



**MARTEN TRANSPORT, LTD.**

*2013 Annual Report*



## Who We Are

Marten Transport, Ltd., with headquarters in Mondovi, Wisconsin, strives to be the premier supplier of time- and temperature-sensitive transportation and distribution services to customers in the United States, Canada and Mexico. We will accomplish this 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, 2013, we employed 3,045 people, including drivers, office personnel and mechanics.

## Five-Year Financial Summary

	Years ended December 31,				
	2013	2012	2011	2010	2009
<i>(Dollars in thousands, except per share amounts)</i>					
<b>FOR THE YEAR</b>					
Operating revenue . . . . .	\$ 659,214	\$ 638,456	\$ 603,679	\$ 516,920	\$ 505,874
Operating income . . . . .	51,995	45,853	43,030	35,289	29,359
Net income . . . . .	30,147	27,267	24,285	19,742	16,267
Operating ratio <sup>(1)</sup> . . . . .	92.1%	92.8%	92.9%	93.2%	94.2%
<b>PER-SHARE DATA<sup>(2)</sup></b>					
Basic earnings per common share . . . . .	\$ 0.91	\$ 0.82	\$ 0.74	\$ 0.60	\$ 0.50
Diluted earnings per common share . . . . .	0.90	0.82	0.73	0.60	0.49
Dividends paid per common share . . . . .	0.083	0.563	0.053	0.027	—
Book value . . . . .	10.78	10.01	9.71	8.99	8.37
<b>AT YEAR END</b>					
Total assets . . . . .	\$ 525,802	\$ 490,623	\$ 470,579	\$ 460,308	\$ 414,838
Long-term debt . . . . .	—	2,726	—	19,346	1,499
Stockholders' equity . . . . .	359,137	331,923	320,359	295,904	274,907

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

(2) Restated to reflect the three-for-two stock split effected in the form of a 50% stock dividend on June 14, 2013.

## To Our Stockholders and Employees

Marten Transport's unwavering focus on productivity improvement across a multifaceted business strategy made the difference again in 2013, overcoming formidable industry-wide cost inflation to produce our fourth consecutive year of earnings growth. Net income increased 10.6 percent to the highest level in company history on a 3.3 percent increase in operating revenue. Our operating ratio improved for the sixth consecutive year.

Operating revenue – revenue from truckload and logistics operations – increased to \$659.2 million for 2013 from \$638.5 million for 2012. Included were fuel surcharges of \$127.7 million, up 5.4 percent from \$121.1 million for 2012.

Truckload revenue topped the half-billion-dollar mark for just the second time in our history, increasing 5.0 percent to \$507.3 million from \$483.3 million for 2012. Logistics revenue declined 2.1 percent to \$151.9 million from \$155.1 million for 2012, reflecting the March 2013 deconsolidation of Marten's partially-owned affiliate, MW Logistics, LLC (MWL). With the deconsolidation, MWL revenue included in Marten's 2013 results decreased by \$24.0 million from 2012. Logistics revenue, net of MWL revenue, increased by 16.7 percent from 2012.

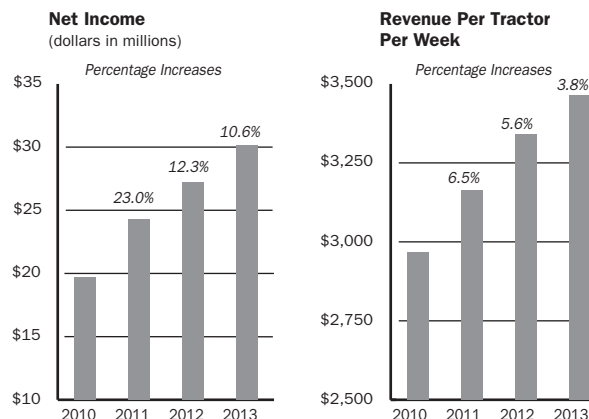
Net income increased to \$30.1 million, or 90 cents per diluted share, up from \$27.3 million, or 82 cents per diluted share, for 2012. Excluding fuel surcharges, our operating ratio (operating expenses as a percentage of operating revenue before fuel surcharges) improved to 90.2 percent for 2013 from 91.1 percent for 2012.

Marten achieved those performance improvements in a challenging rate environment, bucking significant economic headwinds throughout the year. The gains were driven in large measure by Marten's continued strategic focus on customer solutions, freight network productivity and cost efficiencies through disciplined execution by a dedicated and experienced workforce – Marten's people.

### Customer Solutions

Marten's transformation from a long-haul carrier to a multifaceted business infrastructure has been a matter of shaping and extending our services to fit the growing and changing needs and opportunities of our customers. Our long-term strategy emphasizes developing a diverse customer base that gains value from and expands all of our operating units. It is a strategy that has produced an expanded range of transportation service solutions across four major business platforms:

- **Truckload:** providing regional, over-the-road and growing dedicated trucking fleets operating from 15 regional service centers in 13 states. On the strength of our regional growth, truckload revenue increased by 29.2 percent over the past



three years. Dedicated operations, which provide customers with both temperature-controlled and dry van capacity for their exclusive use, were a significant contributor to truckload growth in 2013. Our regional and dedicated tractor fleet has grown from 8.0 percent of our total fleet in 2007 to 54.2 percent in 2010 to 77.3 percent at the end of 2013.

- **Intermodal:** providing the economies and energy efficiencies of long-haul rail transportation through temperature-controlled TOFC (trailer on flatcar) and dry COFC (container on flatcar) services. Marten's intermodal network includes 25 major rail terminals in 20 states, with extended door-to-door support from our growing truck network. Intermodal revenue increased by 29.7 percent in 2013 and intermodal loads increased by 39.4 percent. We are the largest truckload temperature-controlled carrier with BNSF Railway Company.
- **MRTN de México:** providing door-to-door Mexican business service with our Mexican partner carriers. MRTN de México is one of Marten's fastest-growing components, expanding farther into western Mexico and posting a revenue increase of 27.9 percent in 2013.
- **Brokerage:** providing surge flexibility to service our customer needs beyond Marten's traditional capabilities through arrangements with smaller third-party carriers. The number of loads handled through Marten's internal brokerage operations in 2013 increased by 8.0 percent from 2012.

### Freight Network Productivity

We continue to focus on customer diversity, lane density and improved freight efficiency – keeping our equipment moving in a dense and diverse freight network. Trends in freight network productivity are shown clearly in three basic measures of equipment utilization – miles per tractor, loads per tractor and revenue per tractor. In 2013, Marten's truckload miles per tractor increased by 2.2 percent from 2012. Tractor loads per week increased 5.8 percent. And average truckload revenue, net of fuel surcharges, per



tractor per week – our main measure of asset productivity – increased 3.8 percent from 2012 to \$3,465, and 16.7 percent since 2010. That places Marten near or at the top of our industry in that measure, and we project further improvement in 2014.

### Cost Efficiencies

Cost-inflation continued to place disproportionate pressure on the trucking industry in 2013. We felt it in virtually every expense category, with the heaviest increases hitting us in the cost of new tractors, trailers, maintenance and driver pay. The price of tractors and trailers has been driven up by the more expensive new engines and refrigeration units required by government regulations, and by commodity price increases for steel, aluminum and rubber. Every new tractor we put in during 2013 cost 22 percent more than the tractor it replaced. A contracting driver market has accelerated the rise in driver pay, with driver availability further eroded by a mid-year tightening of hours of service regulations.

But unrelenting as these industry headwinds were, we overcame them through our own unrelenting emphasis on sustainable cost and productivity improvements. It's something the people of Marten do very well.

### Marten's People, Culture and Teamwork

Marten people make the difference with their smart, hard work, supporting each other in our culture of continuous improvement of systems and processes. They focus daily on sustainable cost and productivity improvement: growth in revenue per tractor, improvement in equipment utilization and fuel economy, collaborative customer relationships, and increased customer diversity. Our people have been and are the single most important reason for our profitable growth during challenging economic times.

### Continuing the Transformation

Marten's transformation is now well established. But because it is tied closely to our customers' changing needs and opportunities, it is not over. In a relatively short time, dedicated operations have become one of our fastest-growing areas. Our dedicated truck count doubled in 2013 to 227 from 108. We're planning for similar growth in dedicated capacity in 2014.

We are also shifting more of our capacity into our intermodal and MRTN de México operations. Our near-term objective is to continue the revenue growth of both at better than a 20 percent pace.

In recognition of Marten's continued strong financial condition, the Board of Directors declared a three-for-two stock split of the company's common stock in the form of a stock dividend in the second quarter of 2013. Holders of the stock received an additional one-half share for each outstanding share of common stock held as of the record date. The split effectively increased the quarterly cash dividend payout to stockholders by 50 percent.

We were pleased to receive a 2013 SmartWay Excellence Award from the U.S. Environmental Protection Agency, an award recognizing industry leadership in freight supply chain environmental performance and energy efficiency. It is reserved for the top one percent of SmartWay Partners.

### Looking Ahead

As we move into 2014, the single biggest challenge facing our industry continues to be the critical shortage of drivers nationally. It's not a new problem. But it has never in the history of our industry been this severe, with growing demand confronted with a shrinking pool of drivers. Marten has a competitive edge in recruiting and retention of top drivers, offering industry-leading compensation, first-class equipment and an attractive range of regional runs. But we also add to our recruiting challenge by hiring only experienced drivers, using stringent screening and testing procedures. Just 3.5 percent of those who apply are hired. That probably makes us the most selective company in the industry. But it is an approach that has given Marten the best drivers in the industry – our key to growing safely and providing reliable service to our customers.

While the driver shortage appears likely to grow even more intense during 2014, we expect at least some of the industry's inflationary headwinds to ease, with an accompanying recovery of the rate environment. We saw a continuous tightening of capacity nationally during 2013, something that we expect to continue through 2014. That should translate into a much stronger rate environment for Marten – and an opportunity for further margin improvement.

Marten's people have built a diverse business infrastructure capable of growing profitability in turbulent economic times. We're looking forward to what the disciplined execution of our strategy can achieve in a favorable operating environment – something we believe we will have beginning in 2014.



Sincerely,

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

February 28, 2014

*This Annual Report, including the Stockholders and Employees Letter above, contains forward-looking statements. Written words such as "may," "expect," "believe," "anticipate," "plan," "goal," or "estimate," or other variations of these or similar words, identify such statements. Our actual results may differ materially from those expressed in such forward-looking statements because of important factors known to us that could cause such material differences including those noted in the attached Form 10-K under the heading "Risk Factors."*



## Corporate Information

### Corporate Headquarters

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

### Stockholder Information

Additional copies of our 2013 Annual Report on Form 10-K as filed with the Securities and Exchange Commission are available by writing to James J. Hinnendael, chief financial officer, at our corporate headquarters.

### Annual Meeting

Stockholders, employees and friends may attend our annual meeting on Friday, May 6, 2014, at 4:00 p.m. at The Plaza Hotel & Suites, 1202 West Clairemont Avenue, Eau Claire, Wisconsin.

### Stock Listing

NASDAQ Global Select Market symbol: MRTN

### Legal Counsel

Oppenheimer Wolff & Donnelly LLP  
Campbell Mithun Tower – Suite 2000  
222 South Ninth Street  
Minneapolis, Minnesota 55402

### Independent Registered Public Accounting Firm – 2013

KPMG LLP  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, Minnesota 55402

### Transfer Agent and Registrar

Computershare Shareowner Services

Stockholder correspondence mailing address:  
P.O. Box 30170  
College Station, Texas 77842-3170

Overnight correspondence address:  
211 Quality Circle, Suite 210  
College Station, Texas 77845

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

Stockholder online inquiries:  
[www-us.computershare.com/investor/contact](http://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

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President

**Timothy P. Nash**

Executive Vice President of Sales and Marketing

**James J. Hinnendael**

Chief Financial Officer

**John H. Turner**

Senior Vice President of Sales

**Thomas A. Letscher**

Secretary

Partner, Oppenheimer Wolff & Donnelly LLP  
Minneapolis, Minnesota

**Larry B. Hagness**

Director

President, 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

President, Chief Executive Officer and Chairman of the Board,  
MOCON, Inc.  
Minneapolis, Minnesota

**G. Larry Owens**

Director

Retired Chairman of the Board, Chief Executive Officer,  
President and Secretary,  
Smithway Motor Xpress Corp.  
Fort Dodge, Iowa

*The 2013 Annual Report is printed on recycled paper.*





