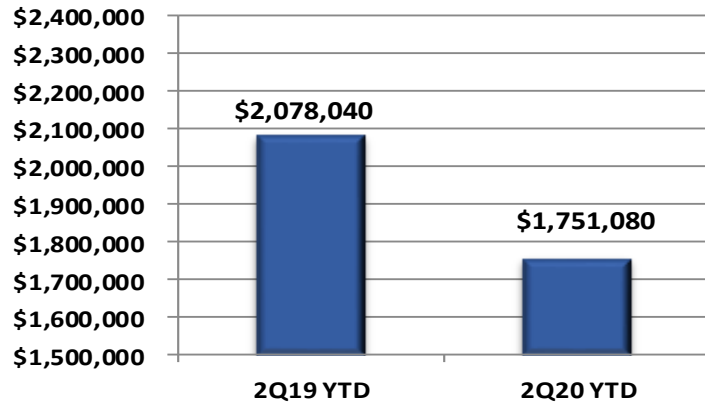


# Transportation Management Services

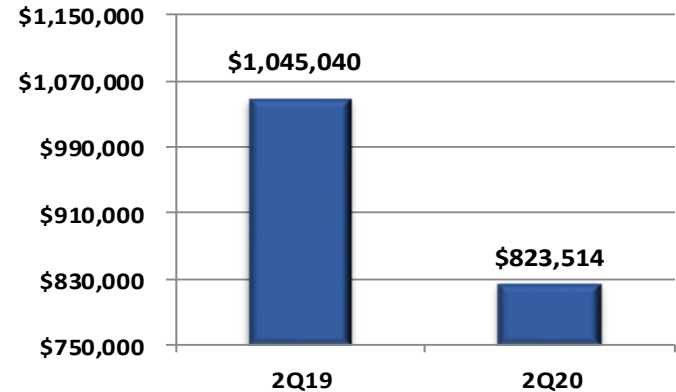
|                            | Percentage of Revenue |      |
|----------------------------|-----------------------|------|
|                            | 2Q19                  | 2Q20 |
| Truck Transportation       |                       |      |
| Truckload                  |                       |      |
| Van equipment              | 58%                   | 59%  |
| Unsided/platform equipment | 32%                   | 30%  |
| Less-than-truckload        | 2%                    | 3%   |
| Rail intermodal            | 3%                    | 3%   |
| Ocean and air cargo        | 3%                    | 4%   |

# Revenue (\$'s in thousands)

Year-to-Date



Quarter



| Year over Prior Year    | Rate <sup>(1)</sup> | Volume <sup>(2)</sup> | Change  |
|-------------------------|---------------------|-----------------------|---------|
| Truck Revenue           | - 5.9%              | - 11.0%               | - 16.3% |
| Rail Intermodal Revenue | - 2.8%              | - 9.9%                | - 12.4% |
| Ocean/Air Revenue       | - 0.2%              | - 2.6%                | - 2.8%  |
| Insurance Premiums      | NA                  | NA                    | - 3.1%  |
| Total Revenue           |                     |                       | - 15.7% |

| Qtr over Prior Year Qtr | Rate <sup>(1)</sup> | Volume <sup>(2)</sup> | Change  |
|-------------------------|---------------------|-----------------------|---------|
| Truck Revenue           | - 7.1%              | - 16.3%               | - 22.2% |
| Rail Intermodal Revenue | - 7.0%              | - 12.7%               | - 18.8% |
| Ocean/Air Revenue       | 7.8%                | 0.8%                  | 8.6%    |
| Insurance Premiums      | NA                  | NA                    | - 3.6%  |
| Total Revenue           |                     |                       | - 21.2% |

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

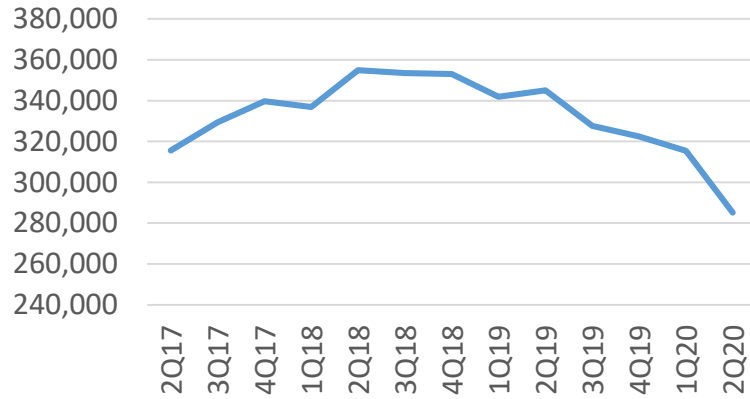
(2) Percentage change in volume is calculated on the number of loads hauled.

# Truckload Loadings and Revenue per Load

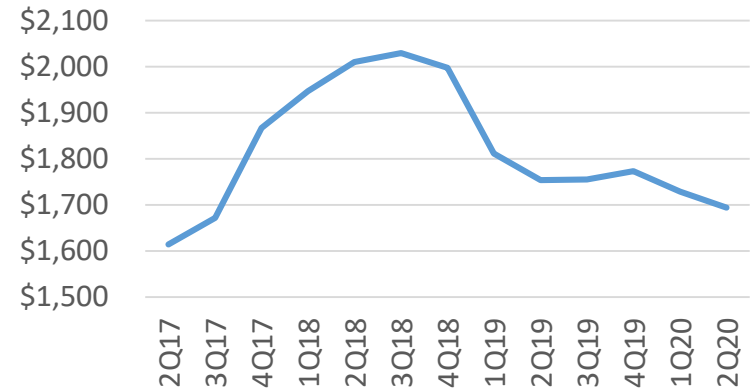
(Excludes LTL)

## Van Equipment

### Number of Loads

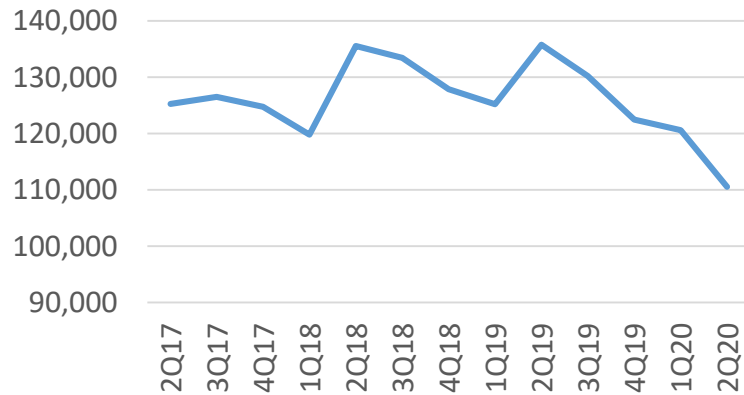


### Revenue per Load

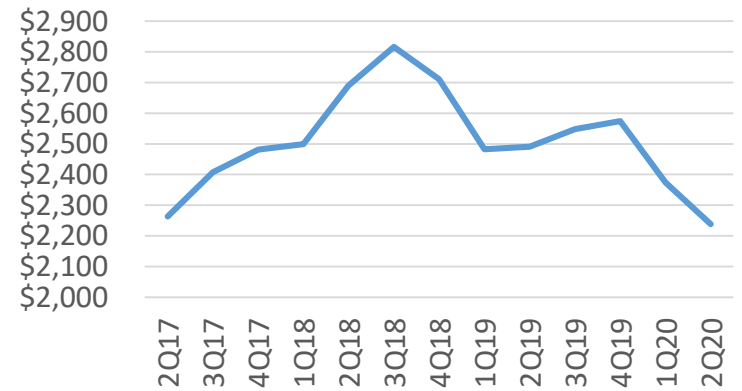


## Unsided/Platform Equipment

### Number of Loads



### Revenue per Load



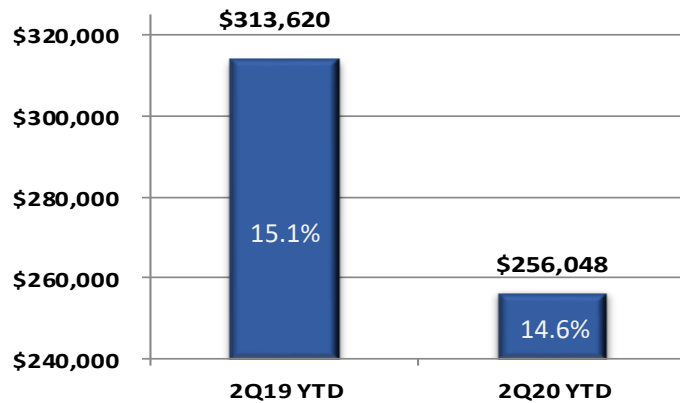
# Industries Served

|                               | As a Percentage of Revenue |              | Quarter over Prior<br>Year Quarter<br>Growth |
|-------------------------------|----------------------------|--------------|--|
|                               | 2Q19                       | 2Q20         |  |
| Consumer Durables             | 24.6                       | 24.3         | -22%   |
| Machinery                     | 14.7                       | 13.0         | -30%   |
| Automotive                    | 7.2                        | 4.3          | -53%   |
| Building Products             | 9.6                        | 9.7          | -21%   |
| Metals                        | 6.5                        | 5.3          | -35%   |
| AA&E, Hazmat                  | 9.2                        | 9.6          | -18%   |
| Foodstuffs                    | 3.8                        | 5.8          | 22%  |
| Energy                        | 3.0                        | 3.7          | -2%  |
| Other                         | 21.4                       | 24.3         | -12%   |
| <b>Transportation Revenue</b> | <u>100.0</u>               | <u>100.0</u> | -21%   |

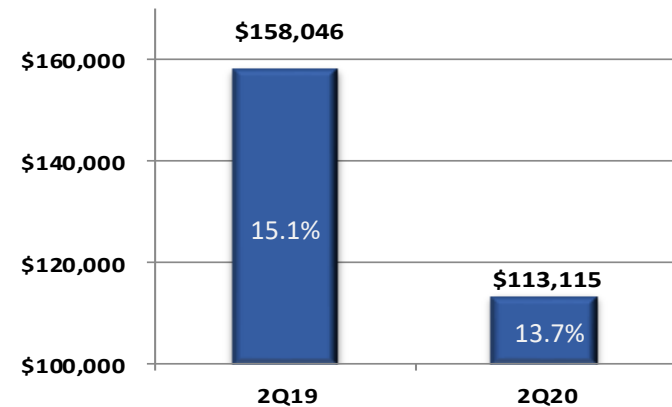


# Gross Profit <sup>(1)</sup> and Gross Profit Margin <sup>(2)</sup> (\$'s in thousands)

Year-to-Date (4)



Quarter (4)



|                                       | 2nd Qtr YTD <sup>(3)</sup> |
|---------------------------------------|----------------------------|
| <b>Changes in gross profit margin</b> | <b>%</b>                   |
| 2019 Period                           | 15.1                       |
| Revenue - fixed gp margin             | 0.1                        |
| Revenue - variable gp margin          | 0.0                        |
| Pandemic relief (4)                   | -0.7                       |
| Change in mix and other               | 0.1                        |
| 2020 Period                           | 14.6                       |

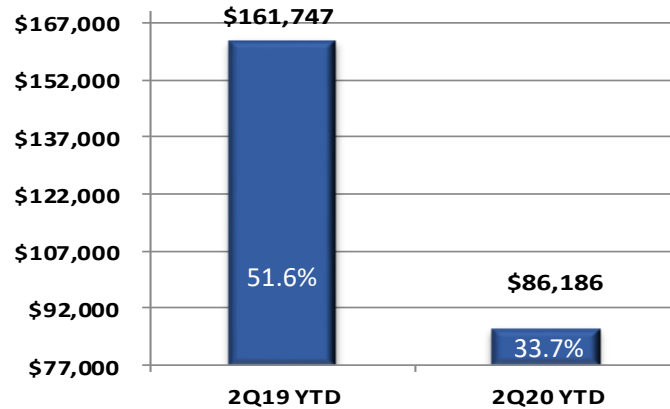
|                                       | 2nd Qtr <sup>(3)</sup> |
|---------------------------------------|------------------------|
| <b>Changes in gross profit margin</b> | <b>%</b>               |
| 2019 Period                           | 15.1                   |
| Revenue - fixed gp margin             | 0.1                    |
| Revenue - variable gp margin          | 0.1                    |
| Pandemic relief (4)                   | -1.5                   |
| Change in mix and other               | -0.1                   |
| 2020 Period                           | 13.7                   |

- (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 51% and 52% of revenue in the 2019 and 2020 year-to-date periods, respectively, and 51% of revenue in both the 2019 and 2020 second quarters.
- (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.

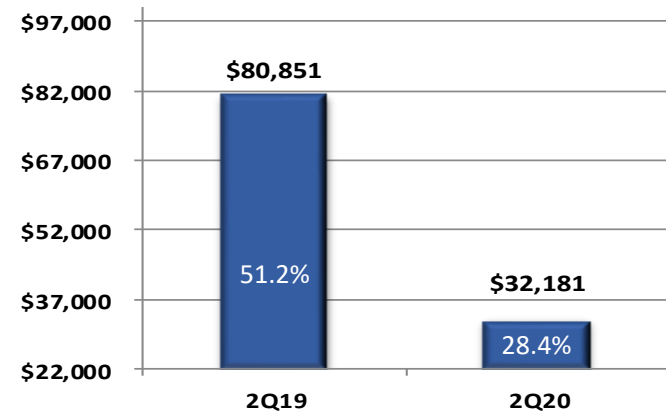
# Operating Income and Operating Margin <sup>(1)</sup>

(\$'s in thousands)

Year-to-Date



Quarter



|                                    | 2nd Qtr YTD |
|------------------------------------|-------------|
| <b>Changes in operating margin</b> | <b>%</b>    |
| 2019 Period                        | 51.6        |
| Other operating costs              | -0.4        |
| Insurance and claims               | -7.5        |
| SG&A                               | -7.2        |
| Depreciation and amortization      | -1.8        |
| Impairment                         | -1.0        |
| 2020 Period                        | 33.7        |

|                                    | 2nd Qtr  |
|------------------------------------|----------|
| <b>Changes in operating margin</b> | <b>%</b> |
| 2019 Period                        | 51.2     |
| Other operating costs              | -0.3     |
| Insurance and claims               | -7.2     |
| SG&A                               | -9.8     |
| Depreciation and amortization      | -3.2     |
| Impairment                         | -2.3     |
| 2020 Period                        | 28.4     |

- (1) Operating margin equals operating income divided by gross profit.
- (2) Excluding the impact of the \$12.6 million of pandemic relief incentive payments from the 2020 year-to-date and quarterly results, operating margin was 36.8% and 35.6% in the 2020 year-to-date and quarter periods, respectively.

# Truck Capacity Data

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

|  | Jun 29,<br>2019 <sup>(2)</sup> | Dec 28,<br>2019 | Jun 27,<br>2020 <sup>(2)</sup> |
|--|--------------------------------|-----------------|--------------------------------|
| BCO Independent Contractors                    | 9,879                          | 9,554           | 9,632                          |
| Truck Brokerage Carriers:                      |                                |                 |                                |
| Approved and Active <sup>(1)</sup>             | 40,097                         | 39,497          | 37,600                         |
| Other Approved                                 | 17,790                         | 16,820          | 16,365                         |
|  | 57,887                         | 56,317          | 53,965                         |
| Total Available Truck Capacity Providers       | 67,766                         | 65,871          | 63,597                         |
| Trucks Provided by BCO Independent Contractors | 10,587                         | 10,243          | 10,299                         |

(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 \$87.6 million and \$113.8 million in the 2020 and 2019 year-to-date periods, respectively, and \$35.1 million and \$59.8 million in the 2020 and 2019 second quarters, respectively.

# Key Balance Sheet and Cash Flow Statistics

(\$'s in thousands)

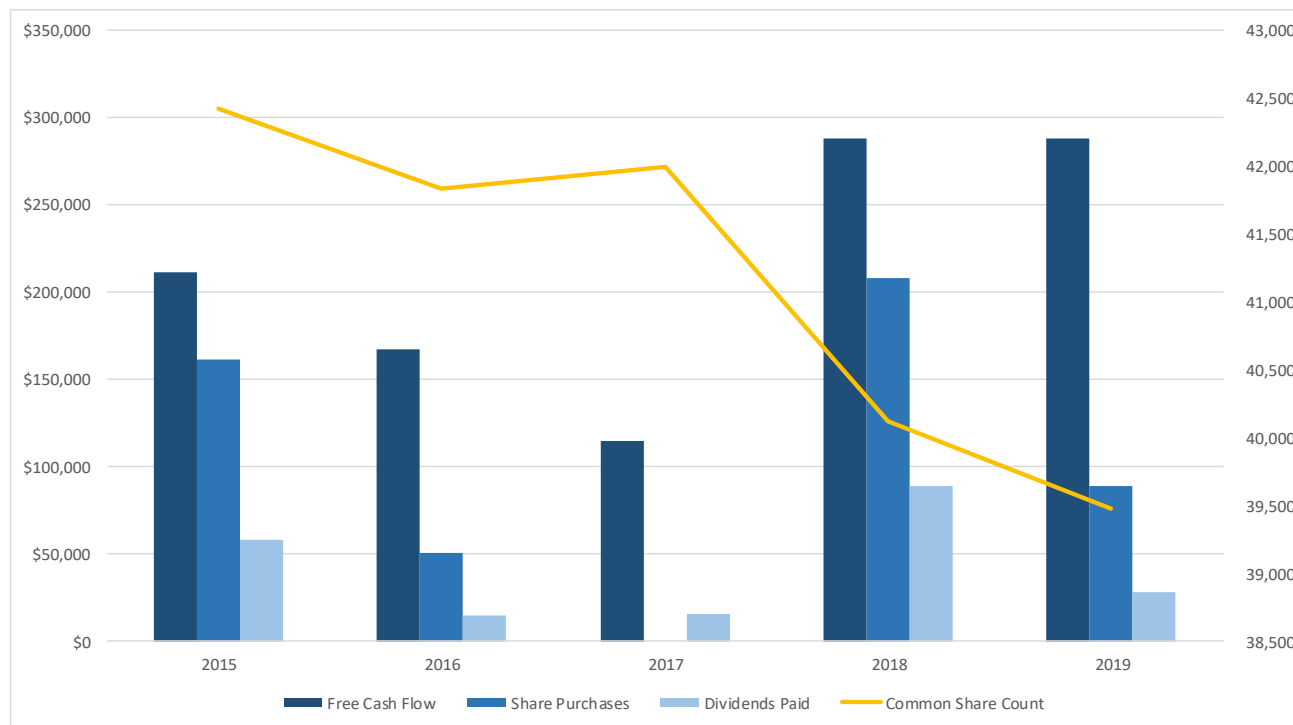
|                                     | YTD<br>Jun 29,<br>2019 | YTD<br>Jun 27,<br>2020 |
|-------------------------------------|------------------------|------------------------|
| Balance sheet (period end amounts): |                        |                        |
| Debt to Capital                     | 13%                    | 13%                    |
| Net Cash (1)                        | \$ 180,583             | \$ 183,374             |
| Cash flow:                          |                        |                        |
| Cash flow from operations           | \$ 184,076             | \$ 198,385             |
| Capital expenditures (2)            | \$ 9,224               | \$ 20,377              |
| Share repurchases                   | \$ 69,729              | \$ 115,962             |
| Dividends paid                      | \$ 13,257              | \$ 93,382              |
| Returns:                            |                        |                        |
| TTM Return on Equity                | 37%                    | 24%                    |
| TTM Return on Invested Capital      | 32%                    | 21%                    |
| TTM Return on Assets                | 19%                    | 13%                    |

(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 \$17.7 million and approximately \$2.7 million for the acquisition of a business during the 2020 year-to-date period.

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

(In Thousands)



| Second quarter 2020 YTD   | (000's)    |
|---------------------------|------------|
| Free cash flow (1)        | \$ 178,008 |
| Share purchases           | \$ 115,962 |
| Dividends paid            | \$ 93,382  |
| Ending common share count | 38,379     |

(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

