

# Investor Overview

## Q2 2024

August 2024

**XPO**



# Forward-looking statements

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements relating to our full year 2024 expectations of gross capex, interest expense, pension income, adjusted effective tax rate, and diluted share count, and future financial targets of North American LTL revenue CAGR, adjusted EBITDA CAGR, adjusted operating ratio improvement, and capex as a percentage of revenue. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as “anticipate,” “estimate,” “believe,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “should,” “will,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target,” “trajectory” or the negative of these terms or other comparable terms. These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances.

These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include the risks discussed in our filings with the SEC, and the following: the effects of business, economic, political, legal, and regulatory impacts or conflicts upon our operations; supply chain disruptions and shortages, strains on production or extraction of raw materials, cost inflation and labor and equipment shortages; our ability to align our investments in capital assets, including equipment, service centers, and warehouses to our customers’ demands; our ability to implement our cost and revenue initiatives; the effectiveness of our action plan, and other management actions, to improve our North American LTL business; changes in expected growth in trade between the US and Mexico affecting demand; changes in the future needs of cross-border shippers; increased or decreased demand for cross-border LTL shipping; our ability to benefit from a sale, spin-off or other divestiture of one or more business units or to successfully integrate and realize anticipated synergies, cost savings and profit opportunities from acquired companies; goodwill impairment; issues related to compliance with data protection laws, competition laws, and intellectual property laws; fluctuations in currency exchange rates, fuel prices and fuel surcharges; the expected benefits of the spin-offs of GXO Logistics, Inc. and RXO, Inc.; our ability to develop and implement suitable information technology systems; the impact of potential cyber-attacks and information technology or data security breaches or failures; our indebtedness; our ability to raise debt and equity capital; fluctuations in interest rates; seasonal fluctuations; our ability to maintain positive relationships with our network of third-party transportation providers; our ability to attract and retain key employees including qualified drivers; labor matters; litigation; and competition and pricing pressures.

All forward-looking statements set forth in this document are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to or effects on us or our business or operations. Forward-looking statements set forth in this document speak only as of the date hereof, and we do not undertake any obligation to update forward-looking statements except to the extent required by law.

## Non-GAAP financial measures

This presentation contains non-GAAP financial measures. For a description of these non-GAAP financial measures, including a reconciliation to the most comparable measure under GAAP, see the Appendix to this presentation.

# Second quarter 2024 highlights

**\$2.08 billion of revenue, up 9% YoY**

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**\$343 million of adjusted EBITDA, up 41% YoY**

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**\$1.12 of adjusted diluted EPS<sup>1</sup>, up 58% YoY**

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**LTL adjusted operating income of \$214 million, up 51% YoY**

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**LTL adjusted operating ratio of 83.2%, improved by 440 bps YoY**

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**LTL tonnage per day up 3.4% YoY, with shipments per day up 4.5%**

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**LTL yield, excluding fuel, up 9.0% YoY**

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**LTL revenue per shipment, excluding fuel, up 7.4% YoY**

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**LTL damage claims ratio of 0.2%, a company record**

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**Third consecutive quarter of LTL adjusted OR YoY improvement of ~400 bps**

<sup>1</sup> Diluted earnings from continuing operations per share  
Refer to "Financial Reconciliations" and "Non-GAAP Financial Measures" sections in Appendix for related information

# Second quarter 2024 performance

<b>REVENUE</b>	\$2.08 billion
<b>OPERATING INCOME</b>	\$197 million
<b>NET INCOME</b>	\$150 million
<b>DILUTED EARNINGS PER SHARE</b>	\$1.25
<b>ADJUSTED NET INCOME</b>	\$135 million
<b>ADJUSTED DILUTED EPS</b>	\$1.12
<b>ADJUSTED EBITDA</b>	\$343 million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	\$210 million

## BY SEGMENT

### NORTH AMERICAN LTL

REVENUE	\$1.27 billion
ADJUSTED EBITDA	\$297 million
ADJUSTED OPERATING RATIO	83.2%

### EUROPEAN TRANSPORTATION

REVENUE	\$808 million
ADJUSTED EBITDA	\$49 million

Refer to “Financial Reconciliations” and “Non-GAAP Financial Measures” sections in Appendix for related information

# Four pillars of LTL 2.0 plan driving significant margin and earnings expansion

1

Provide best-in-class service

2

Invest in network for the long-term

3

Accelerate yield growth

4

Drive cost efficiencies

**Targets for LTL Growth, Profitability and Efficiency, 2021-2027**

**Revenue CAGR of 6% to 8%**

**Adjusted EBITDA CAGR of 11% to 13%**

**Adjusted operating ratio improvement of at least 600 bps**

# Strong position in North American LTL





# A leading carrier in a compelling industry

## 5% CAGR: North American LTL industry revenue

- \$52 billion bedrock industry for the US economy, with nearly 75% share held by top 10 LTL players
- Diverse demand across verticals, with secular growth drivers
- Attractive pricing environment for over a decade, with positive YoY industry pricing each year
- Strong service quality is key gating factor for yield growth and margin expansion
- Industry service center capacity stayed nearly flat for a decade<sup>1</sup>

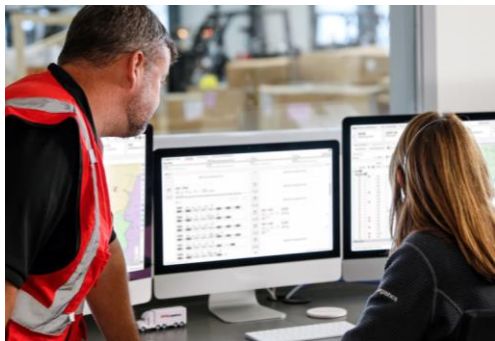
Sources: Third-party research; company filings

Note: Revenue CAGR for periods 2010–2023; industry size and market share data for 2023

<sup>1</sup> US service centers, includes ARCB, FDX, ODFL, SAIA, XPO and YELL

**XPO**

# A major player in the supply-chain ecosystem



**\$4.7 billion**

2023 revenue

**9%**

2023 industry share

**3rd largest**

LTL carrier by 2023 revenue

**12.4%**

of 2023 revenue allocated  
to gross capex

**34,000**

customers served

**650 million**

linehaul miles run  
per year

**13 million**

shipments per year

**18 billion**

pounds of freight  
per year

**23,000**

employees

**13,000**

drivers

**34,000**

trailers

**301**

service centers<sup>1</sup>

<sup>1</sup> Operational service centers as of June 30, 2024  
Note: Company data for North American LTL segment only as of June 30, 2024, unless otherwise noted as 2023 (full year)

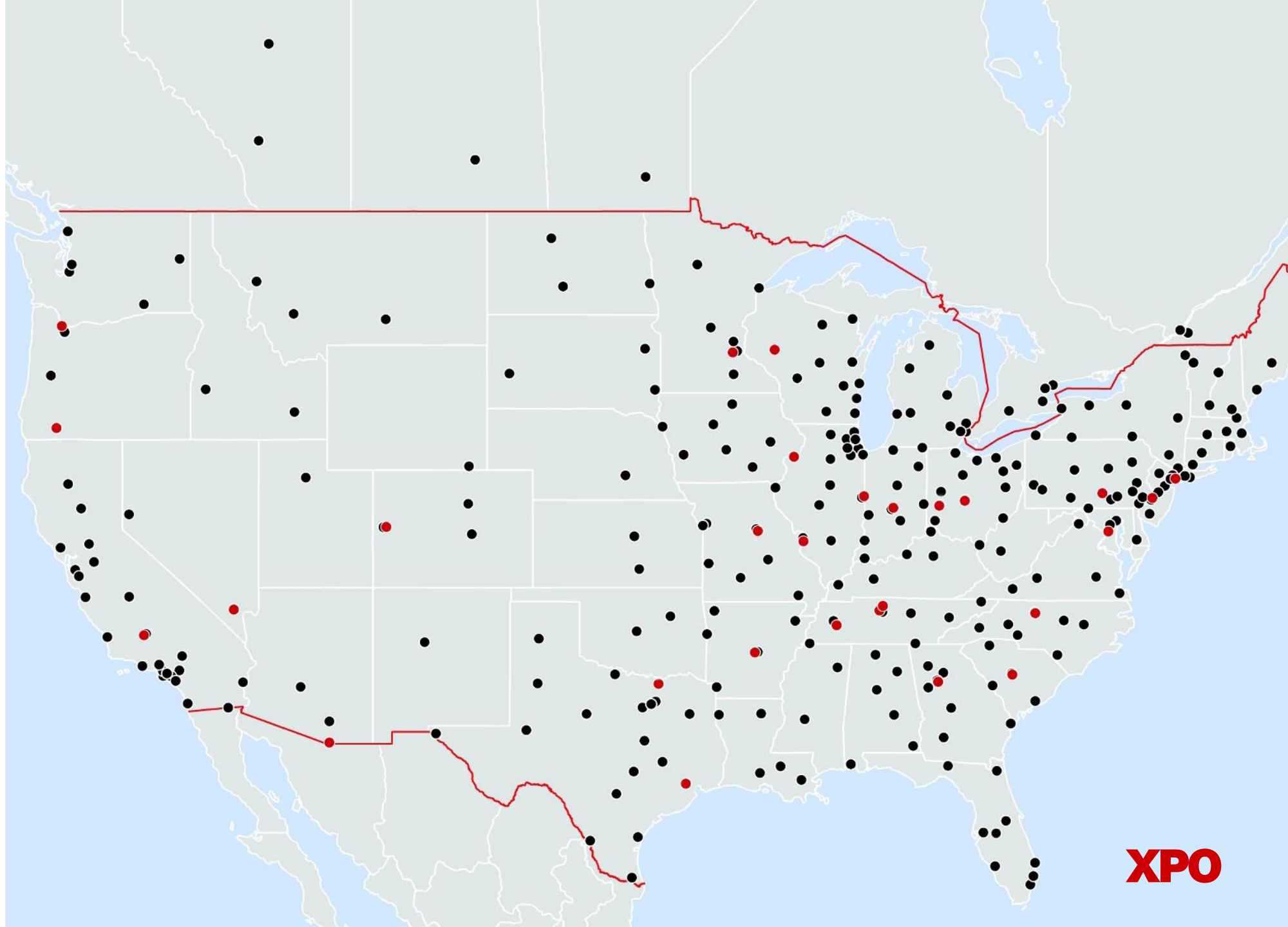
# Expansive network covering 99% of US zip codes

- Service Centers
- Acquired Service Centers<sup>1</sup>

- 301 service centers<sup>2</sup>
- Cross-border and offshore capabilities
- Strategic investments in high-demand markets

<sup>1</sup> Indicates planned expansion of footprint with service centers acquired in December 2023, being integrated throughout 2024-2025

<sup>2</sup> Operational service centers as of June 30, 2024



# Strategic mix of blue-chip and local customers



**34,000**  
customers

**3% revenue**  
from largest customer, low  
concentration risk

**16-year**  
average tenure of top 10  
customers

Note: Company data for North American LTL segment only as of June 30, 2024; selected customers of XPO

# LTL 2.0 growth plan and levers



# Executing on four pillars of LTL 2.0 plan

## ▶ Provide best-in-class service

- Building a customer-centric service organization
  - Incentivizing employees to drive service quality
  - Investing in new tools for field organization and enhancing training programs
- 

## ▶ Invest in network for the long-term

- Targeting capex of 8% to 12% of revenue on average through 2027
  - Expanding linehaul fleet with tractors and in-house trailer manufacturing
  - Investing in real estate capacity to further improve service and drive network efficiencies
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## ▶ Accelerate yield growth

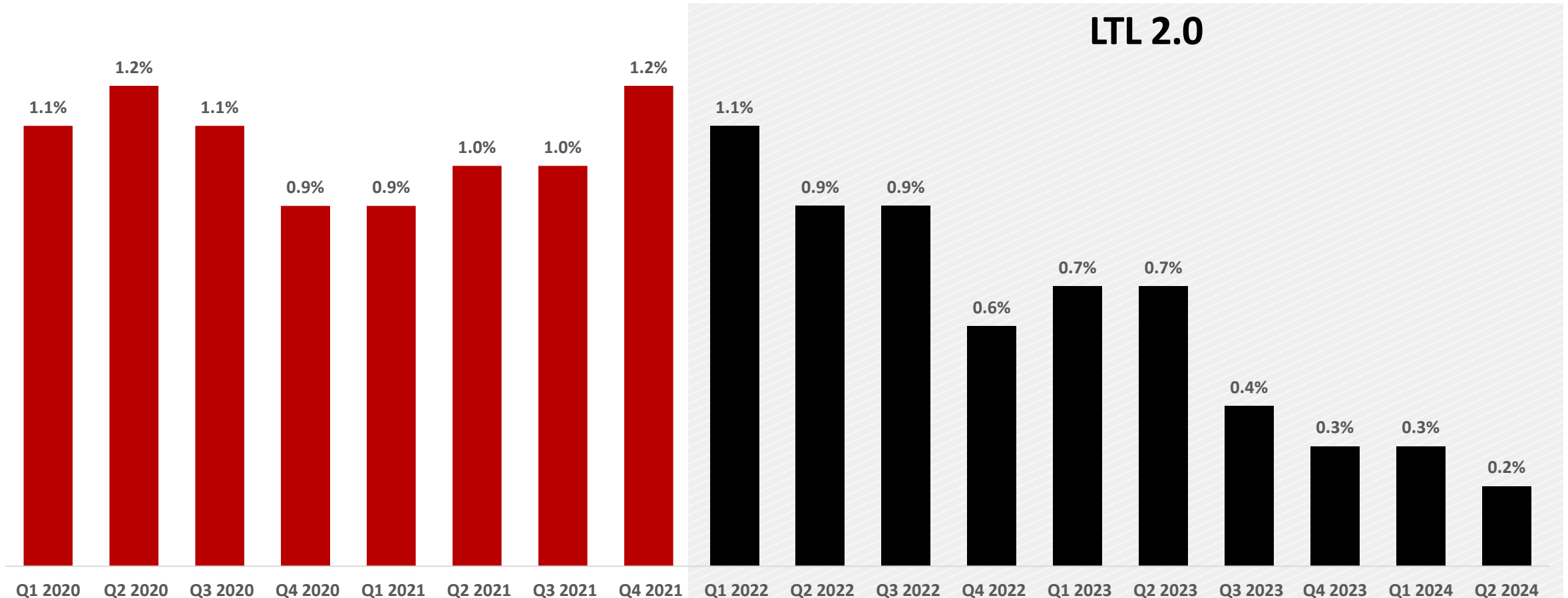
- Aligning price earned with increasing service excellence
  - Expanding accessorial revenue from value-add services
  - Growing share of higher-yielding local channel by scaling local salesforce
- 

## ▶ Drive cost efficiencies

- Insourcing linehaul miles to enhance service quality, network density and fluidity at lower cost
- Improving productivity of pickup-and-delivery and dock operations
- Rationalizing corporate cost structure

# Delivering meaningful service improvements

Damage claims declining as a % of LTL revenue<sup>1</sup>

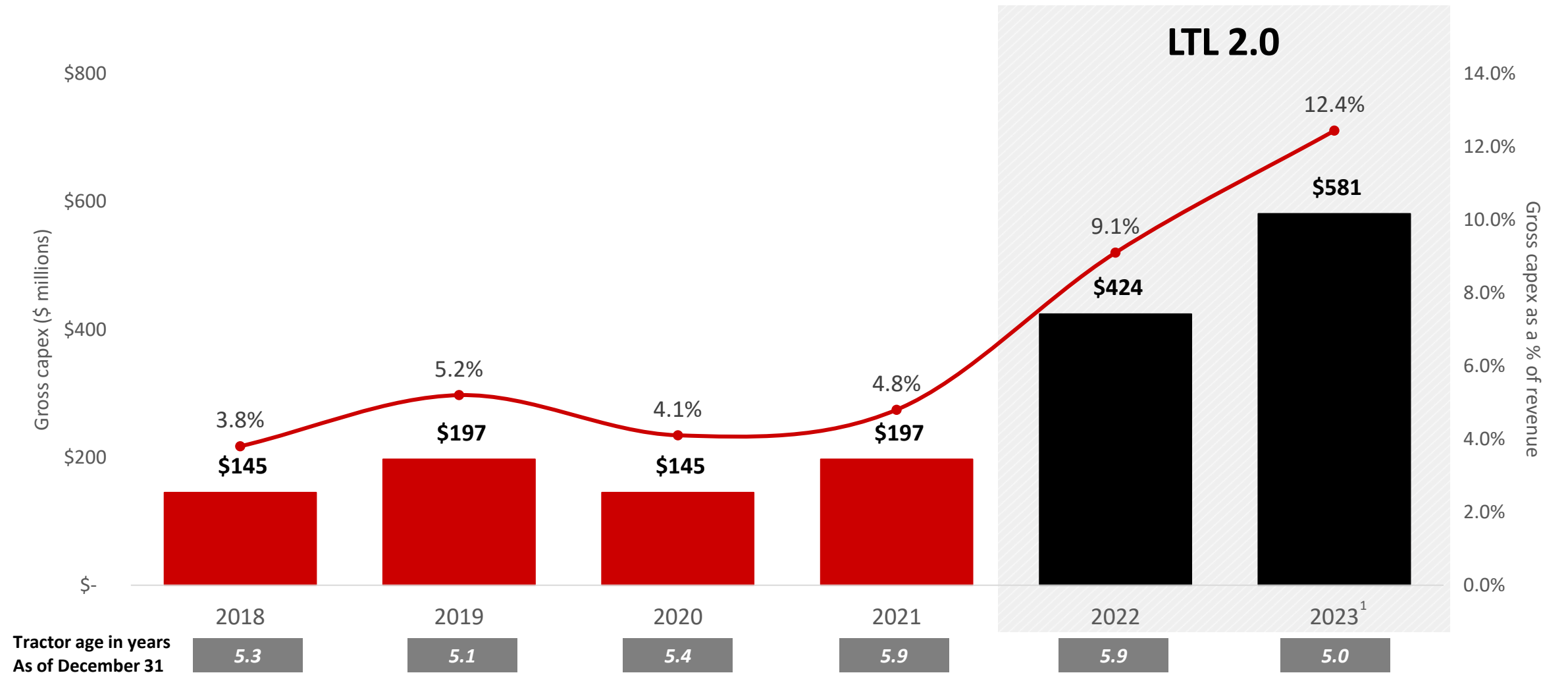


**Service initiatives have driven over 75% improvement in damages since the beginning of LTL 2.0<sup>2</sup>**

<sup>1</sup> Based on claims payment data

<sup>2</sup> Based on damage frequency data

# Investing in high-return growth levers

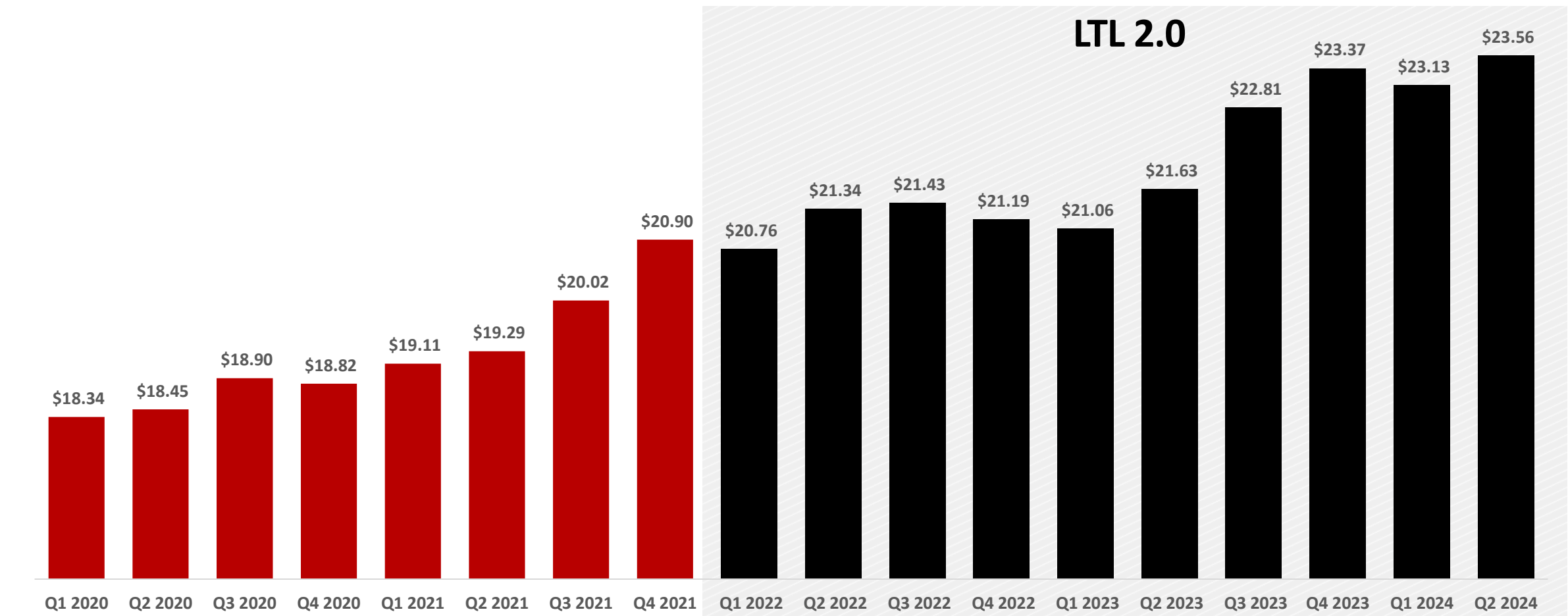


Reduced average fleet age to 4.0 years with addition of more than 1,900 new tractors through Q2'24

Note: Gross capex and revenue for North American LTL only  
<sup>1</sup> Excludes the company's December 2023 acquisition of 28 service centers

# Earning price by delivering value through service excellence

Gross revenue per hundredweight (excluding fuel surcharges)



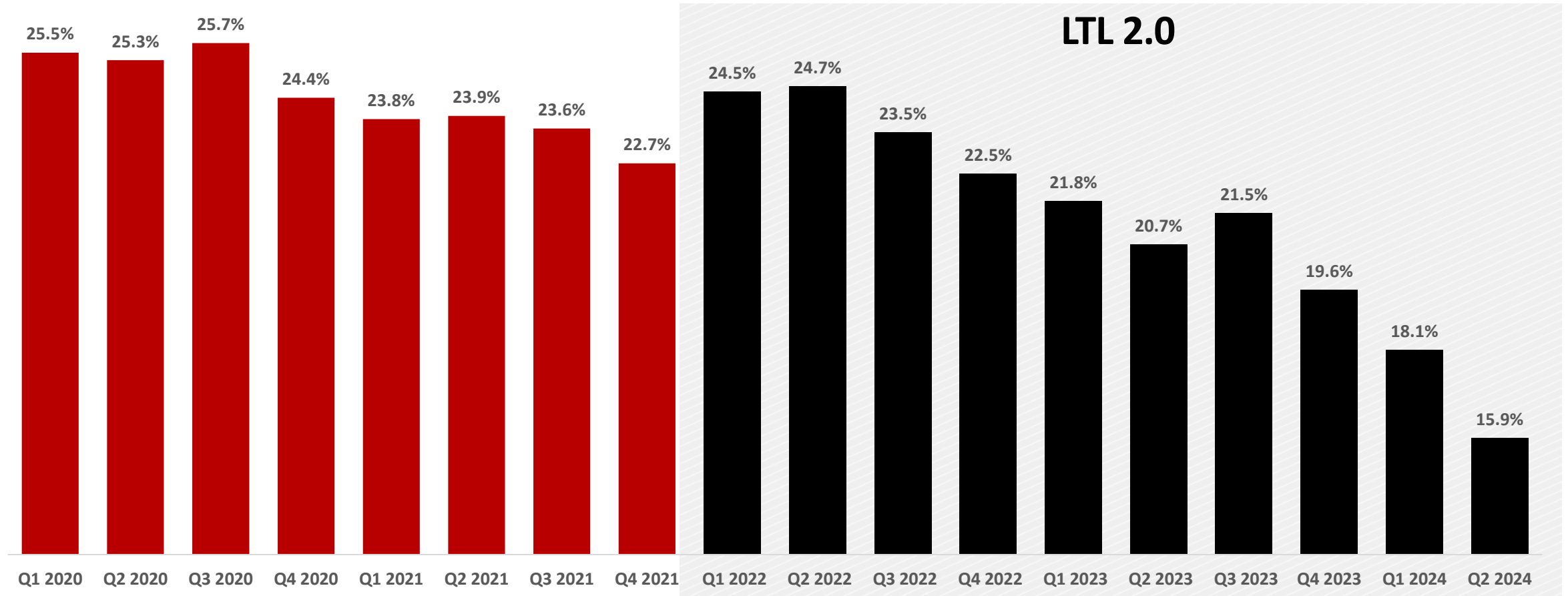
Yield, excluding fuel, improved 9.0% year-over-year in Q2'24

Note: Gross revenue per hundredweight excludes the adjustment required for financial statement purposes in accordance with the company's revenue recognition policy



# Insourcing linehaul is a key cost and service opportunity

Linehaul miles outsourced to third-party carriers, as a % of total linehaul miles



Accelerating pace of linehaul insourcing with sleeper cab trucks and teams

# 11% to 13% adjusted EBITDA CAGR in North American LTL 2021-2027

## Expected components and contributions

Combination of volume gains + pricing over inflation	▶ 6% to 7%
Operating costs optimized through technology	▶ 3% to 4%
Linehaul insourced from third parties	▶ 2%
	11% to 13%

# Appendix



# European Transportation segment

**Unique pan-European transportation platform holds leading positions in key geographies**

- In France: the #1 full truckload (FTL) broker and the #1 pallet network (LTL) provider
- In Iberia (Spain and Portugal): the #1 FTL broker and the #1 LTL provider
- In the UK: a top-tier dedicated truckload provider, and the largest single-owner LTL network
- Serves a diverse base of customers with consumer, trade and industrial markets, including many sector leaders that have long-tenured relationships with XPO
- Range of services includes dedicated truckload, LTL, FTL brokerage, managed transportation, last mile, freight forwarding and warehousing, as well as multimodal solutions that are customized to reduce CO<sub>2</sub>e emissions

# 2024 planning assumptions

**For the full year 2024, the company expects:**

- Gross capex of \$700 million to \$800 million
- Interest expense of \$240 million to \$260 million
- Pension income of approximately \$25 million
- Adjusted effective tax rate of 23% to 25%
- Diluted share count of 121 million

Refer to “Non-GAAP Financial Measures” on page 24 of this document



# Financial reconciliations

The following table reconciles XPO's net income from continuing operations for the periods ended June 30, 2024 and 2023 to adjusted EBITDA for the same periods.

## Reconciliation of net income to adjusted EBITDA

In millions (Unaudited)	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change %	2024	2023	Change %
Net income from continuing operations	\$ 150	\$ 31	383.9%	\$ 217	\$ 48	352.1%
Debt extinguishment loss	-	23		-	23	
Interest expense	56	43		114	85	
Income tax provision (benefit)	(3)	13		20	17	
Depreciation and amortization expense	122	107		239	208	
Transaction and integration costs	12	17		26	39	
Restructuring costs	6	10		14	34	
<b>Adjusted EBITDA</b>	<b>\$ 343</b>	<b>\$ 244</b>	<b>40.6%</b>	<b>\$ 631</b>	<b>\$ 454</b>	<b>39.0%</b>

Amounts may not foot due to rounding  
Refer to "Non-GAAP Financial Measures" section on page 24 of this document

# Financial reconciliations (cont.)

The following table reconciles XPO's net income from continuing operations for the periods ended June 30, 2024 and 2023 to adjusted net income from continuing operations for the same periods.

## Reconciliation of adjusted net income and adjusted diluted earnings per share

In millions, except per share data

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income from continuing operations	\$ 150	\$ 31	\$ 217	\$ 48
Debt extinguishment loss	-	23	-	23
Amortization of acquisition-related intangible assets	14	14	28	27
Transaction and integration costs	12	17	26	39
Restructuring costs	6	10	14	34
Income tax associated with the adjustments above <sup>(1)</sup>	(6)	(12)	(12)	(23)
European legal entity reorganization <sup>(2)</sup>	(41)	-	(41)	-
<b>Adjusted net income from continuing operations</b>	<b>\$ 135</b>	<b>\$ 83</b>	<b>\$ 232</b>	<b>\$ 148</b>
<b>Adjusted diluted earnings from continuing operations per share</b>	<b>\$ 1.12</b>	<b>\$ 0.71</b>	<b>\$ 1.93</b>	<b>\$ 1.27</b>
<b>Weighted-average common shares outstanding</b>				
Diluted weighted-average common shares outstanding	120	118	120	117

Amounts may not add due to rounding

<sup>1</sup>The income tax rate applied to reconciling items is based on the GAAP annual effective tax rate, excluding discrete items, non-deductible compensation, and contribution- and margin-based taxes

<sup>2</sup>Reflects a tax benefit recognized in the second quarter of 2024 related to a legal entity reorganization within our European Transportation business

Refer to "Non-GAAP Financial Measures" section on page 24 of this document



# Financial reconciliations (cont.)

The following table reconciles XPO's operating income attributable to its North American less-than-truckload ("LTL") segment for the periods ended June 30, 2024 and 2023 to adjusted operating income, adjusted operating ratio and adjusted EBITDA.

## Reconciliation of North American LTL adjusted operating income, adjusted operating ratio and adjusted EBITDA

In millions (Unaudited)	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change %	2024	2023	Change %
Revenue (excluding fuel surcharge revenue)	\$ 1,064	\$ 940	13.2%	\$ 2,075	\$ 1,843	12.6%
Fuel surcharge revenue	208	196	6.1%	418	413	1.2%
<b>Revenue</b>	<b>1,272</b>	<b>1,136</b>	<b>12.0%</b>	<b>2,493</b>	<b>2,256</b>	<b>10.5%</b>
Salaries, wages and employee benefits	639	573	11.5%	1,252	1,128	11.0%
Purchased transportation	68	87	-21.8%	146	186	-21.5%
Fuel, operating expenses and supplies <sup>(1)</sup>	236	226	4.4%	479	474	1.1%
Operating taxes and licenses	16	12	33.3%	32	24	33.3%
Insurance and claims	20	33	-39.4%	41	61	-32.8%
Losses on sales of property and equipment	1	1	0.0%	3	2	50.0%
Depreciation and amortization	86	71	21.1%	168	139	20.9%
Transaction and integration costs	-	-	0.0%	1	-	NM
Restructuring costs	1	4	-75.0%	2	10	-80.0%
<b>Operating income</b>	<b>203</b>	<b>129</b>	<b>57.4%</b>	<b>368</b>	<b>232</b>	<b>58.6%</b>
<b>Operating ratio <sup>(2)</sup></b>	<b>84.1%</b>	<b>88.7%</b>		<b>85.2%</b>	<b>89.7%</b>	
Amortization expense	9	9		18	17	
Transaction and integration costs	-	-		1	-	
Restructuring costs	1	4		2	10	
<b>Adjusted operating income</b>	<b>\$ 214</b>	<b>\$ 142</b>	<b>50.7%</b>	<b>\$ 389</b>	<b>\$ 259</b>	<b>50.2%</b>
<b>Adjusted operating ratio <sup>(3)</sup></b>	<b>83.2%</b>	<b>87.6%</b>		<b>84.4%</b>	<b>88.5%</b>	
Depreciation expense	77	62		150	122	
Pension income	6	4		13	8	
Other	-	-		-	1	
<b>Adjusted EBITDA <sup>(4)</sup></b>	<b>\$ 297</b>	<b>\$ 208</b>	<b>42.8%</b>	<b>\$ 551</b>	<b>\$ 390</b>	<b>41.3%</b>

Amounts may not add due to rounding

<sup>1</sup>Fuel, operating expenses and supplies includes fuel-related taxes

<sup>2</sup>Operating ratio is calculated as  $(1 - (\text{operating income} / \text{revenue}))$

<sup>3</sup>Adjusted operating ratio is calculated as  $(1 - (\text{adjusted operating income} / \text{revenue}))$

<sup>4</sup>Adjusted EBITDA is used by the company's chief operating decision maker to evaluate segment profit (loss) in accordance with ASC 280

Refer to "Non-GAAP Financial Measures" on page 24 of this document

# Non-GAAP financial measures

As required by the rules of the Securities and Exchange Commission ("SEC"), we provide reconciliations of the non-GAAP financial measures contained in this document to the most directly comparable measure under GAAP, which are set forth in the financial tables attached to this document.

This document contains the following non-GAAP financial measures: adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") on a consolidated basis; adjusted net income from continuing operations; adjusted diluted earnings from continuing operations per share ("adjusted EPS"); adjusted operating income for our North American Less-Than-Truckload segment; adjusted operating ratio for our North American Less-Than-Truckload segment; and adjusted effective tax rate.

We believe that the above adjusted financial measures facilitate analysis of our ongoing business operations because they exclude items that may not be reflective of, or are unrelated to, XPO and its business segments' core operating performance, and may assist investors with comparisons to prior periods and assessing trends in our underlying businesses. Other companies may calculate these non-GAAP financial measures differently, and therefore our measures may not be comparable to similarly titled measures of other companies. These non-GAAP financial measures should only be used as supplemental measures of our operating performance.

Adjusted EBITDA, adjusted net income from continuing operations, adjusted EPS, adjusted operating income and adjusted operating ratio include adjustments for transaction and integration costs, as well as restructuring costs, and other adjustments as set forth in the attached tables. Transaction and integration adjustments are generally incremental costs that result from an actual or planned acquisition, divestiture or spin-off and may include transaction costs, consulting fees, stock-based compensation, retention awards, internal salaries and wages (to the extent the individuals are assigned full-time to integration and transformation activities) and certain costs related to integrating and converging IT systems. Restructuring costs primarily relate to severance costs associated with business optimization initiatives. Management uses these non-GAAP financial measures in making financial, operating and planning decisions and evaluating XPO's and each business segment's ongoing performance.

We believe that adjusted EBITDA improves comparability from period to period by removing the impact of our capital structure (interest and financing expenses), asset base (depreciation and amortization), tax impacts and other adjustments as set out in the attached tables that management has determined are not reflective of core operating activities and thereby assist investors with assessing trends in our underlying businesses. We believe that adjusted net income from continuing operations and adjusted EPS improve the comparability of our operating results from period to period by removing the impact of certain costs and gains that management has determined are not reflective of our core operating activities, including amortization of acquisition-related intangible assets, transaction and integration costs, restructuring costs and other adjustments as set out in the attached tables. We believe that adjusted operating income and adjusted operating ratio improve the comparability of our operating results from period to period by removing the impact of certain transaction and integration costs and restructuring costs, as well as amortization expenses. We believe that adjusted effective tax rate improves comparability of our effective tax rate, by excluding the tax effect of special items.

With respect to our financial targets for (i) the six-year period 2021 through 2027 of North American less-than-truckload adjusted EBITDA CAGR, and adjusted operating ratio and (ii) the 2024 adjusted effective tax rate, a reconciliation of these non-GAAP measures to the corresponding GAAP measures is not available without unreasonable effort due to the variability and complexity of the reconciling items described above that we exclude from these non-GAAP target measures. The variability of these items may have a significant impact on our future GAAP financial results and, as a result, we are unable to prepare the forward-looking statement of income and statement of cash flows in accordance with GAAP that would be required to produce such a reconciliation.