

DESIGNED TO RESPOND  
BUILT TO DELIVER



*Landstar System, Inc.*  
*Earnings Conference Call*  
*Third Quarter 2022*  
*September 24, 2022*



Date Published: 10/19/2022

## ***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 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 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.

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 2022 and 2021 third quarters and year-to-date 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

## September 24, 2022 YTD Results

\$5.76 billion in revenue

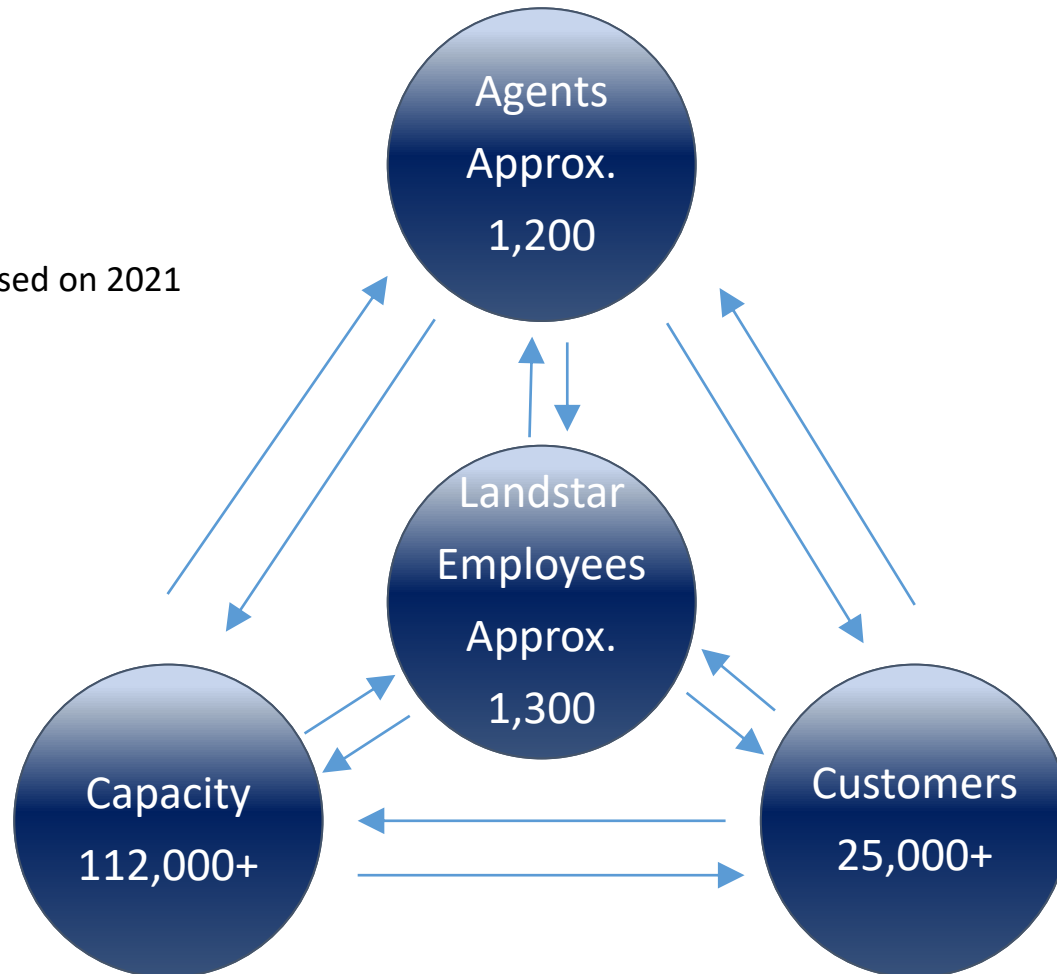
2.00 million loadings

593 million dollar agents (based on 2021 fiscal year)

11,644 BCO trucks

101,429 Carriers

18,000+ Trailers



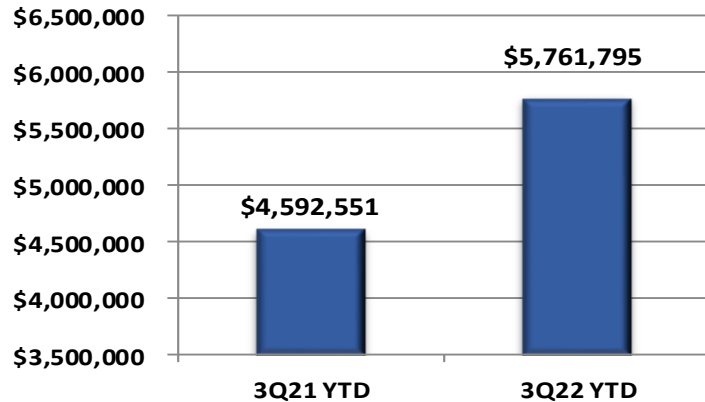
# *Transportation Management Services*

	Percentage of Revenue	
	3Q21	3Q22
Truck Transportation		
Truckload		
Van equipment	53%	50%
Unsided/platform equipment	24%	25%
Less-than-truckload	2%	2%
Other truck transportation	12%	11%
Rail intermodal	3%	2%
Ocean and air cargo	5%	9%

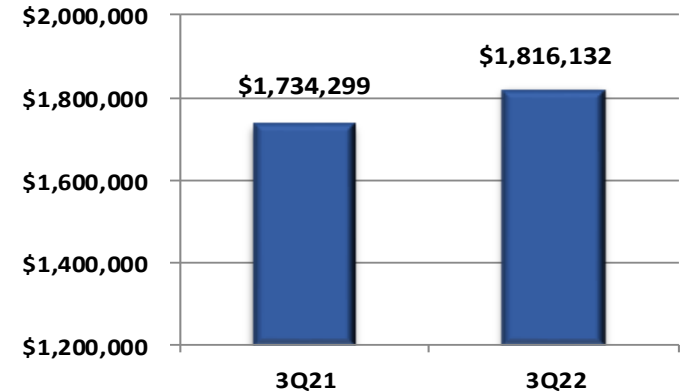
# Revenue

(\$'s in thousands)

## Year-to-Date



## Quarter



Year over Prior Year	Rate <sup>(1)</sup>	Volume <sup>(2)</sup>	Change
Truck Revenue	10.0%	9.9%	20.8%
Rail Intermodal Revenue	19.4%	-21.0%	-5.6%
Ocean/Air Revenue	113.3%	16.1%	147.5%
Insurance Premiums	NA	NA	11.0%
Total Revenue			25.5%

Qtr over Prior Year Qtr	Rate <sup>(1)</sup>	Volume <sup>(2)</sup>	Change
Truck Revenue	0.1%	1.0%	1.1%
Rail Intermodal Revenue	9.7%	-43.3%	-37.8%
Ocean/Air Revenue	72.7%	13.1%	95.3%
Insurance Premiums	NA	NA	7.8%
Total Revenue			4.7%

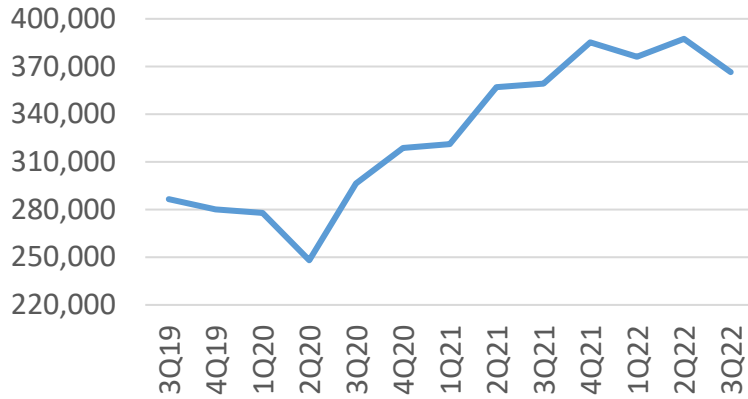
(1) Percentage change in rate is calculated on a revenue per load basis.

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

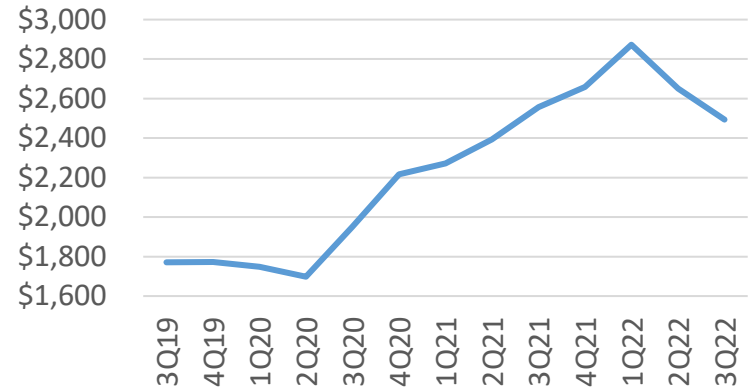
# Truckload Loadings and Revenue per Truckload Trends

## Van Equipment

### Number of Loads

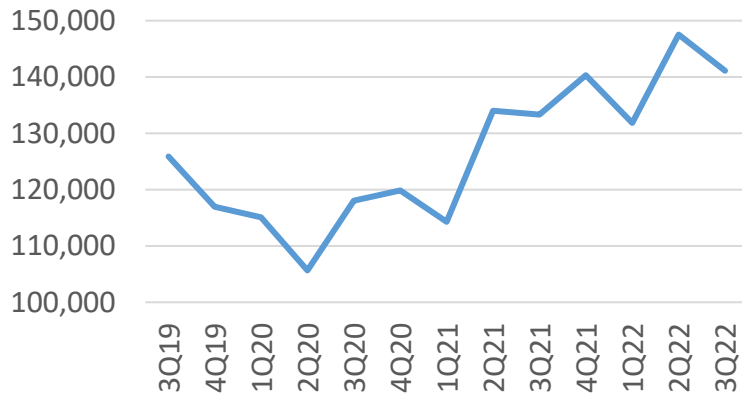


### Revenue per Load

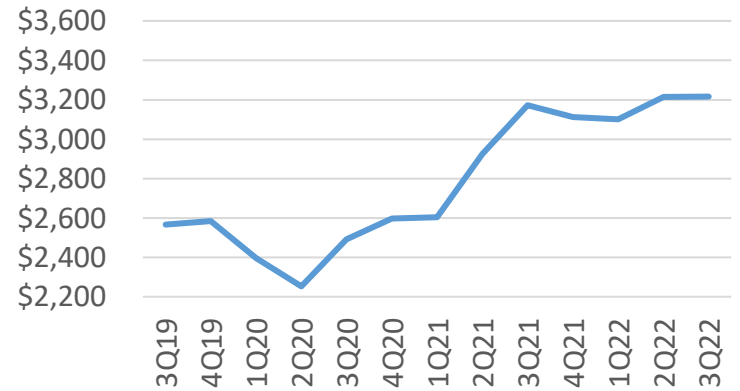


## Unsided/Platform Equipment

### Number of Loads



### Revenue per Load



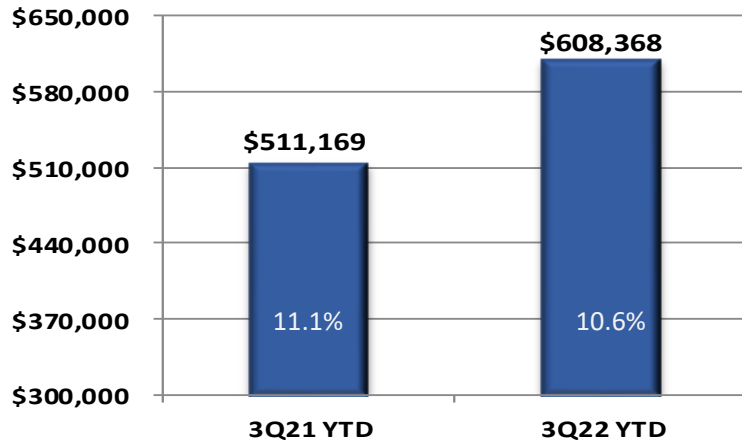


# Industries Served

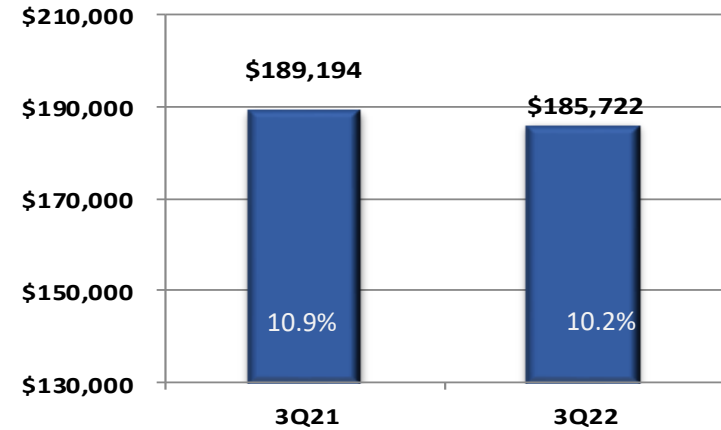
	As a Percentage of Revenue		Quarter over Prior Year Quarter Change in Revenue
	3Q21	3Q22	
Consumer Durables	30.3	28.6	-1%
Machinery	11.1	12.1	14%
Automotive	6.8	8.7	33%
Building Products	8.2	8.5	8%
AA&E, Hazmat	8.7	8.4	0%
Metals	5.1	4.9	1%
Foodstuffs	3.9	3.4	-10%
Substitute Line Haul	5.4	3.3	-36%
Other	20.5	22.1	14%
<b>Transportation Revenue</b>	<u>100.0</u>	<u>100.0</u>	5%

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

## Year-to-Date



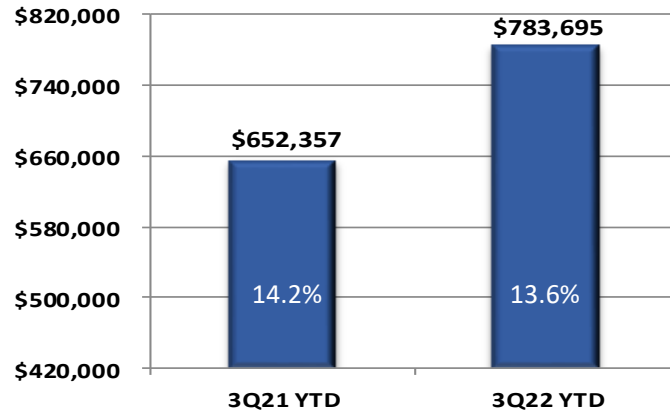
## Quarter



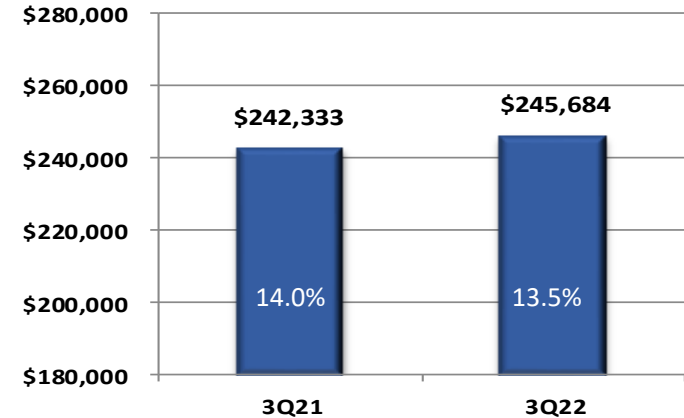
- (1) Gross profit equals revenue less the cost of purchased transportation, commissions to agents and other costs of revenue.
- (2) Gross profit margin equals gross profit divided by revenue.

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

## Year-to-Date



## Quarter



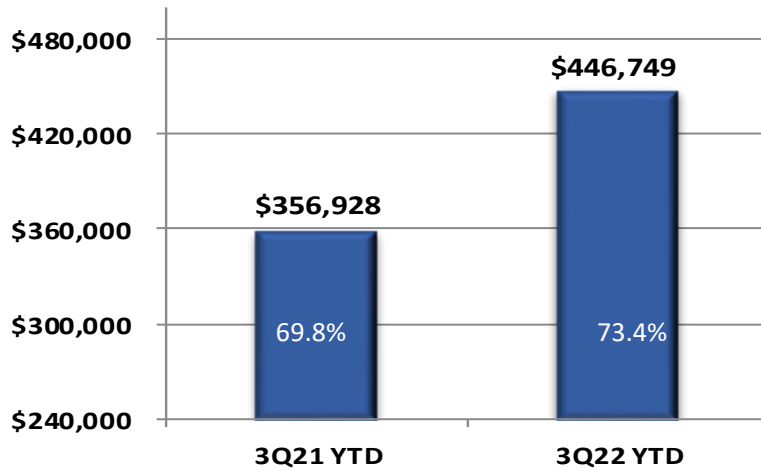
	3rd Qtr YTD <sup>(3)</sup>
Changes in variable contribution margin	%
2021 Period	14.2
Revenue - fixed	0.0
Revenue - variable	0.3
Change in mix and other	-0.9
2022 Period	13.6

	3rd Qtr <sup>(3)</sup>
Changes in variable contribution margin	%
2021 Period	14.0
Revenue - fixed	-0.1
Revenue - variable	0.3
Change in mix and other	-0.7
2022 Period	13.5

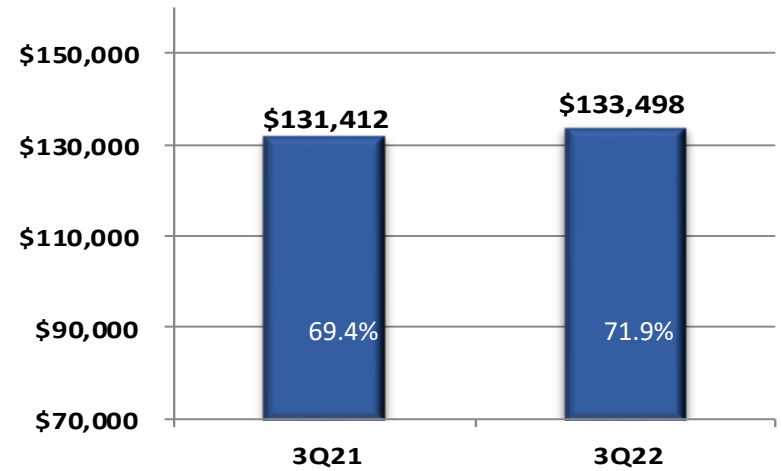
- (1) Variable contribution equals revenue less the cost of purchased transportation and commissions to agents.
- (2) Variable contribution margin equals variable contribution divided by revenue.
- (3) Revenue on transactions where the Company's variable contribution margin was based on a contractually pre-determined percentage of revenue accounted for 46% and 40% of revenue in the 2021 and 2022 year-to-date periods, respectively, and 44% and 39% of revenue in the 2021 and 2022 third quarters, respectively.

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

Year-to-Date



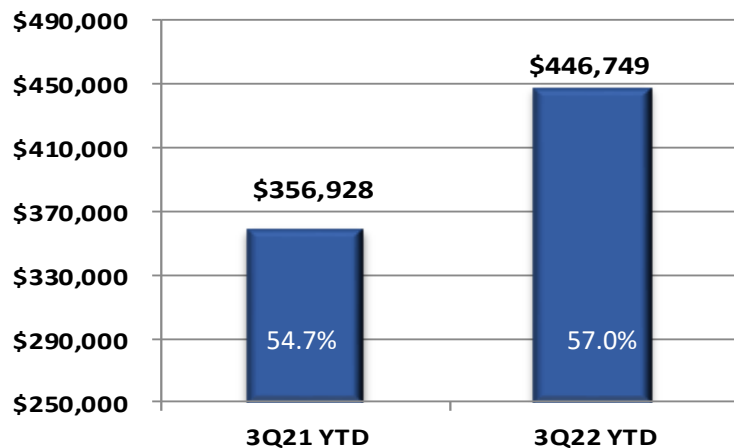
Quarter



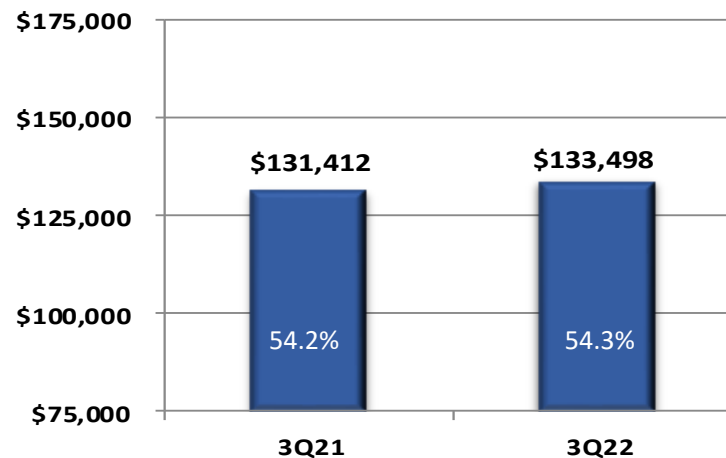
# Operating Income as a % of Variable Contribution

(\$'s in thousands)

## Year-to-Date



## Quarter



	3rd Qtr YTD
<b>Changes in operating income as a % of variable contribution</b>	<b>%</b>
2021 Period	54.7
Other operating costs	-0.3
Insurance and claims	-0.8
SG&A	3.2
Depreciation and amortization	0.2
2022 Period	57.0

	3rd Qtr
<b>Changes in operating income as a % of variable contribution</b>	<b>%</b>
2021 Period	54.2
Other operating costs	-1.1
Insurance and claims	-0.6
SG&A	2.7
Depreciation and amortization	-0.9
2022 Period	54.3

# Truck Capacity Data

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

	Sep 25, 2021 <sup>(2)</sup>	Dec 25, 2021	Sep 24, 2022 <sup>(2)</sup>
BCO Independent Contractors	10,955	11,057	10,742
Truck Brokerage Carriers:			
Approved and Active <sup>(1)</sup>	58,676	64,476	71,207
Other Approved	24,602	25,870	30,222
	83,278	90,346	101,429
Total Available Truck Capacity Providers	94,233	101,403	112,171
Trucks Provided by BCO Independent Contractors	11,746	11,864	11,644

(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 \$330.2 million and \$182.7 million in the 2022 and 2021 year-to-date periods, respectively, and \$120.4 million and \$68.7 million in the 2022 and 2021 third quarters, respectively.

# Key Balance Sheet and Cash Flow Statistics

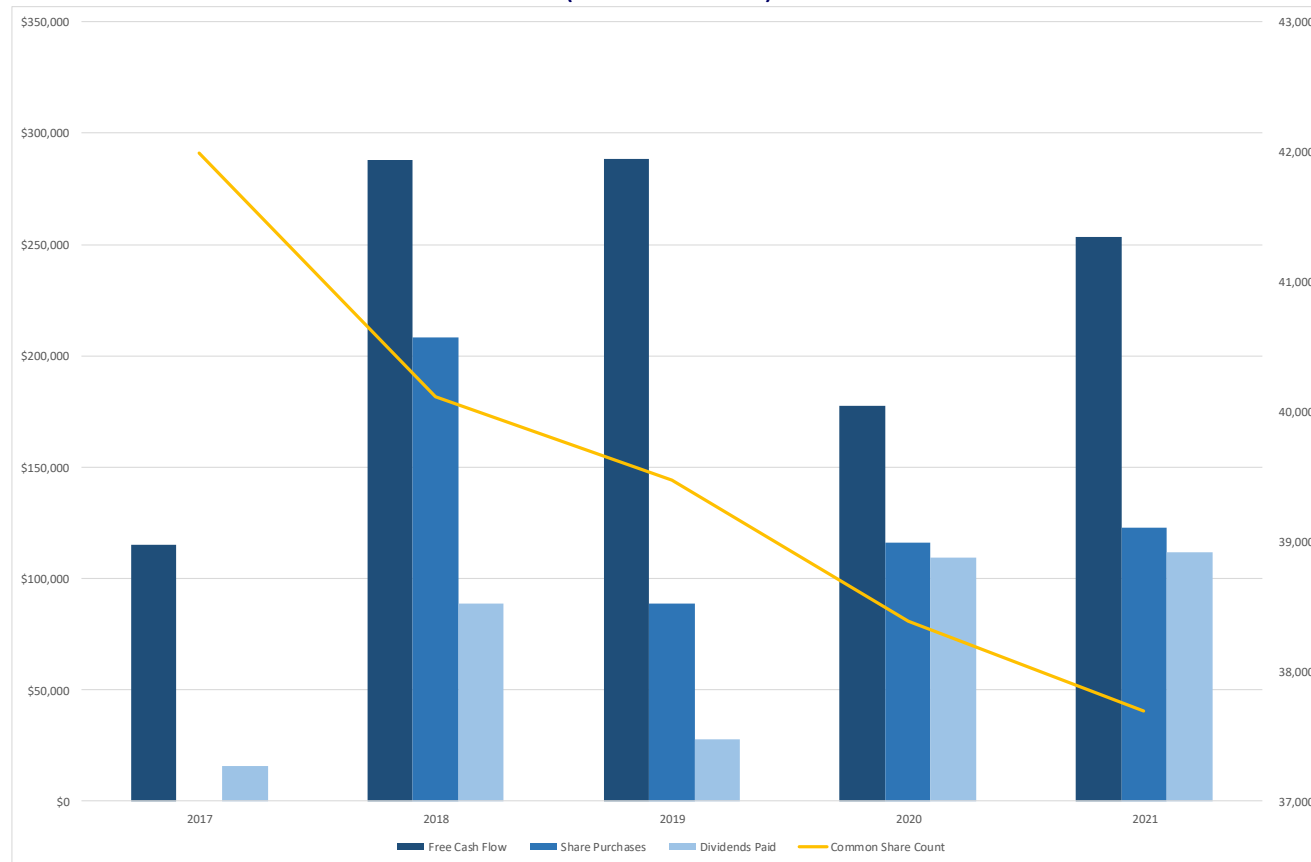
(\$'s in thousands)

	Sep 25, 2021	Sep 24, 2022
Balance sheet (period end amounts):		
Debt to Capital	10%	11%
Net Cash (1)	\$ 169,867	\$ 118,963
Cash flow (year-to-date):		
Cash flow from operations	\$ 216,990	\$ 436,381
Capital expenditures	\$ 18,561	\$ 21,096
Share repurchases	\$ 50,230	\$ 285,983
Dividends paid	\$ 102,463	\$ 104,893
Returns (trailing 12 months):		
Return on Equity	43%	52%
Return on Invested Capital	38%	46%
Return on Assets	20%	23%

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

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

(In Thousands)



Third Quarter 2022 YTD	(000's)
Free cash flow (1)	\$ 415,285
Share purchases	\$ 285,983
Dividends paid	\$ 104,893
Ending common share count	35,925

(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*)

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Revenue	\$ 5,761,795	\$ 4,592,551	\$ 1,816,132	\$ 1,734,299
Costs of revenue:				
Purchased transportation	4,512,341	3,583,197	1,416,323	1,356,671
Commissions to agents	465,759	356,997	154,125	135,295
Variable costs of revenue	4,978,100	3,940,194	1,570,448	1,491,966
Trailing equipment depreciation	27,760	26,362	9,397	8,615
Information technology costs (1)	13,868	9,534	4,829	3,450
Insurance-related costs (2)	98,821	78,175	32,380	30,502
Other operating costs	34,878	27,117	13,356	10,572
Other costs of revenue	175,327	141,188	59,962	53,139
Total costs of revenue	5,153,427	4,081,382	1,630,410	1,545,105
Gross profit	<u>\$ 608,368</u>	<u>\$ 511,169</u>	<u>\$ 185,722</u>	<u>\$ 189,194</u>
Gross profit margin	10.6%	11.1%	10.2%	10.9%
Plus: other costs of revenue	175,327	141,188	59,962	53,139
Variable contribution	<u>\$ 783,695</u>	<u>\$ 652,357</u>	<u>\$ 245,684</u>	<u>\$ 242,333</u>
Variable contribution margin	13.6%	14.2%	13.5%	14.0%

(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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