

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

- Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
or
 Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter ended June 30, 2023

Commission File Number 0-15010

MARTEN TRANSPORT, LTD.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

39-1140809
(I.R.S. employer identification no.)

129 Marten Street
Mondovi, Wisconsin 54755
(Address of principal executive offices)

715-926-4216
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class:</u> | <u>Trading symbol:</u> | <u>Name of each exchange on which registered:</u> |
|--------------------------------------------|------------------------|--------------------------------------------------------------|
| COMMON STOCK, PAR VALUE \$.01 PER SHARE | MRTN | THE NASDAQ STOCK MARKET LLC (NASDAQ GLOBAL SELECT MARKET) |

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Smaller reporting company Non-accelerated filer
Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

The number of shares outstanding of the Registrant's Common Stock, par value \$.01 per share, was 81,301,468 as of July 24, 2023.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

**MARTEN TRANSPORT, LTD.
CONSOLIDATED CONDENSED BALANCE SHEETS**

| (In thousands, except share information) | June 30, 2023 | December 31, 2022 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------|
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 80,528 | \$ 80,600 |
| Receivables: | | |
| Trade, net | 111,577 | 120,702 |
| Other | 10,646 | 7,218 |
| Prepaid expenses and other | 29,208 | 27,320 |
| Total current assets | 231,959 | 235,840 |
| Property and equipment: | | |
| Revenue equipment, buildings and land, office equipment and other | 1,122,659 | 1,074,832 |
| Accumulated depreciation | (352,139) | (346,665) |
| Net property and equipment | 770,520 | 728,167 |
| Other noncurrent assets | 1,605 | 1,672 |
| Total assets | \$ 1,004,084 | \$ 965,679 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 36,107 | \$ 37,299 |
| Insurance and claims accruals | 47,665 | 45,747 |
| Accrued and other current liabilities | 47,248 | 41,264 |
| Total current liabilities | 131,020 | 124,310 |
| Deferred income taxes | 132,737 | 137,041 |
| Noncurrent operating lease liabilities | 307 | 409 |
| Total liabilities | 264,064 | 261,760 |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value per share; 2,000,000 shares authorized; no shares issued and outstanding | - | - |
| Common stock, \$.01 par value per share; 192,000,000 shares authorized; 81,301,468 shares at June 30, 2023, and 81,115,132 shares at December 31, 2022, issued and outstanding | 813 | 811 |
| Additional paid-in capital | 48,663 | 47,188 |
| Retained earnings | 690,544 | 655,920 |
| Total stockholders' equity | 740,020 | 703,919 |
| Total liabilities and stockholders' equity | \$ 1,004,084 | \$ 965,679 |

The accompanying notes are an integral part of these consolidated condensed financial statements.

MARTEN TRANSPORT, LTD.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

| (In thousands, except per share information) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------------------------------------|--------------------------------|------------|------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Operating revenue | \$ 285,672 | \$ 329,565 | \$ 583,695 | \$ 616,846 |
| Operating expenses (income): | | | | |
| Salaries, wages and benefits | 96,332 | 96,460 | 194,848 | 185,809 |
| Purchased transportation | 48,299 | 67,480 | 102,402 | 124,790 |
| Fuel and fuel taxes | 42,215 | 61,337 | 89,011 | 105,705 |
| Supplies and maintenance | 17,408 | 13,352 | 33,395 | 25,665 |
| Depreciation | 29,427 | 26,865 | 58,957 | 53,008 |
| Operating taxes and licenses | 2,756 | 2,663 | 5,524 | 5,303 |
| Insurance and claims | 12,481 | 13,443 | 27,551 | 26,147 |
| Communications and utilities | 2,510 | 2,239 | 5,041 | 4,504 |
| Gain on disposition of revenue equipment | (3,550) | (4,812) | (8,796) | (9,352) |
| Other | 9,581 | 9,601 | 18,539 | 18,472 |
| Total operating expenses | 257,459 | 288,628 | 526,472 | 540,051 |
| Operating income | 28,213 | 40,937 | 57,223 | 76,795 |
| Other | (1,077) | (36) | (1,921) | (43) |
| Income before income taxes | 29,290 | 40,973 | 59,144 | 76,838 |
| Income taxes expense | 7,416 | 9,312 | 14,768 | 17,644 |
| Net income | \$ 21,874 | \$ 31,661 | \$ 44,376 | \$ 59,194 |
| Basic earnings per common share | \$ 0.27 | \$ 0.39 | \$ 0.55 | \$ 0.72 |
| Diluted earnings per common share | \$ 0.27 | \$ 0.39 | \$ 0.55 | \$ 0.72 |
| Dividends declared per common share | \$ 0.06 | \$ 0.06 | \$ 0.12 | \$ 0.12 |

The accompanying notes are an integral part of these consolidated condensed financial statements.

MARTEN TRANSPORT, LTD.
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

| (In thousands) | Common Stock | | Additional | Retained | Total |
|----------------------------------------------------------------------------------------------------------------------|--------------|--------|--------------------|------------|------------------------------|
| | Shares | Amount | Paid-In Capital | Earnings | Stock- holders' Equity |
| Balance at December 31, 2022 | 81,115 | \$ 811 | \$ 47,188 | \$ 655,920 | \$ 703,919 |
| Net income | - | - | - | 22,502 | 22,502 |
| Issuance of common stock from share-based payment arrangement exercises and vesting of performance unit awards | 119 | 1 | 535 | - | 536 |
| Employee taxes paid in exchange for shares withheld | - | - | (926) | - | (926) |
| Share-based payment arrangement compensation expense | - | - | 354 | - | 354 |
| Dividends on common stock | - | - | - | (4,874) | (4,874) |
| Balance at March 31, 2023 | 81,234 | 812 | 47,151 | 673,548 | 721,511 |
| Net income | - | - | - | 21,874 | 21,874 |
| Issuance of common stock from share-based payment arrangement exercises | 67 | 1 | 507 | - | 508 |
| Share-based payment arrangement compensation expense | - | - | 1,005 | - | 1,005 |
| Dividends on common stock | - | - | - | (4,878) | (4,878) |
| Balance at June 30, 2023 | 81,301 | \$ 813 | \$ 48,663 | \$ 690,544 | \$ 740,020 |

The accompanying notes are an integral part of these consolidated condensed financial statements.

MARTEN TRANSPORT, LTD.
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

| (In thousands) | Common Stock | | Additional | Retained | Total |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------|--------------------|------------|------------------------------|
| | Shares | Amount | Paid-In Capital | Earnings | Stock- holders' Equity |
| Balance at December 31, 2021 | 83,034 | \$ 830 | \$ 85,718 | \$ 565,129 | \$ 651,677 |
| Net income | - | - | - | 27,533 | 27,533 |
| Repurchase and retirement of common stock | (1,307) | (13) | (24,987) | - | (25,000) |
| Issuance of common stock from share-based payment arrangement exercises, deferred compensation plan distributions and vesting of performance unit awards | 220 | 2 | 766 | - | 768 |
| Employee taxes paid in exchange for shares withheld | - | - | (1,610) | - | (1,610) |
| Share-based payment arrangement compensation expense | - | - | 369 | - | 369 |
| Dividends on common stock | - | - | - | (4,975) | (4,975) |
| Balance at March 31, 2022 | 81,947 | 819 | 60,256 | 587,687 | 648,762 |
| Net income | - | - | - | 31,661 | 31,661 |
| Repurchase and retirement of common stock | (963) | (10) | (16,743) | - | (16,753) |
| Issuance of common stock from share-based payment arrangement exercises | 31 | 1 | 150 | - | 151 |
| Share-based payment arrangement compensation expense | - | - | 1,204 | - | 1,204 |
| Dividends on common stock | - | - | - | (4,868) | (4,868) |
| Balance at June 30, 2022 | 81,015 | \$ 810 | \$ 44,867 | \$ 614,480 | \$ 660,157 |

The accompanying notes are an integral part of these consolidated condensed financial statements.

MARTEN TRANSPORT, LTD.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

| (In thousands) | Six Months Ended June 30, | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------|
| | 2023 | 2022 |
| Cash flows provided by operating activities: | | |
| Operations: | | |
| Net income | \$ 44,376 | \$ 59,194 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 58,957 | 53,008 |
| Tires in service amortization | 3,584 | 3,161 |
| Gain on disposition of revenue equipment | (8,796) | (9,352) |
| Deferred income taxes | (4,304) | 4,809 |
| Share-based payment arrangement compensation expense | 1,359 | 1,573 |
| Changes in other current operating items: | | |
| Receivables | 13,087 | (37,619) |
| Prepaid expenses and other | (3,633) | (5,040) |
| Accounts payable | (1,450) | 19,927 |
| Insurance and claims accruals | 1,918 | 3,675 |
| Accrued and other current liabilities | (6,897) | 5,334 |
| Net cash provided by operating activities | 98,201 | 98,670 |
| Cash flows used for investing activities: | | |
| Revenue equipment additions | (118,294) | (54,202) |
| Proceeds from revenue equipment dispositions | 34,000 | 23,854 |
| Buildings and land, office equipment and other additions | (4,311) | (4,618) |
| Proceeds from buildings and land, office equipment and other dispositions | 11 | - |
| Other | (45) | (38) |
| Net cash used for investing activities | (88,639) | (35,004) |
| Cash flows used for financing activities: | | |
| Dividends on common stock | (9,752) | (9,843) |
| Repurchase and retirement of common stock | - | (41,753) |
| Issuance of common stock from share-based payment arrangement exercises, deferred compensation plan distributions and vesting of performance unit awards | 1,044 | 919 |
| Employee taxes paid in exchange for shares withheld | (926) | (1,610) |
| Net cash used for financing activities | (9,634) | (52,287) |
| Net change in cash and cash equivalents | (72) | 11,379 |
| Cash and cash equivalents: | | |
| Beginning of period | 80,600 | 56,995 |
| End of period | \$ 80,528 | \$ 68,374 |
| Supplemental non-cash disclosure: | | |
| Change in property and equipment not yet paid | \$ 5,870 | \$ 9,765 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for income taxes | \$ 6,809 | \$ 9,045 |

The accompanying notes are an integral part of these consolidated condensed financial statements.

MARTEN TRANSPORT, LTD.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)

(1) Consolidated Condensed Financial Statements

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial statements, and therefore do not include all information and disclosures required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, such statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary to fairly present our consolidated financial condition, results of operations and cash flows for the interim periods presented. The results of operations for any interim period do not necessarily indicate the results for the full year. The unaudited interim consolidated condensed financial statements should be read with reference to the consolidated financial statements and notes to consolidated financial statements in our 2022 Annual Report on Form 10-K.

(2) Earnings per Common Share

Basic and diluted earnings per common share were computed as follows:

| (In thousands, except per share amounts) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------------------------------------------------------|--------------------------------|-----------|------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Numerator: | | | | |
| Net income | \$ 21,874 | \$ 31,661 | \$ 44,376 | \$ 59,194 |
| Denominator: | | | | |
| Basic earnings per common share - weighted-average shares | 81,263 | 81,689 | 81,236 | 82,310 |
| Effect of dilutive stock options | 149 | 326 | 158 | 307 |
| Diluted earnings per common share - weighted-average shares and assumed conversions | 81,412 | 82,015 | 81,394 | 82,617 |
| Basic earnings per common share | \$ 0.27 | \$ 0.39 | \$ 0.55 | \$ 0.72 |
| Diluted earnings per common share | \$ 0.27 | \$ 0.39 | \$ 0.55 | \$ 0.72 |

Options totaling 132,000 equivalent shares for each of the three-month and six-month periods ended June 30, 2023, and 486,000 and 495,500 equivalent shares for the three-month and six-month periods ended June 30, 2022, respectively, were outstanding but were not included in the calculation of diluted earnings per share because including the options in the denominator would be antidilutive, or decrease the number of weighted-average shares, due to their exercise prices exceeding the average market price of the common shares, or because inclusion of average unrecognized compensation expense in the calculation would cause the options to be antidilutive.

Unvested performance unit awards totaling 106,582 equivalent shares for each of the three-month and six-month periods ended June 30, 2023 were considered outstanding but were not included in the calculation of diluted earnings per share because inclusion of average unrecognized compensation expense in the calculation would cause the performance units to be antidilutive. There were no such equivalent shares for each of the three-month and six-month periods ended June 30, 2022.

(3) Long-Term Debt

In August 2022, we entered into a credit agreement that provides for an unsecured committed credit facility with an aggregate principal amount of \$30.0 million which matures in August 2027. The credit agreement amends, restates and continues in its entirety our previous credit agreement, as amended. At June 30, 2023, there was no outstanding principal balance on the facility. As of that date, we had outstanding standby letters of credit to guarantee settlement of self-insurance claims of \$19.5 million and remaining borrowing availability of \$10.5 million. At December 31, 2022, there was also no outstanding principal balance on the facility. As of that date, we had outstanding standby letters of credit of \$16.1 million on the facility. This facility bears interest at a variable rate based on the Term SOFR Rate plus applicable margins. The interest rate for the facility that would apply to outstanding principal balances was 8.25% at June 30, 2023.

Our credit agreement effective in August 2022 prohibits us from paying, in any fiscal year, stock redemptions and dividends in excess of \$150 million. Our previous credit agreement prohibited us from making such payments in excess of 25% of our net income from the prior fiscal year. A waiver allowing stock redemptions and dividends in excess of the 25% limitation in total amounts of up to \$80 million in 2022 was obtained from the lender in March 2022. The current and previous credit agreements also contain restrictive covenants which, among other matters, require us to maintain compliance with cash flow leverage and fixed charge coverage ratios. We were in compliance with all covenants at June 30, 2023 and December 31, 2022.

(4) Related Party Transactions

We purchase fuel and tires and obtain related services from Bauer Built, Inc., or BBI. Jerry M. Bauer, the chairman of the board and chief executive officer of BBI, is one of our directors. We paid BBI \$141,000 in the first six months of 2023 and \$252,000 in the first six months of 2022 for fuel, tires and related services. In addition, we paid \$1.1 million in the first six months of 2023 and \$790,000 in the first six months of 2022 to tire manufacturers for tires that were provided by BBI. BBI received commissions from the tire manufacturers related to these purchases.

(5) Share Repurchase Program

In August 2019, our Board of Directors approved and we announced an increase from current availability in our existing share repurchase program providing for the repurchase of up to \$34.0 million, or approximately 1.8 million shares, of our common stock, which was increased by our Board of Directors to 2.7 million shares in August 2020 to reflect the three-for-two stock split effected in the form of a stock dividend on August 13, 2020. On May 3, 2022, our Board of Directors approved and we announced an additional increase from current availability in our existing share repurchase program providing for the repurchase of up to \$50.0 million, or approximately 3.1 million shares of our common stock. The share repurchase program allows purchases on the open market or through private transactions in accordance with Rule 10b-18 of the Exchange Act. The timing and extent to which we repurchase shares depends on market conditions and other corporate considerations. The repurchase program does not have an expiration date.

We repurchased and retired 1.3 million shares of common stock for \$25.0 million in the first quarter of 2022, and 963,000 shares of common stock for \$16.8 million in the second quarter of 2022. We did not repurchase any shares in the third or fourth quarters of 2022 or in the first six months of 2023. As of June 30, 2023, future repurchases of up to \$33.2 million, or approximately 2.2 million shares, were available in the share repurchase program.

(6) Dividends

In 2010, we announced that our Board of Directors approved a regular cash dividend program to our stockholders, subject to approval each quarter. Quarterly cash dividends of \$0.06 per share of common stock were paid in each of the first two quarters of both 2023 and 2022, and totaled \$9.8 million in each of the six-month periods.

(7) Accounting for Share-based Payment Arrangement Compensation

We account for share-based payment arrangements in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, 718, *Compensation – Stock Compensation*. During the first six months of 2023, there were no significant changes to the structure of our stock-based award plans. Pre-tax compensation expense related to stock options and performance unit awards recorded in the first six months of 2023 and 2022 was \$1.4 million and \$1.6 million, respectively.

(8) Termination of Deferred Compensation Plan

In May 2020, our Compensation Committee and Board of Directors approved the termination of our Deferred Compensation Plan. The plan was an unfunded, nonqualified deferred compensation plan designed to allow board elected officers and other select members of our management designated by our Compensation Committee to save for retirement on a tax-deferred basis. The termination was effective in May 2021. All shares of Company common stock within the plan were distributed by March 31, 2022.

(9) Fair Value of Financial Instruments

The carrying amounts of cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments.

(10) Commitments and Contingencies

We are committed to new revenue equipment purchases of \$84.2 million and building construction obligations of \$2.5 million through the remainder of 2023. Operating lease obligation expenditures through 2028 total \$674,000.

We self-insure, in part, for losses relating to workers' compensation, auto liability, general liability, cargo and property damage claims, along with employees' health insurance with varying risk retention levels. We maintain insurance coverage for per-incident and total losses in excess of these risk retention levels in amounts we consider adequate based upon historical experience and our ongoing review, and reserve currently for the estimated cost of the uninsured portion of pending claims.

We are also involved in other legal actions that arise in the ordinary course of business. A number of trucking companies, including us, have been subject to lawsuits alleging violations of various federal and state wage and hour laws. A number of these lawsuits have resulted in the payment of substantial settlements or damages by the defendants.

The outcome of all litigation is difficult to assess or quantify, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend litigation may also be significant. Not all claims are covered by our insurance, and there can be no assurance that our coverage limits will be adequate to cover all amounts in dispute. To the extent we experience claims that are uninsured, exceed our coverage limits or cause increases in future premiums, the resulting expense could have a materially adverse effect on our business and operating results. Based on our present knowledge of the facts and, in certain cases, advice of outside counsel, management believes the resolution of open claims and pending litigation, taking into account existing reserves, is not likely to have a materially adverse effect on our consolidated condensed financial statements, however, any future liability claims or adverse developments in existing claims could impact this analysis.

(11) Revenue and Business Segments

We account for our revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers*. We combine our five current operating segments into four reporting segments (Truckload, Dedicated, Intermodal and Brokerage) for financial reporting purposes. These four reporting segments are also the appropriate categories for the disaggregation of our revenue under FASB ASC 606.

We have strategically transitioned from a refrigerated long-haul carrier to a multifaceted business offering a network of refrigerated and dry truck-based transportation capabilities across our five distinct business platforms – Truckload, Dedicated, Intermodal, Brokerage and MRTN de Mexico.

Our Truckload segment provides a combination of regional short-haul and medium-to-long-haul full-load transportation services. We transport food and other consumer packaged goods that require a temperature-controlled or insulated environment, along with dry freight, across the United States and into and out of Mexico and Canada. Our agreements with customers are typically for one year.

Our Dedicated segment provides customized transportation solutions tailored to meet individual customers' requirements, utilizing temperature-controlled trailers, dry vans and other specialized equipment within the United States. Our agreements with customers range from three to five years and are subject to annual rate reviews.

Generally, we are paid by the mile for our Truckload and Dedicated services. We also derive Truckload and Dedicated revenue from fuel surcharges, loading and unloading activities, equipment detention and other accessorial services. The main factors that affect our Truckload and Dedicated revenue are the rate per mile we receive from our customers, the percentage of miles for which we are compensated, the number of miles we generate with our equipment and changes in fuel prices. We monitor our revenue production primarily through average Truckload and Dedicated revenue, net of fuel surcharges, per tractor per week. We also analyze our average Truckload and Dedicated revenue, net of fuel surcharges, per total mile, non-revenue miles percentage, the miles per tractor we generate, our fuel surcharge revenue, our accessorial revenue and our other sources of operating revenue.

Our Intermodal segment transports our customers' freight within the United States utilizing our refrigerated containers and our temperature-controlled trailers, each on railroad flatcars for portions of trips, with the balance of the trips using our tractors or, to a lesser extent, contracted carriers. The main factors that affect our Intermodal revenue are the rate per mile and other charges we receive from our customers.

Our Brokerage segment develops contractual relationships with and arranges for third-party carriers to transport freight for our customers in temperature-controlled trailers and dry vans within the United States and into and out of Mexico through Marten Transport Logistics, LLC, which was established in 2007 and operates pursuant to brokerage authority granted by the United States Department of Transportation, or DOT. We retain the billing, collection and customer management responsibilities. The main factors that affect our Brokerage revenue are the rate per mile and other charges that we receive from our customers.

Operating results of our MRTN de Mexico business which offers our customers door-to-door service between the United States and Mexico with our Mexican partner carriers is reported within our Truckload and Brokerage segments.

Our customer agreements are typically for one-year terms except for our Dedicated agreements which range from three to five years with annual rate reviews. Under FASB ASC 606, the contract date for each individual load within each of our four reporting segments is generally the date that each load is tendered to and accepted by us. For each load transported within each of our four reporting segments, the entire amount of revenue to be recognized is a single performance obligation and our agreements with our customers detail the per-mile charges for line haul and fuel surcharges, along with the rates for loading and unloading, stop offs and drops, equipment detention and other accessorial services, which is the transaction price. There are no discounts that would be a material right or consideration payable to a customer. We are required to recognize revenue and related expenses over time, from load pickup to delivery, for each load within each of our four reporting segments. We base our calculation of the amount of revenue to record in each period for individual loads picking up in one period and delivering in the following period using the number of hours estimated to be incurred within each period applied to each estimated transaction price. Contract assets for this estimated revenue which are classified within prepaid expenses and other within our consolidated condensed balance sheets were \$2.2 million and \$2.7 million as of June 30, 2023 and December 31, 2022, respectively. We had no impairment losses on contract assets in the first six months of 2023 or in 2022. We bill our customers for loads after delivery is complete with standard payment terms of 30 days.

We account for revenue of our Intermodal and Brokerage segments and revenue on freight transported by independent contractors within our Truckload and Dedicated segments on a gross basis because we are the principal service provider controlling the promised service before it is transferred to each customer. We are primarily responsible for fulfilling the promise to provide each specified service to each customer. We bear the primary risk of loss in the event of cargo claims by our customers. We also have complete control and discretion in establishing the price for each specified service. Accordingly, all such revenue billed to customers is classified as operating revenue and all corresponding payments to carriers for transportation services we arrange in connection with brokerage and intermodal activities and to independent contractor providers of revenue equipment are classified as purchased transportation expense within our consolidated condensed statements of operations.

The following table sets forth for the periods indicated our operating revenue and operating income by segment. We do not prepare separate balance sheets by segment and, as a result, assets are not separately identifiable by segment.

| (In thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------------------------------|--------------------------------|------------|------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Operating revenue: | | | | |
| Truckload revenue, net of fuel surcharge revenue | \$ 101,268 | \$ 101,808 | \$ 203,588 | \$ 196,978 |
| Truckload fuel surcharge revenue | 15,870 | 25,164 | 34,176 | 42,784 |
| Total Truckload revenue | 117,138 | 126,972 | 237,764 | 239,762 |
| Dedicated revenue, net of fuel surcharge revenue | 87,437 | 84,389 | 174,268 | 162,810 |
| Dedicated fuel surcharge revenue | 17,548 | 25,966 | 37,166 | 44,305 |
| Total Dedicated revenue | 104,985 | 110,355 | 211,434 | 207,115 |
| Intermodal revenue, net of fuel surcharge revenue | 18,754 | 27,681 | 42,155 | 53,286 |
| Intermodal fuel surcharge revenue | 3,611 | 9,286 | 8,799 | 15,323 |
| Total Intermodal revenue | 22,365 | 36,967 | 50,954 | 68,609 |
| Brokerage revenue | 41,184 | 55,271 | 83,543 | 101,360 |
| Total operating revenue | \$ 285,672 | \$ 329,565 | \$ 583,695 | \$ 616,846 |
| Operating income: | | | | |
| Truckload | \$ 9,569 | \$ 16,088 | \$ 19,610 | \$ 31,659 |
| Dedicated | 14,173 | 14,039 | 27,857 | 24,684 |
| Intermodal | (165) | 4,097 | 622 | 9,133 |
| Brokerage | 4,636 | 6,713 | 9,134 | 11,319 |
| Total operating income | \$ 28,213 | \$ 40,937 | \$ 57,223 | \$ 76,795 |

Truckload segment depreciation expense was \$15.3 million and \$13.5 million, Dedicated segment depreciation expense was \$11.9 million and \$11.2 million, Intermodal segment depreciation expense was \$1.8 million and \$1.9 million, and Brokerage segment depreciation expense was \$454,000 and \$349,000 in the three-month periods ended June 30, 2023 and 2022, respectively.

Truckload segment depreciation expense was \$30.6 million and \$26.4 million, Dedicated segment depreciation expense was \$23.7 million and \$22.3 million, Intermodal segment depreciation expense was \$3.7 million and \$3.6 million, and Brokerage segment depreciation expense was \$903,000 and \$687,000 in the six-month periods ended June 30, 2023 and 2022, respectively.

(12) Use of Estimates

We must make estimates and assumptions to prepare the consolidated condensed financial statements in conformity with U.S. generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities in the consolidated condensed financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are primarily related to insurance and claims accruals and depreciation. Ultimate results could differ from these estimates.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read together with the selected consolidated financial data and our consolidated condensed financial statements and the related notes appearing elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those included in our Form 10-K, Part I, Item 1A for the year ended December 31, 2022. We do not assume, and specifically disclaim, any obligation to update any forward-looking statement contained in this report.

Overview

We have strategically transitioned from a refrigerated long-haul carrier to a multifaceted business offering a network of refrigerated and dry truck-based transportation capabilities across our five distinct business platforms – Truckload, Dedicated, Intermodal, Brokerage and MRTN de Mexico.

Our Truckload segment provides a combination of regional short-haul and medium-to-long-haul full-load transportation services. We transport food and other consumer packaged goods that require a temperature-controlled or insulated environment, along with dry freight, across the United States and into and out of Mexico and Canada. Our agreements with customers are typically for one year.

Our Dedicated segment provides customized transportation solutions tailored to meet each individual customer’s requirements, utilizing temperature-controlled trailers, dry vans and other specialized equipment within the United States. Our agreements with customers range from three to five years and are subject to annual rate reviews.

Generally, we are paid by the mile for our Truckload and Dedicated services. We also derive Truckload and Dedicated revenue from fuel surcharges, loading and unloading activities, equipment detention and other accessorial services. The main factors that affect our Truckload and Dedicated revenue are the rate per mile we receive from our customers, the percentage of miles for which we are compensated, the number of miles we generate with our equipment and changes in fuel prices. We monitor our revenue production primarily through average Truckload and Dedicated revenue, net of fuel surcharges, per tractor per week. We also analyze our average Truckload and Dedicated revenue, net of fuel surcharges, per total mile, non-revenue miles percentage, the miles per tractor we generate, our fuel surcharge revenue, our accessorial revenue and our other sources of operating revenue.

Our Intermodal segment transports our customers’ freight within the United States utilizing our refrigerated containers and our temperature-controlled trailers, each on railroad flatcars for portions of trips, with the balance of the trips using our tractors or, to a lesser extent, contracted carriers. The main factors that affect our Intermodal revenue are the rate per mile and other charges we receive from our customers.

Our Brokerage segment develops contractual relationships with and arranges for third-party carriers to transport freight for our customers in temperature-controlled trailers and dry vans within the United States and into and out of Mexico through Marten Transport Logistics, LLC, which was established in 2007 and operates pursuant to brokerage authority granted by the DOT. We retain the billing, collection and customer management responsibilities. The main factors that affect our Brokerage revenue are the rate per mile and other charges that we receive from our customers.

Operating results of our MRTN de Mexico business which offers our customers door-to-door service between the United States and Mexico with our Mexican partner carriers is reported within our Truckload and Brokerage segments.

In addition to the factors discussed above, our operating revenue is also affected by, among other things, the United States economy, inventory levels, the level of truck and rail capacity in the transportation market, a contracting driver market, severe weather conditions and specific customer demand.

Our operating revenue decreased \$33.2 million, or 5.4%, in the first six months of 2023 from the first six months of 2022. Our operating revenue, net of fuel surcharges, decreased \$10.9 million, or 2.1%, compared with the first six months of 2022. Truckload segment revenue, net of fuel surcharges, increased 3.4% from the first six months of 2022, primarily due to an increase in our fleet size, partially offset by a decrease in our average revenue per tractor. Dedicated segment revenue, net of fuel surcharges, increased 7.0% from the first six months of 2022, primarily due to an increase in our fleet size. Intermodal segment revenue, net of fuel surcharges, decreased 20.9% from the first six months of 2022, primarily due to decreases in both our number of loads and our revenue per load. Brokerage segment revenue decreased 17.6% from the first six months of 2022, primarily due to decreases in both our revenue per load and our number of loads. Fuel surcharge revenue decreased to \$80.1 million in the first six months of 2023 from \$102.4 million in the first six months of 2022.

Our profitability is impacted by the variable costs of transporting freight for our customers, fixed costs, and expenses containing both fixed and variable components. The variable costs include fuel expense, driver-related expenses, such as wages, benefits, training, and recruitment, and independent contractor costs, which are recorded under purchased transportation. Expenses that have both fixed and variable components include maintenance and tire expense and our cost of insurance and claims. These expenses generally vary with the miles we travel, but also have a controllable component based on safety, fleet age, efficiency and other factors. Our main fixed costs relate to the acquisition and subsequent depreciation of long-term assets, such as revenue equipment and operating terminals. We expect our annual cost of tractor and trailer ownership will increase in future periods as a result of higher prices of new equipment, along with any increases in fleet size. Although certain factors affecting our expenses are beyond our control, we monitor them closely and attempt to anticipate changes in these factors in managing our business. For example, fuel prices have significantly fluctuated over the past several years. We manage our exposure to changes in fuel prices primarily through fuel surcharge programs with our customers, as well as through volume fuel purchasing arrangements with national fuel centers and bulk purchases of fuel at our terminals. To help further reduce fuel expense, we have installed and tightly manage the use of auxiliary power units in our tractors to provide climate control and electrical power for our drivers without idling the tractor engine, and also have improved the fuel usage in the temperature-control units on our trailers. For our Intermodal and Brokerage segments, our profitability is impacted by the percentage of revenue which is payable to the providers of the transportation services we arrange. This expense is included within purchased transportation in our consolidated condensed statements of operations.

Our operating income declined 25.5% to \$57.2 million in the first six months of 2023 from \$76.8 million in the first six months of 2022. Our operating expenses as a percentage of operating revenue, or “operating ratio,” was 90.2% in the first six months of 2023 and 87.6% in the first six months of 2022. Operating expenses as a percentage of operating revenue, with both amounts net of fuel surcharges, increased to 88.6% in the first six months of 2023 from 85.1% in the first six months of 2022. Our net income declined 25.0% to \$44.4 million, or \$0.55 per diluted share, in the first six months of 2023 from \$59.2 million, or \$0.72 per diluted share, in the first six months of 2022.

Our business requires substantial, ongoing capital investments, particularly for new tractors and trailers. At June 30, 2023, we had \$80.5 million of cash and cash equivalents, \$740.0 million in stockholders’ equity and no long-term debt outstanding. In the first six months of 2023, net cash flows provided by operating activities of \$98.2 million were primarily used to purchase new revenue equipment, net of proceeds from dispositions, in the amount of \$84.3 million, to pay cash dividends of \$9.8 million, and to construct and upgrade regional operating facilities in the amount of \$4.3 million, resulting in a \$72,000 decrease in cash and cash equivalents. We estimate that capital expenditures, net of proceeds from dispositions, will be approximately \$116 million for the remainder of 2023. Quarterly cash dividends of \$0.06 per share of common stock were paid in each of the first two quarters of 2023 which totaled \$9.8 million. We believe our sources of liquidity are adequate to meet our current and anticipated needs for at least the next twelve months. Based upon anticipated cash flows, existing cash and cash equivalents balances, current borrowing availability and other sources of financing we expect to be available to us, we do not anticipate any significant liquidity constraints in the foreseeable future.

We continue to invest considerable time and capital resources to actively implement and promote long-term environmentally sustainable solutions that drive reductions in our fuel and electricity consumption and decrease our carbon footprint. These initiatives include (i) reducing idle time for our tractors by installing and tightly managing the use of auxiliary power units, which are powered by solar panels and provide climate control and electrical power for our drivers without idling the tractor engine, (ii) improving the energy efficiency of our newer, more aerodynamic and well-maintained tractor and trailer fleets by optimizing the equipment’s specifications, weight and tractor speed, equipping our tractors with automatic transmissions, converting the refrigeration units in our refrigerated trailers to the new, more-efficient CARB refrigeration units along with increasing the insulation in the trailer walls and installing trailer skirts, and using ultra-fuel efficient and wide-based tires, and (iii) upgrading all of our facilities to indoor and outdoor LED lighting along with converting all of our facilities to solar power. Additionally, we are an active participant in the United States Environmental Protection Agency, or

EPA, SmartWay Transport Partnership, in which freight shippers, carriers, logistics companies and other voluntary stakeholders partner with the EPA to measure, benchmark and improve logistics operations to reduce their environmental footprint.

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes discussions of operating revenue, net of fuel surcharge revenue; Truckload, Dedicated and Intermodal revenue, net of fuel surcharge revenue; operating expenses as a percentage of operating revenue, each net of fuel surcharge revenue; and net fuel expense (fuel and fuel taxes net of fuel surcharge revenue and surcharges passed through to independent contractors, outside drayage carriers and railroads). We provide these additional disclosures because management believes these measures provide a more consistent basis for comparing results of operations from period to period. These financial measures in this report have not been determined in accordance with U.S. generally accepted accounting principles (GAAP). Pursuant to Item 10(e) of Regulation S-K, we have included the amounts necessary to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures of operating revenue, operating expenses divided by operating revenue, and fuel and fuel taxes.

Results of Operations

The following table sets forth for the periods indicated certain operating statistics regarding our revenue and operations:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|------------------------------------------------------------------------------|--------------------------------|------------|------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Truckload Segment: | | | | |
| Revenue (in thousands) | \$ 117,138 | \$ 126,972 | \$ 237,764 | \$ 239,762 |
| Average revenue, net of fuel surcharges, per tractor per week ⁽¹⁾ | \$ 4,472 | \$ 5,080 | \$ 4,521 | \$ 5,030 |
| Average tractors ⁽¹⁾ | 1,742 | 1,542 | 1,742 | 1,515 |
| Average miles per trip | 505 | 509 | 507 | 514 |
| Total miles (in thousands) | 39,321 | 36,752 | 77,558 | 72,124 |
| Dedicated Segment: | | | | |
| Revenue (in thousands) | \$ 104,985 | \$ 110,355 | \$ 211,434 | \$ 207,115 |
| Average revenue, net of fuel surcharges, per tractor per week ⁽¹⁾ | \$ 3,986 | \$ 4,072 | \$ 3,973 | \$ 3,962 |
| Average tractors ⁽¹⁾ | 1,687 | 1,594 | 1,696 | 1,589 |
| Average miles per trip | 332 | 341 | 332 | 341 |
| Total miles (in thousands) | 34,833 | 34,134 | 68,909 | 66,887 |
| Intermodal Segment: | | | | |
| Revenue (in thousands) | \$ 22,365 | \$ 36,967 | \$ 50,954 | \$ 68,609 |
| Loads | 6,267 | 8,703 | 13,544 | 16,997 |
| Average tractors | 170 | 175 | 175 | 169 |
| Brokerage Segment: | | | | |
| Revenue (in thousands) | \$ 41,184 | \$ 55,271 | \$ 83,543 | \$ 101,360 |
| Loads | 22,718 | 25,322 | 43,406 | 45,006 |

(1) Includes tractors driven by both company-employed drivers and independent contractors. Independent contractors provided 98 and 85 tractors as of June 30, 2023 and 2022, respectively.

Comparison of Three Months Ended June 30, 2023 to Three Months Ended June 30, 2022

The following table sets forth for the periods indicated our operating revenue, operating income and operating ratio by segment, along with the change for each component:

| (Dollars in thousands) | Three Months Ended June 30, | | Dollar Change Three Months Ended June 30, | Percentage Change Three Months Ended June 30, |
|------------------------------------------------------|-----------------------------|------------|-------------------------------------------|-----------------------------------------------|
| | 2023 | 2022 | 2023 vs. 2022 | 2023 vs. 2022 |
| Operating revenue: | | | | |
| Truckload revenue, net of fuel surcharge revenue | \$ 101,268 | \$ 101,808 | \$ (540) | (0.5)% |
| Truckload fuel surcharge revenue | 15,870 | 25,164 | (9,294) | (36.9) |
| Total Truckload revenue | 117,138 | 126,972 | (9,834) | (7.7) |
| Dedicated revenue, net of fuel surcharge revenue | 87,437 | 84,389 | 3,048 | 3.6 |
| Dedicated fuel surcharge revenue | 17,548 | 25,966 | (8,418) | (32.4) |
| Total Dedicated revenue | 104,985 | 110,355 | (5,370) | (4.9) |
| Intermodal revenue, net of fuel surcharge revenue | 18,754 | 27,681 | (8,927) | (32.2) |
| Intermodal fuel surcharge revenue | 3,611 | 9,286 | (5,675) | (61.1) |
| Total Intermodal revenue | 22,365 | 36,967 | (14,602) | (39.5) |
| Brokerage revenue | 41,184 | 55,271 | (14,087) | (25.5) |
| Total operating revenue | \$ 285,672 | \$ 329,565 | \$ (43,893) | (13.3)% |
| Operating income: | | | | |
| Truckload | \$ 9,569 | \$ 16,088 | \$ (6,519) | (40.5)% |
| Dedicated | 14,173 | 14,039 | 134 | 1.0 |
| Intermodal | (165) | 4,097 | (4,262) | (104.0) |
| Brokerage | 4,636 | 6,713 | (2,077) | (30.9) |
| Total operating income | \$ 28,213 | \$ 40,937 | \$ (12,724) | (31.1)% |
| Operating ratio: | | | | |
| Truckload | 91.8% | 87.3% | | |
| Dedicated | 86.5 | 87.3 | | |
| Intermodal | 100.7 | 88.9 | | |
| Brokerage | 88.7 | 87.9 | | |
| Consolidated operating ratio | 90.1% | 87.6% | | |
| Operating ratio, net of fuel surcharges: | | | | |
| Truckload | 90.6% | 84.2% | | |
| Dedicated | 83.8 | 83.4 | | |
| Intermodal | 100.9 | 85.2 | | |
| Brokerage | 88.7 | 87.9 | | |
| Consolidated operating ratio, net of fuel surcharges | 88.7% | 84.8% | | |

Our operating revenue decreased \$43.9 million, or 13.3%, to \$285.7 million in the 2023 period from \$329.6 million in the 2022 period. Our operating revenue, net of fuel surcharges, decreased \$20.5 million, or 7.6%, to \$248.6 million in the 2023 period from \$269.1 million in the 2022 period. This decrease in the 2023 period was due to a \$14.1 million decrease in Brokerage revenue, an \$8.9 million decrease in Intermodal revenue, net of fuel surcharges, and a \$540,000 decrease in Truckload revenue, net of fuel surcharges, partially offset by a \$3.0 million increase in Dedicated revenue, net of fuel surcharges. Fuel surcharge revenue decreased to \$37.0 million in the 2023 period from \$60.4 million in the 2022 period.

In addition to the factors discussed below, our profitability across each segment in the 2023 period was impacted by a freight market which has considerably softened from the exceptionally tight conditions during the 2022 period.

Truckload segment revenue decreased \$9.8 million, or 7.7%, to \$117.1 million in the 2023 period from \$127.0 million in the 2022 period. Truckload segment revenue, net of fuel surcharges, decreased \$540,000, or 0.5%, to \$101.3 million in the 2023 period from \$101.8 million in the 2022 period primarily due to a decrease in our average revenue per tractor despite an increase in our fleet size. The operating ratio increased to 91.8% in the 2023 period from 87.3% in the 2022 period. Impacting the 2023 period operating ratio was a decrease in our average revenue per tractor along with higher company driver compensation, depreciation and maintenance costs as a percentage of revenue.

Dedicated segment revenue decreased \$5.4 million, or 4.9%, to \$105.0 million in the 2023 period from \$110.4 million in the 2022 period. Dedicated segment revenue, net of fuel surcharges, increased 3.6% primarily due to an increase in our fleet size. The operating ratio in the 2023 period improved to 86.5% from 87.3% in the 2022 period. The 2023 period was positively impacted by a reduction in driver recruiting costs and non-driver bonus compensation expense, partially offset by higher maintenance costs as a percentage of revenue.

Intermodal segment revenue decreased \$14.6 million, or 39.5%, to \$22.4 million in the 2023 period from \$37.0 million in the 2022 period. Intermodal segment revenue, net of fuel surcharges, decreased 32.2% from the 2022 period primarily due to decreases in both our number of loads and our revenue per load. The operating ratio in the 2023 period increased to 100.7% from 88.9% in the 2022 period. Impacting the 2023 period operating ratio was a decrease in our revenue per load along with higher company driver compensation, net fuel, chassis rental and depreciation costs as a percentage of revenue.

Brokerage segment revenue decreased \$14.1 million, or 25.5%, to \$41.2 million in the 2023 period from \$55.3 million in the 2022 period primarily due to decreases in both our revenue per load and our number of loads. The increase in the operating ratio in the 2023 period to 88.7% from 87.9% was primarily due to a decrease in our revenue per load along with increased compensation expense as a percentage of revenue.

The following table sets forth for the periods indicated the dollar and percentage increase or decrease of the items in our unaudited consolidated condensed statements of operations, and those items as a percentage of operating revenue:

| | Dollar | Percentage | Percentage of | |
|------------------------------------------|---------------|---------------|-------------------|--------|
| | Change | Change | Operating Revenue | |
| | Three Months | Three Months | Three Months | |
| | Ended | Ended | Ended | |
| | June 30, | June 30, | June 30, | |
| (Dollars in thousands) | 2023 vs. 2022 | 2023 vs. 2022 | 2023 | 2022 |
| Operating revenue | \$ (43,893) | (13.3)% | 100.0% | 100.0% |
| Operating expenses (income): | | | | |
| Salaries, wages and benefits | (128) | (0.1) | 33.7 | 29.3 |
| Purchased transportation | (19,181) | (28.4) | 16.9 | 20.5 |
| Fuel and fuel taxes | (19,122) | (31.2) | 14.8 | 18.6 |
| Supplies and maintenance | 4,056 | 30.4 | 6.1 | 4.1 |
| Depreciation | 2,562 | 9.5 | 10.3 | 8.2 |
| Operating taxes and licenses | 93 | 3.5 | 1.0 | 0.8 |
| Insurance and claims | (962) | (7.2) | 4.4 | 4.1 |
| Communications and utilities | 271 | 12.1 | 0.9 | 0.7 |
| Gain on disposition of revenue equipment | 1,262 | 26.2 | (1.2) | (1.5) |
| Other | (20) | (0.2) | 3.4 | 2.9 |
| Total operating expenses | (31,169) | (10.8) | 90.1 | 87.6 |
| Operating income | (12,724) | (31.1) | 9.9 | 12.4 |
| Other | (1,041) | (2,891.7) | (0.4) | - |
| Income before income taxes | (11,683) | (28.5) | 10.3 | 12.4 |
| Income taxes expense | (1,896) | (20.4) | 2.6 | 2.8 |
| Net income | \$ (9,787) | (30.9)% | 7.7% | 9.6% |

Salaries, wages and benefits consist of compensation for our employees, including both driver and non-driver employees, employees' health insurance, 401(k) plan contributions and other fringe benefits. These expenses vary depending upon the size of our Truckload, Dedicated and Intermodal tractor fleets, the ratio of company drivers to independent contractors, our efficiency, our experience with employees' health insurance claims, changes in health care premiums and other factors. Salaries, wages and benefits expense decreased \$128,000, or 0.1%, in the 2023 period from the 2022 period. This decrease resulted primarily from multiple items including a \$3.2 million decrease in bonus compensation expense for our non-driver employees, partially offset by additional company driver compensation expense of \$1.7 million and a \$1.8 million increase in non-driver compensation expense.

Purchased transportation consists of amounts payable to railroads and carriers for transportation services we arrange in connection with Brokerage and Intermodal operations and to independent contractor providers of revenue equipment. This category will vary depending upon the amount and rates, including fuel surcharges, we pay to third-party railroad and motor carriers, the ratio of company drivers versus independent contractors and the amount of fuel surcharges passed through to independent contractors. Purchased transportation expense decreased \$19.2 million in total, or 28.4%, in the 2023 period from the 2022 period. Amounts payable to carriers for transportation services we arranged in our Brokerage segment decreased \$12.1 million to \$33.5 million in the 2023 period from \$45.6 million in the 2022 period, primarily due to decreases in both our cost per load and number of loads. Amounts payable to railroads and drayage carriers for transportation services within our Intermodal segment decreased to \$11.1 million in the 2023 period from \$18.4 million in the 2022 period, primarily due to decreases in both our number of loads and cost per load. The portion of purchased transportation expense related to independent contractors within our Truckload and Dedicated segments, including fuel surcharges, increased \$259,000 in the 2023 period. We expect our purchased transportation expense to increase as we grow our Intermodal and Brokerage segments.

Fuel and fuel taxes decreased by \$19.1 million, or 31.2%, in the 2023 period from the 2022 period. Net fuel expense (fuel and fuel taxes net of fuel surcharge revenue and surcharges passed through to independent contractors, outside drayage carriers and railroads) increased \$559,000, or 7.0%, to \$8.6 million in the 2023 period from \$8.0 million in the 2022 period. Fuel surcharges passed through to independent contractors, outside drayage carriers and railroads decreased to \$3.4 million from \$7.1 million in the 2022 period. The United States Department of Energy, or DOE, national average cost of fuel decreased to \$3.94 per gallon from \$5.49 per gallon in the 2022 period. Our net fuel expense increased to 4.1% of Truckload, Dedicated and Intermodal segment revenue, net of fuel surcharges, in the 2023 period from 3.8% in the 2022 period. We have worked diligently to control fuel usage and costs by improving our volume purchasing arrangements and optimizing our drivers' fuel purchases with national fuel centers, focusing on shorter lengths of haul, installing and tightly managing the use of auxiliary power units in our tractors to minimize engine idling and improving fuel usage in the temperature-control units on our trailers. Auxiliary power units, which we have installed in our company-owned tractors, provide climate control and electrical power for our drivers without idling the tractor engine.

Supplies and maintenance consist of repairs, maintenance, tires, parts, oil and engine fluids, along with load-specific expenses including loading/unloading, tolls, pallets and trailer hostling. Our supplies and maintenance expense increased \$4.1 million, or 30.4%, from the 2022 period primarily due to higher outside repair, parts, tires and loading/unloading costs.

Depreciation relates to owned tractors, trailers, containers, auxiliary power units, communication units, terminal facilities and other assets. The \$2.6 million, or 9.5%, increase in depreciation in the 2023 period was primarily due to an increase in the size of our tractor and trailer fleets along with higher prices of new equipment. We expect our annual cost of tractor and trailer ownership will increase in future periods as a result of continued higher prices of new equipment, which will result in greater depreciation over the useful life.

Insurance and claims consist of the costs of insurance premiums and accruals we make for claims within our self-insured retention amounts, primarily for personal injury, property damage, physical damage to our equipment, cargo claims and workers' compensation claims. These expenses will vary primarily based upon the frequency and severity of our accident experience, our self-insured retention levels and the market for insurance. The \$962,000, or 7.2%, decrease in insurance and claims in the 2023 period was primarily due to a decrease in our self-insured auto liability claim costs, partially offset by increases in our workers' compensation claim costs and in the cost of physical damage claims related to our revenue equipment. Our significant self-insured retention exposes us to the possibility of significant fluctuations in claims expense between periods which could materially impact our financial results depending on the frequency, severity and timing of claims.

Gain on disposition of revenue equipment was \$3.6 million in the 2023 period, down from \$4.8 million in the 2022 period primarily due to a decrease in the average gain for our tractor and trailer sales, partially offset by an increase in the number of units sold. Future gains or losses on dispositions of revenue equipment will be impacted by the market for used revenue equipment, which is beyond our control.

Our operating income declined 31.1% to \$28.2 million in the 2023 period from \$40.9 million in the 2022 period as a result of the foregoing factors. Our operating expenses as a percentage of operating revenue, or “operating ratio,” was 90.1% in the 2023 period and 87.6% in the 2022 period. The operating ratio for our Truckload segment was 91.8% in the 2023 period and 87.3% in the 2022 period, for our Dedicated segment was 86.5% in the 2023 period and 87.3% in the 2022 period, for our Intermodal segment was 100.7% in the 2023 period and 88.9% in the 2022 period, and for our Brokerage segment was 88.7% in the 2023 period and 87.9% in the 2022 period. Operating expenses as a percentage of operating revenue, with both amounts net of fuel surcharges, was 88.7% in the 2023 period and 84.8% in the 2022 period.

Other non-operating income increased to \$1.1 million from \$36,000 in the 2022 period due to increased interest income earned on our cash and cash equivalents.

Our effective income tax rate increased to 25.3% in the 2023 period from 22.7% in the 2022 period primarily due to increases in per diem and other non-deductible expenses.

As a result of the factors described above, net income declined 30.9% to \$21.9 million, or \$0.27 per diluted share, in the 2023 period from \$31.7 million, or \$0.39 per diluted share, in the 2022 period.

Comparison of Six Months Ended June 30, 2023 to Six Months Ended June 30, 2022

The following table sets forth for the periods indicated our operating revenue, operating income and operating ratio by segment, along with the change for each component:

| (Dollars in thousands) | Six Months Ended | | Dollar Change | Percentage Change |
|------------------------------------------------------|-------------------|-------------------|-----------------------------------------|-----------------------------------------|
| | June 30, 2023 | June 30, 2022 | Six Months Ended June 30, 2023 vs. 2022 | Six Months Ended June 30, 2023 vs. 2022 |
| Operating revenue: | | | | |
| Truckload revenue, net of fuel surcharge revenue | \$ 203,588 | \$ 196,978 | \$ 6,610 | 3.4% |
| Truckload fuel surcharge revenue | 34,176 | 42,784 | (8,608) | (20.1) |
| Total Truckload revenue | <u>237,764</u> | <u>239,762</u> | <u>(1,998)</u> | <u>(0.8)</u> |
| Dedicated revenue, net of fuel surcharge revenue | 174,268 | 162,810 | 11,458 | 7.0 |
| Dedicated fuel surcharge revenue | 37,166 | 44,305 | (7,139) | (16.1) |
| Total Dedicated revenue | <u>211,434</u> | <u>207,115</u> | <u>4,319</u> | <u>2.1</u> |
| Intermodal revenue, net of fuel surcharge revenue | 42,155 | 53,286 | (11,131) | (20.9) |
| Intermodal fuel surcharge revenue | 8,799 | 15,323 | (6,524) | (42.6) |
| Total Intermodal revenue | <u>50,954</u> | <u>68,609</u> | <u>(17,655)</u> | <u>(25.7)</u> |
| Brokerage revenue | <u>83,543</u> | <u>101,360</u> | <u>(17,817)</u> | <u>(17.6)</u> |
| Total operating revenue | <u>\$ 583,695</u> | <u>\$ 616,846</u> | <u>\$ (33,151)</u> | <u>(5.4)%</u> |
| Operating income: | | | | |
| Truckload | \$ 19,610 | \$ 31,659 | \$ (12,049) | (38.1)% |
| Dedicated | 27,857 | 24,684 | 3,173 | 12.9 |
| Intermodal | 622 | 9,133 | (8,511) | (93.2) |
| Brokerage | 9,134 | 11,319 | (2,185) | (19.3) |
| Total operating income | <u>\$ 57,223</u> | <u>\$ 76,795</u> | <u>\$ (19,572)</u> | <u>(25.5)%</u> |
| Operating ratio: | | | | |
| Truckload | 91.8% | 86.8% | | |
| Dedicated | 86.8 | 88.1 | | |
| Intermodal | 98.8 | 86.7 | | |
| Brokerage | 89.1 | 88.8 | | |
| Consolidated operating ratio | <u>90.2%</u> | <u>87.6%</u> | | |
| Operating ratio, net of fuel surcharges: | | | | |
| Truckload | 90.4% | 83.9% | | |
| Dedicated | 84.0 | 84.8 | | |
| Intermodal | 98.5 | 82.9 | | |
| Brokerage | 89.1 | 88.8 | | |
| Consolidated operating ratio, net of fuel surcharges | <u>88.6%</u> | <u>85.1%</u> | | |

Our operating revenue decreased \$33.2 million, or 5.4%, to \$583.7 million in the 2023 period from \$616.8 million in the 2022 period. Our operating revenue, net of fuel surcharges, decreased \$10.9 million, or 2.1%, to \$503.6 million in the 2023 period from \$514.4 million in the 2022 period. This decrease in the 2023 period was due to a \$17.8 million decrease in Brokerage revenue and an \$11.1 million decrease in Intermodal revenue, net of fuel surcharges, partially offset by an \$11.5 million increase in Dedicated revenue, net of fuel surcharges, and a \$6.6 million increase in Truckload revenue, net of fuel surcharges. Fuel surcharge revenue decreased to \$80.1 million in the 2023 period from \$102.4 million in the 2022 period.

In addition to the factors discussed below, our profitability across each segment in the 2023 period was impacted by a freight market which has considerably softened from the exceptionally tight conditions during the 2022 period.

Truckload segment revenue decreased \$2.0 million, or 0.8%, to \$237.8 million in the 2023 period from \$239.8 million in the 2022 period. Truckload segment revenue, net of fuel surcharges, increased \$6.6 million, or 3.4%, to \$203.6 million in the 2023 period from \$197.0 million in the 2022 period primarily due to an increase in our fleet size, partially offset by a decrease in our average revenue per tractor. The operating ratio increased to 91.8% in the 2023 period from 86.8% in the 2022 period. Impacting the 2023 period operating ratio was a decrease in our average revenue per tractor along with higher company driver compensation, depreciation and maintenance costs as a percentage of revenue.

Dedicated segment revenue increased \$4.3 million, or 2.1%, to \$211.4 million in the 2023 period from \$207.1 million in the 2022 period. Dedicated segment revenue, net of fuel surcharges, increased 7.0% primarily due to an increase in our fleet size. The operating ratio in the 2023 period improved to 86.8% from 88.1% in the 2022 period. The 2023 period was positively impacted by a reduction in driver recruiting costs and non-driver bonus compensation expense, partially offset by higher maintenance costs as a percentage of revenue.

Intermodal segment revenue decreased \$17.7 million, or 25.7%, to \$51.0 million in the 2023 period from \$68.6 million in the 2022 period. Intermodal segment revenue, net of fuel surcharges, decreased 20.9% from the 2022 period primarily due to decreases in both our number of loads and our revenue per load. The operating ratio in the 2023 period increased to 98.8% from 86.7% in the 2022 period. Impacting the 2023 period operating ratio was a decrease in our revenue per load along with higher net fuel, company driver compensation, purchased transportation, chassis rental and depreciation costs as a percentage of revenue.

Brokerage segment revenue decreased \$17.8 million, or 17.6%, to \$83.5 million in the 2023 period from \$101.4 million in the 2022 period primarily due to decreases in both our revenue per load and our number of loads. The operating ratio in the 2023 period of 89.1% was up slightly from 88.8% in the 2022 period.

The following table sets forth for the periods indicated the dollar and percentage increase or decrease of the items in our unaudited consolidated condensed statements of operations, and those items as a percentage of operating revenue:

| | Dollar | Percentage | Percentage of | |
|------------------------------------------|---------------|---------------|-------------------|--------|
| | Change | Change | Operating Revenue | |
| | Six Months | Six Months | Six Months | |
| | Ended | Ended | Ended | |
| | June 30, | June 30, | June 30, | |
| (Dollars in thousands) | 2023 vs. 2022 | 2023 vs. 2022 | 2023 | 2022 |
| Operating revenue | \$ (33,151) | (5.4)% | 100.0% | 100.0% |
| Operating expenses (income): | | | | |
| Salaries, wages and benefits | 9,039 | 4.9 | 33.4 | 30.1 |
| Purchased transportation | (22,388) | (17.9) | 17.5 | 20.2 |
| Fuel and fuel taxes | (16,694) | (15.8) | 15.2 | 17.1 |
| Supplies and maintenance | 7,730 | 30.1 | 5.7 | 4.2 |
| Depreciation | 5,949 | 11.2 | 10.1 | 8.6 |
| Operating taxes and licenses | 221 | 4.2 | 0.9 | 0.9 |
| Insurance and claims | 1,404 | 5.4 | 4.7 | 4.2 |
| Communications and utilities | 537 | 11.9 | 0.9 | 0.7 |
| Gain on disposition of revenue equipment | 556 | 5.9 | (1.5) | (1.5) |
| Other | 67 | 0.4 | 3.2 | 3.0 |
| Total operating expenses | (13,579) | (2.5) | 90.2 | 87.6 |
| Operating income | (19,572) | (25.5) | 9.8 | 12.4 |
| Other | (1,878) | (4,367.4) | (0.3) | - |
| Income before income taxes | (17,694) | (23.0) | 10.1 | 12.5 |
| Income taxes expense | (2,876) | (16.3) | 2.5 | 2.9 |
| Net income | \$ (14,818) | (25.0)% | 7.6% | 9.6% |

Salaries, wages and benefits expense increased \$9.0 million, or 4.9%, in the 2023 period from the 2022 period. This increase resulted primarily from additional company driver compensation expense of \$9.0 million and a \$4.3 million increase in non-driver compensation expense, partially offset by a \$5.5 million decrease in bonus compensation expense for our non-driver employees.

Purchased transportation expense decreased \$22.4 million in total, or 17.9%, in the 2023 period from the 2022 period. Amounts payable to carriers for transportation services we arranged in our Brokerage segment decreased \$16.1 million to \$68.3 million in the 2023 period from \$84.4 million in the 2022 period, primarily due to decreases in both our cost per load and number of loads. Amounts payable to railroads and drayage carriers for transportation services within our Intermodal segment decreased to \$26.3 million in the 2023 period from \$33.6 million in the 2022 period primarily due to a decrease in our number of loads. The portion of purchased transportation expense related to independent contractors within our Truckload and Dedicated segments, including fuel surcharges, increased \$913,000 in the 2023 period. We expect our purchased transportation expense to increase as we grow our Intermodal and Brokerage segments.

Fuel and fuel taxes decreased by \$16.7 million, or 15.8%, in the 2023 period from the 2022 period. Net fuel expense (fuel and fuel taxes net of fuel surcharge revenue and surcharges passed through to independent contractors, outside drayage carriers and railroads) increased \$2.5 million, or 16.5%, to \$17.4 million in the 2023 period from \$14.9 million in the 2022 period. Fuel surcharges passed through to independent contractors, outside drayage carriers and railroads decreased to \$8.5 million from \$11.6 million in the 2022 period. The United States DOE national average cost of fuel decreased to \$4.18 per gallon from \$4.87 per gallon in the 2022 period. Our net fuel expense increased to 4.1% of Truckload, Dedicated and Intermodal segment revenue, net of fuel surcharges, in the 2023 period from 3.6% in the 2022 period.

Our supplies and maintenance expense increased \$7.7 million, or 30.1%, from the 2022 period primarily due to higher outside repair, parts, tires and loading/unloading costs.

The \$5.9 million, or 11.2%, increase in depreciation in the 2023 period was primarily due to an increase in the size of our tractor and trailer fleets along with higher prices of new equipment.

The \$1.4 million, or 5.4%, increase in insurance and claims in the 2023 period was primarily due to increases in the cost of physical damage claims related to our revenue equipment and workers' compensation claim costs, partially offset by a reduction in our self-insured auto liability claim costs.

Gain on disposition of revenue equipment was \$8.8 million in the 2023 period, down from \$9.4 million in the 2022 period primarily due to a decrease in the average gain for our tractor and trailer sales, despite an increase in the number of units sold.

Our operating income declined 25.5% to \$57.2 million in the 2023 period from \$76.8 million in the 2022 period as a result of the foregoing factors. Our operating expenses as a percentage of operating revenue, or "operating ratio," was 90.2% in the 2023 period and 87.6% in the 2022 period. The operating ratio for our Truckload segment was 91.8% in the 2023 period and 86.8% in the 2022 period, for our Dedicated segment was 86.8% in the 2023 period and 88.1% in the 2022 period, for our Intermodal segment was 98.8% in the 2023 period and 86.7% in the 2022 period, and for our Brokerage segment was 89.1% in the 2023 period and 88.8% in the 2022 period. Operating expenses as a percentage of operating revenue, with both amounts net of fuel surcharges, was 88.6% in the 2023 period and 85.1% in the 2022 period.

Other non-operating income increased to \$1.9 million from \$43,000 in the 2022 period due to increased interest income earned on our cash and cash equivalents.

Our effective income tax rate increased to 25.0% in the 2023 period from 23.0% in the 2022 period primarily due to increases in per diem and other non-deductible expenses.

As a result of the factors described above, net income declined 25.0% to \$44.4 million, or \$0.55 per diluted share, in the 2023 period from \$59.2 million, or \$0.72 per diluted share, in the 2022 period.

Liquidity and Capital Resources

Our business requires substantial, ongoing capital investments, particularly for new tractors and trailers. Our primary sources of liquidity are funds provided by operations and our revolving credit facility. A portion of our tractor fleet is provided by independent contractors who own and operate their own equipment. We have no capital expenditure requirements relating to those drivers who own their tractors or obtain financing through third parties.

The table below reflects our net cash flows provided by operating activities, net cash flows used for investing activities and net cash flows used for financing activities for the periods indicated.

| (In thousands) | Six Months Ended June 30, | |
|-------------------------------------------------|------------------------------|-----------|
| | 2023 | 2022 |
| Net cash flows provided by operating activities | \$ 98,201 | \$ 98,670 |
| Net cash flows (used for) investing activities | (88,639) | (35,004) |
| Net cash flows (used for) financing activities | (9,634) | (52,287) |

In August 2019, our Board of Directors approved and we announced an increase from current availability in our existing share repurchase program providing for the repurchase of up to \$34.0 million, or approximately 1.8 million shares, of our common stock, which was increased by our Board of Directors to 2.7 million shares in August 2020 to reflect the three-for-two stock split effected in the form of a stock dividend on August 13, 2020. On May 3, 2022, our Board of Directors approved and we announced an additional increase from current availability in our existing share repurchase program providing for the repurchase of up to \$50.0 million, or approximately 3.1 million shares of our common stock. The share repurchase program allows purchases on the open market or through private transactions in accordance with Rule 10b-18 of the Exchange Act. The timing and extent to which we repurchase shares depends on market conditions and other corporate considerations. The repurchase program does not have an expiration date.

We repurchased and retired 1.3 million shares of common stock for \$25.0 million in the first quarter of 2022, and 963,000 shares of common stock for \$16.8 million in the second quarter of 2022. We did not repurchase any shares in the third or fourth quarters of 2022 or in the first six months of 2023. As of June 30, 2023, future repurchases of up to \$33.2 million, or approximately 2.2 million shares, were available in the share repurchase program.

In the first six months of 2023, net cash flows provided by operating activities of \$98.2 million were primarily used to purchase new revenue equipment, net of proceeds from dispositions, in the amount of \$84.3 million, to pay cash dividends of \$9.8 million, and to construct and upgrade regional operating facilities in the amount of \$4.3 million, resulting in a \$72,000 decrease in cash and cash equivalents. In the first six months of 2022, net cash flows provided by operating activities of \$98.7 million were primarily used to purchase new revenue equipment, net of proceeds from dispositions, in the amount of \$30.3 million, to repurchase and retire 2.3 million shares of our common stock for \$41.8 million, to pay cash dividends of \$9.8 million, and to construct and upgrade regional operating facilities in the amount of \$3.8 million, resulting in an \$11.4 million increase in cash and cash equivalents.

We estimate that capital expenditures, net of proceeds from dispositions, will be approximately \$116 million for the remainder of 2023. This amount includes commitments to purchase \$84.2 million of new revenue equipment and \$2.5 million in building construction through the remainder of 2023. Additionally, operating lease obligations total \$674,000 through 2028. Quarterly cash dividends of \$0.06 per share of common stock were paid in each of the first two quarters of both 2023 and 2022, which totaled \$9.8 million in each of the six-month periods. We currently expect to continue to pay quarterly cash dividends in the future. The payment of cash dividends in the future, and the amount of any such dividends, will depend upon our financial condition, results of operations, cash requirements, and certain corporate law requirements, as well as other factors deemed relevant by our Board of Directors. We believe our sources of liquidity are adequate to meet our current and anticipated needs for at least the next twelve months. Based upon anticipated cash flows, existing cash and cash equivalents balances, current borrowing availability and other sources of financing we expect to be available to us, we do not anticipate any significant liquidity constraints in the foreseeable future.

In August 2022, we entered into a credit agreement that provides for an unsecured committed credit facility with an aggregate principal amount of \$30.0 million which matures in August 2027. The credit agreement amends, restates and continues in its entirety our previous credit agreement, as amended. At June 30, 2023, there was no outstanding principal balance on the facility. As of that date, we had outstanding standby letters of credit to guarantee settlement of self-insurance claims of \$19.5 million and remaining borrowing availability of \$10.5 million. At December 31, 2022, there was also no outstanding principal balance on the facility. As of that date, we had outstanding standby letters of credit of \$16.1 million on the facility. This facility bears interest at a variable rate based on the Term SOFR Rate plus applicable margins. The interest rate for the facility that would apply to outstanding principal balances was 8.25% at June 30, 2023.

Our credit agreement effective in August 2022 prohibits us from paying, in any fiscal year, stock redemptions and dividends in excess of \$150 million. Our previous credit agreement prohibited us from making such payments in excess of 25% of our net income from the prior fiscal year. A waiver allowing stock redemptions and dividends in excess of the 25% limitation in total amounts of up to \$80 million in 2022 was obtained from the lender in March 2022. The current and previous credit agreements also contain restrictive covenants which, among other matters, require us to maintain compliance with cash flow leverage and fixed charge coverage ratios. We were in compliance with all covenants at June 30, 2023 and December 31, 2022.

Other than our obligations for revenue equipment and building construction purchases and operating lease expenditures, along with our outstanding standby letters of credit to guarantee settlement of self-insurance claims, which are each mentioned above, we did not have any material off-balance sheet arrangements at June 30, 2023.

Seasonality

Our tractor productivity generally decreases during the winter season because inclement weather impedes operations and some shippers reduce their shipments. At the same time, operating expenses generally increase, with harsh weather creating higher accident frequency, increased claims, lower fuel efficiency and more equipment repairs.

Critical Accounting Estimates

There have been no material changes in the critical accounting estimates disclosed by us under Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates contained in the Annual Report on Form 10-K for the year ended December 31, 2022.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to a variety of market risks, most importantly the effects of the price and availability of diesel fuel. We require substantial amounts of diesel fuel to operate our tractors and power the temperature-control units on our trailers. The price and availability of diesel fuel can vary, and are subject to political, economic and market factors that are beyond our control. Significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition. Based upon our fuel consumption in the first six months of 2023, a 5% increase in the average cost of diesel fuel would have increased our fuel expense by \$4.4 million.

We have historically been able to pass through a significant portion of long-term increases in diesel fuel prices and related taxes to customers in the form of fuel surcharges. Fuel surcharge programs are widely accepted among our customers, though they can vary somewhat from customer-to-customer. These fuel surcharges, which adjust weekly with the cost of fuel, enable us to recover a substantial portion of the higher cost of fuel as prices increase. These fuel surcharge provisions are not effective in mitigating the fuel price increases related to non-revenue miles or fuel used while the tractor is idling. In addition, we have worked diligently to control fuel usage and costs by improving our volume purchasing arrangements and optimizing our drivers' fuel purchases with national fuel centers, focusing on shorter lengths of haul, installing and tightly managing the use of auxiliary power units in our tractors to minimize engine idling and improving fuel usage in our trailers' refrigeration units.

While we do not currently have any outstanding hedging instruments to mitigate this market risk, we may enter into derivatives or other financial instruments to hedge a portion of our fuel costs in the future.

Item 4. Controls and Procedures.

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the “Exchange Act”), we have carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and our Executive Vice President and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2023. There were no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting. We intend to periodically evaluate our disclosure controls and procedures as required by the Exchange Act Rules.

PART II. OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes in the risk factors disclosed by us under Part I, Item 1A. Risk Factors contained in the Annual Report on Form 10-K for the year ended December 31, 2022.

Item 6. Exhibits.

| <u>Item No.</u> | <u>Item</u> | <u>Method of Filing</u> |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| 10.1 | Named Executive Officer Compensation | Incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed May 8, 2023. |
| 31.1 | Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Timothy M. Kohl, the Registrant’s Chief Executive Officer (Principal Executive Officer) | Filed with this Report. |
| 31.2 | Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by James J. Hinnendael, the Registrant’s Executive Vice President and Chief Financial Officer (Principal Financial Officer) | Filed with this Report. |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed with this Report. |
| 101 | The following financial information from Marten Transport, Ltd.’s Quarterly Report on Form 10-Q for the period ended June 30, 2023, filed with the SEC on August 7, 2023, formatted in iXBRL, or Inline eXtensible Business Reporting Language: (i) Consolidated Condensed Balance Sheets, (ii) Consolidated Condensed Statements of Operations, (iii) Consolidated Condensed Statements of Stockholders’ Equity, (iv) Consolidated Condensed Statements of Cash Flows, and (v) Notes to Consolidated Condensed Financial Statements | Filed with this Report. |
| 104 | The cover page from Marten Transport, Ltd.’s Quarterly Report on Form 10-Q for the period ended June 30, 2023, formatted in iXBRL, included in Exhibit 101 | Filed with this Report. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

MARTEN TRANSPORT, LTD.

Dated: August 7, 2023

By: /s/ Timothy M. Kohl
Timothy M. Kohl
Chief Executive Officer
(Principal Executive Officer)

Dated: August 7, 2023

By: /s/ James J. Hinnendael
James J. Hinnendael
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION

I, Timothy M. Kohl, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marten Transport, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2023

/s/ Timothy M. Kohl
Timothy M. Kohl
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, James J. Hinnendael, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marten Transport, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2023

/s/ James J. Hinnendael
James J. Hinnendael
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Marten Transport, Ltd. (the “Company”) on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best knowledge of the undersigned:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2023

/s/ Timothy M. Kohl
Timothy M. Kohl
Chief Executive Officer

/s/ James J. Hinnendael
James J. Hinnendael
Executive Vice President and Chief Financial Officer