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For Immediate Release

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LANDSTAR SYSTEM REPORTS 2020 FIRST QUARTER RESULTS AND ITS RESPONSE TO THE COVID-19 PANDEMIC

Jacksonville, FL – Landstar System, Inc. (NASDAQ: LSTR) reported diluted earnings per share of \$1.04 in the 2020 first quarter on revenue of \$927.6 million. Landstar reported diluted earnings per share of \$1.58 on revenue of \$1.033 billion in the 2019 first quarter. Gross profit (defined as revenue less the cost of purchased transportation and commissions to agents) was \$142.9 million in the 2020 first quarter compared to \$155.6 million in the 2019 first quarter.

Truck transportation revenue hauled by independent business capacity owners (“BCOs”) and truck brokerage carriers in the 2020 first quarter was \$854.6 million, or 92 percent of revenue, compared to \$953.1 million, or 92 percent of revenue, in the 2019 first quarter. Truckload transportation revenue hauled via van equipment in the 2020 first quarter was \$545.3 million compared to \$619.0 million in the 2019 first quarter. Truckload transportation revenue hauled via unsided/platform equipment in the 2020 first quarter was \$286.3 million compared to \$310.7 million in the 2019 first quarter. Revenue hauled by rail, air and ocean cargo carriers was \$54.7 million, or 6 percent of revenue, in the 2020 first quarter compared to \$60.7 million, or 6 percent of revenue, in the 2019 first quarter.

During the 2020 first quarter Landstar generated \$99.2 million in operating cash flow, spent \$5.8 million in cash capital expenditures and paid \$86.3 million in dividends. Additionally, Landstar purchased 1,178,970 shares of its common stock during the 2020 first quarter at an aggregate cost of approximately \$116.0 million. Currently, the Company is authorized to purchase up to 1,821,030 shares of the Company’s common stock under

Landstar's previously announced share purchase program. Also, Landstar announced today that its Board of Directors has declared a quarterly dividend of \$0.185 per share payable on May 29, 2020, to stockholders of record as of the close of business on May 7, 2020. It is currently the intention of the Board to pay dividends on a quarterly basis going forward.

"Overall, I was pleased with the 2020 first quarter financial results given the somewhat balanced freight environment and difficult comparisons to the record 2019 first quarter," said Landstar's President and Chief Executive Officer Jim Gattoni. "Landstar performed as we anticipated until the final week of the quarter. Through the first twelve weeks of the quarter, the week-to-week trends in the number of loads hauled and revenue per load on loads hauled via truck were consistent with our expectations based on historical experience. In fact, as the quarter progressed, we began to see signs that demand was improving as year-over-year comparisons eased. Unfortunately, these positive signs were completely extinguished by the impact of the coronavirus (COVID-19) pandemic. Dispatched truck load volume in the final week of the 2020 first quarter decreased significantly from the previous week as a result of actions taken by governmental authorities and businesses to reduce the spread of the coronavirus. Shelter-at-home mandates and closing of manufacturing facilities significantly affected demand for transportation by many industry segments we service. We expect those conditions to persist throughout the 2020 second quarter. Accordingly, we believe our 2020 first quarter results and operating trends will in no way provide any indication regarding what our financial results may be with respect to Landstar's 2020 second quarter."

Gattoni continued, "Although it is unclear as to the duration and depth of impact the coronavirus will have on the freight transportation industry, we believe Landstar is in a good position operationally and financially to withstand the most significant and rapid decline of the U.S. economy in recent history. Operationally, the decentralized nature of the Landstar model, where independent agents provide truck dispatch, freight tracking, trailer management and numerous other operational functions from over 1,200 agent locations throughout North America, provides a clear advantage in an environment where social distancing can disrupt centralized business structures. Landstar employees, however, who service agents, BCOs and other third party capacity providers via

administrative and operational support, are centralized in two primary Company locations. In order to protect the health and well-being of all Landstar employees and their families, reduce the risk of community spread within our two primary office locations and substantially limit the potential for disruption in our administrative and operational functions, during March we transitioned over 800 of Landstar's 1,200 corporate employees based in the United States to work-at-home. We now have over 1,000 Landstar employees working remotely. That transformation has been highly successful."

"During the 2020 second quarter, we do not expect to take any drastic cost reduction measures that would disrupt our ability to service Landstar's customers, agents, BCOs or other third party capacity providers or slow the progress on our technology initiatives," Gattoni said. "Additionally, we have undertaken to provide additional financial support to Landstar's agents and BCOs during this crisis. These initiatives will impact the Company's earnings in the 2020 second quarter. Most notably, for each load delivered by a BCO with a confirmed delivery date from April 1 through April 30, 2020, Landstar will pay an extra \$50 to each of the BCO hauling the load and the Landstar agent dispatching the load. We estimate Landstar BCOs will deliver between 60,000 and 70,000 loads in April of 2020. Also, if a Landstar BCO tests positive for COVID-19 or is placed under a mandatory quarantine by a public health authority, Landstar will provide up to \$2,000 to the affected BCO."

"In this highly unpredictable economic environment, we will not be providing revenue and earnings guidance for the 2020 second quarter. Nevertheless, as an example of how Landstar's variable cost business model would react under certain unfavorable assumptions, it is worth noting that if one were to assume a 20% to 30% decrease in revenue in the 2020 second quarter as compared to the 2019 second quarter, plus taking into account the \$100 per load cost of the additional purchased transportation and commissions to agents payable with respect to loads anticipated to be delivered by BCOs in the month of April, diluted earnings per share would be expected to be in a range of \$0.70 to \$0.85. This in no way should be interpreted as any sort of guidance, but rather a demonstration of the resiliency of the Landstar model, and that Landstar's ability to generate earnings is somewhat insulated from the possible effects of a prolonged recession. Additionally, in the event that current market conditions persist, it is possible

that Landstar will provide additional financial pandemic relief to its agents and/or BCOs during the 2020 second quarter which could impact the Company's earnings."

"Our overarching goals throughout this crisis are to preserve the culture and strength of the Landstar network while keeping the participants in our network safe. We expect near-term revenue and earnings to be significantly adversely impacted by the current economic environment, but ultimately expect to generate sufficient operating cash flow to pay all members of our network in a timely manner, pay the regular quarterly dividend, fund our technology initiatives and pay finance lease obligations. We will be prudent in our approach to share purchases over the next few months as the depth and duration of the crisis becomes clearer. We ended the 2020 first quarter with \$211 million in cash and short-term investments with undrawn revolver capacity under our senior credit facility of \$216 million (with the ability to increase to \$366 million). Although we expect the COVID-19 pandemic to have a significant adverse impact on our results of operations in the 2020 second quarter, we expect our financial position to remain strong throughout this unprecedented time."

Landstar will provide a live webcast of its quarterly earnings conference call tomorrow morning at 8:00 a.m. ET. To access the webcast, visit the Company's website at www.landstar.com; click on "Investor Relations" and "Webcasts," then click on "Landstar's First Quarter 2020 Earnings Release Conference Call."

The following is a "safe harbor" statement under the Private Securities Litigation Reform Act of 1995. Statements contained in this press release that are not based on historical facts are "forward-looking statements". This press release contains forward-looking statements, such as statements which relate to Landstar's business objectives, plans, strategies and expectations. Terms such as "anticipates," "believes," "estimates," "intention," "expects," "plans," "predicts," "may," "should," "could," "will," the negative thereof and similar expressions are intended to identify forward-looking statements. Such statements are by nature subject to uncertainties and risks, including but not limited to: the impact of the coronavirus (COVID-19) pandemic; an increase in the frequency or severity of accidents or other claims; unfavorable development of existing accident claims; dependence on third party insurance companies; dependence on independent

commission sales agents; dependence on third party capacity providers; decreased demand for transportation services; U.S. foreign trade relationships; substantial industry competition; disruptions or failures in the Company's computer systems; cyber and other information security incidents; dependence on key vendors; changes in fuel taxes; status of independent contractors; regulatory and legislative changes; regulations focused on diesel emissions and other air quality matters; catastrophic loss of a Company facility; intellectual property; unclaimed property; and other operational, financial or legal risks or uncertainties detailed in Landstar's Form 10K for the 2019 fiscal year, described in Item 1A Risk Factors, and in 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.

About Landstar:

Landstar System, Inc. 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. Landstar transportation services companies are certified to ISO 9001:2015 quality management system standards and RC14001:2015 environmental, health, safety and security management system standards. Landstar System, Inc. is headquartered in Jacksonville, Florida. Its common stock trades on The NASDAQ Stock Market® under the symbol LSTR.

(Tables follow)

Landstar System, Inc. and Subsidiary

Consolidated Statements of Income

(Dollars in thousands, except per share amounts)

(Unaudited)

| | Thirteen Weeks Ended | |
|--|----------------------|-------------------|
| | March 28, 2020 | March 30, 2019 |
| Revenue | \$ 927,566 | \$ 1,033,000 |
| Investment income | 1,167 | 1,138 |
| Costs and expenses: | | |
| Purchased transportation | 709,257 | 791,755 |
| Commissions to agents | 75,376 | 85,671 |
| Other operating costs, net of gains on asset sales/dispositions | 8,306 | 8,239 |
| Insurance and claims | 24,957 | 14,993 |
| Selling, general and administrative | 45,327 | 41,268 |
| Depreciation and amortization | 11,505 | 11,316 |
| | 874,728 | 953,242 |
| Operating income | 54,005 | 80,896 |
| Interest and debt expense | 952 | 805 |
| | 53,053 | 80,091 |
| Income before income taxes | 53,053 | 80,091 |
| Income taxes | 12,158 | 16,791 |
| | 40,895 | 63,300 |
| Net income | 40,895 | 63,300 |
| Less: Net loss attributable to noncontrolling interest | - | (17) |
| Net income attributable to Landstar System, Inc. and subsidiary | \$ 40,895 | \$ 63,317 |
| Earnings per common share attributable to Landstar System, Inc. and subsidiary | \$ 1.04 | \$ 1.58 |
| Diluted earnings per share attributable to Landstar System, Inc. and subsidiary | \$ 1.04 | \$ 1.58 |
| Average number of shares outstanding: | | |
| Earnings per common share | 39,254,000 | 40,161,000 |
| Diluted earnings per share | 39,254,000 | 40,166,000 |
| Dividends per common share | \$ 0.185 | \$ 0.165 |

Landstar System, Inc. and Subsidiary
Consolidated Balance Sheets

(Dollars in thousands, except per share amounts)
(Unaudited)

| | <u>March 28,</u> <u>2020</u> | <u>December 28,</u> <u>2019</u> |
|--|---------------------------------|------------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 177,224 | \$ 319,515 |
| Short-term investments | 33,627 | 32,901 |
| Trade accounts receivable, less allowance of \$8,536 and \$7,284 | 562,528 | 588,549 |
| Other receivables, including advances to independent contractors, less allowance of \$8,847 and \$7,667 | 35,153 | 35,553 |
| Other current assets | 7,624 | 21,370 |
| Total current assets | <u>816,156</u> | <u>997,888</u> |
| Operating property, less accumulated depreciation and amortization of \$286,593 and \$280,849 | 276,663 | 285,855 |
| Goodwill | 37,182 | 38,508 |
| Other assets | 106,432 | 105,460 |
| Total assets | <u>\$ 1,236,433</u> | <u>\$ 1,427,711</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Cash overdraft | \$ 36,002 | \$ 53,878 |
| Accounts payable | 272,175 | 271,996 |
| Current maturities of long-term debt | 39,944 | 42,632 |
| Insurance claims | 50,773 | 44,532 |
| Dividends payable | - | 78,947 |
| Contractor escrow | 24,517 | 24,902 |
| Other current liabilities | 41,420 | 36,017 |
| Total current liabilities | <u>464,831</u> | <u>552,904</u> |
| Long-term debt, excluding current maturities | 61,977 | 70,212 |
| Insurance claims | 33,456 | 33,575 |
| Deferred income taxes and other non-current liabilities | 49,074 | 49,551 |
| Shareholders' equity: | | |
| Common stock, \$0.01 par value, authorized 160,000,000 shares, issued 68,167,482 and 68,083,419 shares | 682 | 681 |
| Additional paid-in capital | 224,973 | 226,123 |
| Retained earnings | 1,995,018 | 1,962,161 |
| Cost of 29,796,974 and 28,609,926 shares of common stock in treasury | (1,581,885) | (1,465,284) |
| Accumulated other comprehensive loss | (11,693) | (2,212) |
| Total shareholders' equity | <u>627,095</u> | <u>721,469</u> |
| Total liabilities and shareholders' equity | <u>\$ 1,236,433</u> | <u>\$ 1,427,711</u> |

Landstar System, Inc. and Subsidiary
Supplemental Information
(Unaudited)

| | Thirteen Weeks Ended | |
|--|----------------------|-------------------|
| | March 28, 2020 | March 30, 2019 |
| <u>Revenue generated through (in thousands):</u> | | |
| Truck transportation | | |
| Truckload: | | |
| Van equipment | \$ 545,307 | \$ 619,014 |
| Unsided/platform equipment | 286,328 | 310,721 |
| Less-than-truckload | 22,941 | 23,376 |
| Total truck transportation | 854,576 | 953,111 |
| Rail intermodal | 28,129 | 30,015 |
| Ocean and air cargo carriers | 26,587 | 30,669 |
| Other ⁽¹⁾ | 18,274 | 19,205 |
| | \$ 927,566 | \$ 1,033,000 |
| | | |
| Revenue on loads hauled via BCO Independent Contractors ⁽²⁾ included in total truck transportation | \$ 431,279 | \$ 449,308 |
| | | |
| <u>Number of loads:</u> | | |
| Truck transportation | | |
| Truckload: | | |
| Van equipment | 315,345 | 341,821 |
| Unsided/platform equipment | 120,589 | 125,170 |
| Less-than-truckload | 38,356 | 35,309 |
| Total truck transportation | 474,290 | 502,300 |
| Rail intermodal | 11,540 | 12,460 |
| Ocean and air cargo carriers | 7,070 | 7,510 |
| | 492,900 | 522,270 |
| | | |
| Loads hauled via BCO Independent Contractors ⁽²⁾ included in total truck transportation | 233,400 | 234,850 |
| | | |
| <u>Revenue per load:</u> | | |
| Truck transportation | | |
| Truckload: | | |
| Van equipment | \$ 1,729 | \$ 1,811 |
| Unsided/platform equipment | 2,374 | 2,482 |
| Less-than-truckload | 598 | 662 |
| Total truck transportation | 1,802 | 1,897 |
| Rail intermodal | 2,438 | 2,409 |
| Ocean and air cargo carriers | 3,761 | 4,084 |
| | | |
| Revenue per load on loads hauled via BCO Independent Contractors ⁽²⁾ | \$ 1,848 | \$ 1,913 |
| | | |
| <u>Revenue by capacity type (as a % of total revenue):</u> | | |
| Truck capacity providers: | | |
| BCO Independent Contractors ⁽²⁾ | 46% | 43% |
| Truck Brokerage Carriers | 46% | 49% |
| Rail intermodal | 3% | 3% |
| Ocean and air cargo carriers | 3% | 3% |
| Other | 2% | 2% |
| | | |
| | March 28, 2020 | March 30, 2019 |
| <u>Truck Capacity Providers</u> | | |
| BCO Independent Contractors ⁽²⁾ | 9,444 | 9,911 |
| Truck Brokerage Carriers: | | |
| Approved and active ⁽³⁾ | 38,879 | 40,404 |
| Other approved | 16,657 | 18,659 |
| | 55,536 | 59,063 |
| Total available truck capacity providers | 64,980 | 68,974 |
| | | |
| Trucks provided by BCO Independent Contractors ⁽²⁾ | 10,112 | 10,637 |

(1) Includes primarily reinsurance premium revenue generated by the insurance segment and intra-Mexico transportation services revenue generated by Landstar Metro.

(2) BCO Independent Contractors are independent contractors who provide truck capacity to the Company under exclusive lease arrangements.

(3) Active refers to Truck Brokerage Carriers who moved at least one load in the 180 days immediately preceding the fiscal quarter end.

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Landstar System, Inc.
Earnings Conference Call
First Quarter 2020
April 22, 2020



Date Published: 04/22/2020

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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

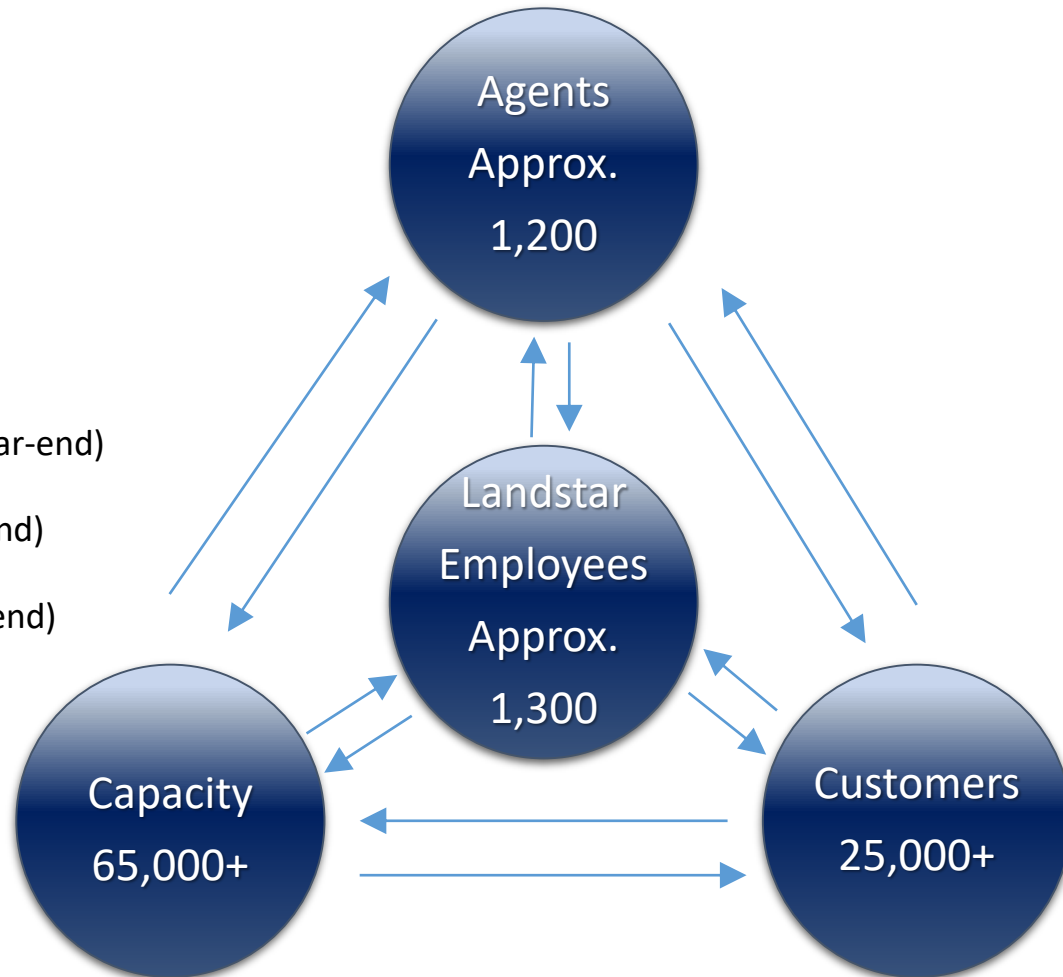
2.1 million loadings

555 million dollar agents

10,243 BCO trucks (2019 year-end)

56,317 Carriers (2019 year-end)

17,000+ Trailers (2019 year-end)

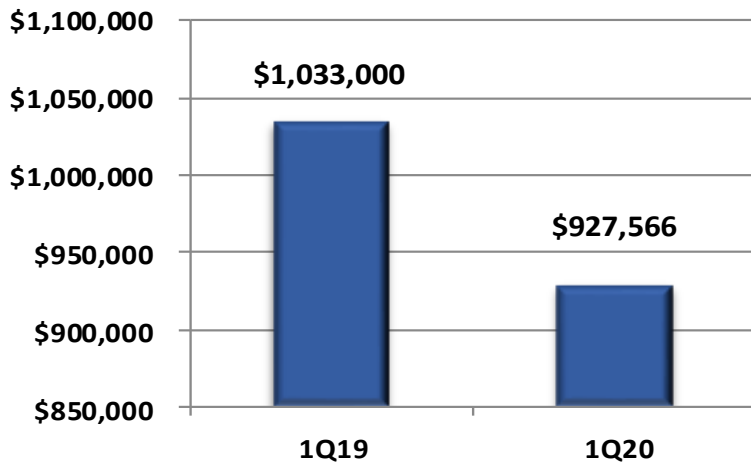


Transportation Management Services

| | Percentage of Revenue | |
|----------------------------|-----------------------|------|
| | 1Q19 | 1Q20 |
| Truck Transportation | | |
| Truckload | | |
| Van equipment | 60% | 59% |
| Unsided/platform equipment | 30% | 31% |
| Less-than-truckload | 2% | 2% |
| Rail intermodal | 3% | 3% |
| Ocean and air cargo | 3% | 3% |

Revenue (\$'s in thousands)

Quarter



Quarter

| Qtr over Prior Year Qtr | Rate ⁽¹⁾ | Volume ⁽²⁾ | Change |
|-------------------------|---------------------|-----------------------|---------|
| Truck Revenue | - 5.0% | - 5.6% | - 10.3% |
| Rail Intermodal Revenue | 1.2% | - 7.4% | - 6.3% |
| Ocean/Air Revenue | - 7.9% | - 5.9% | - 13.3% |
| Insurance Premiums | NA | NA | - 2.5% |
| Total Revenue | | | - 10.2% |

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

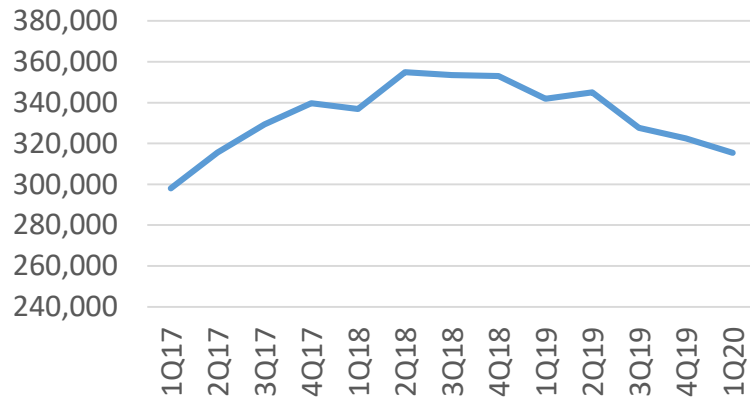
(2) Percentage change in volume is calculated on the number of loads hauled.

Truckload Loadings and Revenue per Load

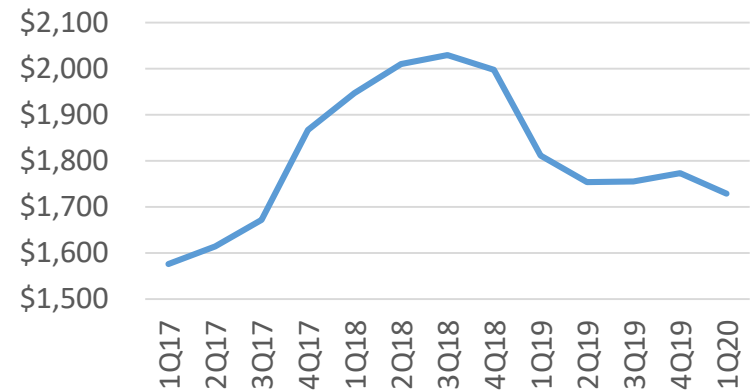
(Excludes LTL)

Van Equipment

Number of Loads

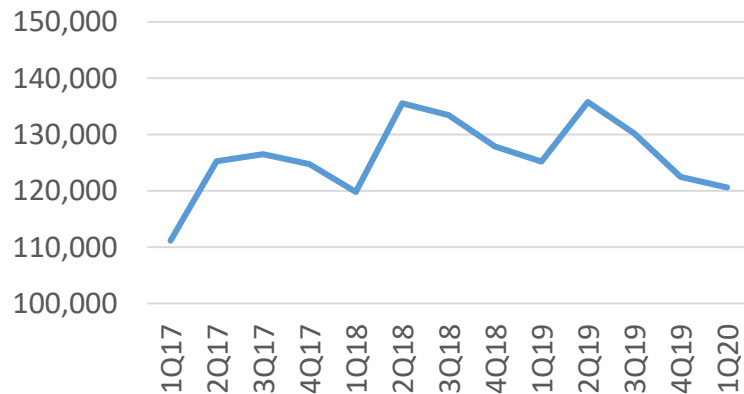


Revenue per Load

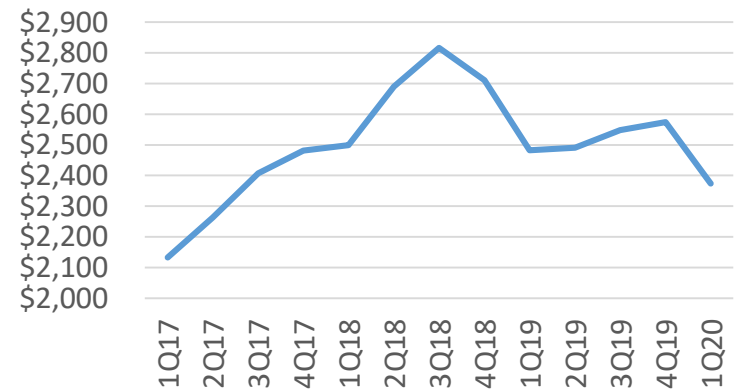


Unsided/Platform Equipment

Number of Loads



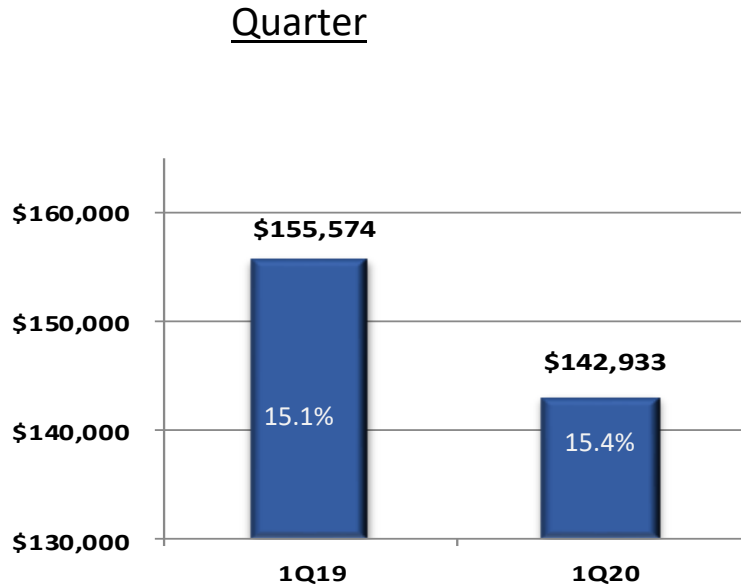
Revenue per Load



Industries Served

| | As a Percentage of Revenue | | Quarter over Prior Year Quarter Change in Revenue |
|-------------------------------|----------------------------|--------------|---|
| | 1Q19 | 1Q20 | |
| Consumer Durables | 24.8 | 23.9 | -14% |
| Machinery | 13.6 | 13.4 | -12% |
| Automotive | 8.6 | 7.4 | -23% |
| Building Products | 8.4 | 9.1 | -3% |
| Metals | 6.3 | 5.9 | -17% |
| AA&E, Hazmat | 8.7 | 9.1 | -6% |
| Foodstuffs | 4.0 | 4.7 | 5% |
| Energy | 2.4 | 3.4 | 27% |
| Other | 23.2 | 23.1 | -10% |
| Transportation Revenue | <u>100.0</u> | <u>100.0</u> | -10% |

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



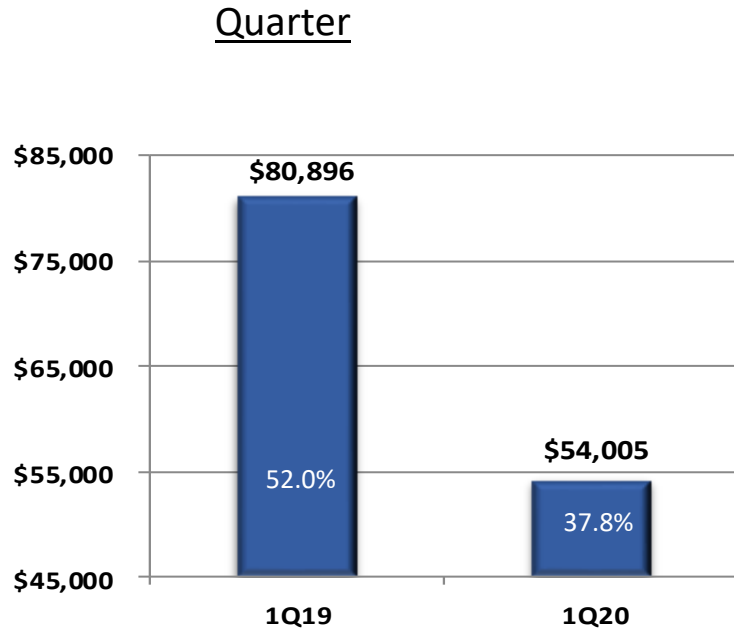
Quarter

| | 1st Qtr ⁽³⁾ |
|---------------------------------------|------------------------|
| Changes in gross profit margin | % |
| 2019 Period | 15.1 |
| Revenue - fixed gp margin | 0.1 |
| Revenue - variable gp margin | 0.0 |
| Change in mix and other | 0.2 |
| 2020 Period | 15.4 |

- (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 50% and 52% of revenue in the 2019 and 2020 first quarters, respectively.

Operating Income and Operating Margin ⁽¹⁾

(\$'s in thousands)



Quarter

| | 1st Qtr |
|------------------------------------|----------|
| Changes in operating margin | % |
| 2019 Period | 52.0 |
| Other operating costs | -0.5 |
| Insurance and claims | -7.7 |
| SG&A | -5.2 |
| Depreciation and amortization | -0.8 |
| 2020 Period | 37.8 |

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

Truck Capacity Data

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

| | Mar 30, 2019 ⁽²⁾ | Dec 28, 2019 | Mar 28, 2020 ⁽²⁾ |
|--|--------------------------------|-----------------|--------------------------------|
| BCO Independent Contractors | 9,911 | 9,554 | 9,444 |
| Truck Brokerage Carriers: | | | |
| Approved and Active ⁽¹⁾ | 40,404 | 39,497 | 38,879 |
| Other Approved | 18,659 | 16,820 | 16,657 |
| | 59,063 | 56,317 | 55,536 |
| Total Available Truck Capacity Providers | 68,974 | 65,871 | 64,980 |
| Trucks Provided by BCO Independent Contractors | 10,637 | 10,243 | 10,112 |

(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 \$52.4 million and \$53.9 million in the 2020 and 2019 first quarters, respectively.

Key Balance Sheet and Cash Flow Statistics

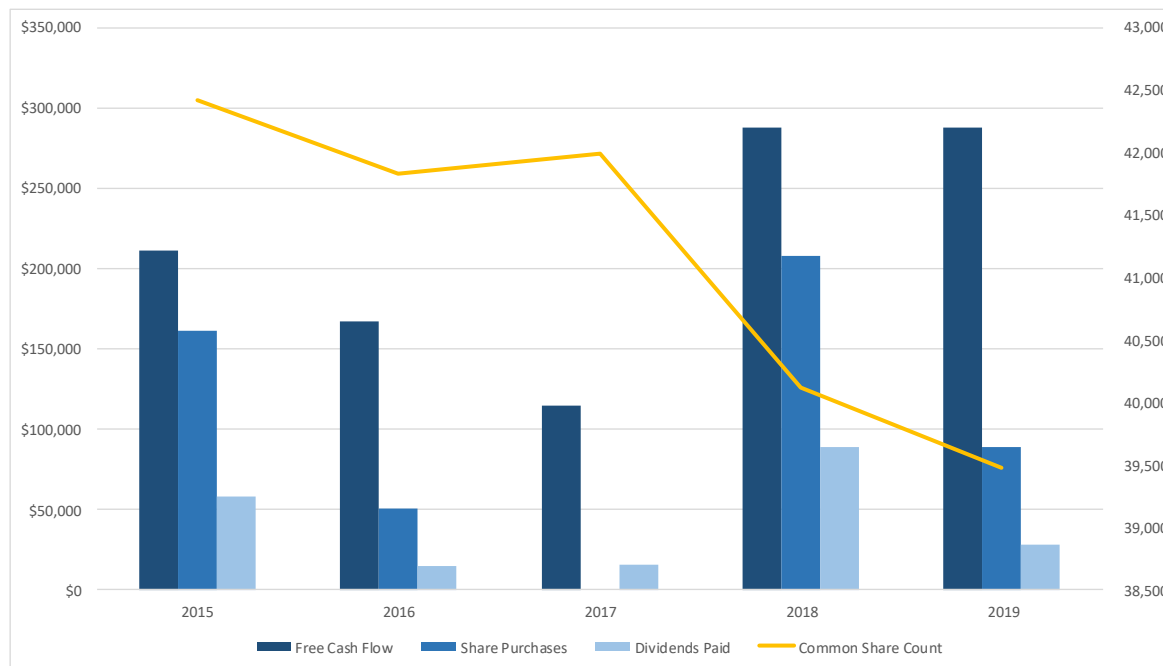
(\$'s in thousands)

| | QTR Mar 30, 2019 | QTR Mar 28, 2020 |
|-------------------------------------|------------------------|------------------------|
| Balance sheet (period end amounts): | | |
| Debt to Capital | 14% | 14% |
| Net Cash (1) | \$ 188,153 | \$ 108,930 |
| Cash flow: | | |
| Cash flow from operations | \$ 121,416 | \$ 99,216 |
| Capital expenditures | \$ 4,576 | \$ 5,799 |
| Share repurchases | \$ 12,977 | \$ 115,962 |
| Dividends paid | \$ 6,629 | \$ 86,283 |
| Returns: | | |
| TTM Return on Equity | 37% | 29% |
| TTM Return on Invested Capital | 32% | 25% |
| TTM Return on Assets | 19% | 15% |

(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)



| First quarter 2020 | (000's) |
|---------------------------|------------|
| Free cash flow (1) | \$ 93,417 |
| Share purchases | \$ 115,962 |
| Dividends paid | \$ 86,283 |
| Ending common share count | 38,371 |

(1) Free cash flow is defined as cash flow from operations less capital expenditures, each set forth on the prior slide.

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