



MARTEN TRANSPORT, LTD.

2023 Annual Report



Who We Are

Marten Transport, Ltd., with headquarters in Mondovi, Wisconsin, strives to be the premier supplier of time and temperature-sensitive and dry transportation and distribution services to customers in the United States, Mexico and Canada. Our multifaceted business offers a network of truck-based transportation capabilities across our five distinct business platforms.

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

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

Intermodal – refrigerated COFC (container on flatcar) services providing the economies and energy efficiencies of long-haul rail transportation with extended door-to-door support from Marten’s truck network.

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

MRTN de México – industry-leading door-to-door temperature-controlled and dry van services between Mexico, the United States and Canada utilizing our Mexican partner carriers within Mexico.

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

Founded in 1946, we have been a public company since 1986. Our common stock trades on the NASDAQ Global Select Market under the symbol MRTN. At December 31, 2023, we employed 4,213 people, including drivers, office personnel and mechanics.

Five-Year Financial Summary

(Dollars in thousands, except per share amounts)

| | | Years ended December 31, | | | |
|--|--------------|--------------------------|------------|------------|------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| For the Year | | | | | |
| Operating revenue | \$ 1,131,455 | \$1,263,878 | \$973,644 | \$ 874,374 | \$ 843,271 |
| Operating income | 90,110 | 143,344 | 111,689 | 93,246 | 76,498 |
| Net income | 70,373 | 110,354 | 85,428 | 69,500 | 61,071 |
| Operating ratio ⁽¹⁾ | 92.0% | 88.7% | 88.5% | 89.3% | 90.9% |
| Operating ratio, net of fuel surcharges ⁽²⁾ | 90.7% | 86.4% | 87.0% | 88.2% | 89.7% |
| Per-Share Data⁽³⁾ | | | | | |
| Basic earnings per common share | \$ 0.87 | \$ 1.35 | \$ 1.03 | \$ 0.84 | \$ 0.75 |
| Diluted earnings per common share | 0.86 | 1.35 | 1.02 | 0.84 | 0.74 |
| Dividends declared per common share | 0.24 | 0.24 | 0.66 | 0.633 | 0.513 |
| Book value | 9.31 | 8.68 | 7.85 | 7.50 | 7.28 |
| At Year End | | | | | |
| Total assets | \$ 990,339 | \$ 965,679 | \$ 870,690 | \$ 831,636 | \$ 796,586 |
| Long-term debt | – | – | – | – | – |
| Stockholders’ equity | 757,386 | 703,919 | 651,677 | 620,333 | 597,589 |

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

(2) Represents operating expenses as a percentage of operating revenue, with both amounts net of fuel surcharges.

(3) The amounts for 2019 have been restated to reflect the three-for-two stock split effected in the form of a 50% stock dividend on August 13, 2020.

To Our Stockholders and Employees

Along with the entire trucking industry, Marten Transport was severely pressured by an unprecedented freight recession in 2023—quarter after quarter of a national decline in freight volume amid inflationary operating costs. Shipping rates plummeted to unacceptable levels, thoroughly disrupting established freight networks.

No carrier is immune to market forces of this depth and duration—the most severe down cycle in Marten’s 78-year history. But Marten proved more resistant than most. Just as the diversity and flexibility of our business model were the keys to our double-digit profit growth in each of 2018 through 2022 (excluding a deferred income taxes benefit in 2017), they provided the operational agility needed to minimize the overall hit to our profitability in 2023’s freight and rate recession/cost inflation environment.

2023 Financial Results

Operating revenue was \$1.131 billion for 2023, compared with 2022’s record \$1.264 billion. Excluding fuel surcharges, operating revenue was \$972.0 million for 2023, compared with \$1.053 billion for 2022. Fuel surcharge revenue declined to \$159.4 million from \$210.4 million for 2022.

Operating income was \$90.1 million for 2023, compared with 2022’s record \$143.3 million. Our 2023 operating ratio (operating expenses as a percentage of operating revenue) was 92.0% versus 88.7% for 2022. Excluding fuel surcharges, the ratio was 90.7% for 2023 and 86.4% for 2022.

Net income for 2023 was \$70.4 million, or 86 cents per diluted share, compared with \$110.4 million, or \$1.35 per diluted share, for 2022.

Playing Defense

The Marten business model is unique in our industry—regional in structure, national in scope, international in reach. And multifaceted. It has guided our transition into five distinct but complementary business platforms operating across 15 regional centers: Truckload, Dedicated, Intermodal, Brokerage and MRTN de México. Together they form a network of premium truck-based capabilities aimed at providing the best, most-efficient service solutions for our customers. Their collaborative flexibility offers the kind of agility that is particularly valuable in covering the fast-changing needs of our customers.

In the hands of an experienced and dedicated national team, the Marten model kept us on the offensive since 2010, creating and capitalizing on opportunities for profitable growth regardless of market conditions, and capping that run with best-ever results in virtually every key performance category in 2022. But 2023’s punishing freight recession has required us to play defense—to use our operating strengths to minimize the impact of threats such as industry rate declines that reached levels too low to cover costs.

We continue to work through these challenges without compromising on the value of our premium services—a decision made with confidence in the disciplined management of our freight base and our established position and prospects for profitable growth over the long term. We have not agreed to any rate reductions since last August.

Each of our five business platforms continues to play an important role in the implementation of Marten’s strategic vision and plan, both individually and through collaborative interaction. Each is positioned to capitalize on growth opportunities as the market moves beyond the freight recession.

Truckload – For 2023, Truckload revenue was \$465.5 million versus \$500.5 million for 2022. Excluding fuel surcharges, Truckload revenue was \$395.6 million, compared with \$411.4 million for 2022. Operating income was \$24.8 million for 2023, down from \$59.4 million for 2022. The 2023 Truckload operating ratio was 94.7%, and the operating ratio, net of fuel surcharges, was 93.7%.

Dedicated – Dedicated revenue was \$408.3 million for 2023, compared with \$429.1 million for 2022. Excluding fuel surcharges, 2023 Dedicated revenue was \$335.0 million, slightly down from \$337.0 million for 2022. Operating income was \$48.4 million, compared with \$50.6 million for 2022. The 2023 Dedicated operating ratio was 88.2%, unchanged from 2022, and the operating ratio, net of fuel surcharges, was 85.6%.

Intermodal – Intermodal revenue declined to \$92.1 million from \$129.8 million for 2022, reflecting the reduced industry demand for intermodal given the much lower truckload rates. Excluding fuel surcharges, 2023 Intermodal revenue was \$75.9 million, compared with \$100.5 million for 2022. We had an operating loss of \$156,000 in 2023, compared with operating income of \$10.6 million for 2022. The 2023 Intermodal operating ratio was 100.2%, both before and after fuel surcharges.



Brokerage – Brokerage revenue was \$165.6 million for 2023 versus \$204.6 million for 2022. Brokerage operating income was \$17.1 million, compared with \$22.7 million for 2022. The 2023 Brokerage operating ratio was 89.7%.

MRTN de México – Operating profitably within our Truckload and Brokerage segments, MRTN de México contributed \$79.2 million in operating revenue, excluding fuel surcharges, in 2023. This business offers our customers door-to-door temperature-controlled and dry van service between the United States and Mexico utilizing our Mexican partner carriers within Mexico.

Working Smart

Marten people worked smart and hard to maneuver us through the disruption of our freight network resulting from the loss of freight to carriers willing to handle it unprofitably. To counter unacceptable rate reductions, we moved to add customers by adding a half dozen new sales team members drawn internally from our operations staff. While something of a contrarian approach in a down market, it worked. We added 223 shipper codes from 107 new customers.

The flexibility of our Brokerage segment proved especially valuable in 2023. While Brokerage revenue was down after increases of 40.8% and 50.2% the previous two years, the load count held up relatively well through the growth of both our dry van and non-dedicated loads. We focused on increasing our volume of non-dedicated and dry van freight in response to the rate-related decline in dedicated brokerage loads that started in 2022. To protect our future Brokerage growth, we have diversified our freight base from 90 customers at the start of 2022 to an average of 140 customers throughout 2023.

A performance that stood out was the continued profitable development of MRTN de México, which has consistently been our most profitable platform. We've had seven consecutive quarterly increases in dry truckload and brokerage loads since we expanded into dry freight with our Mexico operations in February 2022.

We remain committed to making Marten the best carrier in the industry for drivers to work for—the best and safest jobs for the best and safest drivers. Unlike the other major carriers, we hire only experienced drivers. Our dedicated and regional structure offers more attractive route options,

more time at home. We lead with our compensation, health coverage, technology and safety. Our tractors are the safest available, equipped with radar-based collision avoidance, lane departure and blind spot detection systems. We pay our drivers for shutting down in inclement weather—because safety is our No. 1 priority, and our drivers represent our No. 1 investment. We have been rewarded with the finest professional driver group in the industry.

Marten has one of the superior track records in the industry, thanks in large measure to the disciplined execution of our unique business model by our people utilizing our adaptive and proprietary operating technology, as demonstrated by these key financial performance measures: 12 consecutive years of our then-best operating revenue, excluding fuel surcharges (2011-2022); three consecutive years with our then-best operating ratio, net of fuel surcharges, since we became a public company in 1986 (2020-2022); and five consecutive double-digit percentage increases in annual earnings, excluding a deferred income taxes benefit in 2017 (2018-2022). These performances illustrate our objective of building a base for consistent profitable growth over time. That objective remains unchanged.

We remain focused on minimizing the freight market's impact on our operations while investing in and positioning our operations to capitalize on profitable organic growth opportunities as the market moves toward equilibrium – with fair compensation for our premium services.



Sincerely,

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

Randolph L. Marten
Executive Chairman of the Board

February 14, 2024

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



Corporate Information

Corporate Headquarters

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www.marten.com

Stockholder Information

Additional copies of our 2023 Annual Report on Form 10-K as filed with the Securities and Exchange Commission are available by writing to James J. Hinnendael, executive vice president and chief financial officer, at our corporate headquarters.

Annual Meeting

Stockholders, employees and friends may attend our annual meeting on Tuesday, May 7, 2024, at 2:00 p.m. at the Roger Marten Community Center, 120 South Franklin Street, Mondovi, Wisconsin.

Stock Listing

NASDAQ Global Select Market symbol: MRTN

Legal Counsel

Fox Rothschild LLP
33 South Sixth Street, Suite 3600
Minneapolis, Minnesota 55402

Independent Registered Public Accounting Firm

Grant Thornton LLP
241 Fifth Avenue North, Suite 600
Minneapolis, Minnesota 55401

Transfer Agent and Registrar

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



Executive Officers and Directors

Randolph L. Marten

Executive Chairman of the Board and Director

Timothy M. Kohl

Chief Executive Officer

Douglas P. Petit

President

James J. Hinnendael

Executive Vice President and Chief Financial Officer

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Executive Vice President and Chief Operating Officer

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Patrick J. Pazderka

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Partner,

Fox Rothschild LLP

Minneapolis, Minnesota

Larry B. Hagness

Director

Chief Executive Officer,

Durand Builders Service, Inc.

Durand, Wisconsin

Thomas J. Winkel

Director

Management Consultant

Pewaukee, Wisconsin

Jerry M. Bauer

Director

Chairman of the Board and Chief Executive Officer,

Bauer Built, Inc.

Durand, Wisconsin

Robert L. Demorest

Director

Business Consultant and Retired President,

Chief Executive Officer and Chairman of the Board,

MOCON, Inc.

Minneapolis, Minnesota

Ronald R. Booth

Director

Retired Partner,

KPMG LLP

Dellwood, Minnesota

Kathleen P. Iverson

Director

Retired President, Chief Executive Officer and

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CyberOptics Corporation

Chanhausen, Minnesota

Patricia L. Jones

Director

Founder and Chief Executive Officer,

Culture Circus LLC

Minneapolis, Minnesota

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