



## **MARTEN TRANSPORT, LTD.**

*2015 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, 2015, we employed 3,577 people, including drivers, office personnel and mechanics.

## Five-Year Financial Summary

	Years ended December 31,				
	2015	2014	2013	2012	2011
<i>(Dollars in thousands, except per share amounts)</i>					
<b>FOR THE YEAR</b>					
Operating revenue . . . . .	\$ 664,994	\$ 672,929	\$ 659,214	\$ 638,456	\$ 603,679
Operating income . . . . .	61,063	51,006	51,995	45,853	43,030
Net income . . . . .	35,745	29,834	30,147	27,267	24,285
Operating ratio <sup>(1)</sup> . . . . .	90.8%	92.4%	92.1%	92.8%	92.9%
<b>PER-SHARE DATA<sup>(2)</sup></b>					
Basic earnings per common share . . . . .	\$ 1.07	\$ 0.89	\$ 0.91	\$ 0.82	\$ 0.74
Diluted earnings per common share . . . . .	1.06	0.89	0.90	0.82	0.73
Dividends declared per common share . . . . .	0.10	0.10	0.083	0.563	0.053
Book value . . . . .	12.50	11.61	10.78	10.01	9.71
<b>AT YEAR END</b>					
Total assets <sup>(3)</sup> . . . . .	\$ 631,528	\$ 576,461	\$ 522,387	\$ 487,468	\$ 467,841
Long-term debt . . . . .	37,867	24,373	—	2,726	—
Stockholders' equity . . . . .	409,421	387,926	359,137	331,923	320,359

(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.

(3) The amounts for December 31, 2011 through 2014 have been restated to reflect the reclassification of current deferred income tax assets to be consistent with the current presentation upon adoption of FASB ASU No. 2015-17, "Income Taxes" effective December 31, 2015.

## To Our Stockholders and Employees

Marten Transport's results for 2015 once again document the operating stability and disciplined diversity of our multifaceted business platform. Despite the industry-wide challenge of excess capacity since the second quarter, our net income was the highest for any year in Marten's history.

Our four major business platforms continued to drive growth organically through the expanded range of transportation service solutions they provide. Truckload and Dedicated revenue, net of fuel surcharges, increased by 9.7 percent; Intermodal revenue, net of both fuel surcharges and revenue from a discontinued dry-container service, increased by 14.2 percent; and Brokerage revenue increased by 24.8 percent.

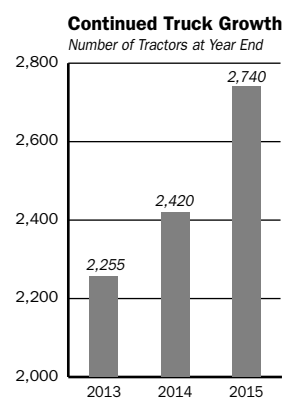
### 2015 Financial Results

Marten's 2015 net income rose 19.8 percent to \$35.7 million, or \$1.06 per diluted share, from \$29.8 million, or 89 cents per diluted share, for 2014. Results for 2015 included a gain of \$4.1 million on the disposition of two facilities as a part of the company's ongoing program to update our expanded facilities footprint. Excluding this gain, net income improved 11.7 percent to \$33.3 million, or 99 cents per diluted share, also record earnings.

Operating revenue decreased 1.2 percent to \$665.0 million from the record \$672.9 million for 2014, reflecting a 42.2 percent decrease in fuel surcharges. Included were fuel surcharges of \$72.3 million, down from \$125.2 million for 2014, reflecting a significant decline in fuel prices. Excluding fuel surcharges, 2015 oper-

ating revenue improved 8.2 percent to \$592.6 million from \$547.7 million for 2014.

Our operating ratio (operating expenses as a percentage of operating revenue), excluding fuel surcharges, improved to 89.7 percent for 2015 from 90.7 percent for 2014. The 2015 operating ratio, net of both fuel surcharges and the gain on facility dispositions, improved to 90.4 percent.



Another revealing measure of Marten's organic growth is the expansion of our truck network across our Truckload and Dedicated platforms. We increased our truck count by 340 tractors in 2015—up 14.6 percent from the close of 2014. Since December 2013, the count has grown by 501 tractors—23.2 percent. This growth illustrates the supportive interaction across our business platforms, with our relatively new Dedicated business developing rapidly with the support provided by our Truckload and Brokerage businesses. The increase in loads for the Truckload and Dedicated segments was 15.4 percent in 2015.

### An Expanding Network

Each of our four business platforms continues to play a major role in the implementation of Marten's strategic vision and plan. Together they form an expanding network of transportation capabilities aimed at providing the best, most-efficient services for Marten's customers.

**Truckload**—regional and over-the-road fleets operating from 15 regional service centers, plus a new dry van operation added in the beginning of 2016 out of our Kansas City facility. Truckload revenue, excluding fuel surcharges, was \$348.1 million for 2015, compared with \$358.5 million for 2014. Truckload revenue was \$398.4 million in 2015, compared with \$448.3 million in 2014. Operating income was \$35.5 million versus \$39.5 million for 2014. The 2015 Truckload operating ratio, net of fuel surcharge revenue, was 89.8 percent.

**Dedicated**—customized solutions tailored to individual customers' requirements utilizing refrigerated trailers, dry vans and other specialized equipment for their exclusive use. Dedicated revenue, excluding fuel surcharges, was \$107.3 million for 2015, up 89.5 percent from \$56.6 million for 2014. Dedicated revenue was \$118.3 million in 2015, compared with \$70.4 million in 2014. Operating income increased 79.6 percent to \$12.8 million from \$7.1 million for 2014. The 2015 Dedicated operating ratio, net of fuel surcharge revenue, was 88.1 percent.

**Intermodal**—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. Marten is the largest truckload temperature-controlled

## Celebrating Seventy Years

It began with one man and one truck 70 years ago. Today Marten Transport is a national leader in the temperature-sensitive transportation industry, operated by a team of 3,577 employees, equipped with a fleet of 2,740 tractors and 4,700 trailers, and serving North American customers from 15 operating centers across the United States.



That first truck—purchased by Roger Marten to launch the company—is shown in the foreground of the cover photo. While the truck is just a part of Marten's history now, the business philosophy that Roger Marten established 70 years ago still guides the way we do business today: "Treat your employees and customers with the respect they deserve, and success will come naturally." It's a philosophy that has served us well.

Marten, which is also observing 30 years as a publicly held company, has transformed itself over the past decade from a long-haul carrier to a multifaceted business infrastructure designed to provide the best, most efficient service for a growing range of customers.



carrier with BNSF Railway Company. Excluding revenue from both fuel surcharges and our discontinued dry-container service, Intermodal revenue increased by 14.2 percent to \$64.6 million for 2015 from \$56.5 million for 2014. Intermodal revenue was \$77.0 million in 2015, compared with \$97.1 million in 2014. Operating income increased 178.5 percent to \$4.8 million from \$1.7 million for 2014. The number of TOFC loads grew by 15.9 percent in 2015.

**Brokerage**—*surge flexibility to service our customer needs beyond Marten's traditional capabilities through arrangements with smaller third-party carriers.* Brokerage revenue was \$71.4 million for 2015, up strongly from \$57.2 million for 2014, reflecting our decentralization of brokerage operations and improved rates. Brokerage operating income improved 43.0 percent to \$3.8 million from \$2.7 million for 2014. The number of loads handled through Marten's brokerage operations surged by 30.9 percent in 2015.

Building on our Truckload and Brokerage resources, another fast-growing component of Marten's vision and plan is MRTN de México, which provides door-to-door Mexican business service with our Mexican partner carriers. Its 2015 revenue grew by 13.9 percent to \$69.2 million—reported as part of Truckload and Brokerage results. In addition to the facilities in Laredo, Texas and Otay Mesa, California, MRTN de México opened an additional entry facility in McAllen, Texas in April 2015.

We continued our emphasis on customer diversity, load growth and lane density in 2015. The number of Marten customers has grown by more than a third over the past three years, with only one accounting for more than 5 percent of our freight base.

### Industry Leadership

Despite the most severe driver shortage in our industry's history, Marten again met the challenge of seating the additions to our tractor fleet with experienced drivers. That was made possible in large measure by an industry-leading driver pay package we've built into our cost structure over the past several years to compensate our drivers for lost driving hours in the transition from paper logs to electronic logging devices (ELDs). Marten was one of the first carriers to fully implement electronic logging in early 2011—something that will become mandatory for the industry in December of 2017. We accompanied the implementation of ELDs with a series of annual mileage pay increases. We added pay for inclement weather and road service delays and, in 2014, we became the first major carrier to pay our drivers after one hour of being detained during pickup or delivery of loads. We have also increased our collaborative efforts with shippers to improve loading and unloading efficiencies.

We believe Marten is the only major carrier to hire *only* experienced drivers. That unyielding standard adds to our recruiting challenge, but has given us the finest driving team in the industry.

At this point we expect a continuation of the challenging freight environment at least through the first half of 2016, and possibly

for the full year. But we also expect continued profitable growth on the strength of the expanded operating base of each of our businesses and the substantially larger truck network. To offset the challenging rate environment resulting from excess market capacity, we will continue our unwavering focus on cost control to drive margin improvement.

Last November our Board of Directors approved an increase in Marten's share repurchase program, providing for the repurchase of up to \$40 million of the company's common stock, or approximately 2 million shares. We repurchased 941,024 shares for \$16.2 million in the fourth quarter of 2015. The program has been and will be funded out of existing cash flow and borrowings under the company's credit facility. The increase reflects our overall commitment to stockholders, our firm belief that our stock is significantly undervalued in the market and our confidence in our long-term value and financial strength.

For 70 years Marten's core business has been service solutions by truck. It still is. But over the past decade the company has made a strategic transition from long-haul carrier to a multifaceted business platform network—a company reshaped by our customers' evolving needs, redefined by our expanding opportunities. We are pursuing those opportunities from a foundation 70 years in the making, anchored by the same customer-service tradition, reliability and financial stability that initially secured Marten's position as a premier long-haul carrier in the protective services industry.

Marten continued its creative industry leadership in 2015, a reflection of the talent and teamwork of the people of Marten. The Marten team continues to create and execute winning transportation supply chain business solutions for our customers—for today and into the future. We are confident in our ability to drive continued profitable growth across all of our business units in 2016 and the years to come.



Sincerely,

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

February 29, 2016

*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 2015 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 10, 2016, 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

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 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

**Timothy M. Kohl**

President

**Timothy P. Nash**

Executive Vice President of Sales and Marketing

**James J. Hinnendael**

Executive Vice President and Chief Financial Officer

**John H. Turner**

Senior Vice President of Sales

**Thomas A. Letscher**

Secretary  
Partner, Fox Rothschild 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.  
Milford, Iowa

**Ronald R. Booth**

Director  
Retired Partner  
KPMG LLP  
Dellwood, Minnesota

*The 2015 Annual Report is printed on recycled paper.*





