

DESIGNED TO RESPOND
BUILT TO DELIVER



Landstar System, Inc.
Earnings Conference Call
Third Quarter 2018
October 24, 2018



Date Published: 10/24/2018

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 operational, financial and legal risks detailed in Landstar’s Form 10-K for the 2017 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.

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

2017 Results

\$3.6 billion in revenue

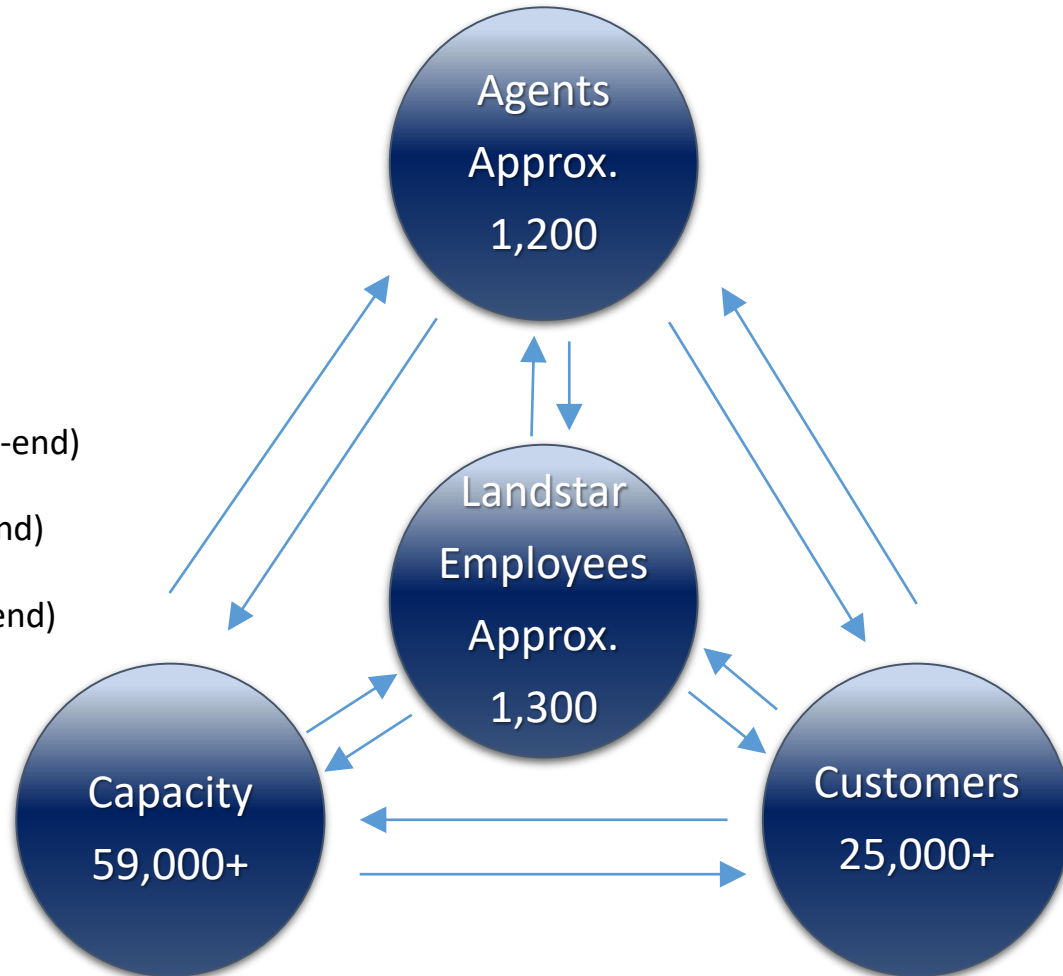
2.0 million loadings

542 million dollar agents

9,696 BCO trucks (2017 year-end)

49,934 Carriers (2017 year-end)

15,000+ Trailers (2017 year-end)

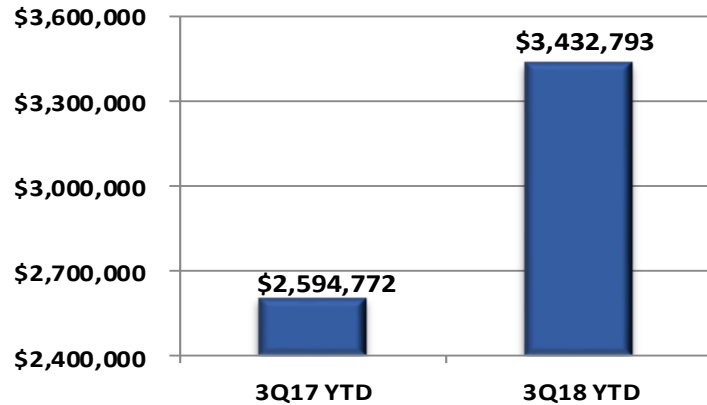


Transportation Management Services

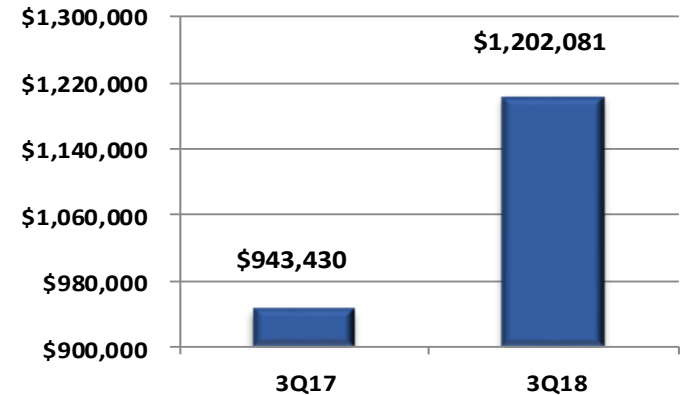
	Percentage of Revenue	
	3Q17	3Q18
Truck Transportation		
Truckload		
Van equipment	58%	60%
Unsided/platform equipment	32%	31%
Less-than-truckload	2%	2%
Rail intermodal	3%	3%
Ocean and air cargo	3%	3%

Revenue (\$'s in thousands)

Year-to-Date



Quarter



Year over Prior Year	Rate ⁽¹⁾	Volume ⁽²⁾	Change
Truck Revenue	20.7%	9.7%	32.3%
Rail Intermodal Revenue	11.4%	25.7%	40.0%
Ocean/Air Revenue	-0.1%	17.1%	17.0%
Insurance Premiums	NA	NA	10.2%
Total Revenue			32.3%

Qtr over Prior Year Qtr	Rate ⁽¹⁾	Volume ⁽²⁾	Change
Truck Revenue	19.4%	6.7%	27.4%
Rail Intermodal Revenue	17.4%	21.1%	42.2%
Ocean/Air Revenue	-20.1%	32.4%	5.7%
Insurance Premiums	NA	NA	13.7%
Total Revenue			27.4%

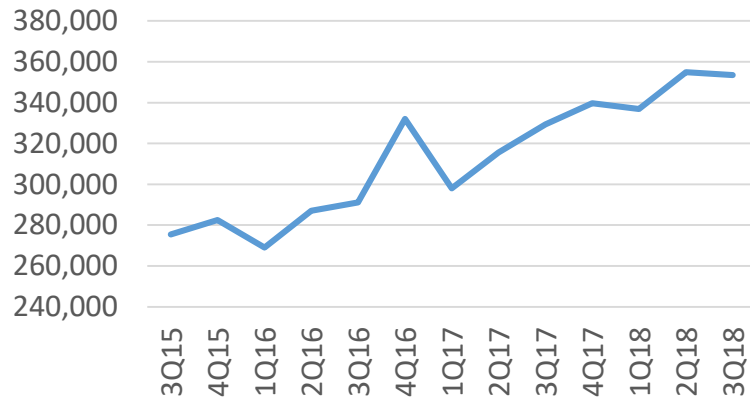
(1) Percentage change in rate is calculated on a revenue per load basis.

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

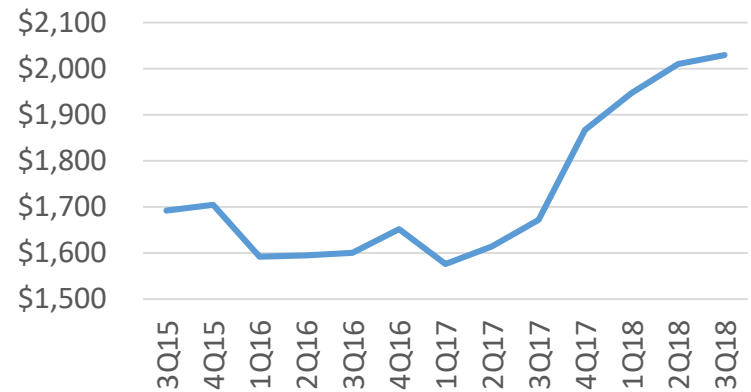
Truckload Loadings and Revenue per Load (Excludes LTL)

Van Equipment

Number of Loads

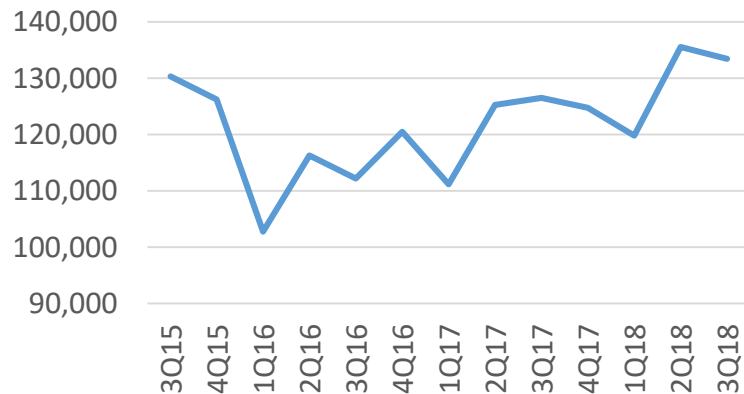


Revenue per Load

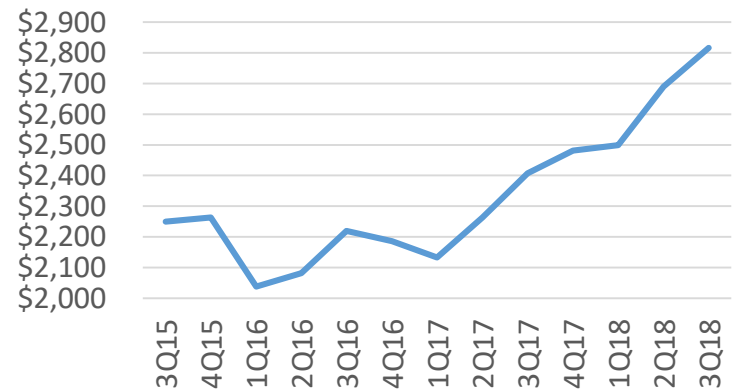


Unsided/Platform Equipment

Number of Loads



Revenue per Load

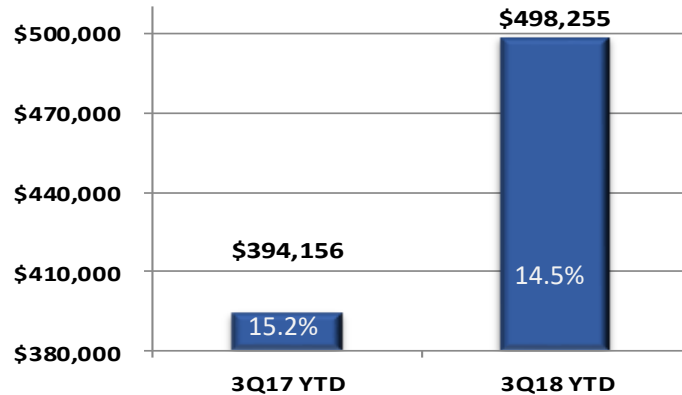


Industries Served

	As a Percentage of Revenue		Quarter over Prior Year Quarter Growth
	3Q17	3Q18	
Consumer Durables	21.0	23.2	41%
Machinery	14.3	14.3	28%
Automotive	7.1	8.3	49%
Building Products	10.2	8.7	8%
Metals	6.6	6.7	30%
AA&E, Hazmat	8.6	8.4	25%
Foodstuffs	4.7	5.5	49%
Energy	3.2	2.8	11%
Other	24.3	22.1	16%
Transportation Revenue	<u>100.0</u>	<u>100.0</u>	28%

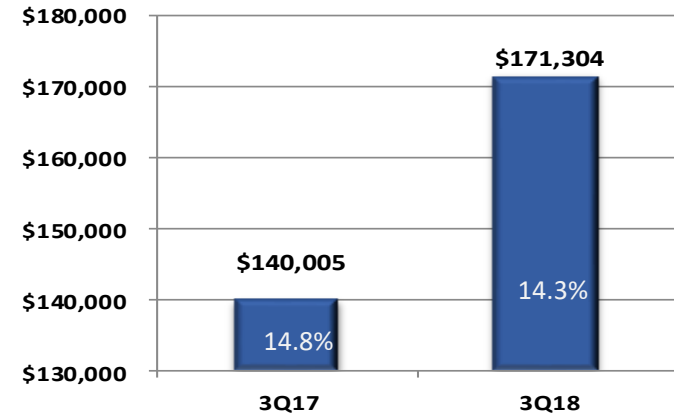
Gross Profit ⁽¹⁾ and Gross Profit Margin ⁽²⁾ (\$'s in thousands)

Year-to-Date



	3rd Qtr YTD ⁽³⁾
Changes in gross profit margin	%
2017 Period	15.2
Revenue - fixed gp margin	-0.1
Revenue - variable gp margin	-0.1
Change in mix and other	-0.5
2018 Period	14.5

Quarter



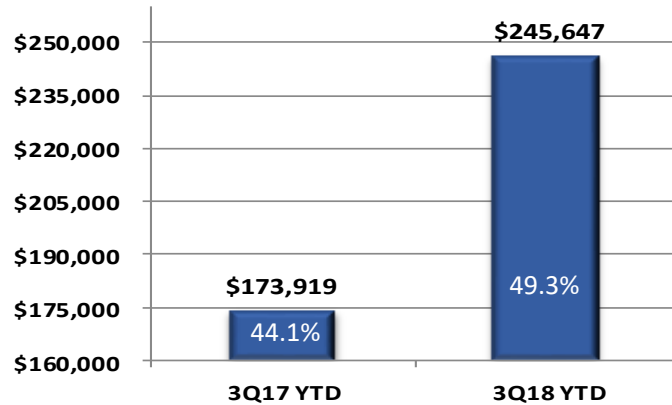
	3rd Qtr ⁽³⁾
Changes in gross profit margin	%
2017 Period	14.8
Revenue - fixed gp margin	-0.2
Revenue - variable gp margin	0.1
Change in mix and other	-0.4
2018 Period	14.3

- (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 54% and 51% of revenue in the 2017 and 2018 year-to-date periods, respectively, and 53% and 50% of revenue in the 2017 and 2018 third quarters, respectively.

Operating Income and Operating Margin ⁽¹⁾

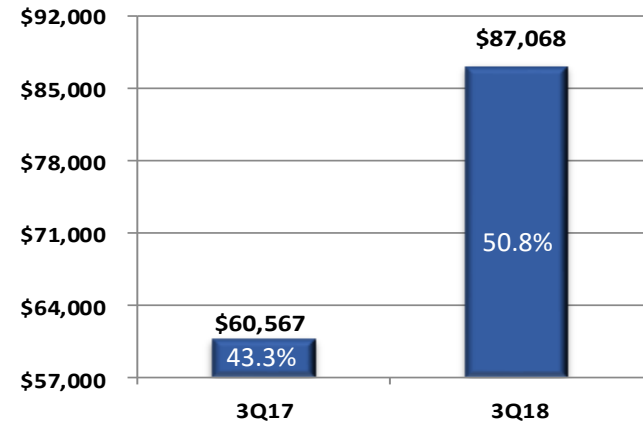
(\$'s in thousands)

Year-to-Date



	3rd Qtr YTD
Changes in operating margin	%
2017 Period	44.1
Other operating costs	0.9
Insurance and claims	0.3
SG&A	2.9
Depreciation and amortization	1.1
2018 Period	49.3

Quarter



	3rd Qtr
Changes in operating margin	%
2017 Period	43.3
Other operating costs	0.5
Insurance and claims	1.9
SG&A	4.1
Depreciation and amortization	1.0
2018 Period	50.8

(1) Operating margin equals operating income divided by gross profit.

Truck Capacity Data

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

	Sep 30, 2017 ⁽²⁾	Dec 30, 2017	Sep 29, 2018 ⁽²⁾
BCO Independent Contractors	8,939	9,087	9,751
Truck Brokerage Carriers:			
Approved and Active ⁽¹⁾	32,925	34,243	40,151
Other Approved	15,138	15,691	16,803
	48,063	49,934	56,954
Total Available Truck Capacity Providers	57,002	59,021	66,705
Trucks Provided by BCO Independent Contractors	9,548	9,696	10,443

(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 \$179.3 million and \$122.1 million in the 2018 and 2017 year-to-date periods, respectively, and \$62.3 million and \$41.4 million in the 2018 and 2017 third quarters, respectively.

Key Balance Sheet and Cash Flow Statistics

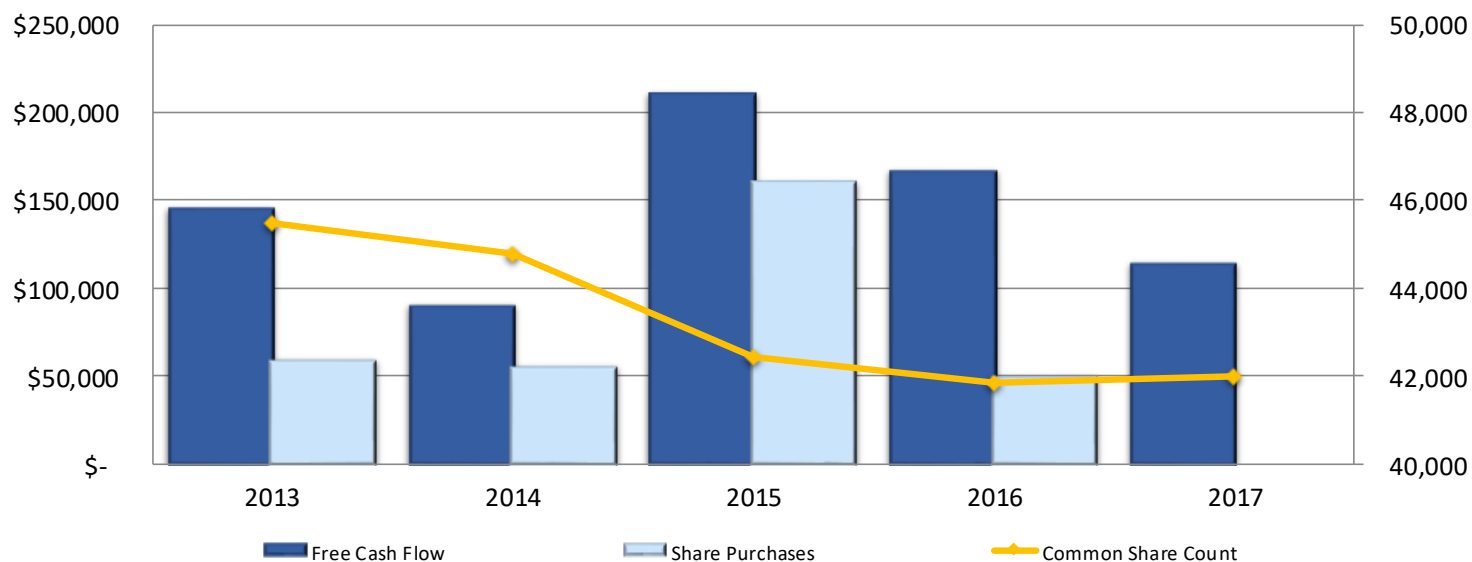
(\$'s in thousands)

	YTD Sep 30, 2017	YTD Sep 29, 2018
Balance sheet (period end amounts):		
Debt to Capital	15%	14%
Net Cash (1)	\$ 178,026	\$ 140,330
Cash flow:		
Cash flow from operations	\$ 132,264	\$ 204,205
Capital expenditures	\$ 16,999	\$ 7,325
Share repurchases	\$ -	\$ 105,488
Dividends paid	\$ 11,739	\$ 82,261
Returns:		
TTM Return on Equity	26%	37%
TTM Return on Invested Capital	22%	32%
TTM Return on Assets	13%	19%

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

Free Cash Flow ⁽¹⁾ / Share Purchases

(In Thousands)



Third quarter 2018 YTD	(000's)
Free cash flow (1)	\$ 196,880
Share purchases	\$ 105,488
Ending common share count	41,114

(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

