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XPO, Inc. (XPO)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the XPO Second Quarter 2025 Earnings Conference Call and Webcast. My name is Melissa, and I'll be your operator for today's call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. [Operator Instructions] Please note that this conference is being recorded.

Before the call begins, let me read a brief statement on behalf of the company regarding forward-looking statements and the use of non-GAAP financial measures. During this call, the company will be making certain forward-looking statements within the meaning of applicable securities laws, which by their nature involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those projected in the forward-looking statements.

A discussion of factors that could cause actual results to differ materially is contained in the company's SEC filings, as well as in its earnings release. The forward-looking statements in the company's earnings release or made on this call are made only as of today, and the company has no obligation to update any of these forward-looking statements except by the extent required by law.

During the call, the company will also refer to certain non-GAAP financial measures as defined under applicable SEC rules. Reconciliations of such non-GAAP financial measures to the most comparable GAAP measures are contained in the company's earnings release and in the related financial tables or on its website. You can find a copy of the company's earnings release, which contains additional important information regarding forward-looking statements and non-GAAP financial measures, in the Investors section on the company's website.

I'll now turn the call over to XPO's Chief Executive Officer, Mario Harik. Mr. Harik, you may begin.

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

Good morning, everyone, and thank you for joining our call. I'm here with Kyle Wismans, our Chief Financial Officer; and Ali Faghri, our Chief Strategy officer.

Earlier today, we reported strong second quarter results. We generated \$2.1 billion of revenue and adjusted EBITDA of \$340 million. Our adjusted diluted EPS of \$1.05 exceeded expectations, and our North American LTL business continued to outperform the industry, building on our momentum across the network.

Over the past two years, we've improved our adjusted operating ratio by 470 basis points in a soft rate environment, underscoring the strength of our operating model. And in the second quarter, we outpaced both the industry and normal seasonality on margin expansion. This was underpinned by above-market yield growth, ongoing cost efficiencies and, most important, the superior service that supports our customers. Additional highlights of the quarter include our strategic investments in the network and the technology that differentiates our value proposition.

I'll speak to our recent progress, starting with customer service. In the second quarter, we achieved year-over-year improvement in damage frequency and a damage claims ratio of 0.3%. This reflects the discipline we bring to our service culture. We also continue to raise the bar with on-time performance with our 13th straight quarter of year-over-year improvement. Our network speed and reliability are key differentiators for customers.

We're continuing to elevate our world-class service levels with a customer-loving mindset across our organization, a significant network expansion, and technology-driven operating excellence. The ongoing investments we're making in the network support both long-term growth and efficiency. Since launching our LTL growth plan in 2021, we've added nearly 6,000 tractors and more than 17,000 trailers to our fleet. Our average tractor age is now less than four years, which improves reliability and reduces maintenance costs.

On the real estate side, we're seeing strong contributions from the growth of our footprint. In recent quarters, we've opened some of the largest LTL service centers in North America, including two additional break bulk location in Carlisle, Pennsylvania and Greensboro, North Carolina. These facilities sit in key freight corridors and are ramping up fast, helping us move more direct loads by building density in the network.

Our customer shipments are flowing more efficiently end-to-end, and we're reducing both rehandles and miles, while also enhancing our pickup and delivery operations. Almost all of the acquired facilities are now open, and we've met our target of 30% excess load capacity. This positions us to capture profitable share in a freight market rebound and unlock more operating leverage.

Now let's turn to pricing, which continues to be a key driver of our outperformance. Our strong service levels are enabling us to earn above-market yield growth and win new business. In the second quarter, we increased yield excluding fuel by 6.1% year-over-year with sequential growth from the first quarter, and we see a long runway to further align our pricing as we enhance our value to customers.

We're also seeing a benefit to mix from local accounts and premium services, which now represents a larger share of our revenue and carry higher margins. Demand continues to grow for our premium offerings, including our grocery consolidation service, which we expect to ramp in the coming months. It's an attractive end market with significant growth potential, and our differentiated service offering uniquely positions us to gain share in this vertical.

Cost efficiency is another area of the business where we made meaningful progress in the quarter, most notably with labor productivity and linehaul. Our proprietary labor planning platform gives our managers visibility into volume flows with the ability to adjust staffing to demand in real time. We're seeing significant benefits, including a second quarter improvement in labor hours per shipment versus the prior year.

This is just one example of how our best-in-class technology helps us improve margins, even when demand is down. It's a competitive advantage that will compound as industry volumes recover.

On the linehaul side, we reduced outsourced miles to just 6.8% of total miles, which brought down our purchased transportation expense by 53% year-over-year. That's more than 900 basis points lower than last year and the best level in our history, with more opportunity ahead. And our new AI-powered linehaul models are driving additional savings, reducing normalized linehaul miles by 3%, empty miles by over 10%, and freight diversions by more than 80%.

Recently, we started piloting AI-driven functionality for trailer and route assignments and pickup and delivery operations. The earlier results are encouraging, with positive trends in stops per hour and trailer utilization. We're excited about what AI can mean for our operations and our customers, and we expect it to become increasingly important to our strategy over the long term.

In closing, we reported another quarter of outperformance that showcased the operating momentum we've built across every part of the business. We delivered strong yield growth, realized cost savings throughout the network, and deepened our competitive edge through world-class service and technology. Our AI initiatives are already generating measurable returns, and our investments in the network are unlocking new levels of efficiency and flexibility. We're operating from a position of strength, with a clear plan to deliver sustained margin expansion and long-term value creation.

With that, I'll turn it over to Kyle to walk through the financials. Kyle, over to you.

Kyle Wismans

Chief Financial Officer, XPO, Inc.

Thank you, Mario, and good morning, everyone. I'll cover the company's financial performance along with our balance sheet and liquidity position.

Total company revenue was \$2.1 billion, in line with last year and up 6% sequentially from the first quarter. In our LTL segment, revenue declined 3% on a year-over-year basis, largely due to a reduction in fuel surcharge revenue tied to the price of diesel. Excluding fuel, LTL revenue was down 1%. On a sequential basis, LTL revenue increased 6%.

On the cost side in LTL, we continue to make meaningful progress in reducing our purchased transportation expense. Our third-party carrier expense declined 53% year-over-year as we insourced more linehaul miles. This resulted in \$36 million in savings for the quarter. With labor, we held our costs of salary, wages and benefits roughly flat year-over-year by improving productivity, which offset inflationary pressures.

Our technology has been the key to realizing steady productivity gains across our network. In terms of equipment, our maintenance cost per mile improved 6%, supported by the addition of newer tractors to our fleet. LTL depreciation expense increased 13% or \$10 million, consistent with our strategy of investing in the network, including our rolling stock.

Next, let's turn to adjusted EBITDA. Company-wide, we generated \$340 million of adjusted EBITDA, down 1% from a year ago. In our LTL segment, we grew adjusted EBITDA by 1% to \$300 million and expanded this margin by 90 basis points to 24.2%. These results speak to the strength of our operating model. We have the ability to deliver strong yield growth and cost discipline in a soft environment, as we did in the second quarter. This helped offset headwinds from lower fuel surcharge revenue, tonnage and pension income.

For our European Transportation segment, we reported adjusted EBITDA of \$44 million, while the Corporate segment had a \$4 million loss. For the total company, second quarter operating income was \$198 million, which is a 1% increase from the prior year. Net income was \$106 million, which equates to \$0.89 of diluted earnings per share. And on an adjusted basis, EPS was \$1.05, compared with \$1.12 a year ago. Lastly, we generated \$247 million of cash flow from operating activities in the quarter and deployed \$191 million of net CapEx.

Moving to the balance sheet, we ended the quarter with \$225 million of cash on hand. Combined with available capacity under our committed borrowing facility, this gave us \$824 million of liquidity at quarter-end. And our net debt leverage ratio improved to 2.5 times trailing 12 months adjusted EBITDA, compared with 2.7 times a year ago.

Looking ahead, while we remain committed to investing in initiatives that support long-term growth, we expect our CapEx to moderate and our free cash flow conversion to increase going forward. This positions us with greater flexibility to return capital to shareholders over time and pay down debt.

Regarding share buybacks, we initiated our program with \$10 million of the common stock repurchased in the second quarter, and we plan to scale up our buyback activity as free cash flow increases. This reflects our confidence in the long-term value of our shares.

With that, I'll hand it over to Ali to walk through our operating results.

Ali Faghri

Chief Strategy Officer, XPO, Inc.

Thank you, Kyle. I'll begin with a review of our operating results for the LTL segment, where we continue to execute well despite a soft freight environment.

Total shipments per day declined 5.1% compared with the prior year. We drove meaningful growth in our local channel with shipments up by high-single digits, which is an acceleration from the prior quarter. We're capturing share in this high-margin segment through targeted outreach and a value proposition that clearly resonates with our customers. With weight per shipment down 1.6%, tonnage per day declined 6.7%, largely in line with normal seasonal trends. Importantly, we improved both tonnage and shipments per day on a year-over-year basis from the first quarter, a positive trend we anticipate will continue in the second half.

Looking at the monthly numbers compared with the prior year, for tonnage, April was down 5.5%, May was down 5.7% and June was down 8.9%. For shipments per day, April was down 4.1%, May was down 5% and June was down 6.2%. For July, we estimate that tonnage will be down in the 8% range, which is slightly better than normal seasonality compared to June.

Turning to pricing, we delivered another quarter of strong yield performance. Yield, excluding fuel, was up 6.1% year-over-year, and revenue per shipment increased 5.6%. Both underlying metrics also improved from the first quarter, marking our 10th consecutive quarter of sequential increase in revenue per shipment.

We expect our sequential pricing gains to continue through the rest of the year, supported by our high service levels, premium offerings, and growth in the local channel. Our approach to pricing is highly disciplined and managed with our proprietary technology to ensure a fair price for the value we deliver. This is a key driver of our margin improvement.

Moving to profitability, we improved our adjusted operating ratio by 300 basis points sequentially to 82.9% in the second quarter, outperforming normal seasonality and delivering on our outlook. On a year-over-year basis, this is an improvement of 30 basis points, making us the only public LTL carrier to expand margins. We achieve these strong results through a combination of disciplined yield management, cost efficiencies and productivity gains, all enhanced by our technology.

Looking at our European Transportation business, we made solid progress despite the tough macro backdrop. We increased revenue 4% year-over-year and delivered a 38% sequential increase in adjusted EBITDA, ahead of seasonal expectations. We also grew adjusted EBITDA year-over-year in several key markets, including the UK and Central Europe. This demonstrates the strength of our execution and customer relationships.

Another encouraging sign is the value of prospective business in our sales pipeline, which is trending higher than the prior year. We're seeing increased demand across Europe as customers respond to the quality and range of our service offerings.

To wrap up, I'd like to highlight the levers that are driving our industry-leading margin expansion in LTL. First, we're consistently delivering above-market yield growth, and we expect to sustain that going forward as our pricing initiatives continue to gain traction. We're also making further improvements to our cost structure, realizing significant savings from insourcing linehaul miles and becoming more productive across our network. Our proprietary technology is a key factor in these gains, as it helps us extract more value from every shipment. The structural advantages underlying our strategy enable us to drive margin expansion, even as industry volumes are down. We're uniquely positioned to outperform in any part of the cycle and deliver long-term earnings growth.

Now, we'll take your questions. Operator, please open the line for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Scott Group with Wolfe Research. Please proceed with your question.

Scott H. Group

Analyst, Wolfe Research LLC

Q

Hey. Thanks. Good morning. Maybe you can just give us a little bit of color on the OR for the third quarter. And I know you talked about 100 basis points of improvement for the year. How we're thinking about that? And then maybe just big picture, the grocery stuff sounds new. Maybe, Mario, just talk a little bit about what the opportunity of that is and why that's an attractive market.

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

A

You got it, Scott. So, first, starting with the third quarter OR outlook, we do expect another strong quarter for margin performance. And now typically, normal seasonality for us on OR sequentially increases by 200 to 250 basis points from Q2 to Q3. But given what we're seeing so far, we expect our Q3 OR to be at a similar level to Q2, so call it flattish on a quarter-over-quarter basis, which represents call it both a very strong year-on-year improvement and a significant outperformance to seasonality on a sequential basis. And that's going to be driven by our continued strength in yield and our effective cost management as well.

Now, when you look at the full year OR, given how volume trended in the first half of the year and what we expect in the third quarter, we expect full year tonnage should be down in that mid-single-digit range. And obviously, nobody can predict the macro, so we'll see how the year plays out. But as we said last quarter, this would be supportive of 100 basis points of year-on-year OR improvement then, which is a very strong outcome in a soft freight environment. And we'll be the only LTL carrier improving margins again year-on-year after improving them by 260 basis points last year.

In terms of the new offering on the grocery consolidation side, it's a great business. This is a business where you would have a grocer that has suppliers shipping product into their docks, and then we help them effectively consolidate that freight in our terminals and then be able to get all of that freight all at once at a grocer. It's a attractive market. We estimate it to be, call it, about \$1 billion in market size, and it comes with a very good

margin. And today, we are underrepresented in that segment of business. We are in that low-single-digit range and we expect to grow in it over time.

Our service product has never been better, so we can support our customers there on those services. And we've had early success here in the second quarter onboarding a few customers, and we expect that to ramp in the back half of the year as well.

Scott H. Group

Analyst, Wolfe Research LLC

Helpful. Thank you, guys.

Q

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

Thank you.

A

Operator: Thank you. Our next question comes from the line of Ken Hoexter with Bank of America. Please proceed with your question.

Ken Hoexter

Analyst, BofA Securities, Inc.

Hey. Great. Good morning, Mario and team. I guess, I'm going to jump over to a side that we don't talk about much, but Europe really posted some pretty stronger than expected results. Maybe talk a little bit more about what was the surprise drivers there? What we can expect as we move into the rest of the year?

Q

And then on the core side, just how low purchased transportation? Are we testing the limits of what you want to do? And I guess, Mario, what's the next leg of operational improvement to continue to drive you toward the upper 70s?

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

Yeah, you got it, Ken. I'll start on the linehaul side and the cost levers for OR improvement, and I'll turn it over to Ali to discuss Europe. But when you look at the – starting with the linehaul insourcing, so we were down to a new record, 6.8% here in the second quarter. And we expect to continue to bring that down in that mid-single-digit range through the course of the back half of the year.

A

Now let's see, that will be a lever for us if you think of 2026, because our entry point in 2025 was higher than the exit point. We're still going to get a comp dynamic of a good cost guide in 2026. Now keep in mind though, for us, the biggest improvement in that cost category is around making sure that we are immune to truckload rates coming up. So in the next up-cycle, when volume is up, when yield is even higher than what it is today, we would be able to get less of a headwind from truckload rates going up. And that's going to be a meaningful improvement compared to prior up-cycles.

The other two levers of costs that we're very excited about moving forward, the first one is around AI capabilities and technology. We have launched many capabilities here in the second quarter, and we're going to continue to launch these in the back half of the year going into 2026. And if you think about it Ken, even in the trough of the cycle, we are improving productivity across our network. And when you see that cycle turn, we expect to meaningfully improve productivity as well.

Here in the second quarter, we launched new AI enhancements to our linehaul models that enabled us to reduce the total linehaul miles we're driving for the same amount of volume in that low- to mid-single-digit range, which is a great, great benefit for us. And we're also piloting now P&D incremental capabilities in AI that will make our P&D cost even lower. So we're excited about the outlook of these technologies we're launching across the network.

And the other lever is around the new break bulk location that we have been launching here through the course of the last year. Typically in LTL, the larger the service center, the more efficient you are. And when you think about it here in the first half, we launched two of the largest service centers in trucking in North America in Greensboro, North Carolina and in Carlisle, Pennsylvania. And these allow us to build density in our linehaul network, reduce rehandles, and be able to get effectively a much more efficient network and how we operate it, even improved service quality as well.

So these are all the cost levers we expect to compound over time here beyond 2025, going into 2026, 2027, 2028 as we launch those capabilities.

Ali Faghri

Chief Strategy Officer, XPO, Inc.

A

And then, Ken, on the Europe side, you're right, the second quarter was a strong quarter for us in what was a challenging environment. We grew year-over-year organic revenue for the sixth consecutive quarter. And then if you look at adjusted EBITDA sequentially was up nearly 40%. And that was much better than normal seasonality. I think in particular, we saw strength in the UK and Central Europe on the EBITDA side. Both markets for us were up in that low- to mid-single-digit range on a year-over-year basis as you think about EBITDA growth.

As you think about the second half of the year and the third quarter in particular, typically EBITDA in our European segment steps down sequentially Q2 to Q3 by, call it, mid-single-digit million dollars sequentially. But we would expect to outperform that as we move from – into the third quarter from a seasonality perspective.

Ken Hoexter

Analyst, BofA Securities, Inc.

Q

Great job on outperforming seasonality on both sides. Thank you very much for the time. Appreciate it.

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

A

Thanks, Ken.

Operator: Thank you. Our next question comes from the line of Fadi Chamoun with BMO Capital Markets. Please proceed with your question.

Fadi Chamoun

Analyst, BMO Capital Markets Corp. (Canada)

Q

Yeah. Good morning, Mario and team. So I – kind of big picture questions. So you've highlighted some of the cost and especially focusing on the revenue levers that you're executing on to drive this revenue per shipment performance. My question is, can – in the third year of this kind of muted freight market right now, if we have another year of this kind of performance kind of and market being muted, being tough, are you experiencing like a change in the conversation with your customer? Does it get harder to achieve the type of leverage from the initiative that you're doing on the service side, the initiatives that you're doing on penetrating local channel? Does

it get harder as you go into another year potentially of weak market demand? I'm just wondering how should we think about kind of going into 2026 about this momentum that is very self-help driven here on that revenue per shipment if we have another year of muted backdrop for freight demand.

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

A

Well, Fadi, if you look at it, if you take a step back, we've been delivering yield performance that is meaningfully above market now for a number of years. But a lot of that, if you take a step back when we started our plan, the yield differential between us and the best-in-class carrier, normalized for weight per shipment and length of haul, was about 15 points. And through the course of the last few years, we were able to take that gap from, call it, 15 points down to the low-double-digit, low-teens. And we have another here double-digit percentage to go above market over the next, call it, five years for us to bridge the gap with the best-in-class carrier. So we have a massive runway ahead of us in terms of these improvements.

And high level, if you break down that delta, when we started our plan, about half of it was driven by a better service product that led that carrier to have better pricing over time. About 500 basis points were these premium services that were a gap for us. We didn't have them in our portfolio of offering for customers. And about 2.5 points of yield differential were driven by our local channel, which represented 20% of our book of business, as opposed to 30% is what the target would be. And by going from 20% of the book being small to medium-sized businesses to 30%, that's equivalent to about 2.5 points of yield.

Now, our goal for the first category on service leading to better pricing is to bridge that gap 1 point a year, incremental to what the market is doing. And this is what effectively we've been doing here over the last few years. If you look at the accessorial revenue, we launched a half a dozen or so premium services last year, and these are resonating very well with our customers, especially when you couple them with a great service product. So more and more customers are signing up for these services.

When we started our plan, our accessorial as a percent of revenue were 9% to 10%, and we can go up to 15% is what the target is. And we're currently, call it, a couple of points better than where we started. And we still have another runway for three years of outperformance. And then same thing on the local channel growth. When we started, we were at 20% as a percent of total. We're now in the low- to mid-20% range. Here this last quarter, Fadi, we grew the local segment, the small to medium sized businesses high-single digit on a tonnage basis, which is an acceleration from the first quarter as well. So when you look at it, our goal is to bridge that gap 0.5 point a year, and we're two years into a five-year runway for that aspect.

So when you think of our yield initiatives, all of them have a very long runway years ahead of us. And here what is the trough of the cycle? I mean, the ISM has been sub-seasonal now for the better half of three years and then the better part of three years, and yet we are delivering impeccable yield across the board. And we expect that to continue over the quarters and years to come and even get better in an up-cycle.

Fadi Chamoun

Analyst, BMO Capital Markets Corp. (Canada)

Q

Okay. Thanks. I appreciate it.

Operator: Thank you. Our next question comes from the line of Jonathan Chappell with Evercore ISI. Please proceed with your question.

Jonathan Chappell

Analyst, Evercore ISI

Q

Thank you. Good morning. Ali, you gave a message on monthly tonnage that was kind of similar to some of your peers who reported earlier in June, kind of much weaker than expected, pretty big deceleration than July, still weak but slightly better than normal seasonality.

As we think about what Mario had said about a flat OR 2Q to 3Q, with comps getting easier on tonnage in August and September, do you expect that 8% to kind of whittle its way down to a mid-single-digit decline? Or are we starting from such a low point in June that even better than normal seasonality would relate to kind of a high-single-digit tonnage decline in the third quarter?

Ali Faghri

Chief Strategy Officer, XPO, Inc.

A

Sure, Jon. So, you're right, July was down somewhere in that 8% range, and that was slightly better than what we saw in June on a year-over-year basis and also better than normal seasonality relative to June.

Now, when you think about Q3 as a whole, the comps do get easier as we move through the quarter. If you recall, Jon, back in August of last year, industry demand had softened as a whole, and that continued into the month of September. So we would expect those year-over-year tonnage declines to moderate as we move through the third quarter, and for the full quarter tonnage to be down less on a year-over-year basis than what you saw in the month of July.

Jonathan Chappell

Analyst, Evercore ISI

Q

Perfect. Thank you.

Operator: Thank you. Our next question comes from the line of Jordan Alliger with Goldman Sachs. Please proceed with your question.

Jordan Alliger

Analyst, Goldman Sachs & Co. LLC

Q

Yeah. Sort of taking things in different direction, let's just say that we finally get some manufacturing expansion whenever that is, next year or what have you, and the negative tonnage inflects to positive. Can you maybe talk through how – with all the stuff that you've done in the last two or three years, what sort of incremental margins you think you could produce over the course of the start of the next up-cycle and through it? Thanks.

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

A

Yeah. You got it, Jordan. So, if you – first of all, we're incredibly excited about the up-cycle when it comes. I mean, obviously, here even in a freight soft (sic) [soft freight] market and the down-cycle, we're delivering margin improvement two years in a row is the expectation. And obviously, in the up-cycle, we're going to – we're off to the races. But I'll walk you through a couple of items.

In terms of incremental margins, we do expect to be comfortably over 40% of incrementals. If you go back to late last year in the fourth quarter, the last quarter of revenue growth before the [ph] softer (00:30:27) first half of the

year, our incrementals were in the 70% range, our EBIT incrementals. Obviously, we'd love it to be 70% in the up-cycle, but we would say we don't want to set too big of an expectation. So we're comfortably in that 40% range.

Now what are the drivers? I just mentioned earlier on our yield initiatives driving above-market yield growth. Now it's normal in an up-cycle to see LTL yield across the industry go up meaningfully. So if the industry is [ph] doing at the (00:30:54) high-single digit or high-single digit, we expect to outperform that by a few points in terms of overall yield performance.

And if you break it down, all the levers that we have in terms of growing with the small to medium-sized businesses, I mean, so far year-to-date, we've onboarded more than 5,000 new local customers. So this kind of gives you an example on the momentum that would build in an up-cycle with these type of customers.

Similarly, when you think about the premium services, all of these are launched and gaining steam. We're building pipelines on each one of them. And in an up-cycle, carriers that don't have the capacity might have service issues. And in that particular case, we'll be able to onboard more of these premium services and grow them at a higher clip.

When you look at the cost side, historically, we used to have a bigger headwind from purchased transportation, where when the up-cycle comes, typically truckload rates go up. In that particular case, our exposure now is a much, much lower exposure, which means higher incremental margins.

Similarly, on the productivity side, when you look at a post Yellow bankruptcy, when tonnage was up, we improved productivity the two quarters after they ceased operation by 7% in one quarter, 4% in the following quarter. Currently, in the trough of the cycle, we're improving productivity by about 1 point a quarter. So when you fast that forward with the compounding effect of the AI initiatives, our technology, you can imagine productivity is going to be at a much, much higher clip as well. And ultimately, we have in our larger locations 30% excess capacity. The fleet age is in a fantastic place. Service quality is in a fantastic place. And I'll tell you, I can't tell you how excited we are when that up-cycle comes. It will be a meaningful expansion and meaningful incremental margins there as well.

Jordan Alliger

Analyst, Goldman Sachs & Co. LLC

Q

Thank you.

Operator: Thank you. Our next question comes from the line of Ari Rosa with Citi. Please proceed with your question.

Ariel Rosa

Analyst, Citigroup Global Markets, Inc.

Q

Hey. Good morning. And congrats on some of the improvement here in a tough freight market. Mario, I was curious to get your thoughts. Just obviously, there's an industry disruption event happening next year with the separation of the largest player from its parent. I'm curious if you're seeing any impact on the market or the competitive dynamics from that. And just if you could talk about the overall competitive environment and the extent to which you're seeing maybe people being a little bit more aggressive on pricing than what we've seen in the past. Thanks.

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

A

Yeah. So, overall, for the FedEx selling their freight business, I think it would be good for the industry overall because it will continue to ensure that focus on price discipline and margin expansion. And as a stand-alone entity as an LTL carrier, one of the biggest drivers for profit growth over time is driven by margin expansion. And every LTL operator knows that the number one lever to improve margins is around pricing. So we believe that's going to help overall the industry as a whole.

But otherwise, I mean they're a great company. They're a great competitor today and they will be a great competitor tomorrow. I don't see that changing if they were on a stand-alone basis or part of the bigger FedEx.

Operator: Thank you. Our next question comes from the line of Stephanie Moore with Jefferies. Please proceed with your question.

Joseph Hafling

Analyst, Jefferies LLC

Q

Great. Good morning. This is Joe Hafling on for Stephanie Moore. Congrats on the good results. I guess, my question is on how we should think about pricing into the back half. You've talked about consistent above-market yield. But in terms of the sequential improvement in yield we've seen, can we expect to see that kind of pace continue into the second half? And then just, obviously, the growth in local channels is a big driver of that. So can you sustain kind of that high-single-digit type clip growth in the local channel? Thanks.

Kyle Wismans

Chief Financial Officer, XPO, Inc.

A

Sure. This is Kyle. So when you think about Q3 yield ex fuel, we would expect to continue to improve sequentially from Q2. And now that improvement would continue into Q4 as well. So if you think on a year-over-year basis, we'd expect Q3 yield ex fuel to grow at or above the level we saw in Q2.

Now, if you think pricing in terms of revenue per shipment, we'd also expect revenue per shipment to increase sequentially in both Q3 and Q4 of this year. And to put that in context, that's building on 10 consecutive quarters of sequential improvement we delivered. So we feel really good about a lot of the initiatives we have on the pricing front. Speaking specifically to local channel, when you think about local, as Mario mentioned, the start of this initiative, we were about 20% share. We're now in the low- to mid-20s, but the goal is to get to 30%. So you think about the ability to have that help us continue to grow yield in the back half, it should help us in the back half as well as years to come.

Joseph Hafling

Analyst, Jefferies LLC

Q

Great. Thanks so much.

Operator: Thank you. Our next question comes from the line of Chris Wetherbee with Wells Fargo. Please proceed with your question.

Chris Wetherbee

Analyst, Wells Fargo

Q

Hey. Thanks. Good morning, guys. I want to ask about labor productivity and get a sense of maybe how you think that plays out in the back half of the year. Obviously, you're guiding to better than normal seasonality on the operating ratio, so potentially this plays into that. But I guess, as you think about the improvement maybe in labor cost per shipment or how you think about that growth, do you need to see better volume environment to make further progress on that? Or are there levers you can pull in the near term even in a down volume environment?

Kyle Wismans

Chief Financial Officer, XPO, Inc.

A

Well, if you think about our ability to drive labor productivity in the quarter, even with tonnage being challenged, we're able to grow – improve productivity 1% if you think about it on a labor cost per shipment basis. So we continue to expect to improve that. When you think about a lot of our initiatives we have, they're tech enabled. We expect to see further improvements both on the dock when you think about motor moves per hour, if you think about pickup and delivery, our ability to do that.

And then I think Mario mentioned this too, but if you think about linehaul cost and the ability to really integrate some of those larger service centers, that's going to help us drive further labor productivity when you think about those breaks coming up to speed. So we feel very good about our ability to drive momentum on the labor front.

Chris Wetherbee

Analyst, Wells Fargo

Q

Got it. Thank you very much.

Operator: Thank you. Our next question comes from the line of Richa Harnain with Deutsche Bank. Please proceed with your question.

Richa Harnain

Analyst, Deutsche Bank Securities, Inc.

Q

Hey. Thanks. So I wanted to ask a little bit more about the revenue environment and what exactly happened in June. So you're the second LTL carrier now that's talked about a pretty steep deceleration that happened in June. And then, very pleased to see a snapback sort of in July, but maybe talk through the dynamics of what happened there. And then as we think about the full year, I appreciate that comps do get easier, but just risks to the guide and how you intend to offset that if the tonnage environment continues to be shaky?

Ali Faghri

Chief Strategy Officer, XPO, Inc.

A

Sure. This is Ali. So when you think about our shipment trends throughout the second quarter, they were very consistent and also in line with seasonality. Now we did see softer weight per shipment in the month of June, and there was really two dynamics that were driving this. First, macro and tariff uncertainty did have a greater impact on weight per shipment for some of our small to medium-sized customers. We do think this impact is transitory. This is a channel where we're seeing very strong growth and is OR accretive for us. And we also did have a tougher comp in the month of June as well on a weight per shipment standpoint. So if you look at it on a two-year stack basis, that does help normalize for some of that dynamic.

Now, as you go into the third quarter, we have seen some of that weight per shipment decline on a year-over-year basis continue into early July. However, more recently, we've seen some normalization in that trend versus seasonality. So we would expect that trend on weight for shipment to improve on a year-over-year basis as we move through the third quarter.

And then overall, as you think about our ability to deliver on our OR outlook, obviously, we're not immune to the macro. However, as we've demonstrated, we do have multiple levers to pull on both the yield and the cost side to mitigate the impact of lower volumes. You saw that here in the first half of the year and in Q2 in particular, our decremental margins were 9% in the quarter. And what's going to allow us to deliver on that sort of performance comes back to the yield outperformance, our ability to continue to grow yield above market. And then also on the cost side, when you think about our cost structure being about two-thirds variable, we have the ability to manage labor to align our labor costs to the volume we're seeing in the network. And our technology plays a big part in that as well.

Operator: Thank you. Our next question comes from the line of Tom Wadewitz with UBS. Please proceed with your question.

Thomas Wadewitz

Analyst, UBS Securities LLC

Q

Yeah. Good morning. So, wanted to ask you a little bit about the grocery again. I know you had a question on that, talked about that a bit. But is that something that is a couple players are big in that and it's kind of specialized and you'll probably take some share from a few players, like, that's kind of unusual for big LTL to be in that area? And then – so just thinking about that kind of competitive dynamic there.

And then how many areas are there left in the pipeline like that that just things that are – LTL, you have a large number of customers, a variety of customers. So we don't necessarily know what the next area is you might look at. But how many other things are there in the pipeline in 2026, 2027 that are like, hey, this is an interesting part of the market that we don't compete in actively today and we can add that on? Thank you.

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

A

Thanks, Tom. So when you look at the grocery business, it is a more consolidated business in the LTL segment. And the reason why is that a great service is a prerequisite to be able to deliver on those expectations for the customers. And what we – with our service improvements, I mentioned earlier on that our on-time has improved for the 13th consecutive quarter here for us. And similarly, on the claims side, we have one of the best claims ratios in the industry as well. And that's resonating with customers. So we're seeing actually some of these customers come to us and ask us to get onboarded and be able to kind of get to service them in that line of business as well. So it is more consolidated today, and we expect to grow in it here over the quarters and years to come.

Now, if you recall, last year we have launched a number of these premium services all the way from must arrive by date, for example, where you have to get to a customer within a certain time window and date window, to services like retail store rollout, like expanding our trade show offerings. So all of these come at a higher yield because typically the customer pays an extra fee for the incremental service that they're asking for.

Now, in terms of what's left out of these services, now the first thing, Tom, I'd say for each one of those, once you launch them, you train your sales force on how to sell them and then you build the pipeline for these opportunities. And that pipeline grows over time. So, that's going to be the gift that keeps on giving here over the quarters and years to come. With grocery specifically, we're now building the pipeline. We're going to start converting a number of these accounts here in the back half of the year and going into 2026.

Other services include, for example, expedite service is something we don't offer today, although we have one of the fastest networks in the industry in terms of transit times, but offering that incremental expedited service for the customer is something we're contemplating. Things like security dividers in our trailers are things we're contemplating. But we're looking – there is another, call it, three, four or so incremental premium services we're looking at here for the next year or two.

Thomas Wadewitz

Analyst, UBS Securities LLC

Q

So if you think about it kind of how far through those you are and the impact, are you halfway through, 30% through? Just in terms of the actual volume or revenue contribution from the broader book of new services, just where are you at broadly on that?

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

A

So we're early innings. I mean, I'd say we're the third of the way of where we want to be by, call it, 2027, 2028. We are – if you – it goes back to the incremental revenue we get from accessorial services. As I mentioned earlier, Tom, we do – when we started our plan, we were 9% to 10% of our revenue was driven by accessories, and now we're up a couple of points from that number. And we still have a runway here for the next three years to get to, call it, 15% as a percent of revenue.

Operator: Thank you. Our next question comes from the line of Brian Ossenbeck with JPMorgan. Please proceed with your question.

Brian P. Ossenbeck

Analyst, JPMorgan Securities LLC

Q

Hey. Good morning. Thanks for taking the question. First, just a quick follow-up on Ari's question about FedEx. Is there – we saw the announcement earlier about the NMFC delay in terms of them pushing it out to December, where I think everybody else has gone forward with that new structure. So I wanted to hear if that was an opportunity or it basically sounds like a challenge for them. So how does that affect XPO?

And then maybe just some broader comments on cash flow and capital deployment. Kyle, maybe you can give us a little bit of sense in terms of where you think CapEx is going to head into 2026 and beyond. What are the sort of leverage targets we should think about in terms of deleveraging? And ultimately, what sort of buyback deployment should we be thinking about here?

Kyle Wismans

Chief Financial Officer, XPO, Inc.

A

Sure, Brian. So let's start with the NMFC changes. So NMFTA implemented changes on how freight is classified. And if you think about it, really the main change was subcategories of existing classification of products and now class can be determined by density of that product. So we don't really think it's going to materially impact any way pricing is done. I mean, for us, we're really thinking about how to proactively communicate with our customers to make sure they understand how their freight is properly classified and rated.

I think to your question, different carriers implement it differently. It's tough to tell why they made a delay. For us, we dimension over 90% of our freight. So we collect the info needed to really drive this a multitude of ways. And we want to make we want to make sure our customers understand the impacts. But I think thus far from the implementation on July 19, we really haven't seen any changes.

And then if you move into free cash flow and how we think about capital, I think one comment to make is that you're asking about leverage and some of the buyback piece. I think what's important too, if you step back and think about our overall ability to generate cash, when you think about the business moving forward, we think a couple of dynamics are going to take place. So, one, we think CapEx is going to moderate. So if you think about last year, we spent almost 15% of revenue on CapEx in the LTL space. That's going to come down a couple of points this year. We talked about no longer having the level of need in terms of bringing those facilities offline. That will mitigate. Same thing with the fleet. We're sub-7% from an outsourced linehaul miles. That will help us reduce that CapEx need. And then in addition to that, we're going to see less cash taxes in the back half of this year and next year. And then we're going to continue to grow EBITDA. So, from a cash flow standpoint, we think we're going to be able to generate a lot of cash both this year and then into next year.

Now when you think about capital allocation, how do we prioritize that? I think first and foremost, we want to fund CapEx needed by the business, and we'll continue to do that. And I think second to that, as you ask about leverage, we're still going to drive towards our long-term leverage targets of 1 to 2 times. And in fact, this month, we paid down \$50 million of our Term Loan B to start that process.

Now, as cash continues to build, we'll have more excess cash. That's going to give us more flexibility to redeploy that. And we'll look at accelerating that share buyback both in the back half of this year and into next year. I mean, what we're going to do is really what drives the highest return of capital for our shareholders.

Brian P. Ossenbeck

Analyst, JPMorgan Securities LLC

Q

And then, Kyle, just the impact from bonus depreciation this year and into next year.

Kyle Wismans

Chief Financial Officer, XPO, Inc.

A

Yeah. So when it comes to the tax legislation that passed, I think from our standpoint, there's going to be a few impacts on that side. So obviously, the 100% bonus depreciation will be a help for us in the back half of this year and into next year in terms of the cash tax. But I think there's a couple other pieces there, Brian, that's going to help us as well, both the interest expense deduction as well as the deduction for R&D investment. So I'd expect a material impact from a cash standpoint in the back half of this year and next year on cash taxes.

Operator: Thank you. Our next question comes from the line of Bascome Majors with Susquehanna International Group. Please proceed with your question.

Bascome Majors

Analyst, Susquehanna Financial Group LLLP

Q

Thanks for taking my question. Just a follow-up on that earlier question. Can you talk philosophically about how you're thinking about the buyback? You're only \$10 million in, but I'd be curious, is this more opportunistic? Is it excess cash? How value-sensitive are you? Just some of the thoughts about how we can potentially size that up as a driver of your growth going forward? Thank you.

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

A

You got it, Bascome. As Kyle just said, when you think of capital allocation, one of our biggest goal is to create shareholder value. And that comes – and if you look at the back half of this year, we're going to generate a

meaningful amount of free cash flow. And going into next year, with capital stepping down, earnings growing, we do a better tax profile as well. We do expect also a meaningful cash increase as we head into next year.

After we fund the business, philosophically the way we think about it is that we're going to be both paying down debt and buying back shares, and that's going to compound over time. And the ratio will depend on what we're seeing from a overall value perspective of the stock and valuation and kind of how we are accelerating also our takeout of the debt stack as well.

But that's going to be – it's an underappreciated part of our shareholder value creation over the years to come. Since again, when you think about it, with that free cash flow growing over time, both the debt pay down and the buybacks will compound that will enable us to have another lever of value creation and earnings growth.

Bascome Majors

Analyst, Susquehanna Financial Group LLLP

Q

If we look at the restructuring and transaction costs added together here, the add-backs were \$100 million a couple of years ago, down to \$80 million last year. They're run rating at maybe \$50 million or so in the first half of this year. That's encouraging to see. Do you think that the earnings quality will continue to improve going forward? And what's the cash flow impact of that? Thank you.

Kyle Wismans

Chief Financial Officer, XPO, Inc.

A

So, Bascome, if you look at those lines, I mean, I think we were significantly lower in the second quarter. And most of these expenses relate to restructuring, and this is some of the cost takeout we've mentioned earlier. This was focused really on that salaried and some of the functional support teams. So that's going to help us contribute to really earnings growth moving forward, certainly will help us from an OR outperformance in the back half of this year. And again, as Mario said, because this is structural, this will not only help us in the back half of this year, but also into next year.

Operator: Thank you. Our next question comes from the line of Jason Seidl with TD Cowen. Please proceed with your question.

Jason H. Seidl

Analyst, TD Cowen

Q

Thank you, operator. Mario and team, good morning. Congrats on the good quarter. I wanted to go back to the [indiscernible] (00:49:57) side. I mean, you guys have done a really great job of insourcing linehaul. It seems you're well on your way to your sort of 2% goal for 2027. Between now and then, can you put a dollar amount on getting to that 2%, sort of what it'd mean for the bottom line and cost? And then also you referenced utilizing AI and had some early successes there. So how should we think about the opportunity to save costs with AI over the next, say, three years?

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

A

Yeah. So, first, starting with the third-party linehaul insourcing, so keep in mind that today, whenever we insource third-party linehaul miles, we are insourcing that to our own equipment and our own drivers. And even in the depressed truckload rate environment, we save roughly around 5% per mile on a cost-saving perspective using our own equipment. And this is just a mile-for-mile comparison.

Now, on top of that, we are getting a higher load average and higher efficiency running our own equipment because usually in LTL we run two pups to move the freight or two short trailers, 28 feet trailers to move the freight, while third party – and which is 56 feet worth of space, while we usually get only 53 feet worth of space with a third-party carrier. So you're getting this incremental, call it, 6% more space, which also adds more density and higher efficiency as well.

We also get the service benefit. Whenever – our drivers here, you look at last quarter, were on time maybe at 100%. When you look at third-party carriers, they typically operate in that 90% to 95% on time. And we also get in our equipment, safe stack bars to separate the freight. We can secure the freight more effectively, which leads to a better service product. So you have a cost benefit in the near term that is about 5% per mile straight up and then higher efficiency, which adds on top of that.

Now, if you think about it though, Jason, in the up-cycle, when truckload rates are up 20%, our internal miles won't go up 20% in cost. So from that perspective, we isolate our P&L from a big headwind if we were still at 25% outsourced miles in the network.

Now when you look at overall, the implementation of tech and AI, we couldn't be more excited about it. If you take a step back, I mean, I mentioned earlier on, we launched new AI capabilities in our linehaul environment here in the second quarter. We reduced on a normalized basis by the end of the quarter our linehaul miles by low- to mid-single digit. I mentioned earlier on the meaningful outperformance we expect in the third quarter in terms of OR and margin improvement and a meaningful improvement on a year-on-year basis. A portion of that is driven by these capabilities we have launched, because when your biggest cost category is going down in low- to mid-single digit, that obviously is going to help you improve your margins over time.

And then we're also applying AI. We're currently in pilot in the pickup and delivery applications where we have seen we're piloted currently in four terminals, and we have seen a very good improvement in stops per hour in every P&D KPI as well. So it'll take us a bit of time to roll it out across the network, but we see that as being a meaningful lever there for improvement.

And then finally, on the dock side, we've improved our dock – our demand forecasting algorithms and how – so the systems, and you've seen them, Jason, what it tells you how many – how much people you need for next month, for 60 days, for 90 days, with real-time productivity monitoring. And this is enabling us to also improve productivity even in the trough of the cycle. So we see that as being a big lever for us over the years to come. And again, we're improving productivity in the trough of the market. Let me tell you, when the demand environment starts improving, productivity is going to go through the roof.

Jason H. Seidl

Analyst, TD Cowen

Q

No, that makes a lot of sense. But there's no way to put a dollar amount on that for, let's say, over the next three years?

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

A

In the near term, we are expecting in that low-single digit of productivity improvements per year, but this is against a declining volume environment. We haven't yet put targets for it. But when you take a step back and again you look in a up-cycle like post Yellow, we have been seeing mid-single-digit productivity improvements. So we're not putting targets about it yet, but you can see what that would look like over the years to come.

Operator: Thank you. Our next question comes from the line of Daniel Imbro with Stephens, Inc. Please proceed with your question.

Daniel Imbro

Analyst, Stephens, Inc.

Q

Yeah. Good morning. Thanks for squeezing us in here. Kyle or Ali, maybe one on the pricing side. You mentioned you expect yield to step up sequentially in the back half. When we think about maybe the driver of that, can you quantify how much of that an acceleration to maybe core pricing you're seeing? Is it higher accessorial attachment? Is it just easier comparison?

And then expanding on the easier comparison, I guess, helping to frame up the second half. Should we still expect the two-year stacked increase to decelerate to the back half of the year just as we think about what happens with comparisons in the back half on yields? Thanks.

Kyle Wismans

Chief Financial Officer, XPO, Inc.

A

So, Daniel, when you think about core pricing, I think about our contract renewals, and renewals have been very strong. The second quarter was in a similar range to what we've seen in the last several quarters. That gives a lot of confidence in our ability to deliver strong above-market renewals moving forward. And we'd expect Q3 renewals to be stronger than we saw in Q2.

Now, when you think about a lot of the initiatives that are helping us drive it, and as I said before, we would expect on a year-over-year basis, our Q3 yield ex fuel to be at or above levels in Q2. A lot of the efforts are going to continue to compound and help us drive up yield in the back part of the year. Mario talked about the accessorial moves. So, again, the goal on accessorial is to get to 15% of revenue. We're now in the low double-digit range. So that'll continue to improve and that'll help us in the back half of the year. You think about growing our local channels, so again, local channels, we want to get to 30%. That's still right now in the low- to mid-20s, and we're going to continue to move that up. And I think that coupled with strong renewals is really our confidence to move forward.

And then I think when you think about renewals and all those efforts, the important point is not just getting a high renewal or yield, but it's seeing the flow through. And you think in the second quarter, really strong proof points. Our yield is up 6.1% year-on-year. Rev per ship is up 5.6%. And seeing those flow through is a good indication that when we're having it with customers, we're retaining that freight within the network. So those renewals are really flowing through. So we feel very good about the back half of the year, continue to improve sequentially. And then I said the Q3 number is going to be up on a year-over-year basis higher than the Q2 number.

Operator: Thank you. Our next question comes from the line of Ravi Shanker with Morgan Stanley. Please proceed with your question.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thanks. Morning, guys. Just a couple here. Mario, I think you said in your prepared remarks that you see measurable gains from AI. Can you potentially quantify what those returns are? And also, this may be a stupid question, but how transferable are your initiatives in both tech and ops between the US and the European operation?

[indiscernible] (00:56:47)

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

A

Yeah. So when you look at the AI initiatives, as I just mentioned to Jason, so what we are seeing in the near term, so with the new AI capabilities we launched in linehaul, we saw a reduction in normalized linehaul miles in the low- to mid-single-digit range. So for the same amount of volume, we're driving low- to mid-single digit less miles to move that freight. We saw a double-digit reduction in empty miles, and we saw a 80% reduction in diversions, which helps service. So it's been a tremendous impact here in the second quarter just for the linehaul capabilities we launched.

In terms of the capabilities in terms of labor efficiency, whether it's in P&D or dock, we're currently setting, again, muted expectations of improving low-single-digit productivity in the trough of the cycle. And as you know, Ravi, in an LTL network, when your tonnage is down, it's much harder to improve productivity, but we're improving productivity even against that backdrop. And we expect that to accelerate in the context of an up-cycle. And that will be driven by those AI initiatives both on the pickup and delivery side where we are improving, for example, how we do route optimization. Today in our business, we know where all the deliveries are at any point in time because you're getting them into through your network, but your pickups come through the day. So the AI can predict where these pickups will come from and be able to optimize the routes more effectively as an example.

Other examples are in how we organize our docks. So today, our supervisors have to manually adjust their dock door plan. Technology helps them to do it, but they still have to manually do it. And in a future version, it's going to be all AI-driven. So as a supervisor, you hit one button for AI to give you the right answers, and that would minimize the amount of travel you have on your dock, improving dock efficiency as well. So these are examples of things that we are launching. And again, when you compound these towards the future, we're seeing very meaningful impact here in the near term and we expect more upside in the future.

In terms of how these things are transferable to Europe, some of it is transferable. So if you think about the cost side, if you think about route optimization, these are fairly transferable. If you think about labor productivity, that's fairly transferable. Now when you look at areas like linehaul, not very transferable because the LTL networks in Europe are smaller in size naturally, so you have less linehaul optimization that you need to do in the environment.

Similarly, on pricing, typically there – the pricing environment prices the freight by pallet as opposed to the way we do it here in the US by class and by weight breaks, which is different than how we do it in Europe. So some of these capabilities then would not be transferable over to Europe.

Operator: Thank you. Our final question this morning comes from the line of Scott Schneeberger with Openheimer & Company. Please proceed with your question.

Daniel Hultberg

Analyst, Oppenheimer & Co., Inc.

Q

Hi. Good morning. This is Daniel on for Scott. Thanks for taking our question. I just want to ask on maintenance cost per mile. I mean, the fleet age come down nicely. Is there a meaningful opportunity to reduce maintenance costs going forward? Thank you.

Ali Faghri

Chief Strategy Officer, XPO, Inc.

A

Sure, Daniel. This is Ali. So you're right, we've made a lot of progress as we've been investing in our fleet over the last several years in terms of driving down the average age of our fleet. And here in the second [indiscernible] (00:59:59) it was sub-four years old. And so we have one of the youngest fleets in the LTL industry. And that's driving a reduction in our maintenance cost per mile, which were down in that low- to mid-single digit range here in the second quarter. And as we move forward, we would expect to continue to drive our maintenance cost per mile lower into the second half of the year and into 2026.

Daniel Hultberg

Analyst, Oppenheimer & Co., Inc.

Q

Got it. Thank you.

Operator: Thank you. Ladies and gentlemen, that concludes our time allowed for questions. I'll turn the floor back to Mr. Harik for any final comments.

Mario A. Harik

Chief Executive Officer & Director, XPO, Inc.

Thank you, Melissa, and thanks everyone for joining us today. As you saw from our results, despite a soft environment, we're executing on the levers we can control and expanding margins even in the trough of the cycle. We're excited about the freight market recovery as we expect to accelerate our operating margin improvement. We look forward to updating you next quarter. Operator, you can now end the call. Thank you.

Operator: Thank you. This concludes today's conference call. You may disconnect your lines at this time. Thank you for your participation.

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