

Non-GAAP Financial Measures – Adjusted Net Income (Loss) and Adjusted Net Income (Loss) Per Share

The schedule below presents adjusted net income (loss) and adjusted net income (loss) per share, which represent non-GAAP financial measures, on a consolidated basis, both with and without the amortization of acquisition-related intangible assets. We provide a reconciliation of these measures to the most directly comparable measures calculated in accordance with United States generally accepted accounting principles ("GAAP"). We believe that presenting adjusted net income (loss) and adjusted net income (loss) per share improves 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. Adjusted net income (loss) and adjusted net income (loss) per share 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, or divestiture or spin-off and may include transaction costs, consulting fees, retention awards, and 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. We believe comparability is improved because these items are not reflective of our normalized operating activities. Other companies may calculate adjusted net income (loss) and adjusted net income (loss) per share differently and, therefore, our measures may not be comparable to similarly titled measures of other companies. Adjusted net income (loss) and adjusted net income (loss) per share are not a measures of financial performance or liquidity under GAAP and should not be considered in isolation or as an alternative to other similar measures determined in accordance with GAAP. Items excluded from adjusted net income (loss) and adjusted net income (loss) per share are significant and necessary components of the operations of our business, and, therefore, adjusted net income (loss) and adjusted net income (loss) per share should only be used as supplemental measures of our operating performance.

XPO Logistics, Inc.
Adjusted Net Income (Loss) and Adjusted Net Income (Loss) Per Share
(Unaudited)
(In millions, except for per share data)

	<u>Year Ended</u>	<u>Three Months Ended</u>				<u>Year Ended</u>	<u>Three Months Ended</u>				<u>Year Ended</u>
	<u>December 31,</u>	<u>March 31,</u>	<u>June 30,</u>	<u>September 30,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>March 31,</u>	<u>June 30,</u>	<u>September 30,</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>
GAAP net income (loss) attributable to common shareholders	\$ 390	\$ 43	\$ 122	\$ 117	\$ 96	\$ 379	\$ 21	\$ (132)	\$ 84	\$ 93	\$ 79
Preferred stock conversion charge ⁽¹⁾	-	-	-	-	-	-	-	-	-	22	22
Debt extinguishment loss	27	5	-	-	-	5	-	-	-	-	-
Unrealized (gain) loss on foreign currency option and forward contracts	(20)	2	7	(4)	4	9	(4)	3	-	(1)	(2)
Impairment of customer relationship intangibles	-	6	-	-	-	6	-	-	-	-	-
Transaction and integration costs	33	1	1	-	3	5	44	46	3	7	100
Restructuring costs	21	13	4	11	21	49	3	50	-	3	56
Litigation costs	26	-	-	-	-	-	-	-	-	-	-
Gain on sale of equity investment	(24)	-	-	-	-	-	-	-	-	-	-
Income tax associated with the adjustments above	(15)	(8)	(2)	(2)	(6)	(18)	(12)	(23)	(1)	1	(35)
Impact of noncontrolling interests on above adjustments	(2)	(1)	-	-	(1)	(2)	-	(1)	-	-	(1)
Allocation of undistributed earnings	(4)	(2)	-	(1)	(2)	(5)	(3)	-	-	(4)	(14)
Adjusted net income (loss) attributable to common shareholders, as reported	\$ 432	\$ 59	\$ 132	\$ 121	\$ 115	\$ 428	\$ 49	\$ (57)	\$ 86	\$ 121	\$ 205
Amortization of acquisition-related intangible assets	102	23	23	24	27	100	22	28	23	26	97
Adjusted net income (loss) attributable to common shareholders	\$ 534	\$ 82	\$ 155	\$ 145	\$ 142	\$ 528	\$ 71	\$ (29)	\$ 109	\$ 147	\$ 302
Adjusted diluted earnings (loss) per share, as reported	\$ 3.19	\$ 0.51	\$ 1.28	\$ 1.18	\$ 1.12	\$ 4.03	\$ 0.47	\$ (0.63)	\$ 0.84	\$ 1.19	\$ 2.01
Amortization of acquisition-related intangible assets	0.76	0.20	0.23	0.23	0.26	0.95	0.22	0.31	0.23	0.25	0.96
Adjusted diluted earnings (loss) per share	\$ 3.95	\$ 0.71	\$ 1.51	\$ 1.41	\$ 1.38	\$ 4.98	\$ 0.69	\$ (0.32)	\$ 1.07	\$ 1.44	\$ 2.97

Pre-tax amortization of acquisition-related intangibles for 2018, 2019 and 2020 was \$159, \$150 and \$144, respectively. Beginning in the first quarter of 2021, the Company will present adjusted net income and adjusted diluted earnings per share excluding the amortization of acquisition-related intangible assets. The table above reflects a recast of the Company's historical adjusted diluted earnings (loss) per share to reflect this change.