



MARTEN TRANSPORT, LTD.

2021 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. Our multifaceted business offers 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, 2021, we employed 4,007 people, including drivers, office personnel and mechanics.

Three-Year Financial Summary

(Dollars in thousands, except per share amounts)

	Years ended December 31,		
	2021	2020	2019
FOR THE YEAR			
Operating revenue	\$973,644	\$874,374	\$843,271
Operating income	111,689	93,246	76,498
Net income	85,428	69,500	61,071
Operating ratio ⁽¹⁾	88.5%	89.3%	90.9%
PER-SHARE DATA⁽²⁾			
Basic earnings per common share	\$ 1.03	\$ 0.84	\$ 0.75
Diluted earnings per common share	1.02	0.84	0.74
Dividends declared per common share	0.66	0.633	0.513
Book value	7.85	7.50	7.28
AT YEAR END			
Total assets	\$870,690	\$831,636	\$796,586
Long-term debt	–	–	–
Stockholders’ equity	651,677	620,333	597,589

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

(2) The amounts for 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.

To Our Stockholders and Employees

Growth. Consistent. Best-ever. These are words that we have used to describe Marten's year-over-year financial performance improvements throughout the past decade. We're using them again this year to describe our 2021 performance, and they've never been more apt: Marten's 2021 operating income was the highest in our history, up 19.8% on top of increases of 21.9% in 2020, 8.7% in 2019 and 23.7% in 2018. Our 22.9% increase in net income for 2021 was our fourth consecutive double-digit percentage increase in annual earnings, excluding a deferred income taxes benefit in 2017.

We are particularly pleased to be able to report these results for a year in which the continuing pandemic's impact on our operating environment was even more disruptive than in 2020, with the worst-ever national driver shortage growing even worse.

Once again Marten was able to thrive through adversity.

Marten faces the same economic and marketplace challenges as every other trucking company. The difference for Marten is a unique business model in the hands of our dedicated and experienced people supporting the industry's finest professional driver group. It is a model that 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 that has given us five distinct yet complementary business platforms: Truckload, Dedicated, Intermodal, Brokerage and MRTN de México. With this model, we have transitioned from a centralized business platform to a decentralized platform operating across 15 regional centers, while consistently producing profitable growth.

2021 Financial Results

Net income for 2021 was \$85.4 million, or \$1.02 per diluted share, up 22.9% from \$69.5 million, or 84 cents per diluted share, for 2020.

Operating revenue improved 11.4% to a record \$973.6 million from \$874.4 million for 2020. Operating revenue, net of fuel surcharges, improved for the eleventh consecutive year, rising 8.3% to \$855.9 million for 2021 from \$790.6 million for 2020.

Operating income improved 19.8% to a record \$111.7 million for 2021 from \$93.2 million for 2020. Our operating ratio (operating expenses as a percentage of operating revenue) improved to 88.5% for 2021 from 89.3% for 2020. Our ratio, net of fuel surcharges, improved to 87.0%, the best ratio for any year since we became a public company 35 years ago, from 88.2%.

Growing Network Strength

Each of our five business platforms contributed to Marten's record operating revenue for 2021—both individually and through collaborative interaction made possible by our net-

Operating Results Comparison

	Percentage Increase, Year Ended December 31,		
	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018
Operating revenue	11.4%	3.7%	7.1%
Operating revenue, net of fuel surcharges	8.3%	6.8%	8.6%
Operating income	19.8%	21.9%	8.7%
Net income	22.9%	13.8%	11.0%

work of regional operating centers. The aggregate revenue of Dedicated, Intermodal and Brokerage, our three most recently developed reporting segments, passed the half-billion-dollar mark in 2021—more than two and a half times what it was when we began breaking out these results seven years ago.

Truckload—Truckload revenue was \$396.7 million, a 4.6% increase from \$379.1 million for 2020. Excluding fuel surcharges, Truckload revenue was \$346.3 million, up 1.1% from \$342.4 million for 2020. Average revenue, net of fuel surcharges, per tractor per week—a main measure of Truckload asset productivity—improved by 9.9%. Operating income was \$51.0 million, up 28.7% from \$39.6 million for 2020. The 2021 Truckload operating ratio was 87.1%, and the operating ratio, net of fuel surcharges, was 85.3%.

We've developed our regional service centers with a vision for expanding our Truckload operations into the much larger dry van market. And we are doing that. Operating profitably out of our Kansas City, Phoenix, Atlanta and Tampa facilities, our emerging dry van business contributed a 21% year-over-year revenue increase in 2021. We are broadening these operations in 2022 through our Dallas, Laredo and Otay Mesa facilities as we expand our dry van business into Mexico to complement our growing MRTN de México business.

Dedicated—Dedicated revenue increased 6.3% to \$329.4 million from \$309.8 million for 2020. Excluding fuel surcharges, Dedicated revenue improved 2.0% to \$276.9 million from \$271.6 million for 2020. Operating income was \$36.4 million, compared with \$40.9 million for 2020. The 2021 Dedicated operating ratio was 89.0%, and the operating ratio, net of fuel surcharges, was 86.9%. Marten's Dedicated operations were honored by two prominent customers in 2021: Grocery Dedicated Carrier of the Year by Walmart, for the second consecutive year, and Platinum Carrier of the Year by the Chemours Company. Walmart credited Marten with an on-time delivery rate of over 99.7% on nearly 700,000 store deliveries. The Chemours award, which recognizes excellence in transportation of specialty chemicals, singled out Marten



for “showcasing reliability and dependability,” with more than a 99% on-time pick-up rate and exemplary communications.

Intermodal—Intermodal revenue grew by 15.2% to \$102.2 million in 2021 from \$88.7 million for 2020. Excluding fuel surcharges, 2021 Intermodal revenue was \$87.5 million, up 9.4% from \$79.9 million for 2020. Operating income improved 65.4% to \$9.5 million from \$5.7 million for 2020. The 2021 Intermodal operating ratio was 90.7%, and the operating ratio, net of fuel surcharges, was 89.2%. We grew our Intermodal COFC (container on flatcar) resources with a 46.4% increase in containers in 2021, providing a much-needed option for customers dealing with the capacity shortage.

Brokerage—Brokerage revenue increased by 50.2% to \$145.3 million from \$96.7 million for 2020. Brokerage operating income was \$14.8 million, up 112.1% from \$7.0 million for 2020. The 2021 Brokerage operating ratio was 89.8%. The sharp rise in Brokerage revenue reflected our effort to provide additional capacity solutions to customers struggling with the driver and capacity shortage.

Operating within our Truckload and Brokerage segments, another profitable component of Marten’s vision and plan is MRTN de México, through which we have provided industry-leading temperature-control freight solutions utilizing our Mexican partner carriers. Its 2021 revenue increased by 13.5% to \$68.2 million from \$60.1 million for 2020.

Winning with Talent and Teamwork

No matter how well conceived, a business model is only as good as the people who execute it. And that’s where Marten shines. The talent and teamwork of Marten’s people have never been more evident than they were during the second year of pandemic disruption in 2021—responding in real time to the swirling levels of freight demand, staying ahead of the intensifying driver shortage, and turning aside a cyberattack early in the fourth quarter. The flexibility designed into the Marten model explains part of our success in winning against challenges like these. Marten’s no-excuses, get-it-done culture takes care of the rest.

It’s a culture focused on working smart and hard in a team effort aimed at continuous improvement. We have developed a data-driven mentality backed by an in-house, state-of-the-art information technology system that provides real-time visibility of the data needed for high-speed decision making.

Uncertainty and supply chain disruptions rattled the transportation industry in 2021—even more than in 2020. The amount of freight that needed to be moved over the road far outstripped the number of available drivers, an economically painful impact of a driver shortage now growing ominously acute. No carrier is immune, though Marten has built a clear competitive advantage in recruiting and retaining top drivers through industry-leading improvements in compensation, benefits, safety and technology. We have heightened and will continue to heighten our emphasis on structurally improving our drivers’ jobs and work-life balance by collaborating with our customers. Unlike the other major carriers, we only hire experienced drivers. Marten’s customers are not serviced by trainees learning on the job.

Reflecting the continuing development of our executive leadership, in 2021 our Board of Directors appointed Tim Kohl as Chief Executive Officer, and then appointed Doug Petit to succeed Mr. Kohl as President. Mr. Kohl had served as our President since 2008. Mr. Petit had been our Chief Operating Officer since 2019 after serving for five years as Senior Vice President of Operations. After serving as our Chief Executive Officer since 2005, I now serve as Marten’s Executive Chairman of the Board.

For more than a decade, consistent profitable growth has been the hallmark of Marten’s financial performance and a measure of our business model’s effectiveness. The consistency—illustrated by the last four consecutive years of record operating revenue and operating profit—has taken us through the pandemic and driver shortage with a continued long-term focus on the growth of each of our businesses. We are confident that our bright and determined people will continue to produce consistent profitable growth—with the best-ever yet to come.



Sincerely,

A handwritten signature in black ink that reads "Randolph L. Marten". The signature is fluid and cursive, written in a professional style.

Randolph L. Marten
Executive Chairman of the Board

February 14, 2022

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

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Fax: (715) 926-4530
www.marten.com

Stockholder Information

Additional copies of our 2021 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 3, 2022, 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

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Stockholder online inquiries:
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Direct communications about stock certificates or a change of address to Computershare Shareowner Services.



Executive Officers and Directors

Randolph L. Marten

Executive Chairman of the Board and Director

Timothy M. Kohl

Chief Executive Officer

Douglas P. Petit

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

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