Landstar System, Inc. (LSTR)

Updated February 5th, 2025, by Ian Bezek

Key Metrics

Current Price:	$162	**5 Year CAGR Estimate:**	7.0%	**Market Cap:**	$5.8 B
Fair Value Price:	$145	**5 Year Growth Estimate:**	8.5%	**Ex-Dividend Date:**	02/18/25
% Fair Value:	112%	**5 Year Valuation Multiple Estimate:**	-2.2%	**Dividend Payment Date:**	03/11/25
Dividend Yield:	0.9%	**5 Year Price Target**	$218	**Years Of Dividend Growth:**	9
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

Landstar System is a transportation company focused on providing trucking deliveries and related services. It operates all throughout North America, including Canada and Mexico, offering both truckload and less-than-truckload deliveries, rail intermodal, air cargo, and so on. The company also has an insurance segment which provides clients with risk and claims management services.

Landstar has enjoyed strong growth over the years thanks to its differentiated business model. Unlike many trucking companies, Landstar operates with an asset-light business model. It does not invest too heavily in its own trucks, warehouses, or other hard assets, instead relying on its clients and third-party capacity providers for fulfillment. Landstar has benefited from its involvement in the Mexico and cross-border cargo market, as manufacturing activity in Mexico has surged in recent years. More broadly, Landstar is taking advantage of the continued rise of e-commerce.

That became particularly apparent in 2021 and 2022, as Landstar's revenues and earnings skyrocketed amid the pandemic-driven online shopping boom. Not surprisingly, however, results have trailed off as economic conditions have normalized. The downtrend continued in 2024. On Jan. 29th, 2025, the company announced its Q4 earnings. EPS of $1.31 fell from the $1.62 reported in the same quarter of 2023 and slightly missed expectations. Revenues rose 0.8% year-over-year to $1.21 billion, beating expectations and reversing the company's recent trend of revenue declines. While Landstar reported a mixed quarter with continued margin pressure, the return to top-line growth is an encouraging sign. This supports management's view that its business has reached a trough and set to be back on track in 2025. We have a similarly upbeat outlook and expect a reasonable rebound in earnings this year assuming that the U.S. does not enact meaningful tariffs against Canada or Mexico.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.37	$3.25	$4.21	$6.18	$5.72	$4.98	$9.98	$11.76	$7.36	$5.51	***$6.03***	***$9.07***
DPS	$0.30	$0.34	$0.38	$0.63	$0.70	$0.79	$0.92	$1.10	$1.26	$1.38	***$1.44***	***$2.32***
Shares[1]	44	42	42	41	40	39	38	37	36	36	***36***	***34***

Landstar had grown earnings at a double-digit rate over the past decade up through 2022, though the recent earnings slump has reversed much of that progress. We believe the worst is over for Landstar and that the company can deliver better results in 2025. We expect 8.5% annualized earnings per share growth over the longer-term.

The company has grown its regular dividend at 18.5% annualized since 2015 and 12.8% over the past five years. That includes Landstar's most recent dividend hike, of 9.1%, to 36 cents per quarter, which it announced on July 30th, 2024. We expect Landstar to continue posting approximately 10% annualized dividend growth going forward, powered by both strong earnings growth and the firm's recent tendency toward offering a higher regular dividend payout ratio. Landstar has a fairly significant share repurchase program in addition to its periodic special dividend payments.

[1] In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.9	26.0	24.7	15.0	19.7	26.9	17.7	13.6	26.2	32.8	***26.9***	***24.0***
Avg. Yld.	0.4%	0.4%	0.4%	0.4%	0.6%	0.6%	0.5%	0.6%	0.7%	0.8%	***0.9%***	***1.1%***

Landstar has averaged a 23x and a 22x P/E ratio over the past five and ten years, respectively. We are forecasting a slightly higher P/E multiple, of 24, over the longer-term thanks to increasing demand for e-commerce logistics along with the rapid growth in the Mexican trucking market. Even so, Landstar's current 26.9x P/E multiple is above average and could be prone to further mean reversion.

Historically, Landstar shares have offered a tiny regular dividend yield. Over time, we expect the yield to rise to 1.1%. That said, Landstar has paid considerable special dividends each of the past six years which add to its overall yield. If Landstar continues its special dividend policy, that would improve the firm's attractiveness from an income perspective.

Safety, Quality, Competitive Advantage, & Recession Resiliency

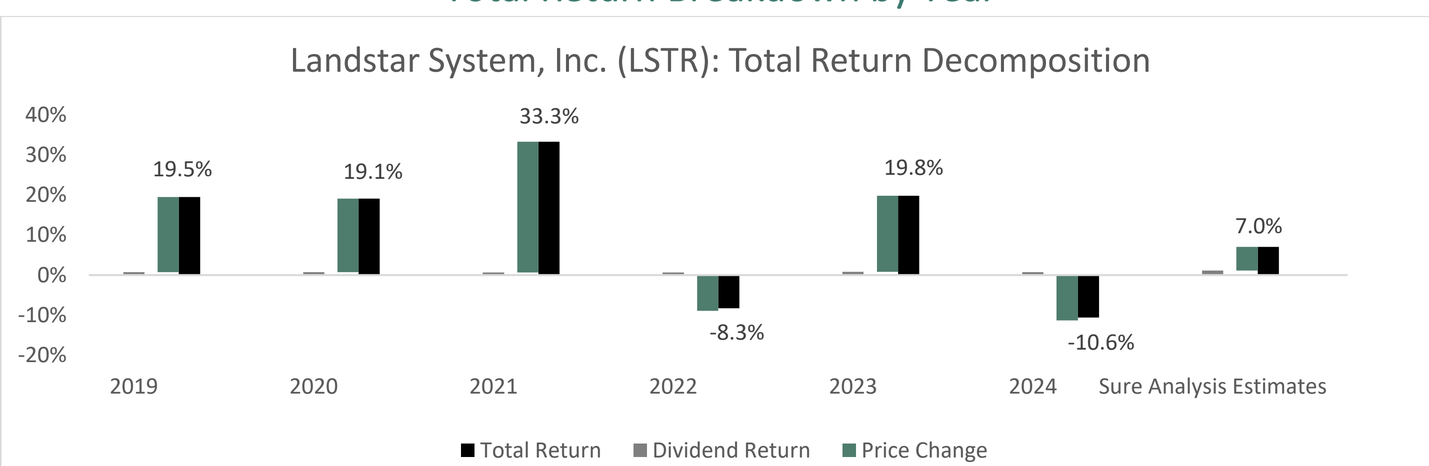
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	9%	10%	9%	10%	12%	16%	9%	9%	17%	25%	***24%***	***26%***

Landstar is much safer than the average trucking company. For one thing, it maintains a large net cash position and has virtually no long-term debt whatsoever. For another, Landstar's asset-light business model gives it more flexibility during industry downturns. We also believe Landstar's expertise in the Mexican market and cross-border transit services are an attractive niche that can help deliver superior returns over time. Given the company's low dividend payout ratio, it can easily cover the regular dividend even during a prolonged cyclical downturn or recession. Landstar spends much of its excess cash on share buybacks and special dividends, leaving plenty of wiggle room before the common dividend would be at risk even during a recession.

Final Thoughts & Recommendation

We have a favorable view of Landstar System's business model and expect the company to return to strong growth once the cycle turns. The firm is starting to build quite an attractive dividend growth track record as well and its low payout ratio leaves plenty of room for future increases. LSTR stock has slipped since our last report due to economic worries along with the potential for a disruption in U.S.-Mexican trade relations if tariff threats turn into tangible actions which reduce cargo volumes. We believe Landstar's long-term business model remains attractive despite near-term jitters. That said, the 7% annualized total return outlook isn't high enough to warrant an upgrade yet; we stay at a hold for now.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	3,185	3,321	3,168	3,646	4,615	4,085	4,133	6,538	7,437	5,303
Gross Profit	445	470	452	503	624	570	553	866	960	714
Gross Margin	14.0%	14.2%	14.3%	13.8%	13.5%	14.0%	13.4%	13.2%	12.9%	13.5%
SG&A Exp.	197	198	201	233	264	239	255	327	347	326
D&A Exp.	28	29	36	41	44	44	46	50	57	58
Operating Profit	223	240	222	241	328	294	268	503	568	334
Op. Margin	7.0%	7.2%	7.0%	6.6%	7.1%	7.2%	6.5%	7.7%	7.6%	6.3%
Net Profit	139	148	137	177	255	228	192	382	431	264
Net Margin	4.4%	4.4%	4.3%	4.9%	5.5%	5.6%	4.6%	5.8%	5.8%	5.0%
Free Cash Flow	91	211	168	123	288	288	180	253	597	368
Income Tax	82	91	82	64	73	68	57	120	137	84

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,044	992	1,097	1,352	1,381	1,428	1,654	2,045	1,932	1,802
Cash & Equivalents	164	115	179	242	200	320	249	216	340	481
Acc. Receivable	493	463	463	631	692	589	764	1,154	968	744
Goodwill & Int.	31	31	31	39	38	39	41	41	41	42
Total Liabilities	556	525	554	699	691	706	962	1,183	1,045	818
Accounts Payable	220	224	219	285	314	272	381	604	527	396
Long-Term Debt	146	160	175	167	184	167	176	116	196	62
Total Equity	488	466	543	651	687	721	692	862	887	984
LTD/E Ratio	0.30	0.34	0.32	0.26	0.27	0.23	0.25	0.14	0.22	0.06

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	13.8%	14.5%	13.2%	14.5%	18.7%	16.2%	12.5%	20.6%	21.7%	14.2%
Return on Equity	29.4%	30.9%	27.2%	29.6%	38.0%	32.3%	27.2%	49.1%	49.3%	28.3%
ROIC	22.8%	23.4%	20.5%	23.0%	30.1%	25.9%	21.9%	41.3%	41.8%	24.8%
Shares Out.	45	44	42	42	41	40	39	38	37	36
Revenue/Share	70.51	75.80	75.00	86.77	111.72	102.66	107.07	170.98	203.00	147.64
FCF/Share	2.02	4.82	3.97	2.94	6.98	7.25	4.67	6.63	16.29	10.24

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.