



MARTEN TRANSPORT, LTD.

2020 Annual Report



Who We Are

Marten Transport, Ltd., with headquarters in Mondovi, Wisconsin, strives to be the premier supplier of time and temperature-sensitive and dry transportation and distribution services to customers in the United States, Canada and Mexico. We have strategically transitioned from a long-haul carrier to a multifaceted business offering a network of truck-based transportation capabilities across our five distinct business platforms.

Truckload – regional and over-the-road fleets, both temperature-controlled and dry van, operating from Marten’s 15 regional service centers.

Dedicated – customized solutions tailored to each individual customer’s requirements utilizing refrigerated trailers, dry vans and other specialized equipment.

Intermodal – refrigerated COFC (container on flatcar) and refrigerated TOFC (trailer on flatcar) services, providing the economies and energy efficiencies of long-haul rail transportation

with extended door-to-door support from Marten’s truck network.

Brokerage – surge flexibility to supplement Marten’s capabilities through temperature-controlled and dry van services provided by smaller third-party carriers.

MRTN de México – industry-leading door-to-door temperature-controlled service between Mexico, the U.S. and Canada utilizing our Mexican partner carriers within Mexico.

We will accomplish our mission by exceeding the expectations of our customers, employees, stockholders and society. We serve customers with demanding delivery deadlines, as well as those who ship products requiring modern temperature-controlled trailers to protect goods.

Founded in 1946, we have been a public company since 1986. Our common stock trades on the NASDAQ Global Select Market under the symbol MRTN. At December 31, 2020, we employed 4,162 people, including drivers, office personnel and mechanics.

Five-Year Financial Summary

	Years ended December 31,				
	2020	2019	2018	2017	2016
<i>(Dollars in thousands, except per share amounts)</i>					
FOR THE YEAR					
Operating revenue	\$ 874,374	\$ 843,271	\$ 787,594	\$ 698,120	\$ 671,144
Operating income	93,246	76,498	70,348	56,862	58,303
Net income	69,500	61,071	55,027	90,284	33,464
Net income – excluding 2017 deferred income taxes benefit ⁽¹⁾	69,500	61,071	55,027	33,819	33,464
Operating ratio ⁽²⁾	89.3%	90.9%	91.1%	91.9%	91.3%
PER-SHARE DATA⁽³⁾					
Basic earnings per common share	\$ 0.84	\$ 0.75	\$ 0.67	\$ 1.10	\$ 0.41
Basic earnings per common share – excluding 2017 deferred income taxes benefit ⁽¹⁾	0.84	0.75	0.67	0.41	0.41
Diluted earnings per common share	0.84	0.74	0.67	1.10	0.41
Diluted earnings per common share – excluding 2017 deferred income taxes benefit ⁽¹⁾	0.84	0.74	0.67	0.41	0.41
Dividends declared per common share	0.633	0.513	0.067	0.053	0.04
Book value	7.50	7.28	7.05	6.43	5.36
AT YEAR END					
Total assets	\$ 831,636	\$ 796,586	\$ 753,904	\$ 690,403	\$ 653,748
Long-term debt	–	–	–	–	7,886
Stockholders’ equity	620,333	597,589	575,954	525,500	437,338

(1) Net income and basic and diluted earnings per common share for 2017 are presented for comparative purposes excluding the \$56.5 million deferred income taxes benefit recorded to recognize the impact on our federal net deferred tax liability of the reduction of the federal corporate statutory income tax rate from 35% to 21% related to the Tax Cuts and Jobs Act of 2017.

(2) Represents operating expenses as a percentage of operating revenue.

(3) The amounts for 2016 through 2019 have been restated to reflect the three-for-two stock split effected in the form of a 50% stock dividend on August 13, 2020 and the five-for-three stock split effected in the form of a 66²/₃% stock dividend on July 7, 2017.

Note: We account for our revenue in accordance with FASB ASC 606, which we adopted on January 1, 2018 using the modified retrospective method. Prior years have not been restated and continue to be reported under the accounting standards in effect for those periods.

To Our Stockholders and Employees

Because of the COVID-19 pandemic, 2020 was in many ways one of the most challenging years in Marten's 75-year history—and, *despite* the pandemic, it was in many ways our most successful. Our 2020 operating revenue and operating income were the highest for any year in our history. Our 2020 improvement in operating income was 21.9%, on top of increases of 8.7% in 2019 and 23.7% in 2018.

Marten's 13.8% increase in net income for 2020 was our fourth consecutive improvement in annual earnings, excluding a deferred income taxes benefit in 2017. Our operating ratio, net of fuel surcharges, was the best since we became a public company in 1986.

The Marten Difference

As in 2018 and 2019, our 2020 results offer a clear measure of the Marten difference, a difference created and sustained through a unique business model in the hands of a dedicated and experienced national team supporting the industry's finest professional driver group.

Our operating model has been developed to continuously provide the best, most-efficient service for our diverse and growing customer base. This focused effort has transformed Marten from a leading over-the-road temperature-controlled carrier into a national network of truck-based transportation capabilities. It is a multifaceted approach utilizing five distinct yet complementary business platforms – Truckload, Dedicated, Intermodal, Brokerage and MRTN de México.

We have successfully moved from a centralized business platform to a decentralized operation across 15 regional centers. This regional platform provides the foundation for consistent, profitable growth through ever-changing business environments. Our operating model made possible the rapid development of our Dedicated business and its 85.6% revenue growth over the past three years, a reflection of this operation's mutually supportive interaction with our regional Truckload and Brokerage resources. In a relatively short time, our Dedicated business has developed into an industry leader operating over 1,600 trucks. Our Walmart Dedicated fleet was honored as the 2019 Walmart Grocery Dedicated Carrier of the Year.

Credit for the success of our transformational business model goes to the national team of people who execute it in their continuous drive for cost and productivity improvements. The emphasis on continuous improvement is part of our culture—a no-excuses, get-it-done culture focused on working smart and hard as a team. Central to this is our data-driven mentality backed by an in-house, state-of-the-art information technology system providing real-time visibility of the data needed to quickly make decisions for improved supply chain productivity.

Operating Results Comparison

	Percentage Change, Year Ended December 31,		
	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017
Operating revenue	3.7%	7.1%	12.8%
Operating revenue, net of fuel surcharges	6.8%	8.6%	8.0%
Operating income	21.9%	8.7%	23.7%
Net income	13.8%	11.0%	62.7%

Net income used to calculate the percentage increase from 2017 to 2018 excludes a \$56.5 million deferred income tax benefit in the fourth quarter of 2017.

Celebrating Seventy-Five Years



The contrast between the vehicles shown on the cover is symbolic of the transformation Marten Transport has undergone since its founding 75 years ago. The truck in the lower photo was the company's first, bought by

Roger Marten to launch Marten Transport in 1946. The technology-enhanced tractor and trailer shown in the upper photo are part of a fleet of more than 3,300 tractors and 5,300 trailers currently operated by Marten.

From one man and one truck, Marten has transformed itself into today's multifaceted network of refrigerated and dry truck-based transportation capabilities with 15 regional centers across the nation and more than 4,100 employees whose ability to work as a team is reflected in Marten's consistent profitable growth.

2020 Financial Results

Net income for 2020 was \$69.5 million, or 84 cents per diluted share, up 13.8% from \$61.1 million, or 74 cents per diluted share, for 2019.

Operating revenue improved 3.7% to a record \$874.4 million for 2020 from \$843.3 million for 2019. Excluding fuel surcharges, 2020 operating revenue improved 6.8% to \$790.6 million from \$739.9 million for 2019.

Operating income improved 21.9% to a record \$93.2 million for 2020 from \$76.5 million for 2019. Our operating ratio (operating expenses as a percentage of operating revenue) improved to 89.3% for 2020 from 90.9% for 2019. Our ratio, net of fuel surcharges, improved to 88.2% from 89.7%.

Each of our five business platforms continues to play an important role in the implementation of Marten's strategic vision and



plan, both individually and through collaborative interaction.

Truckload – Truckload revenue increased to \$379.1 million from \$378.0 million for 2019. Excluding fuel surcharges, Truckload revenue was \$342.4 million, a 4.0% increase from \$329.3 million for 2019. Average revenue, net of fuel surcharges, per tractor per week, a main measure of Truckload asset productivity, improved by 3.4%. Operating income was \$39.6 million, up 33.6% from \$29.7 million for 2019. The 2020 Truckload operating ratio improved to 89.5% from 92.2% in 2019, and the 2020 ratio, net of fuel surcharges, was 88.4%.

Dedicated – Dedicated revenue increased 16.5% to \$309.8 million from \$266.0 million for 2019. Excluding fuel surcharges, Dedicated revenue improved 21.3% to \$271.6 million from \$223.9 million for 2019. The average number of tractors in service grew 23.1% to 1,566 from 1,272 in 2019. Operating income was \$40.9 million, a 30.9% increase from \$31.2 million for 2019. The 2020 Dedicated operating ratio improved to 86.8% from 88.3% in 2019, and the 2020 ratio, net of fuel surcharges, was 84.9%.

Intermodal – Intermodal revenue declined to \$88.7 million from \$90.4 million for 2019. Excluding fuel surcharges, 2020 Intermodal revenue was \$79.9 million, up from \$77.8 million in 2019. Operating income was \$5.7 million, down from \$6.6 million for 2019. The 2020 Intermodal operating ratio was 93.5%, and the ratio, net of fuel surcharges, was 92.8%.

Brokerage – Marten's Brokerage revenue declined to \$96.7 million from \$108.9 million for 2019. Brokerage operating income was \$7.0 million for 2020 versus \$9.0 million for 2019. The Brokerage operating ratio was 92.8% for 2020.

MRTN de México – Operating within our Truckload and Brokerage segments, another profitable component of Marten's vision and plan is **MRTN de México**. Its 2020 revenue was \$60.1 million.

Operating Environment

COVID-19 created both a health crisis and an economic crisis—and the most aberrational operating environment for transportation companies in memory. The flexibility designed into the Marten model gives us an edge in this turbulent environment. Our data-driven decision-making enables us to respond swiftly to the churning levels of each individual customer's freight demand created by the economic crisis.

We embrace our responsibility to keep our employees safe and healthy as they each contribute to transporting and distributing the food, beverages and other consumer goods essential to millions of people in North America. This includes providing masks and hand sanitizer, increasing the frequency and extent of cleaning to our facilities and tractors, and modifying our

facilities for improved social distancing. When sanitizer was generally unavailable early on, we bought barrels of the ingredients and made our own, distributing over 6,000 bottles to our people.

The intensifying national driver shortage remains a major issue, though Marten has built a distinct competitive edge in recruiting and retaining top drivers. We've led the way with continued improvements to our aggressive levels of compensation and benefits, safety and technology. Our tractors are the safest available, featuring radar-based collision avoidance, lane departure and blind spot detection systems along with forward-facing cameras. We are the last of the major carriers to hire *only* experienced drivers.

Reflecting Marten's continued strong financial position, our Board of Directors effected a three-for-two stock split of our common stock in August. This was Marten's third stock split since the Great Recession, following a five-for-three split in 2017 and a three-for-two split in 2013. We paid a special cash dividend in December of 50 cents per share along with our regular quarterly cash dividend of 4 cents per share, our forty-second consecutive quarterly cash dividend. We have paid a total of \$138.3 million in cash dividends since the program was implemented in 2010, including \$42.1 million in 2019 and \$52.4 million in 2020.

We're proudly observing Marten's 75th anniversary, and proudly reporting how our unique business model is keeping a 75-year-old company new. Marten began as a one-man milk truck operation in rural Wisconsin, and has evolved into an industry-leading multifaceted business providing supply chain solutions to leading businesses across the country. The disciplined execution of our model made the difference in 2020, and we expect it to continue making a difference in the years ahead. We believe that 2021 and the coming years will hold even more opportunities for profitable growth.



Sincerely,

A handwritten signature in black ink that reads "Randolph L. Marten".

Randolph L. Marten
Chairman of the Board
and Chief Executive Officer

February 15, 2021

This Annual Report contains forward-looking statements that involve risks and uncertainties that could cause results to differ materially from those projected. Please refer to the "Risk Factors" section in Item 1A of the attached Form 10-K.



Corporate Information

Corporate Headquarters

129 Marten Street
Mondovi, Wisconsin 54755
Telephone: (715) 926-4216
Fax: (715) 926-4530
www.marten.com

Stockholder Information

Additional copies of our 2020 Annual Report on Form 10-K as filed with the Securities and Exchange Commission are available by writing to James J. Hinnendael, executive vice president and chief financial officer, at our corporate headquarters.

Annual Meeting

Stockholders, employees and friends may attend our annual meeting on Tuesday, May 4, 2021, at 3:00 p.m. at the Roger Marten Community Center, 120 South Franklin Street, Mondovi, Wisconsin.

Stock Listing

NASDAQ Global Select Market symbol: MRTN

Legal Counsel

Fox Rothschild LLP
Campbell Mithun Tower – Suite 2000
222 South Ninth Street
Minneapolis, Minnesota 55402

Independent Registered Public Accounting Firm

Grant Thornton LLP
200 South Sixth Street, Suite 1400
Minneapolis, Minnesota 55402

Transfer Agent and Registrar

Computershare Shareowner Services

Stockholder correspondence mailing address:
P.O. Box 505000
Louisville, Kentucky 40233

Overnight correspondence address:
462 South 4th Street, Suite 1600
Louisville, Kentucky 40202

Telephone: (866) 637-5412
TDD: (800) 231-5469
Foreign: (201) 680-6578
www.computershare.com/investor

Stockholder online inquiries:
www-us.computershare.com/investor/contact

Direct communications about stock certificates or a change of address to Computershare Shareowner Services.



Executive Officers and Directors

Randolph L. Marten

Chairman of the Board,
Chief Executive Officer and Director

Timothy M. Kohl

President

James J. Hinnendael

Executive Vice President and Chief Financial Officer

John H. Turner

Executive Vice President of Sales and Marketing

Patrick J. Pazderka

Secretary
Partner,
Fox Rothschild LLP
Minneapolis, Minnesota

Larry B. Hagness

Director
Chief Executive Officer,
Durand Builders Service, Inc.
Durand, Wisconsin

Thomas J. Winkel

Director
Management Consultant
Pewaukee, Wisconsin

Jerry M. Bauer

Director
Chairman of the Board and Chief Executive Officer,
Bauer Built, Inc.
Durand, Wisconsin

Robert L. Demorest

Director
Business Consultant and Retired President,
Chief Executive Officer and Chairman of the Board,
MOCON, Inc.
Minneapolis, Minnesota

Ronald R. Booth

Director
Retired Partner,
KPMG LLP
Dellwood, Minnesota

Kathleen P. Iverson

Director
Retired President, Chief Executive Officer and
Chairman of the Board,
CyberOptics Corporation
Chanhassen, Minnesota

The 2020 Annual Report is printed on recycled paper.





