

DESIGNED TO RESPOND
BUILT TO DELIVER



Landstar System, Inc.
Earnings Conference Call
First Quarter 2023
April 1, 2023



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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 2022 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 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 a reconciliation of gross profit to variable contribution and gross profit margin to variable contribution margin for the 2023 and 2022 first quarters 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

April 1, 2023 Results

\$1.44 billion in YTD revenue

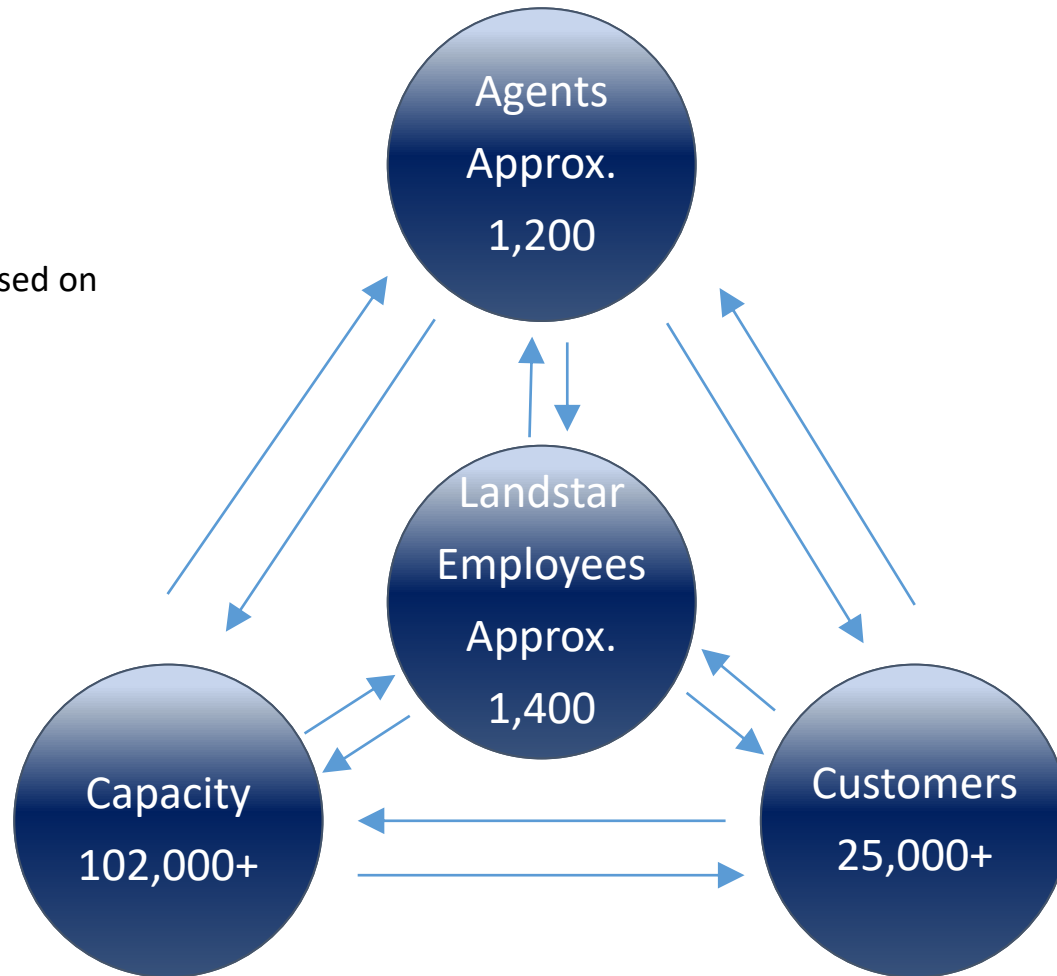
580 thousand loadings

625 million dollar agents (based on 2022 fiscal year)

10,809 BCO trucks

92,664 Carriers

18,500+ Trailers

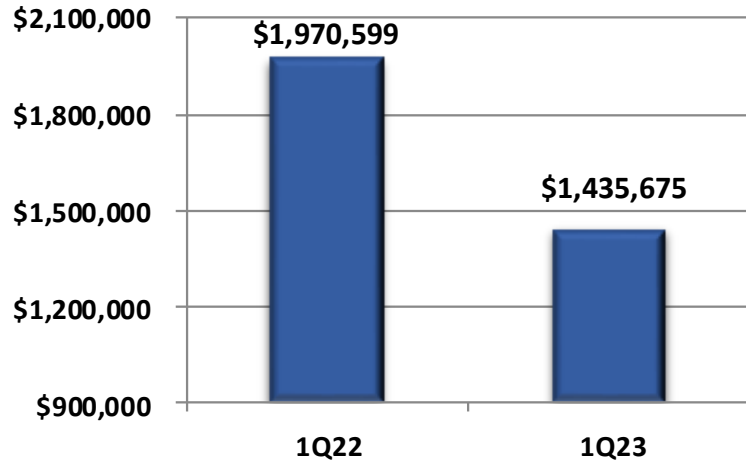


Transportation Management Services

	Percentage of Revenue	
	1Q22	1Q23
Truck Transportation		
Truckload		
Van equipment	55%	53%
Unsided/platform equipment	21%	26%
Less-than-truckload	2%	2%
Other truck transportation	12%	11%
Rail intermodal	2%	2%
Ocean and air cargo	8%	4%

Revenue (\$'s in thousands)

Quarter



Quarter

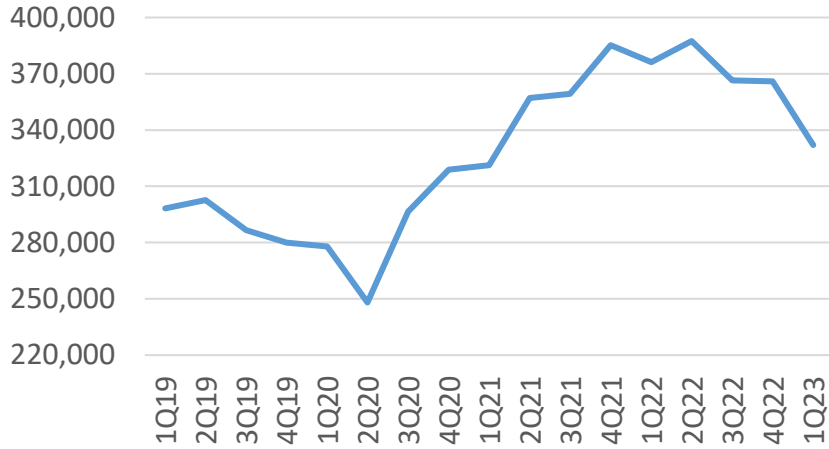
Qtr over Prior Year Qtr	Rate ⁽¹⁾	Volume ⁽²⁾	Change
Truck Revenue	- 13.9%	- 12.2%	- 24.4%
Rail Intermodal Revenue	- 2.2%	- 38.6%	- 39.9%
Ocean/Air Revenue	- 45.0%	- 27.0%	- 59.8%
Insurance Premiums	NA	NA	- 2.2%
Total Revenue			- 27.1%

(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.

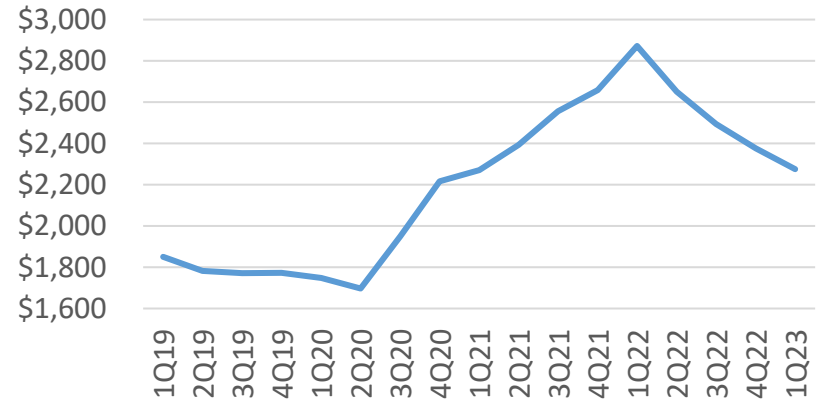
Truckload Loadings and Revenue per Truckload Trends

Number of Loads

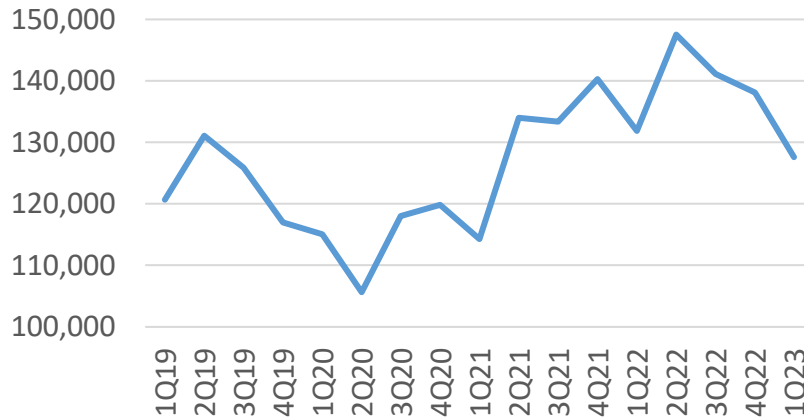


Van Equipment

Revenue per Load

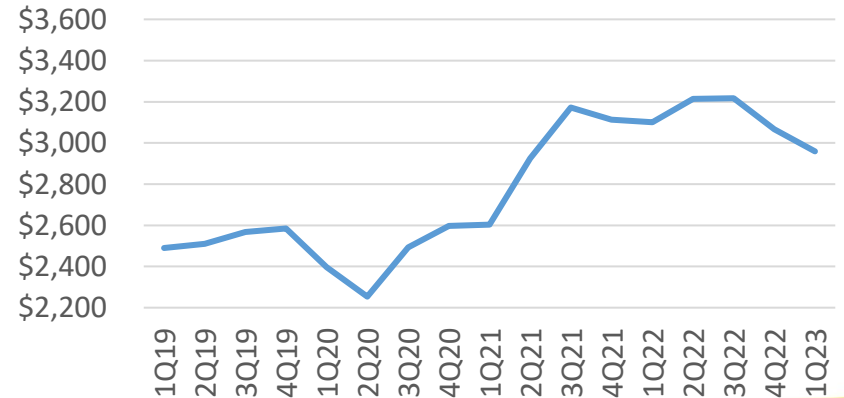


Number of Loads



Unsided/Platform Equipment

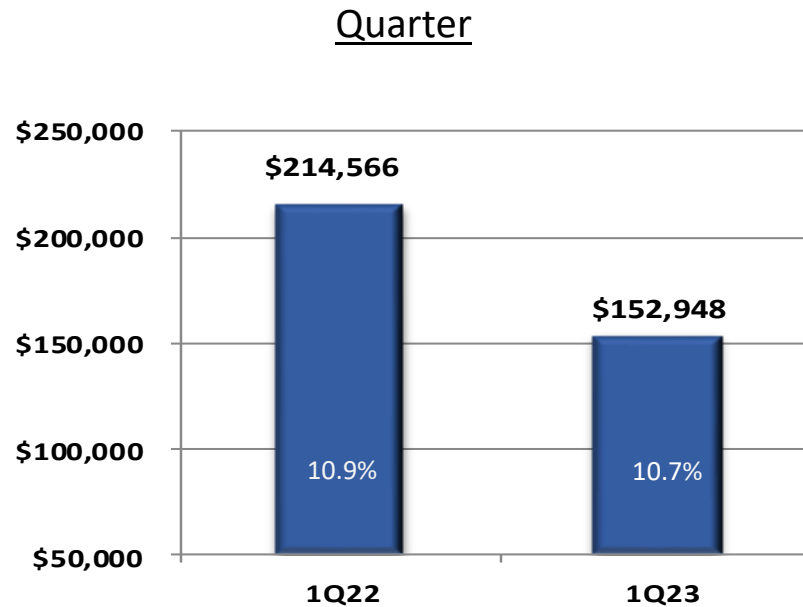
Revenue per Load



Industries Served

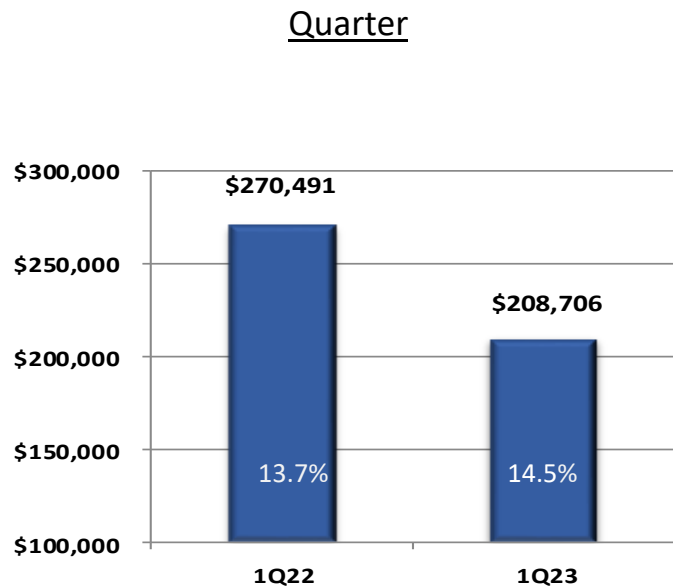
	As a Percentage of Revenue		Quarter over Prior Year Quarter Change in Revenue
	1Q22	1Q23	
Consumer Durables	31.4	28.6	-34%
Machinery	10.1	13.1	-6%
Automotive	10.2	10.9	-22%
AA&E, Hazmat	8.0	8.3	-25%
Building Products	7.6	7.7	-26%
Metals	4.6	4.8	-24%
Foodstuffs	3.7	3.1	-40%
Substitute Line Haul	4.5	2.6	-57%
Other	19.9	20.9	-24%
Transportation Revenue	<u>100.0</u>	<u>100.0</u>	-27%

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



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

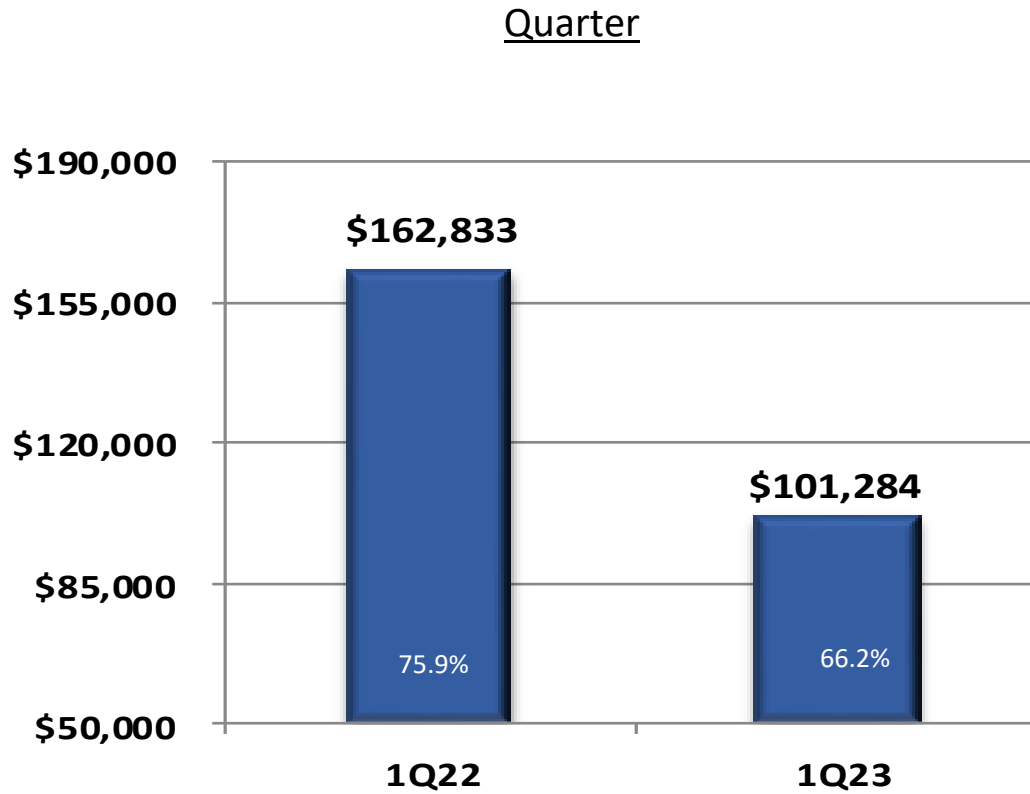


Quarter

	1st Qtr ⁽³⁾
Changes in variable contribution margin	%
2022 Period	13.7
Revenue - fixed	-0.2
Revenue - variable	1.1
Change in mix and other	-0.1
2023 Period	14.5

- (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 41% of revenue in both the 2022 and 2023 first quarters.

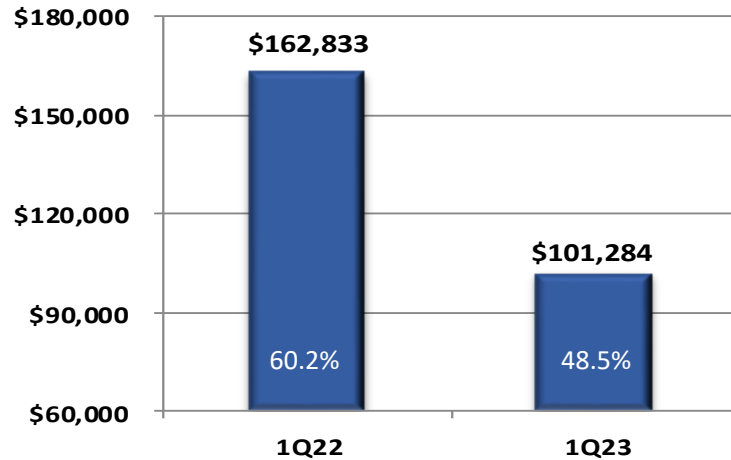
Operating Income as a % of Gross Profit (\$'s in thousands)



Operating Income as a % of Variable Contribution

(\$'s in thousands)

Quarter



	1st Qtr
Changes in operating income as a % of variable contribution	%
2022 Period	60.2
Other operating costs	-1.8
Insurance and claims	-1.5
SG&A	-6.2
Depreciation and amortization	-2.2
2023 Period	48.5

Truck Capacity Data

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

	Mar 26, 2022 ⁽²⁾	Dec 31, 2022	Apr 1, 2023 ⁽²⁾
BCO Independent Contractors	11,089	10,393	9,996
Truck Brokerage Carriers:			
Approved and Active ⁽¹⁾	68,859	66,745	61,771
Other Approved	28,094	30,999	30,893
	96,953	97,744	92,664
Total Available Truck Capacity Providers	108,042	108,137	102,660
Trucks Provided by BCO Independent Contractors	11,935	11,281	10,809

(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 \$ 88.2 million and \$82.8 million in the 2023 and 2022 first quarters, respectively.

Key Balance Sheet and Cash Flow Statistics

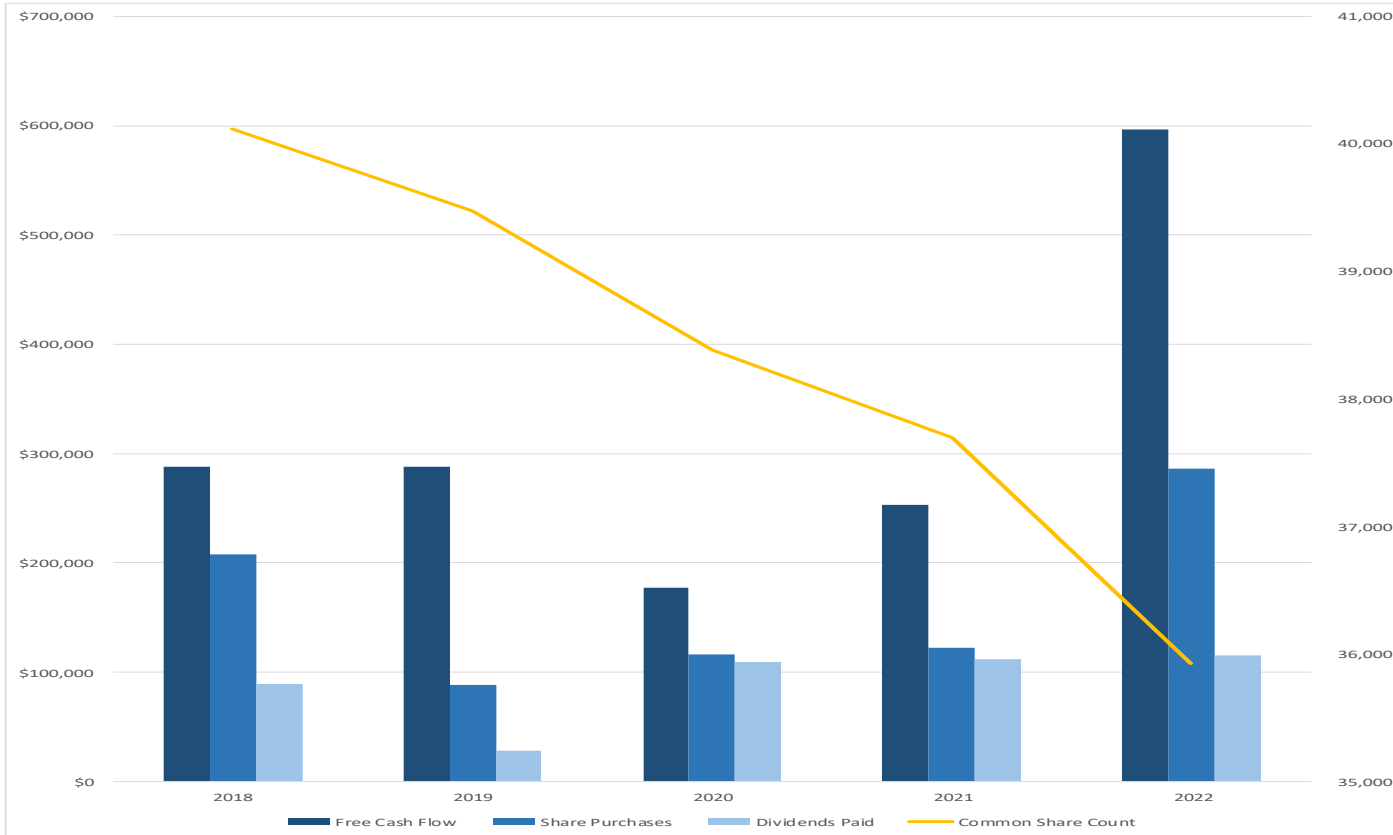
(\$'s in thousands)

	Mar 26, 2022	Apr 1, 2023
Balance sheet (period end amounts):		
Debt to Capital	17%	9%
Net Cash (1)	\$ 9,432	\$ 294,163
Cash flow:		
Cash flow from operations	\$ 94,965	\$ 139,035
Capital expenditures	\$ 3,609	\$ 6,233
Share repurchases	\$ 109,332	\$ 15,433
Dividends paid	\$ 84,711	\$ 82,660
Returns (trailing 12 months):		
Return on Equity	51%	44%
Return on Invested Capital	45%	38%
Return on Assets	23%	20%

(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 2023	(000's)
Free cash flow (1)	\$ 132,802
Share purchases	\$ 15,433
Dividends paid	\$ 82,660
Ending common share count	35,933

(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*)

	Thirteen Weeks Ended	
	April 1, 2023	March 26, 2022
Revenue	\$ 1,435,675	\$ 1,970,599
Costs of revenue:		
Purchased transportation	1,101,294	1,550,330
Commissions to agents	125,675	149,778
Variable costs of revenue	1,226,969	1,700,108
Trailing equipment depreciation	8,369	9,083
Information technology costs (1)	6,751	4,046
Insurance-related costs (2)	28,260	31,655
Other operating costs	12,378	11,141
Other costs of revenue	55,758	55,925
Total costs of revenue	1,282,727	1,756,033
Gross profit	<u>\$ 152,948</u>	<u>\$ 214,566</u>
Gross profit margin	10.7%	10.9%
Plus: other costs of revenue	55,758	55,925
Variable contribution	<u>\$ 208,706</u>	<u>\$ 270,491</u>
Variable contribution margin	14.5%	13.7%

(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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