

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

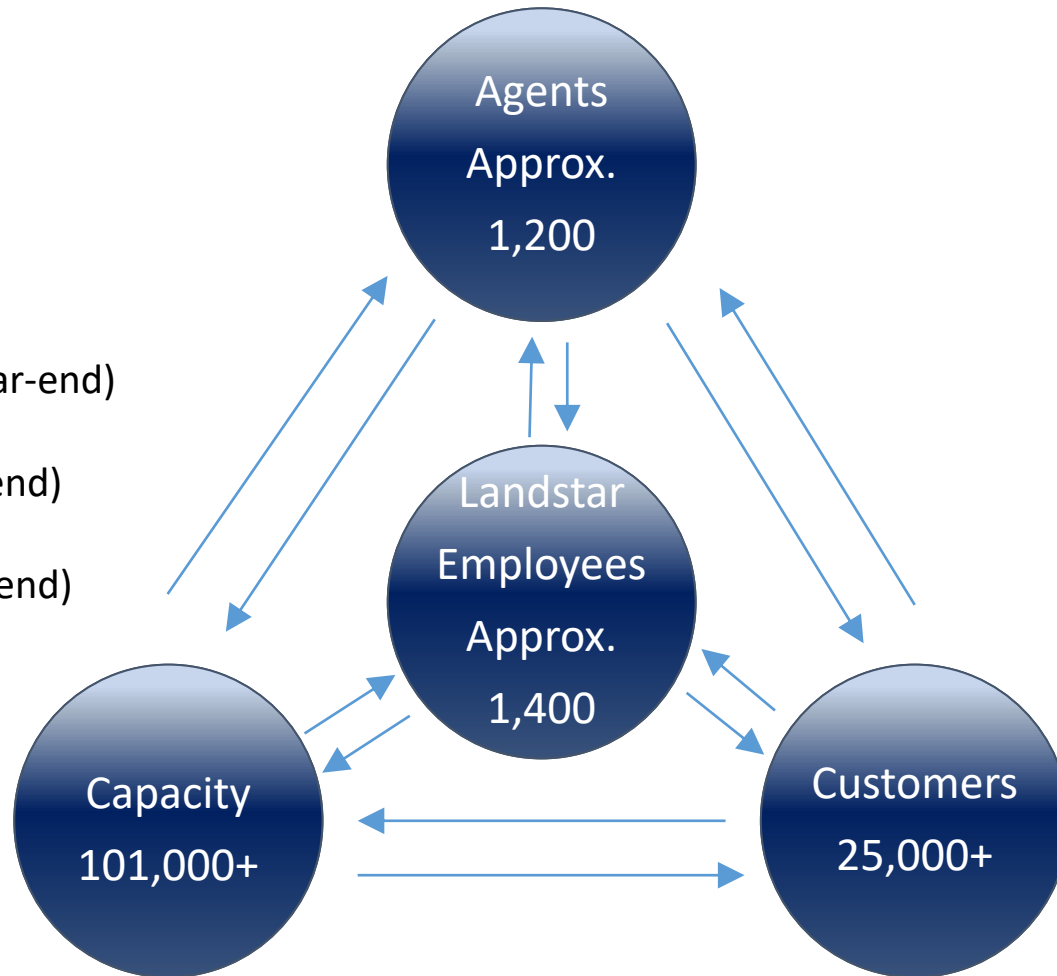
2.5 million loadings

593 million dollar agents

11,864 BCO trucks (2021 year-end)

90,346 Carriers (2021 year-end)

18,000+ Trailers (2021 year-end)



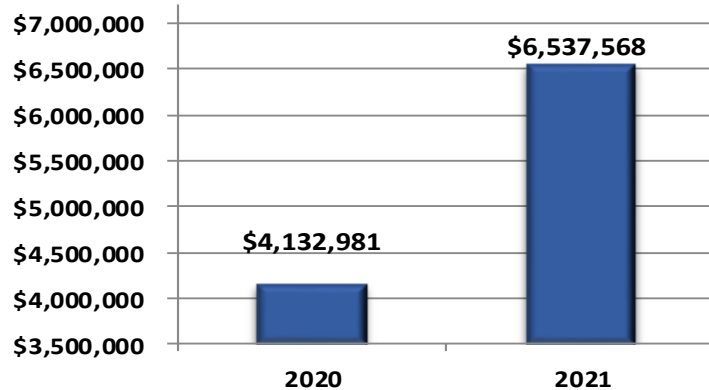
Transportation Management Services

	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%

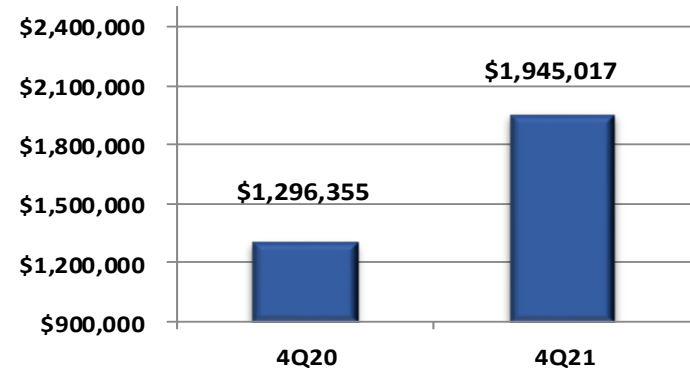
- (1) In connection with the impact of the pandemic on the demand for certain types of truck capacity, Landstar experienced a significant increase in demand for power-only, expedited, straight truck, cargo van and miscellaneous other truck transportation services that were formerly included in revenue 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 ⁽¹⁾	Volume ⁽²⁾	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%
Total Revenue			58.2%

Qtr over Prior Year Qtr	Rate ⁽¹⁾	Volume ⁽²⁾	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%
Total Revenue			50.0%

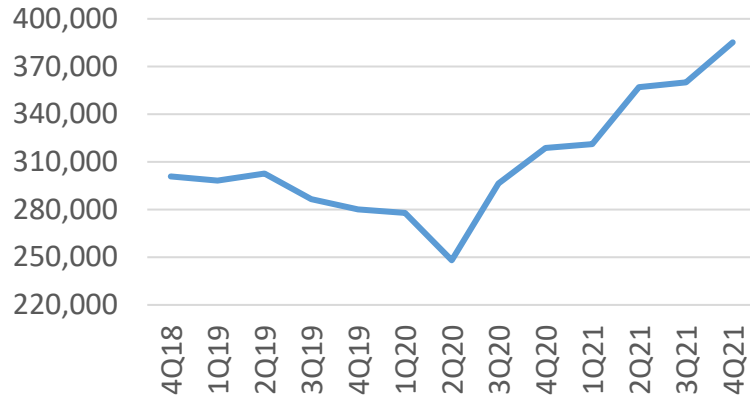
(1) Percentage change in rate is calculated on a revenue per load basis.

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

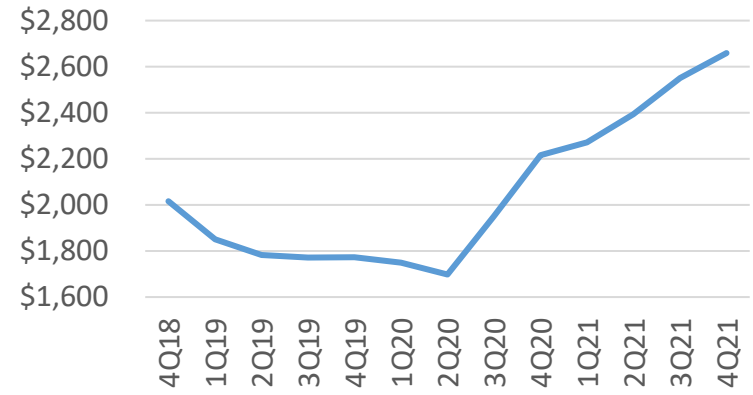
Truckload Loadings and Revenue per Truckload Trends

Van Equipment

Number of Loads

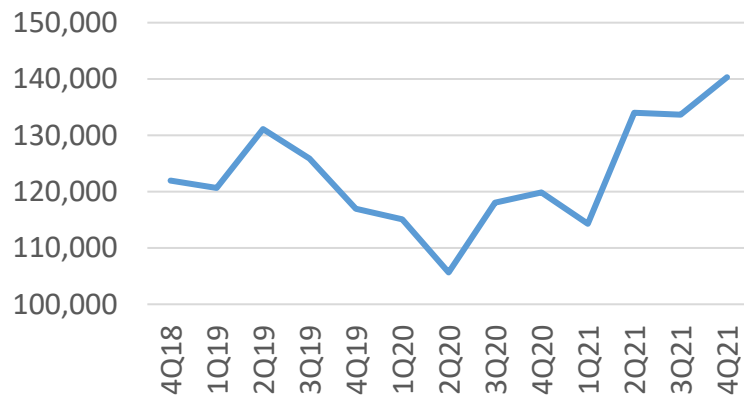


Revenue per Load

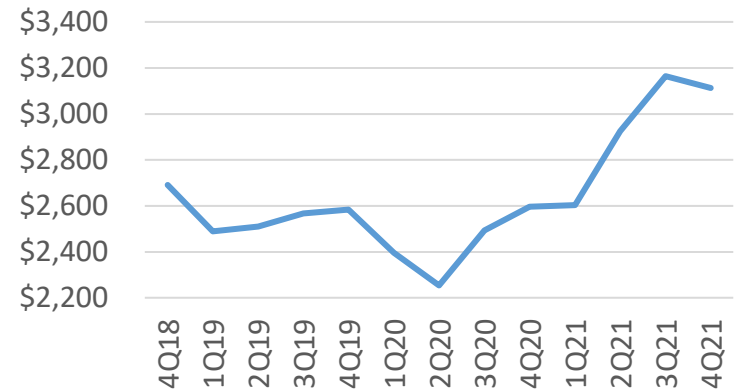


Unsided/Platform Equipment

Number of Loads



Revenue per Load

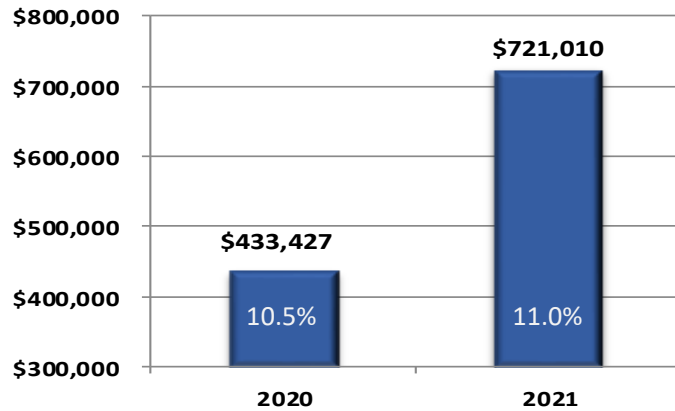


Industries Served

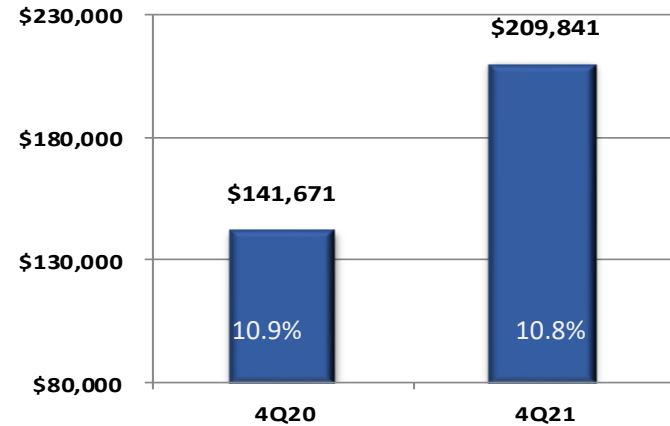
	As a Percentage of Revenue		Quarter over Prior Year Quarter Change in Revenue
	4Q20	4Q21	
Consumer Durables	28.0	32.3	74%
Machinery	10.8	10.3	43%
Building Products	8.9	7.8	32%
AA&E, Hazmat	8.0	7.6	44%
Automotive	8.0	7.2	35%
Substitute Line Haul	7.4	5.4	11%
Metals	4.4	4.7	57%
Foodstuffs	4.3	3.7	29%
Other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

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

Fiscal Year (3)



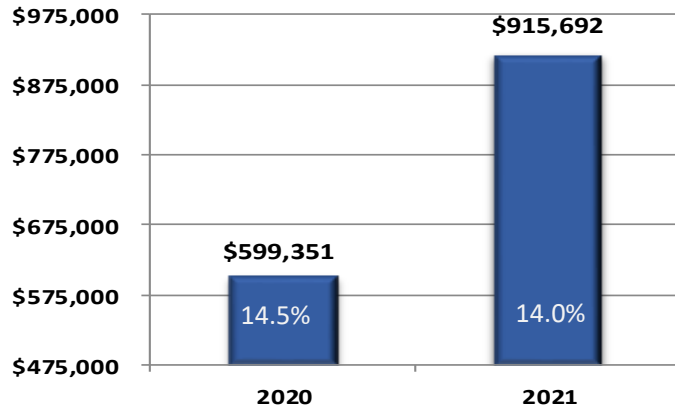
Quarter



- (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.

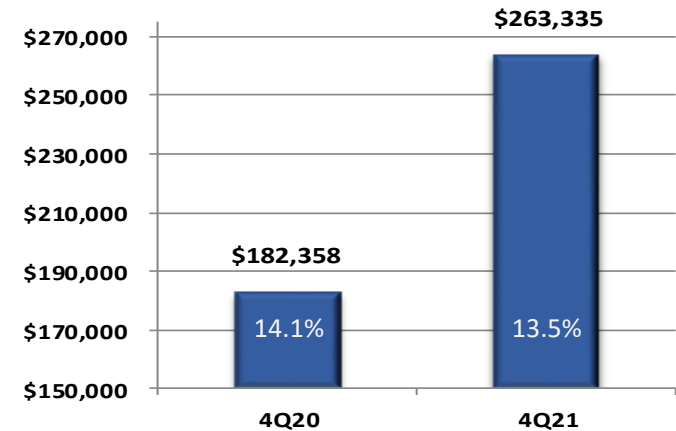
Variable Contribution⁽¹⁾ and Variable Contribution Margin⁽²⁾ (\$'s in thousands)

Fiscal Year⁽⁴⁾



	Fiscal Year ⁽³⁾
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

Quarter

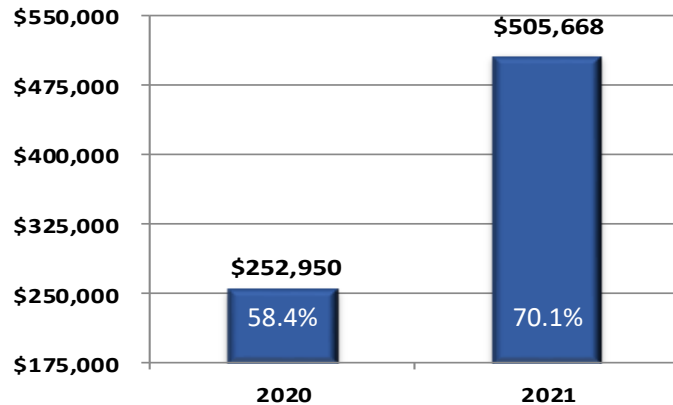


	4th Qtr ⁽³⁾
Changes in variable contribution margin	%
2020 Period	14.1
Revenue - fixed	0.4
Revenue - variable	0.0
Pandemic relief	0.0
Change in mix and other	-1.0
2021 Period	13.5

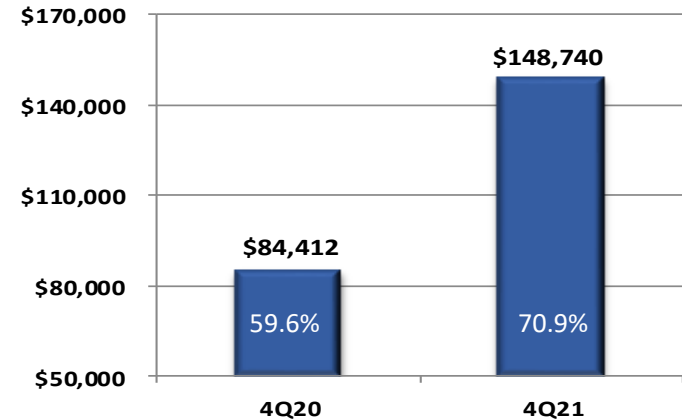
- (1) Variable contribution equals revenue less the cost of purchased transportation and commissions to agents.
- (2) Variable contribution margin equals variable contribution divided by revenue.
- (3) Revenue on transactions where the Company's variable contribution margin was based on a contractually 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*)

Fiscal Year ⁽¹⁾



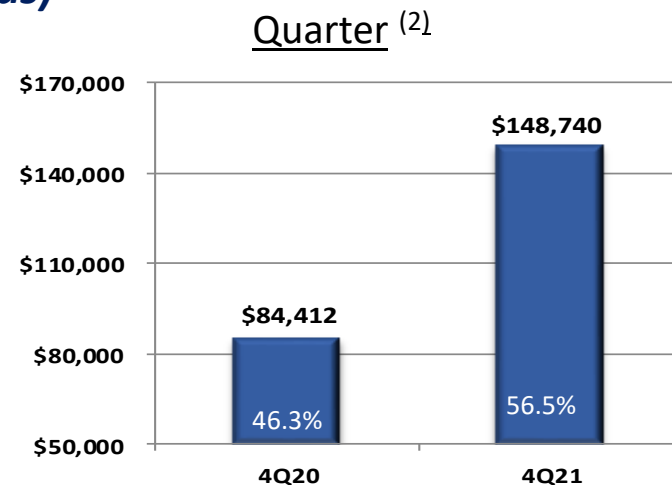
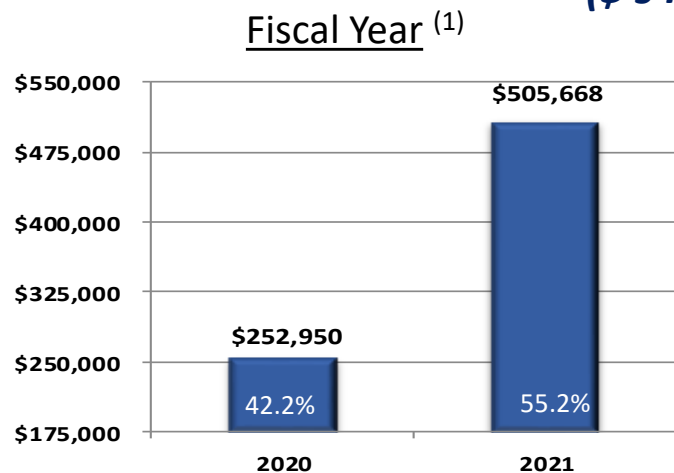
Quarter ⁽²⁾



- (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)



	Fiscal Year
Changes in operating income as a % of variable contribution	%
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

	4th Qtr
Changes in operating income as a % of variable contribution	%
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 ⁽²⁾	Dec 25, 2021 ⁽²⁾
BCO Independent Contractors	10,242	11,057
Truck Brokerage Carriers:		
Approved and Active ⁽¹⁾	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)

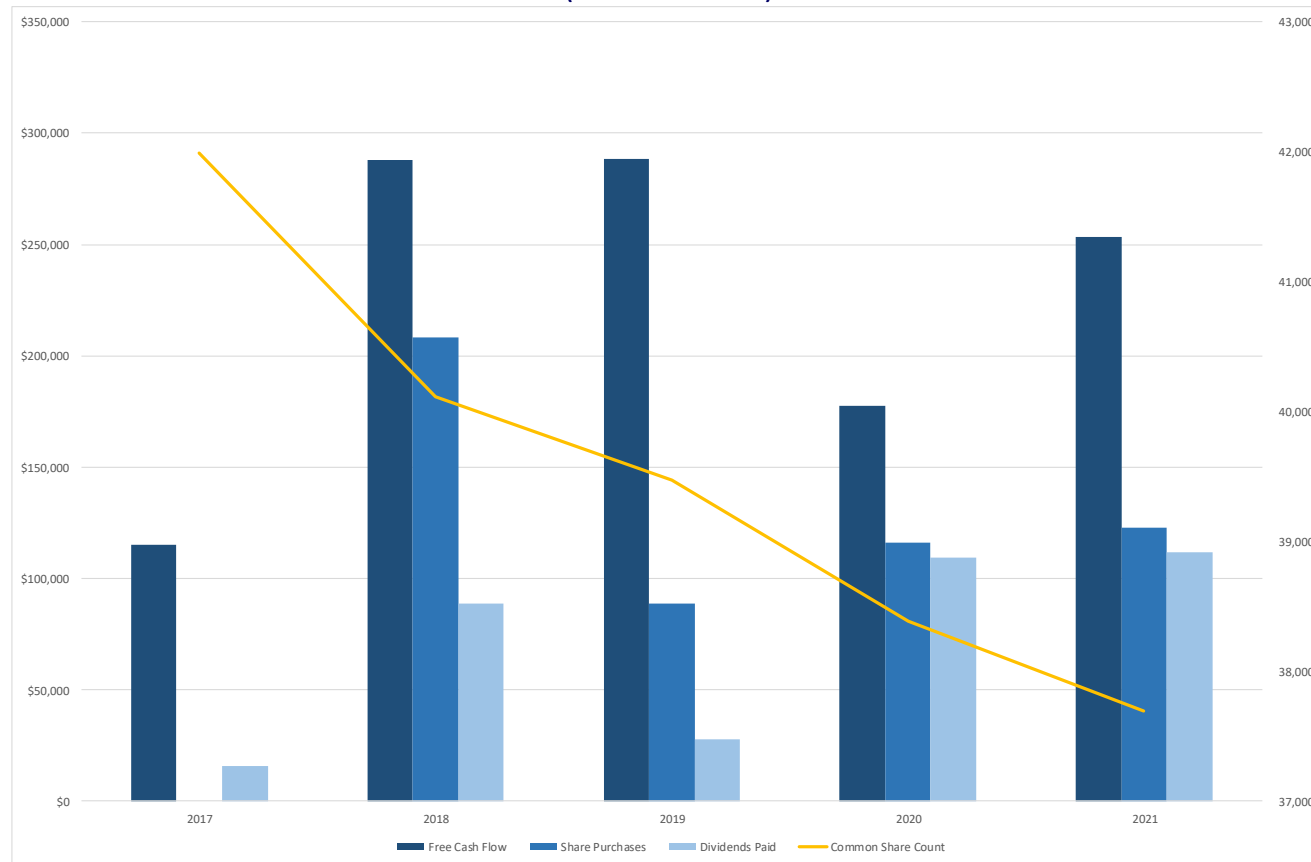
	Dec 26, 2020	Dec 25, 2021
Balance sheet (period end amounts):		
Debt to Capital	13%	11%
Net Cash (1)	\$ 189,955	\$ 139,496
Cash flow:		
Cash flow from operations	\$ 210,717	\$ 276,740
Capital expenditures (2)	\$ 33,392	\$ 23,261
Share repurchases	\$ 115,962	\$ 122,722
Dividends paid	\$ 109,504	\$ 111,961
Returns (trailing 12 months):		
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 ⁽¹⁾, 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.

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