

DESIGNED TO RESPOND
BUILT TO DELIVER



Landstar System, Inc.
Earnings Conference Call
Fourth Quarter 2022
December 31, 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 or legal risks or uncertainties detailed in Landstar’s Form 10-K for the 2021 fiscal year and Form 10-Qs for the 2022 first and second fiscal quarters, 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 the Company 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 reconciliations of gross profit to variable contribution and gross profit margin to variable contribution margin for the 2022 and 2021 fourth quarters and fiscal year periods is included in this slide presentation as Appendix A.

Who We Are

Landstar, a Fortune 500 company, 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

2022 Results

\$7.44 billion in revenue

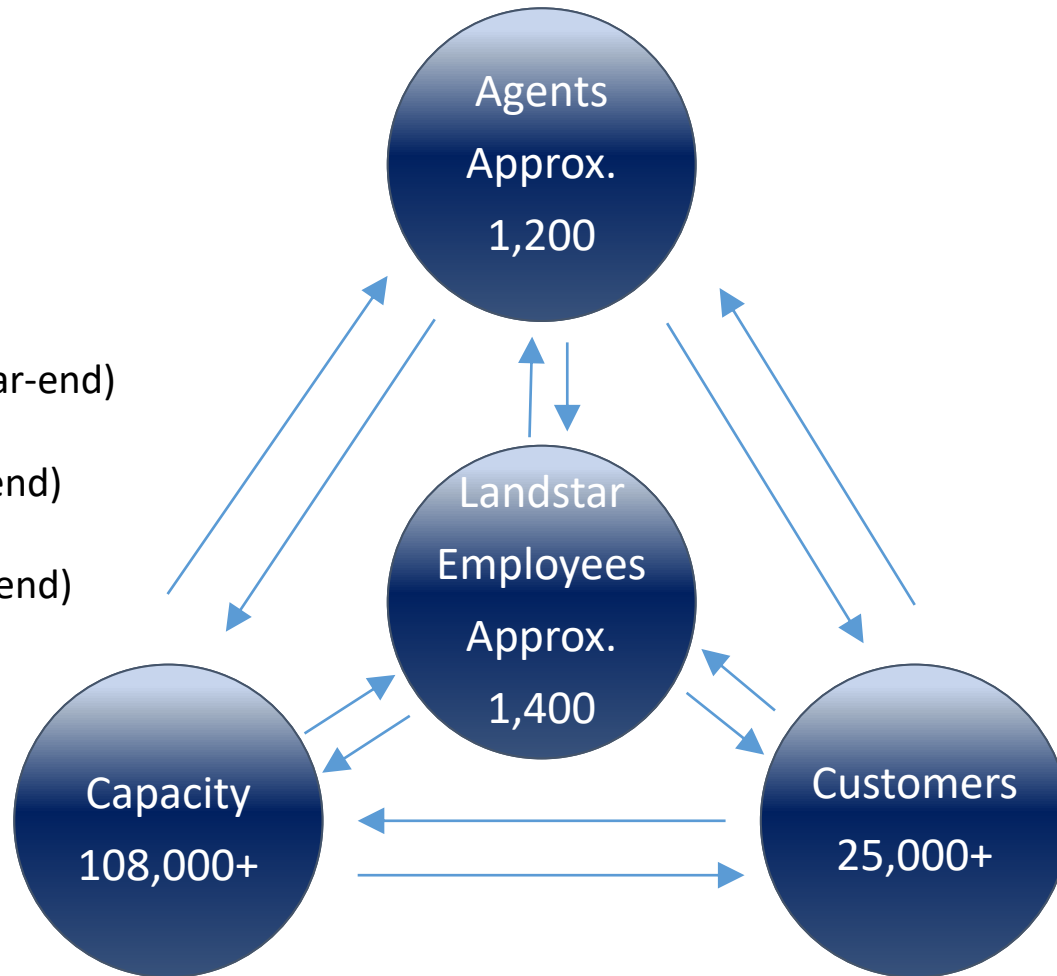
Over 2.6 million loadings

625 million dollar agents

11,281 BCO trucks (2022 year-end)

97,744 Carriers (2022 year-end)

18,500+ Trailers (2022 year-end)



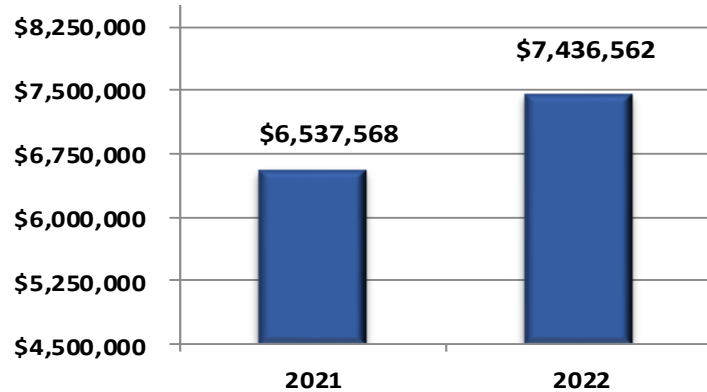
Transportation Management Services

	Percentage of Revenue	
	4Q21	4Q22
Truck Transportation		
Truckload		
Van equipment	53%	52%
Unsided/platform equipment	22%	25%
Less-than-truckload	2%	2%
Other truck transportation	13%	12%
Rail intermodal	2%	2%
Ocean and air cargo	7%	5%

Revenue

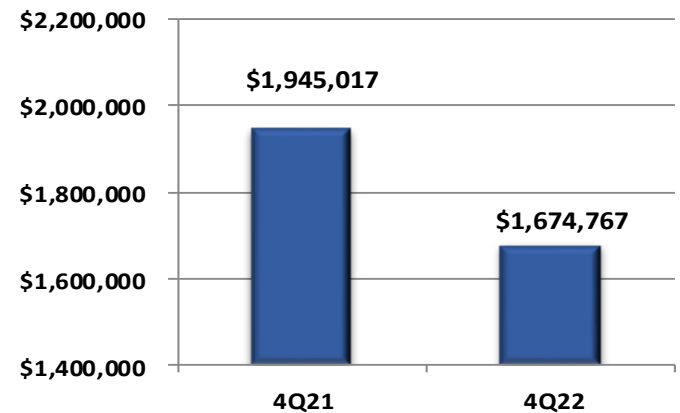
(\$'s in thousands)

Fiscal Year



Year over Prior Year	Rate ⁽²⁾	Volume ⁽³⁾	Change
Truck Revenue	5.2%	5.7%	11.2%
Rail Intermodal Revenue	16.5%	-22.2%	-9.3%
Ocean/Air Revenue	69.2%	1.0%	70.9%
Insurance Premiums	NA	NA	9.3%
Total Revenue			13.8%

Quarter



Qtr over Prior Year Qtr	Rate ⁽²⁾	Volume ⁽³⁾	Change
Truck Revenue	-7.0%	-5.5%	-12.1%
Rail Intermodal Revenue	7.5%	-26.2%	-20.7%
Ocean/Air Revenue	-1.7%	-36.9%	-38.0%
Insurance Premiums	NA	NA	4.5%
Total Revenue			-13.9%

(1) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2022 fourth quarter included fourteen weeks of operations whereas the 2021 fourth quarter included thirteen weeks. Fiscal year 2022 included fifty-three weeks of operations whereas fiscal year 2021 included fifty-two.

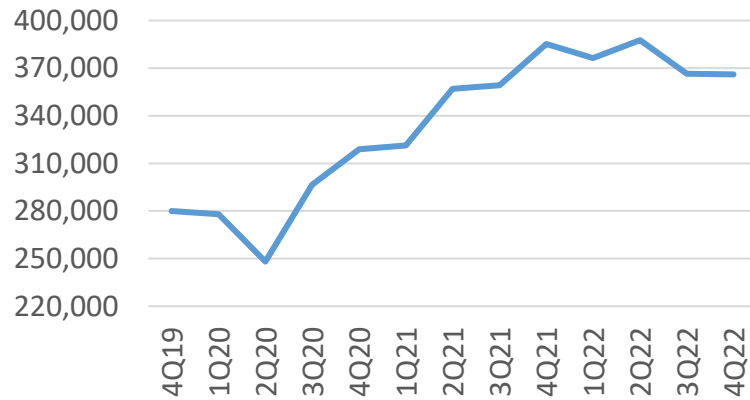
(2) Percentage change in rate is calculated on a revenue per load basis.

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

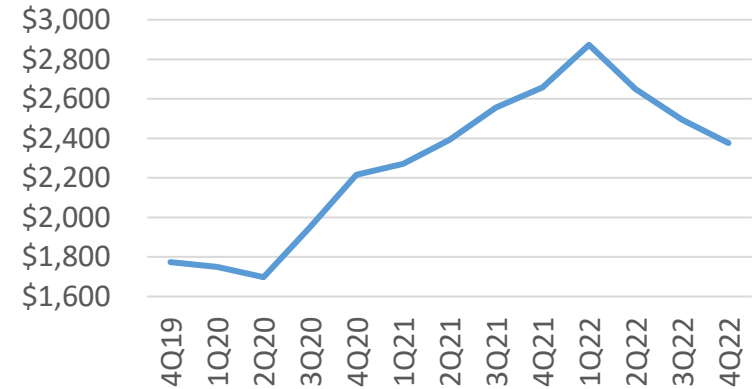
Truckload Loadings and Revenue per Truckload Trends

Van Equipment

Number of Loads

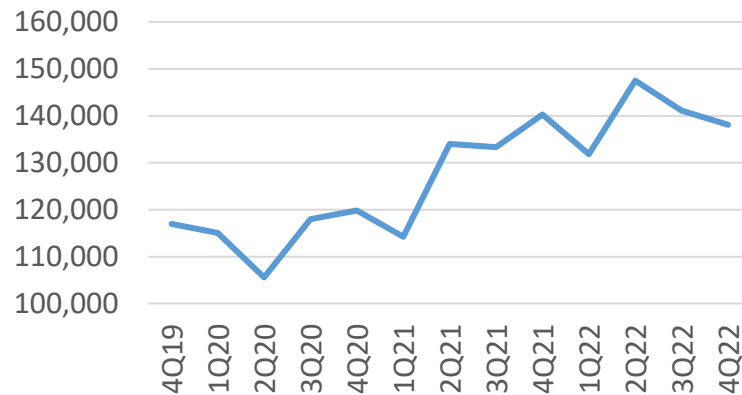


Revenue per Load

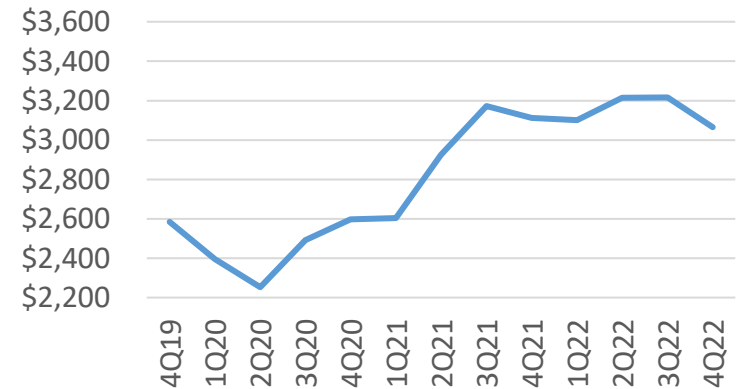


Unsided/Platform Equipment

Number of Loads



Revenue per Load



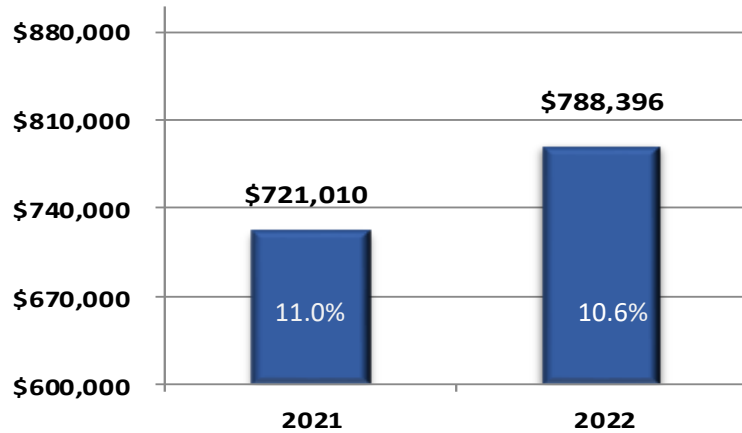
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Industries Served

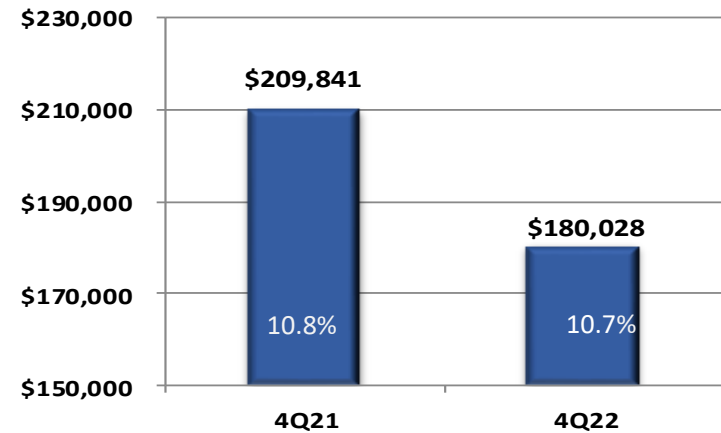
	As a Percentage of Revenue		Quarter over Prior Year Quarter Change in Revenue
	4Q21	4Q22	
Consumer Durables	32.3	28.9	-23%
Machinery	10.3	12.5	5%
Automotive	7.2	10.9	30%
AA&E, Hazmat	7.6	7.8	-12%
Building Products	7.8	7.7	-15%
Metals	4.7	4.6	-15%
Substitute Line Haul	5.4	3.6	-43%
Foodstuffs	3.7	3.3	-25%
Other	21.0	20.7	-15%
Transportation Revenue	<u>100.0</u>	<u>100.0</u>	-14%

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

Fiscal Year

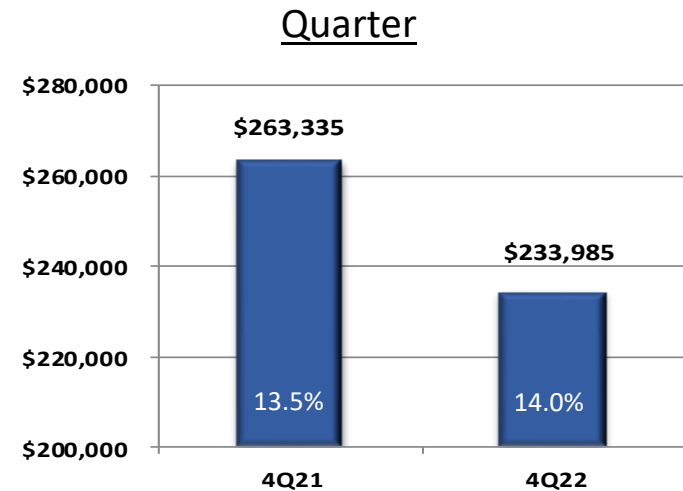
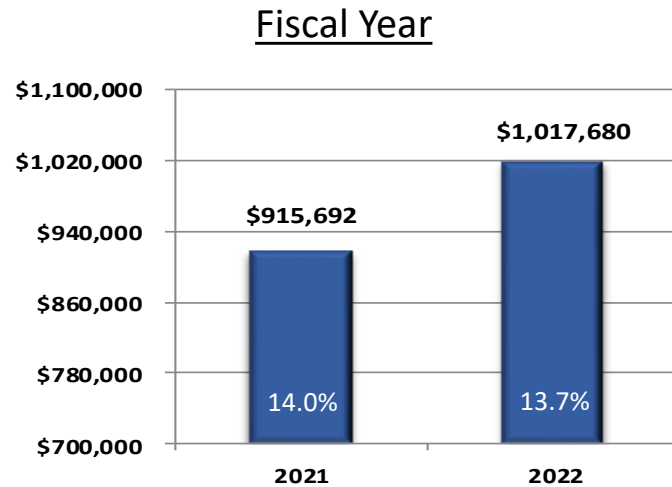


Quarter



- (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) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2022 fourth quarter included fourteen weeks of operations whereas the 2021 fourth quarter included thirteen weeks. Fiscal year 2022 included fifty-three weeks of operations whereas fiscal year 2021 included fifty-two.

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



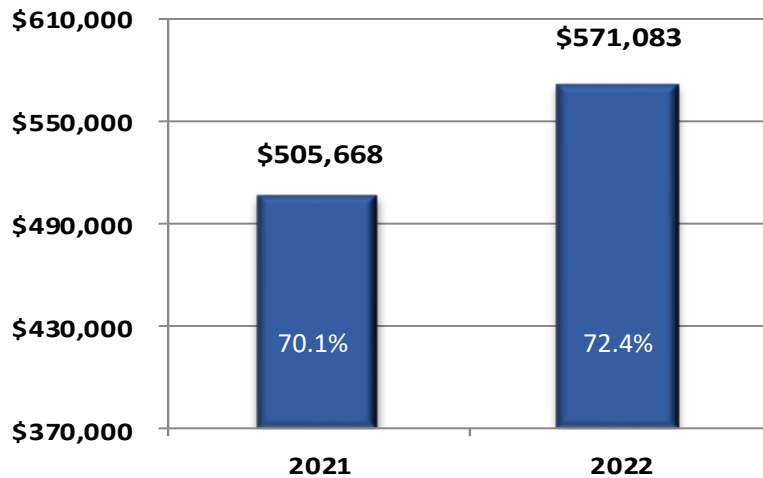
	Fiscal Year ⁽⁴⁾
Changes in variable contribution margin	%
2021 Period	14.0
Revenue - fixed	-0.1
Revenue - variable	0.4
Change in mix and other	-0.6
2022 Period	13.7

	4th Qtr ⁽⁴⁾
Changes in variable contribution margin	%
2021 Period	13.5
Revenue - fixed	-0.4
Revenue - variable	0.9
Change in mix and other	0.0
2022 Period	14.0

- (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) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2022 fourth quarter included fourteen weeks of operations whereas the 2021 fourth quarter included thirteen weeks. Fiscal year 2022 included fifty-three weeks of operations whereas fiscal year 2021 included fifty-two.
- (4) Revenue on transactions where the Company's variable contribution margin was based on a contractually pre-determined percentage of revenue accounted for 44% and 40% of revenue in the 2021 and 2022 fiscal year periods, respectively, and 41% of revenue in both the 2021 and 2022 fourth quarters.

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

Fiscal Year



Quarter

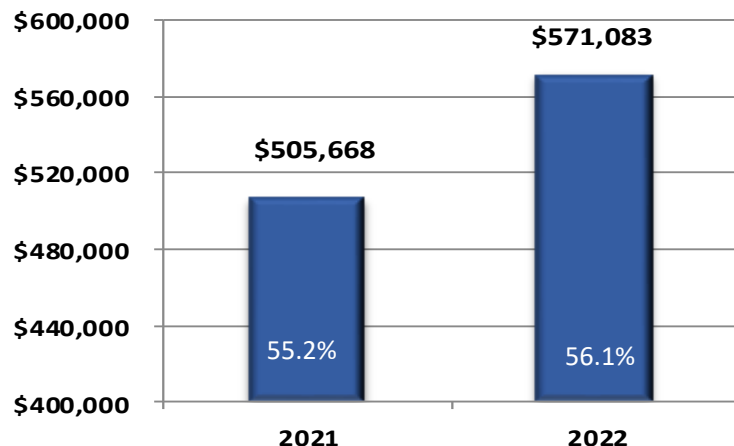


(1) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2022 fourth quarter included fourteen weeks of operations whereas the 2021 fourth quarter included thirteen weeks. Fiscal year 2022 included fifty-three weeks of operations whereas fiscal year 2021 included fifty-two.

Operating Income as a % of Variable Contribution

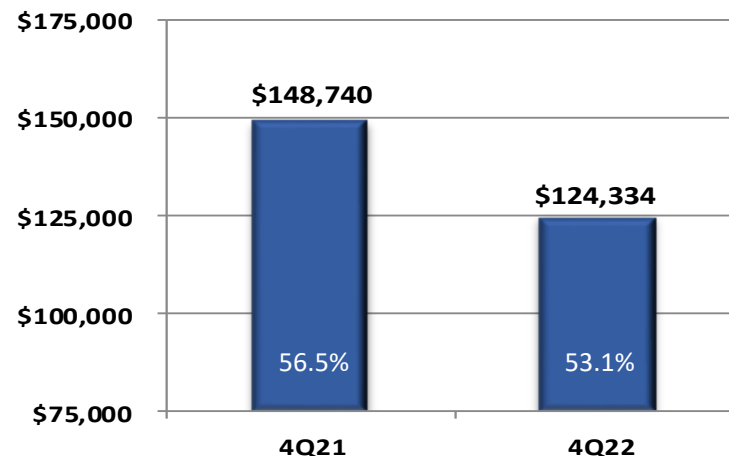
(\$'s in thousands)

Fiscal Year



	Fiscal Year
Changes in operating income as a % of variable contribution	%
2021 Period	55.2
Other operating costs	-0.5
Insurance and claims	-0.8
SG&A	2.4
Depreciation and amortization	-0.2
2022 Period	56.1

Quarter



	4th Qtr
Changes in operating income as a % of variable contribution	%
2021 Period	56.5
Other operating costs	-0.9
Insurance and claims	-0.9
SG&A	-0.2
Depreciation and amortization	-1.4
2022 Period	53.1

(1) The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's 2022 fourth quarter included fourteen weeks of operations whereas the 2021 fourth quarter included thirteen weeks. Fiscal year 2022 included fifty-three weeks of operations whereas fiscal year 2021 included fifty-two.

Truck Capacity Data

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

	Dec 25, 2021 ⁽²⁾	Dec 31, 2022 ⁽²⁾
BCO Independent Contractors	11,057	10,393
Truck Brokerage Carriers:		
Approved and Active ⁽¹⁾	64,476	66,745
Other Approved	25,870	30,999
	90,346	97,744
Total Available Truck Capacity Providers	101,403	108,137
Trucks Provided by BCO Independent Contractors	11,864	11,281

(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 \$445.0 million and \$260.3 million in the 2022 and 2021 fiscal year periods, respectively, and \$114.8 million and \$77.6 million in the 2022 and 2021 fourth quarters, respectively.

Key Balance Sheet and Cash Flow Statistics

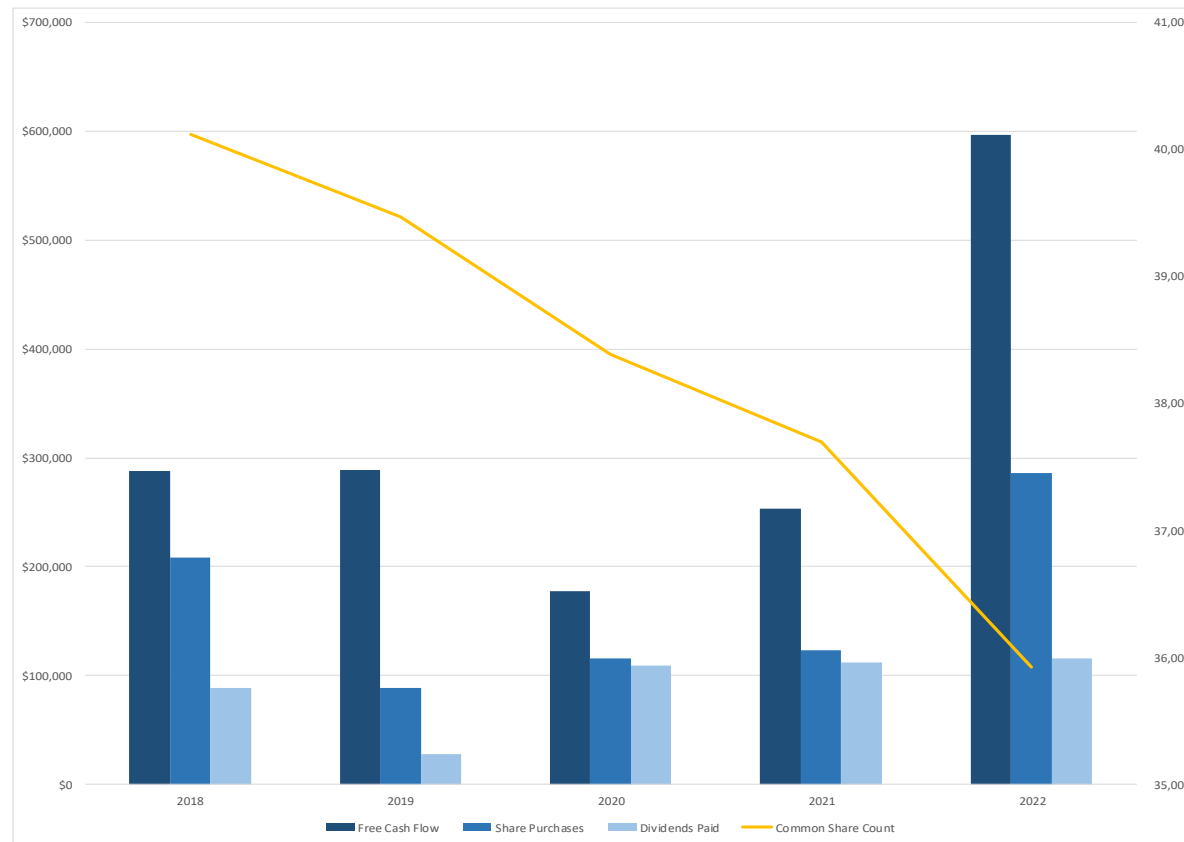
(\$'s in thousands)

	Dec 25, 2021	Dec 31, 2022
Balance sheet (period end amounts):		
Debt to Capital	11%	10%
Net Cash (1)	\$ 139,496	\$ 290,136
Cash flow:		
Cash flow from operations	\$ 276,740	\$ 622,659
Capital expenditures	\$ 23,261	\$ 26,005
Share repurchases	\$ 122,722	\$ 285,983
Dividends paid	\$ 111,961	\$ 115,671
Returns (trailing 12 months):		
Return on Equity	47%	50%
Return on Invested Capital	42%	44%
Return on Assets	21%	21%

(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)



2022	(000's)
Free cash flow (1)	\$ 596,654
Share purchases	\$ 285,983
Dividends paid	\$ 115,671
Ending common share count	35,927

(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 31, 2022	December 25, 2021	December 31, 2022	December 25, 2021
Revenue	\$ 7,436,562	\$ 6,537,568	\$ 1,674,767	\$ 1,945,017
Costs of revenue:				
Purchased transportation	5,804,017	5,114,667	1,291,676	1,531,470
Commissions to agents	<u>614,865</u>	<u>507,209</u>	<u>149,106</u>	<u>150,212</u>
Variable costs of revenue	6,418,882	5,621,876	1,440,782	1,681,682
Trailing equipment depreciation	36,653	35,204	8,893	8,842
Information technology costs (1)	19,834	13,560	5,966	4,026
Insurance-related costs (2)	127,605	109,387	28,784	31,212
Other operating costs	<u>45,192</u>	<u>36,531</u>	<u>10,314</u>	<u>9,414</u>
Other costs of revenue	229,284	194,682	53,957	53,494
Total costs of revenue	<u>6,648,166</u>	<u>5,816,558</u>	<u>1,494,739</u>	<u>1,735,176</u>
Gross profit	<u>\$ 788,396</u>	<u>\$ 721,010</u>	<u>\$ 180,028</u>	<u>\$ 209,841</u>
Gross profit margin	10.6%	11.0%	10.7%	10.8%
Plus: other costs of revenue	<u>229,284</u>	<u>194,682</u>	<u>53,957</u>	<u>53,494</u>
Variable contribution	<u>\$ 1,017,680</u>	<u>\$ 915,692</u>	<u>\$ 233,985</u>	<u>\$ 263,335</u>
Variable contribution margin	13.7%	14.0%	14.0%	13.5%

(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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