

Impact to free cash flow from trade receivables programs

Principle: When the company sells receivables, it accelerates cash receipts, which typically has the effect of benefitting free cash flow.

Example:

On September 1, XPO generates a customer invoice. If the customer has not paid the invoice by the end of quarter (September 30), and XPO chooses to sell that receivable for a cash consideration on September 30, a benefit to cash flow from operations (part of free cash flow) is realized in the quarter.

Under a different scenario, if XPO chooses to sell the receivable on September 1 and the customer remits payment during the month of September, the sale of the receivable does not benefit free cash flow in the quarter. This is because, if the receivable hadn't been sold, cash flow from operations would have reflected the cash anyway in September.

Note: XPO has visibility into customer remittances on sold receivables under the securitization programs, as the company functions as a servicer on behalf of the purchasers.

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Benefit (reduction) to free cash flow from trade receivables programs	22	(13)	17	161	(50)	44	56
Securitization Programs							
A Receivables sold in period				231	323	338	790
B Cash consideration				179	260	269	787
C Deferred purchase price (DPP)				52	63	69	3
D Cash collected related to DPP					71	66	49
E Less: cash collected as servicer on sold receivables				(119)	(318)	(342)	(741)
F Total cash impact of securitization programs (B + D + E)				60	13	(7)	95
Factoring Programs							
G Receivables sold in period	141	128	146	248	184	235	196
H Cash Consideration	141	128	145	246	183	234	195
I Less: cash consideration from prior sequential quarter	(119)	(141)	(128)	(145)	(246)	(183)	(234)
J Total cash impact of factoring programs	22	(13)	17	101	(63)	51	(39)
Benefit (reduction) to free cash flow from trade receivables programs (F + J)	<u>22</u>	<u>(13)</u>	<u>17</u>	<u>161</u>	<u>(50)</u>	<u>44</u>	<u>56</u>
Year-to-date benefit (reduction) to free cash flow from trade receivables programs				187			50

- A Represents the gross amount of trade receivables sold during the period using securitization programs
- B Represents the portion of the price received in cash on the day the receivable is sold
- C Represents the portion of the price for which payment is deferred (DPP)
- D Represents cash collected related to DPP (reflected in investing activities on the Statement of Cash Flows)
- E Represents cash collected related to the company's role as servicer of sold receivables
- G Represents trade receivables sold in connection with factoring programs
- H Represents cash received from the sale of receivables, with any difference between the gross amount of a receivable and its cash purchase price (the discount on sale) recorded as interest expense

The examples above are for illustrative purposes only. Neither the Company's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the examples, nor have they expressed any opinion or any other form of assurance on such examples.