XPO Investor Day Transcript
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Presenters in order of speaking:

Mario Harik (MH), Chief Executive Officer Elect
Matt Fassler (MF), Chief Strategy Officer
Tony Graham (TG), President, West Division
Marissa Christensen (MC), Vice President, National Sales
Martin Ryan (MR), Senior Director, Pricing
Jay Silberkleit (JS), Chief Information Officer Elect

The following transcript has been edited for clarity and should be read in conjunction with the accompanying slide presentation, which contains, among other information, additional details and source data for certain information referenced in the transcript.

Slide 4

MH: Hello, everybody! Welcome to XPO’s Investor Day. I'm Mario Harik, XPO’s incoming CEO.

I’m here with members of our senior management team – Matt Fassler, our chief strategy officer. Jay Silberkleit, soon to be our chief information officer. Tony Graham, president of our West Division. Marissa Christensen, our vice president of national sales, and Martin Ryan, our senior director of pricing.

For the past year, I’ve been leading XPO’s less-than-truckload business, which will soon become our company’s sole business in North America.

Slide 5

MH: That will happen on November 1st, when we spin off our tech-enabled brokered transportation platform as a separate public company called RXO. We announced the spin-off plan in March, along with two divestitures – intermodal, which we sold in March, and our European business, which we plan to divest.

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MH: This is a snapshot of the two public companies after the planned separation. Both will move forward as leaders in growing industries, with concrete competitive advantages. Our presentation today focuses just on North American LTL.

We believe the spin-off is the key to accelerating shareholder value creation — and we think that the aggregate share price of XPO and RXO should move well beyond XPO's current stock price.

Slide 7

MH: I'll start our presentation today with our compelling investment highlights, and our long-term financial targets. We're sharing three targets, and we'll walk you through the tailwinds propelling our business, including favorable industry dynamics, our competitive advantages, our growth plan and financial profile.

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MH: There are five themes that underpin our discussion. Each represents a compelling reason to invest in XPO.

First, we operate in a growing industry that's a bedrock of the economy. LTL transportation is essential to moving everything from industrial parts to e-commerce goods. Structurally, it's a stable playing field, both in terms of pricing discipline and the competitive landscape.

Second, we're one of only a handful of players at the top of the industry with critical, nationwide network coverage. There are very few providers with a coast-to-coast network, and part of our narrative has to do with why that matters to customers — particularly when it comes to growing that capacity with in-house resources unique to XPO.

Third is our proprietary technology, which is the kingpin of our strategy. We got immediate traction from the data-driven applications we rolled out in 2021 and early 2022, and today, we'll show you how these innovations propel our growth plan.

Fourth, we're a business with high return on invested capital and a well-defined strategy for growth. We allocate capital where it can drive the strongest long-term returns.

And, I'll give you a little history on that. When we bought the business in October 2015, we initially focused on capital efficiency and margin expansion, during the phase we call LTL 1.0.

As a result, we improved our adjusted operating ratio by 1,290 basis points through Q2 of 2022, and we expect our adjusted EBITDA this year to be nearly triple what the business delivered in 2015. We've also generated over $3 billion of net cash in LTL. In the back half of 2021, we began executing LTL 2.0, which adds the goal of top-line growth.

And the fifth reason to own XPO is our leadership team. We reported an adjusted operating ratio last year that was one of the best in the industry, in part because we have a deep bench of talent in place. The team has been delivering remarkable results.

That's the backdrop to the long-term targets we're sharing with you today. And I want to emphasize up front that we believe it's very achievable, given our ability to lever margin as we grow.

All three targets are for 2027, from a baseline of 2021, our most recent full-year results.

First, we intend to deliver a revenue CAGR of 6% to 8% for the period as a whole. This is based in part, on our belief that we can grow volume at a faster rate than the growth of US industrial production. This is a meaningful benchmark, because the industrial sector accounts for two-thirds of our revenue.

Second, we expect our CAGR for adjusted EBITDA to be 11% to 13%. Again, this is for the period as a whole.

And our third target is for an adjusted operating ratio improvement of at least 600 basis points in 2027, from 2021.

The bridge to these goals includes gross capex at 8% to 12% of revenue, on average, over the next several years.

This is where we're taking XPO as a standalone LTL provider in North America: on a firm trajectory of growth, profitability and operational efficiency**.**

Slide 9

MH: Here you see the three pillars of our growth plan for LTL 2.0, with a summary of the priorities in each area.

One pillar is market share. We'll gain share by providing best-in-class service to expand our customer relationships. We're also expanding our sales organization, with an emphasis on penetrating target verticals. And, importantly, we're making significant investments in capacity to accommodate more demand.

Our second pillar is pricing optimization, which is levered by our proprietary technology. We have compelling opportunities to increase our win rate with contractual accounts, both with new customers and renewals.

We also have dynamic pricing tools unique to XPO, that capture freight opportunities in real-time. And we've developed a proprietary cost modeling capability that lets us enhance our margins, while taking into account the customer's willingness to pay.

And pillar number three is optimizing our operating costs with our proprietary technology. We have large opportunities to reduce our costs in linehaul, pick-up and delivery and dock operations.

These are all drivers embedded in the business, and as we go through the presentation, we'll give you more information about each area.

Slide 10

MH: This is the bridge to our target for adjusted EBITDA, with a CAGR of 11% to 13%. We expect the largest contribution to come from a combination of volume gains plus pricing over inflation. That accounts for 6 to 7 points of target.

Cost optimization is a function of our technology, with a contribution of 3 to 4 points. And we estimate another 2 points will come from linehaul. And again, there's more to come about each of these drivers.

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MH: As we execute our plan, we have the benefit of one of the industry's largest LTL platforms already in place. Scale matters in this business, and what you see in these numbers is a solid springboard for growth.

We move about 13 million shipments through our network per year, to serve 25,000 customers. That's 18 billion pounds of freight, and over 630 million miles of linehaul runs.

We accomplish this with a team of 22,000 employees, including 13,000 drivers, operating out of 294 terminals. For the 12 months ended June 30th, we used this scale to generate $4.4 billion of revenue, which represents an 8% market share.

Our adjusted operating ratio was 84%. And we generated a standalone LTL return on invested capital of 36%.

Our track record of running LTL as a high-ROIC, cash-generative business says a lot about the model we engineered since the Con-way acquisition. That was in 2015, and very soon, the spin-off will create a watershed moment in the investment thesis for XPO.

We wanted to share our vision up front, so that, when we talk about the plan we're executing, you can appreciate the connection between the initiatives we have underway and our ability to deliver outsized value for our shareholders. All the pieces are in place — our strategy, our financial and operational strengths, our people, and our technology.

We're on a decisive path to deliver world-class results as the industry's leading innovator of LTL operations.

I'll now turn it over to Matt to discuss why we're excited about the industry.

Slides 12-13

MF: Thanks, Mario, and welcome everyone! I'll start with an overview of what makes the LTL industry attractive to investors. Less-than-truckload is a $51 billion industry that provides a critical service to the economy. It's also a consolidated industry, with the top 10 players holding 76% share. We are the fourth largest carrier by revenue.

LTL is a straightforward business on the surface, but it's actually quite complicated to execute well. LTL carriers move goods that are too large for a parcel network, in quantities that are too small for a full truckload. Typically, the goods are on pallets.

When a customer requests a pick-up, that's done by one of our drivers and trucks operating out of a local terminal. We bring the shipment to our freight assembly center, where it's consolidated into a trailer. From there, it travels through our network, typically stopping at multiple hubs on the way to its destination. All the parts need to run like clockwork, and as you'll hear today, it takes world-class tech to do it well.

While LTL freight in any given trailer can represent a variety of customers, verticals, goods, and origins and destinations, every shipment in that trailer has one thing in common. That particular trailer, on that particular route, is the most efficient way to move the shipment on the next leg of its journey.

Slide 14

MF: Another characteristic of LTL is that it's very difficult to enter the industry. In fact, no new entrants of any real scale have come into the LTL industry in many years. It's not feasible to build a national LTL network over time. You have to make large, upfront investments in real estate, tractors, trailers and corporate infrastructure, and hire thousands of drivers and dockworkers.

And, once you have the physical structure, you need a highly engineered operating model to manage the freight as it flows through the network. On top of that, you need enough shipment volume to realize economies of scale, and it takes time to build up that density.

Another significant use of capital is technology. Literally billions of data points are in play when freight moves through a national LTL network. We focus our technology on optimizing four parts of the shipment lifecycle: pricing, local pickup and delivery, linehaul, and dock operations.

As you'll hear today, XPO is transforming LTL into a data-driven business. We have a proprietary ecosystem in place, and an ambitious development agenda underway. It would be extremely difficult for a new entrant to compete with that.

Finally, a new entrant has to perform at a high level of service out of the gate. Customers view their choice of an LTL partner as being mission-critical to their success. They're willing to pay for strong performance.

The most successful operators in LTL are the incumbents, like us, who have made significant capital investments in each of the areas I mentioned. The seven largest public players, including XPO, have invested around $15 billion of capital over the past decade alone.

Slide 15

MF: Here's where we fit into the picture. We've been a staple of the LTL industry for 35 years. We were ranked fourth of the top 10 providers by revenue in 2021. And what's notable about this chart is that nine of the top 10 were also at the top a decade ago! Again, there hasn't been any LTL entrant of any real size in North America in years — it's been a stable competitive landscape for a long time.

Slide 16

MF: Looking at the terminal count of six of the largest public carriers, including XPO, you can see that the aggregate terminal count has actually come down by 3% over the last decade — from 1,733 terminals in 2012, to a forecast for 1,679 terminals this year. And that's in an economy that grew 22% over the same period.

Some LTL providers have opened new doors or closed terminals over time, but on balance, it's kept capacity at a premium. That's unlikely to change, and it creates a persistent demand for LTL service. This creates opportunities for well-capitalized incumbents like XPO.

Slide 17

MF: So, to recap, we have a structurally attractive industry, with a stable competitive backdrop, where supply is lagging behind demand. And that has a beneficial impact on price.

Over the last six years, average annual industry yield, excluding fuel, improved year-over-year by about 5%. Again, this is for six of the largest public carriers. The average rate of core inflation over the same period was 2.2%, so yield ex-fuel improved at more than twice the rate of core inflation.

If you look at averages over the past four years, it's been even more dramatic — yield improved by 6% annually, while core inflation grew by 2.4%, and we're continuing to see yield outperform core inflation in 2022.

This underscores the favorable pricing environment in our industry. You can also see the industry's strong recovery coming out of Covid, which speaks to the resilience of the pricing dynamics.

Slide 18

MF: These are the four secular tailwinds driving the growing demand for LTL.

The first tailwind is in the industrial sector. Nearshoring is a favorable trend for LTL — and especially for XPO, where industrial drives 65% of our revenue.

There's a favorable evolution in consumer behavior as well. Consumers today expect a huge array of goods to be available immediately on demand. Many e-commerce and brick-and-mortar retailers are re-engineering their supply chains to cut lead times on orders. This is shifting some truckload freight to less-than-truckload, because smaller shipments of goods need to be moved more frequently.

Shippers also need to move goods closer to the points of distribution. And, that trend has continued upstream, with some manufacturers creating new channels to sell direct to consumers.

The fourth tailwind is customer demand for visibility and productivity. Shippers want a line of sight to their freight in real time. Visibility and productivity have been hallmarks of every line of business we've operated at XPO, supported by our investments in technology.

That covers the industry. Now, Mario will expand on our competitive advantages, and their role in our value proposition.

Slides 19-20

MH: Thanks, Matt. XPO goes to market with a competitive offering in three areas that matter most to customers: capacity, technology and service.

A cornerstone of our strategy is to leverage advantages specific to XPO, to differentiate our offering in the customer's eyes. For example, not only do we have expansive capacity; we also have in-house levers to grow that capacity. We have proprietary systems designed by best-in-class software engineers. And, we have a culture that equates accountability with customer satisfaction.

The growth plan we'll share with you today leverages these competitive advantages, with the explicit goals of gaining market share and growing our profit.

Slide 21

MH: This map illustrates the 294 terminals we already have in place. It's one of the industry's largest networks, and it gives us coverage of 99% of all US zip codes.

You can see from the heat map that we position our terminals to serve demand from large population centers. We also have cross-border service to Canada, Mexico and the Caribbean.

So, we don't need to add terminals to scale up, but in some cases it makes sense to expand our footprint in order to capture share. We're being very strategic about adding doors where our analysis shows that demand is growing, or where a market is a gateway to other areas of demand. We're confident that we'll capture a high return on these investments.

Slide 22

MH: Our network is anchored by integrated hub-and-spoke operations across North America. Each hub is a freight assembly center that connects spokes of terminals. Here you see an illustration of the transit times radiating from one of our largest hub-and-spokes in the Chicago area. From this freight assembly center, shipments take anywhere from one to five days to reach their destinations.

When we talk about LTL capacity being a balancing act, it's this hub-and-spoke model, replicated 58 times from coast to coast, that does most of the heavy lifting.

It’s a finely engineered footprint, and now we’ll be able to get even more productivity out of the network through our precise deployment of capital. In the second quarter, we achieved our highest level of network fluidity in over two years.

Slide 23

MH: Two important advantages we have relative to our competition are our in-house trailer manufacturing and our driver training schools. These are part of the market share pillar of our growth strategy. In both cases, they make us uniquely self-reliant in key aspects of the business.

We manufacture our own linehaul trailers at our facility in Arkansas. This is a great edge to have when the industry is struggling to fill orders with the OEMs. We added a second trailer production line in January, and we’re on track to meet our target output of 4,700 trailers this year. This will expand our in-house linehaul trailer capacity by over 10% to an all-time high.

And it’s not just about equipment — it’s also about service. We can adjust trailer specifications to suit a customer’s needs, or ramp up production when we onboard a major account. It’s completely within our control.

Our driver training schools give us a similar in-house advantage. We offer training with professional instructors at 130 of our terminals, which we believe is the largest driver training footprint in the industry.

If someone wants to prepare for a career as a commercial driver, we make it very attractive for them to choose XPO. Our courses are tuition-free, and trainees can earn a wage while attending our schools.

Our driver training schools make us less reliant on outside recruitment during the driver shortage. We expect to train 1,700 drivers this year, with the majority of them going for their first Class-A commercial license. Also, the drivers we train tend to have a better safety record and notably better retention than outside hires.

Slide 24

MH: The second competitive advantage I mentioned up front is our proprietary technology. You'll hear a lot more about our technology today, but the key point here is that our technologists are experts at optimization.

We're working on making every major component of the LTL shipment lifecycle more cost-effective and time-efficient, with better utilization of assets. And we use feedback loops that help our developers zero in on making the greatest impact.

And, the last two points are where we see our largest opportunities in practical terms. First, we can lever our capacity by pricing more effectively. And second, we can enhance productivity across our operations, particularly with utilization of assets and other resources. You'll hear more on this later in the presentation.

Slide 25

MH: This is where our differentiation takes a giant step forward. We're not aware of any other carrier that's committed to transforming the LTL business model like we are at XPO.

And our development agenda is well underway. We're creating the first fully dynamic LTL network with real-time intelligence across the entire shipment lifecycle. Our goal is to touch everything with our technology.

The potential upside to our agenda is enormous in terms of enhancing customer service, driving time and cost efficiencies, and continuing to optimize yield.

Each item you see in the top row can be optimized individually — and in some cases, we've already done that. But a fully dynamic network will take each function to the next level. That's where we're headed, and we're the only LTL carrier executing on this plan.

Slide 26

MH: With every competitive advantage at XPO, the most important ingredient is our people.

Our team is passionate about becoming the world-class LTL provider. There's a 35-year history of pride in customer service that you can feel in the air when you walk through an XPO terminal or speak to one of our drivers. What I find most invigorating, is that right now we're at the point where we're taking decades of organizational strengths and pointing the team toward the future.

Our employee engagement at the end of September was the highest of any time since we bought the business in 2015.

And on the safety front, we have over 2,000 drivers who have driven at least one million accident-free miles. It takes an average of nine years of driving for an LTL driver to reach that milestone.

We just celebrated our first driver who reached four million accident-free miles in September. His name is David Frazier, and he's the talk of the industry. David says he's got another million miles in him for XPO!

We also believe that investing in people is the shortest route to delivering value to customers. 50% of our management trainees this year are diverse, which will help diversify our field operations. More and more, our company is reflecting the markets we serve.

Slide 27

MH: Here you see the same six attributes matched with levers for value creation. Not every job in LTL requires customer interaction, but our customers always see the outcomes of quality service.

On-time delivery and damage-free shipments don't happen in a vacuum. They come from our people and our technology, and the wealth of institutional knowledge inside our organization. Our people know what it means to have a “zero-fail” mentality and they take ownership of results.

Slide 28

MH: Our culture is also defined by a robust ESG framework, and an ESG Scorecard that covers six areas of focus. We developed the scorecard in 2020, in part to provide a means of evaluating leadership performance.

The ESG scores are part of our long-term incentive program for our executives. We have a full-force commitment to climate action, and we’ll continue to enhance our ESG scorecard to reflect the goals of our operations.

Slide 29

MH: It’s fitting that we use this slide on our leadership team as a transition to our growth strategy, because this is where the rubber meets the road. Most of you know me from our quarterly calls. And, Brad will be involved as executive chairman after the spin.

Jay Silberkleit has been a driving force behind XPO’s technology since 2012. He’ll become XPO’s chief information officer when I become CEO. And, Tim Staroba and Tony Graham, who lead our East and West divisions, have over 60 years of LTL industry experience between them.

This is a hands-on executive team that understands what it takes to deliver results in LTL — from the quality of our people, to the nuts and bolts of our operations.

When I began leading LTL a year ago, we set an ambitious agenda right off the bat, and immediately the organization rallied around our pivot toward growth. The energy of our team is off the charts, and a lot of that is because we have the right leaders in place.

Now, Tony will discuss our growth plan.

Slides 30-31

TG: Thanks, Mario. Our growth plan is straightforward — we're executing for both revenue growth and margin expansion. We'll achieve this through a combination of market share gains, pricing, and cost efficiency. You saw these same three pillars at the start of the presentation, when Mario discussed our long-term targets.

I'll give you more detail in each area, starting with market share. We have three primary levers to grow our share.

We're going to provide best-in-class service to gain wallet share with existing customers. This will also help us win new customers in verticals where we have a high profile of proven performance.

We will also deploy our salesforce to penetrate key verticals, with industrial being our core. The consumer verticals we serve now, like omnichannel retail, will continue to be an important component of our sales strategy.

And we're committed to adding capacity to capture more revenue. This has been a theme of our last four earnings calls, as we execute for growth. It involves adding new terminals and doors where we see the likelihood for sustained demand, as well as growing our fleet.

Pricing is the second area I mentioned. We're taking a data-driven approach to pricing optimization, starting with our proprietary new platform for determining the optimal contractual price. Another lever is dynamic pricing, where our algorithms adjust for network opportunities in real time.

Our pricing capabilities are underpinned by advanced cost modeling, which is another proprietary development of XPO. When our sales teams pursue business, our cost models ensure that we price that business correctly for the freight, the network, the volume and our cost to serve that customer.

The third area is cost efficiency. We're going to use our technology to drive productivity higher, which lowers our cost and builds operational excellence into our strategy.

We have a massive opportunity to optimize our $1.6 billion of annual linehaul spend, which is the largest cost component of running our network. We also have a $350 million opportunity with dock operations, and a $700 million opportunity in pick-up and delivery. All three areas of optimization offer the potential for significant margin gains.

We've included piece-level tracking as the last bullet under operational excellence. It's one of our newest innovations, and we want to illustrate the impact that our development efforts will continue to have. The way we do piece-level tracking is a big deal. It's giving us the ability to drive a meaningful reduction in claims and increase customer satisfaction.

Each of these levers will contribute to the growth of our network in sustainable ways, building density and scale that lead to higher returns. That allows us to charge our customers a competitive price.

But we also never lose sight of the fact that we must deliver a world-class customer experience. Customer satisfaction is critical. Getting our customers their freight in perfect condition, on time, with an accurate invoice, is the key to growing volume in the network.

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TG: Here you see the investment that's propelling our strategy this year — gross capex at 9% to 10% of revenue.

Historically, we've invested capital at 3% to 5% of LTL revenue per year, and maintained an average tractor age that's within our target of five to six years. This was during phase one of our LTL strategy, when we focused on capital efficiency and margin expansion, and didn't invest in new terminals or doors. We've also generated over $3 billion of net cash in LTL.

In 2021, we began accelerating our investments in growing capacity, while continuing to invest in technology. A number of the innovations we'll talk about today are a direct result of maintaining our focus on innovation throughout the changes in our operating environment.

This year, we've made headway with tractor purchases, and ramped up our trailer production. We've opened 345 net new doors in the past 12 months, which keeps us solidly on track for 900 net new doors by year-end 2023. These are concrete outcomes of our current growth strategy and capex plan.

Slide 33

TG: The Atlanta market is a good illustration of the benefits of investment in our network. We're being opportunistic about allocating capital to serve local demand and push more freight through gateways to growing markets.

Atlanta is a fast-growing metro area. For the past five years, it's ranked in the top 20% of MSAs by population growth. That would be attractive to any transportation company, and in LTL, Atlanta is also a key gateway for linehaul in and out of Florida, which is another hot market.

We've had an established footprint in the Atlanta metro for years. But, as demand for linehaul grew, about 90% of our doors in that market were being used by our freight assembly center, which gave us very little capacity for pick-ups and deliveries. This made Atlanta a target for expansion.

In April, we opened another terminal in Atlanta that added 99 doors. The site is ideal for our needs, and we opened quickly with minimal capex. The pro-forma internal rate of return for this expansion is over 50%.

Operationally, the new terminal is outperforming expectations. Our year-over-year tonnage growth was 38% in September.

The additional capacity has reduced local backlogs and improved network fluidity. Customers are happy, and the Atlanta teams have taken on more local business. They're also running more linehaul in and out of Florida.

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TG: Atlanta is just one example of how we apply our resources to drive performance, and it goes beyond our physical network. We also invest in our people. I want to share a few initiatives that are driving team engagement.

Gladiator is a new incentive program for our employees. If a quality target is exceeded at a site, the entire team is rewarded for that accomplishment.

Dockworkers are now recognized for individual achievements with patches to wear on their uniforms. There are five levels of dockworker achievement — and these patches have literally become badges of honor.

We also implemented a new trailer rating system. Every time an employee closes or opens a trailer door, they rate how it's loaded. These ratings are used at the terminal, shift and supervisor levels to highlight excellence, and identify improvement opportunities. We find that coaching is an effective way to reduce damages.

Our workflow management technology uses handheld devices to document every touch of a shipment. If a pallet appears damaged, we take a photograph, and we coach the person who last handled that pallet.

In the month of September, on a year-over-year basis, we drove a 79% improvement in damage frequency, and a 16-percentage-point improvement in on-time performance.

Our employees know the LTL business inside and out, and they take pride in doing their jobs well, especially when it comes to customer service. We will always be pushing to raise our game.

With that, I'll hand it over to Marissa Christensen, our vice president of national sales.

Slide 35

MC: Thanks, Tony. I'll cover our layered approach to business development, which, together with our sales strategy, is driving our commercial wins, and will drive above-market growth. I'll also share some case studies that illustrate the success we're seeing with blue-chip customers.

Our sales organization is designed to cater to the needs of different types of customers. There are four teams with targeted customer groups.

We define strategic accounts as the 200 largest LTL shippers in North America. These shippers are typically Fortune 1000 companies with highly structured RFPs. They have good visibility into market dynamics, and strict service standards. Strategic accounts represent about 30% of our business.

In the past, we've covered these customers with a strategic sales force that sold XPO's entire range of services. Then, around the time we spun off GXO, we set up a group of sales specialists focused on just LTL. From there, we took our sales strategy to the next level by rolling out our new pricing platform, which Martin will discuss a little later. We've achieved major wins with new strategic accounts that will onboard as top 10 customers in the coming months.

Another group with its own XPO sales force is our national accounts, representing 17% of our revenue. These companies are smaller than the Fortune 1000, but they're still very large shippers with high revenue potential.

A third sales team works with our 3PL customers, which account for about a quarter of our revenue mix. The majority of our 3PL customers are generated through direct customer agreements, while a smaller group are transactional through broker programs. These high-value 3PL relationships give us strong traction in a growing channel of demand.

The next layer is covered by local salespeople, operating out of our service centers, who serve customers representing over a quarter of our business. These local accounts are a very important part of our mix.

To support these teams, we've grown our sales organization by 7% over the last year and a half. Our new business wins are proof that this investment in our salesforce is paying off.

We've also made a change to our sales incentive programs to reflect our new phase of revenue growth. We've always paid our salespeople for growth, but we recently increased the portion of incentive comp associated with onboarding new logos. This incentive, together with the incremental wallet share from our existing customers, makes it clear that both sources of revenue are important to our strategy.

And finally, we've broadened the reach of the salesforce in light of the industrial trend toward nearshoring. We're in a strong competitive position to capture this demand, given our cross-border capabilities and our deep roots in manufacturing.

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MC: In total, we serve approximately 25,000 accounts. It's a diversified mix, with low concentration risk — no single customer represents more than 2% of our revenue. It's also a very loyal base. Our top 10 customers have been with us for an average of 16 years. We're proud to earn that loyalty.

Looking at the mix by sector, our revenue base is about two-thirds industrial. That's a good place to be. Manufacturers are eager to resume full production, whether that's through nearshoring or by getting their supply chains sorted out overseas.

Consumer and retail customers account for nearly 30% of our mix. That includes pure-play e-commerce and brick-and-mortar retail, omnichannel, and consumer packaged goods, which tend to be less cyclical.

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MC: The customers you see here represent a subset of our diversified, blue-chip base.

We have longstanding relationships with market leaders like these across many industries, including agricultural, construction, white goods, consumables, and many others. It's a healthy mix of long and short-cycle companies with complementary demand patterns, and in each case, we add value for their particular business model.

Now, I want to share four case studies that illustrate how we tailor our services.

Slide 38

MC: The first case is a distributor of industrial supplies that's been with our LTL business for almost four decades. They came on board just three years after they started the business in the family basement. Today, this $10 billion company is a $50 million customer for XPO.

Our LTL service is mission-critical to this customer. Our technology is deeply integrated with their systems. And they value our national footprint because we have enough network velocity to support their next-day and two-day delivery models.

They're a hands-on customer. They require weekly performance metrics, which are generated by a dedicated XPO support team, and they hold monthly reviews with our operations leaders at the top shipping sites. They like to visit our service centers, and we have annual summits, where the executives from both companies map out the coming year.

In short, there's a strong, mutual commitment to this relationship, with more growth ahead.

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MC: This is another industrial customer with distinct requirements. It's a Fortune 100 equipment manufacturer that will spend over $50 million with XPO this year.

Like many of our blue-chip customers, this manufacturer serves a nationwide market. They have a unique need for LTL coverage in remote areas. We can handle that, because we have one of the largest terminal footprints in the industry.

We also guarantee them additional equipment for their peak season, and we deploy a dedicated support team to manage shipment expectations. They rely on us to be proactive in managing shipments for their dealer network, especially as their needs flex up and down throughout the year.

We also integrated our technology with their enterprise systems to facilitate data sharing, scorecard metrics and invoicing.

This customer's revenue with XPO has nearly doubled over the last five years. And we're currently pursuing over $10 million of opportunities, on top of the current award.

Slide 40

MC: Now, I want to highlight a customer in the construction sector. In 2020, this was an $11 million account for XPO, and is now at more than double the run-rate in 2022.

The backdrop is that their growth plan is centered on rapid expansion throughout North America through M&A. Some of the acquisitions need cross-border service, which is an area where we add a lot of value.

The customer had been using multiple LTL carriers, and they wanted to consolidate to gain the efficiency of a single relationship. They were looking for a top national carrier that prioritized quality and customer service — and they chose XPO.

As key locations join their footprint, we provide strategic onboarding prior to the go-live date for each site.

Two years into this relationship, the customer's volume is outperforming plan, and we're targeting additional sites that could expand revenue by 50% by 2024.

Slide 41

MC: Finally, I want to highlight one of our many retail customers. This is another great growth story for us. We did $4 million of revenue with this customer in 2021, and this year the relationship is tracking at over $20 million.

This chain store retailer came to us because they wanted to replace their lead LTL incumbent with a solutions-focused national provider. Their new LTL partner had to have a strong commitment to technology, and a willingness to invest in capacity in high-growth markets.

On top of that, it was critical that their corporate and vendor distribution centers received timely responses to their inquiries.

We onboarded this account in 30 days — again, with a deep technology integration — and established an executive-level sponsorship for the relationship.

The collaboration between our two organizations has been outstanding and our team was proud to learn that this retailer declared its onboarding experience with XPO as “the best they had ever seen.” We have no doubt this is the start of a long and rewarding relationship.

That covers our sales strategy and customer base. Now, you’re going to hear from Martin Ryan, our senior director of pricing.

Slide 42

MR: Thanks, Marissa. I’ll pick up the growth plan at pricing, which is one of the most important levers for our business.

LTL is a capital-intensive business, and it requires continual pricing discipline to achieve a strong return on capital. As Matt mentioned, the industry has maintained favorable pricing fundamentals for many years.

This operating environment, combined with our industry-leading pricing technology, is driving our yield trajectory. I'm going to walk you through some of our recent pricing innovations, and the commercial benefit to our business.

There's a good reason why we're so intent on getting pricing right. The flow-through from one percentage point of yield growth is 100%. That's much higher than the flow-through from a percentage point of tonnage growth.

Using our pricing tools, we can forecast an accurate cost-to-serve, and determine the price elasticity based on the customer's willingness to pay. That's the key to unlocking profit dollars through either yield and revenue or volume — or my favorite, both. There's an optimal outcome for every account in every situation.

It all looks straightforward on the surface. We capture the data from our daily operations and turn it into valuable information using visualization tools and advanced analytics. But, there's a lot going on behind the scenes.

Slide 43

MR: Relative to other transportation services, there's significant complexity in LTL pricing. This complexity demands ongoing investments in technology to operate a network for high returns.

Try visualizing this: There are over 41,000 postal codes in the US. That's a matrix of 41,000 origin codes, and 41,000 destination codes, with over a billion combinations based just on geography. Then there's the freight classifications, shipment dimensions, the number of pieces, add-on services, and so on.

It's almost impossible to imagine LTL pricing being managed manually on anything but the most local level. Our national network is ripe for a fully dynamic operating model, and we're committed to that path.

Slide 44

MR: I want to walk through how our pricing platform supports our growth plan in practical terms. For one thing, it's increasing our win rate for new contracts and contract renewals.

When our pricing analysts get an RFP, the platform gives them visibility into all of the decision factors and data they need in one place. It's a holistic view of the customer relationship. This comes together in a fraction of the time it would take to retrieve the data from different sources. In essence, it manages the complexity inherent in industry pricing, and simplifies the decisions we need to make to arrive at optimal outcomes.

The flexibility and speed of the platform let our analysts model many different scenarios for the same customer. They can see what the financial results look like under different cost and revenue assumptions, and arrive at the best pricing parameters for the customer and our network.

This is delivering substantial benefits in three areas. First, our analysts are able to present pricing that increases our chance of winning the business we want, particularly with complex contracts. Second, they're arriving at the optimal pricing much more quickly. And third, when a customer's RFP comes around again, our analysts can access all the work they've done, because we archive all those customer scenarios for future reference.

Our platform also creates opportunities that didn't exist before, by aggregating outside data. With the permission of our customers, we now receive data from almost all of the large accounts we do business with. We work with that data anonymously, with all of the identifiers removed, to generate proprietary insights that our customers use to optimize their own operations. This is a real value-add for them.

From a sales perspective, our pricing platform makes it easy to see where the network has available capacity, and also, which customers are best suited to use that capacity. We can align our pricing to pursue that volume.

The data that underlies each pricing proposal is matched back to our wins and losses, creating a feedback loop. The machine learning models used by our pricing team are getting smarter every day by consuming more and more data.

Earlier, we mentioned Atlanta, where we opened 99 more doors in April, to expand our footprint. That new terminal is outperforming expectations, in part because we were able to mine the data and see which customers shipped to or from the zip codes where we've added capacity. This allowed us to immediately onboard accounts through our sales outreach efforts. Data mining will be a strong customer service lever for us across our network going forward.

Slide 45

MR: Our technology is also changing how we price for small to medium-sized customers. Capacity is transitory — it exists for a moment in time. With dynamic pricing, we can be opportunistic about selling that capacity at the right price.

Dynamic pricing also enables us to onboard smaller customers digitally. Our local salespeople and inside sales team can activate these customers without an RFP, so they can start shipping with us right away.

For smaller customers that ship, say, once a week, low-touch is the way to go. It's much more convenient for a customer to have access to our dynamic pricing platform. Local margins are already attractive, and automation lowers our cost-to-serve. We have many thousands of customers using our self-service, dynamic pricing tools.

At the start of the presentation, Mario showed you a bridge to our forecast of 11% to 13% adjusted EBITDA CAGR for 2021 through 2027. Our contractual pricing platform and our dynamic pricing both feature strongly in that growth. We expect that our ability to price over inflation, combined with volume gains, will drive 6 to 7 points of that CAGR.

Slide 46

MR: Our proprietary costing software underpins both our contractual and dynamic pricing capabilities. It reveals the exact cost drivers for each customer account under a range of different operating scenarios.

Cost modeling shows us the operating ratio by customer and lane. Because we can see the impact of changes in assumptions, we have a much sharper understanding of the relationship between incremental volume and lower cost per shipment. We can bid more aggressively to win more frequently, while maintaining a favorable operating ratio.

A few months ago, an analyst joined our pricing team from a large LTL competitor. He was amazed that XPO can pinpoint an operating ratio on a specific lane, for a specific customer, with a couple of clicks. It would have taken a full day or more to get that same visibility at his prior job.

So, as you can see, we have our arms around the complex operating environment in LTL, and we continue to invest in technology that best serves our customers, while driving strong returns.

With that, I'll hand the discussion over to Jay Silberkleit, our incoming CIO.

Slide 47

JS: Thanks, Martin. I'll start with the way Tony framed our growth plan earlier in the presentation — XPO is executing for both revenue growth and margin expansion, through a combination of market share gains and pricing.

One of the responsibilities of our technology organization is to make sure the company operates as efficiently as possible while achieving these goals. Efficiency has been the mantra from day one at XPO. It defines how we think about innovation.

Operationally, we use technology to drive efficiency in linehaul, pick-up and delivery, and dock work. The fourth box, piece-level tracking, enhances efficiency in all three of these areas.

Linehaul is one of our biggest opportunities. For every percentage point of improvement in linehaul efficiency, we save $16 million. We also save $5 million with every 1% of total linehaul miles we insource from third-party providers. For every percentage point of improvement in pick-up and delivery, we save $7 million. And for every percentage point of improvement in dock productivity, we save $3 million.

Earlier we noted that about 2 points of the 11% to 13% adjusted EBITDA CAGR we forecast from 2021 to 2027 will come from linehaul, and another 3 to 4 points will come from cost optimization, through the application of our technology. These two drivers, together with the 6 to 7 points contribution from pricing over inflation plus volume, are the bridge to our adjusted EBITDA CAGR of 11% to 13%.

Linehaul is the backbone of our network, and we have the density required to run it efficiently and realize a cost advantage.

Freight enters our linehaul network through our freight assembly centers, where it’s consolidated into trailers. The goal is to put every shipment on the most efficient route possible, while still considering the requirements of every other shipment in the network.

We’re dealing with a massive set of permutations with every network decision we make, and we’re managing that well. This is how we build density when balancing the network.

Slide 48

JS: XPO's annual spend on linehaul is $1.6 billion, including fuel, so that really has our attention. Two areas of linehaul optimization that represent significant untapped opportunities for efficiency are reducing miles driven and reducing handling of freight.

All of this optimizes how we best flow freight through our network. We use machine learning to map out each week in advance, to make the freight flow as efficiently as possible. Then we use daily models to assess what kind of freight we're going to be picking up, where it's going, and how the trailers should be loaded.

A trailer that goes on a direct trip is a good thing. Direct trailers are typically called "pure" trailers, and when you bypass stops, you reduce the amount of rehandling, which reduces cost and the potential for damage.

If we can't send a trailer straight through to its final destination, we try to load the freight in the most efficient sequence. Trailer-loading is both an art and a science. I'll talk more about that in a minute.

Someone once asked me what I would do if I could do one thing better than anybody else in trucking. I said, I would be better than anybody in the history of LTL at loading trailers — because it's the one thing we do tens of thousands of times a day, and it's unique every single time.

We're working on a project right now called directed loading that couples dynamic network optimization with dynamic trailer-loading. It will take the guesswork out of trailer-loading by assigning freight to specific positions inside a trailer. Directed loading will automatically reduce touches on the dock, which benefits payroll, network velocity and quality of service.

And finally, we use a control tower model, enabled by our technology, to improve visibility, communication and compliance with our plan.

Slide 49

JS: Here's what that means in practical terms. This map illustrates two different linehaul runs for freight picked up in Minneapolis and headed to Boston. We can move that linehaul shipment in a series of stages — about 250 miles for each leg. Or, if we have enough density, we can skip some stops for a more direct run.

The red line shows freight from Minneapolis being consolidated at a freight assembly center in Wisconsin, and then traveling direct to New York state, where it's sorted and delivered to Boston. Any time we can ship direct like this, it's preferable, because it reduces handling, which, in turn, reduces cost.

The blue line shows a more typical linehaul run with multiple stops along the way to load freight in Illinois, Ohio and Pennsylvania. Either way, this is a two-day transit run.

The main point is, that we're able to generate all of the metrics you see here because we're constantly optimizing our network for efficiency and for customer service.

Slide 50

JS: The other big opportunity I mentioned is insourcing in linehaul, which will reduce our reliance on third-party carriers by covering more of our linehaul miles using our own fleet and drivers. We estimate this can deliver savings of $50 million to $60 million in annual linehaul cost, improving our operating ratio.

Right now, third-party linehaul has a large presence in our network, relative to our peers. And it used to be even higher — we reduced third-party miles by well over 30% when we bought the business from Con-way in 2015.

Currently, our outsourced miles are in the mid-20s as a percentage of all linehaul miles, and the savings have been significant. We save 30% to 40% of the cost per mile when we insource, and the service quality is better.

The more we insource, the more rolling stock we need, but the savings more than offset that investment. We can leverage the capacity investments we're making as part of our growth plan, to support more insourcing.

We'll always have some ad hoc purchased transportation, which we can flex with volume, and we'll also use third parties for a small number of lanes that don't warrant our in-house resources.

Our goal is to reduce outsourced miles by another 10 to 12 percentage points over the next five years, bringing our third-party penetration of linehaul to 12% to 14%. This is a huge opportunity for us.

Slide 51

JS: The next area of focus is pick-up and delivery, where we deliver freight to our customers, pick up their next shipments and inject those shipments into our network.

It's impossible to gain meaningful efficiencies by looking at shipments in isolation, because every part of the network is interconnected. Therefore, our route planners use our technology to visualize all of the freight flows, and plan for the most efficient way to deliver and pick up that freight in real time.

One interesting dynamic of pick-up and delivery is that a third of our pick-up requests come in after we've already dispatched our trucks for the day. So, we developed an algorithm with machine learning that predicts where the pick-ups are most likely to occur. Our drivers can end their delivery routes where the heat map is showing a high likelihood of pick-ups. This reduces dwell time, increases route density and enables more stops per hour.

When we're planning the delivery routes, we use a different proprietary algorithm to automatically optimize the sequence of local stops. It reduces stem time, which is the time it takes to drive from the service center to the first stop, and then peddle time, which is the time between stops. Again, this is all done in real time, and the position of every vehicle is visible to the dispatcher through our telematics integration.

Our team is super-excited about where we can take pick-up and delivery optimization. We've made substantial progress, and we're freeing up incremental capacity by using our equipment and our drivers more efficiently. And most importantly, we're just scratching the surface of this opportunity.

Slide 52

JS: To capture efficiencies on the dock, we developed our XPO Smart tools. XPO Smart gives our supervisors real-time insights into managing labor productivity for the best use of resources. We measure dock productivity by motor moves per hour, overtime cost and labor cost. The tools also help us determine the most appropriate start and end times for shifts, based on volume predictions.

We also have predictive analytics that assess volume and assist our supervisors with planning. Once a plan is in place, our technology tracks productivity throughout the day to fine-tune the plan on the fly.

Earlier, we mentioned the new trailer rating system we deployed on the docks. I want to take a minute to expand on that, because it's a great fit with our culture of continuous improvement and accountability.

Every time a dockworker opens or closes a trailer, they can give the trailer a rating of one to five stars. If you load a trailer, and you feel like you did a perfect job, you'll give it five stars when you close that trailer door.

If someone opens the trailer at the next facility and doesn't like what they see, they're going to give it one star and list the reasons why. Our field leadership sees those ratings at the terminal level and the individual level, and they can direct coaching and recognition where needed.

Slides 53

JS: I'm going to end on an overview of piece-level tracking, which is a new XPO technology that we're really bullish about. In LTL, a "piece" is typically defined as a pallet.

Traditionally, the LTL industry tracks freight at the shipment level, where each piece in the shipment gets the same ID, even when it contains multiple pallets. With our piece-level tracking, each and every pallet in a shipment has a unique identifier and can be tracked independently.

This new technology gives our customers more visibility into the location of their freight. It also lets us dictate the loading of our trailers piece by piece, instead of shipment by shipment, which is a lot more efficient.

XPO's piece-level tracking is exactly the kind of proprietary new development that differentiates XPO from the other carriers — it's a single, powerful innovation that helps optimize every major area of the shipment lifecycle.

That brings our technology discussion full circle, and as you've heard, our commitment to innovation is at the core of our growth plan. Our investments in technology are transforming our business into a world-class LTL model.

Matt will now cover the Financial Overview.

Slide 54-55

MF: Thanks, Jay. I'll kick off the financial section of our presentation by reiterating the long-term targets Mario introduced up front.

All three targets are for 2027, from a baseline of 2021, our most recent full-year results. And I'll add our gross capex outlook for context.

First, we intend to deliver a revenue CAGR of 6% to 8% for the period as a whole. Embedded in that forecast is volume growth at a faster rate than the growth in US industrial production. This is the best macro proxy for our business, because the industrial sector accounts for about two-thirds of our revenue.

Our volume growth will be driven by our significant investments in new capacity, using the site-by-site approach you heard about today, as well as our layered sales strategy and customer service initiatives.

As you saw from our preliminary third quarter results, our volume trends appear to have again gained momentum relative to our industry. This reflects the impact of our growth strategy for LTL 2.0.

Second, we expect our CAGR for adjusted EBITDA to be 11% to 13%. We're focused on gaining share profitably, with strong growth in the current year. Our adjusted EBITDA performance will reflect a combination of revenue growth and improvement in adjusted operating ratio.

In total, for the full period from 2021 through 2027, we expect to deliver an improvement in adjusted operating ratio of at least 600 basis points.

We'll support this trajectory by committing capital at an annual rate consistent with what you've seen from us this year. We're modeling capex at 8% to 12% of revenue, on average, over the next several years.

Slide 56

MF: As you can see from the chart, we've continuously improved our adjusted operating ratio over time. Our plan reflects that trajectory, achieved through a combination of revenue growth and operational excellence.

Drilling down to the drivers of the operating ratio improvement, it starts with the many initiatives you heard about today, all leveraged by volume. As a quick recap, our pricing will be a critical component of our increase in adjusted EBITDA, and with the benefit of volume, will drive 6 to 7 points of the projected uplift in CAGR of 11% to 13%. .

We also have a massive profit opportunity through the insourcing of a significant portion of our third-party linehaul miles. We currently save about 30% to 40% of cost for every mile insourced, and we estimate that this can deliver savings of $50 million to $60 million in annual linehaul cost.

Additional profit opportunities will come from managing both our dock operations and pick-up and delivery more efficiently. On top of that, all of the service initiatives and the technology advances we highlighted have been gaining traction each month, with benefits flowing through to new business development and our customer relationships.

Slide 57

MF: We plan on making two changes to our definition of adjusted operating ratio, effective with our first quarter 2023 reporting. Historically, our adjusted OR has reflected the segment-level operating profit of our North American LTL business, which includes only a portion of our corporate expenses.

We expect our LTL business to absorb additional costs of about $80 million that have previously been unallocated and recognized at corporate. This represents the vast majority of XPO's corporate expense in the company's structure after the spin-off, as we expect to operate as a single segment after a sale of Europe.

Note that the $80 million of costs for XPO, plus the $45 million of costs for RXO, is a total of $125 million of corporate costs for the two standalone companies, and this is below the run-rate for corporate and unallocated expenses we reported in Q2. It reflects $55 million of savings from our corporate expense run-rate earlier this year of $180 million.

The other change we're implementing is that we'll no longer include pension income in our adjusted operating ratio, to make it more comparable with peers.

Slide 58

MF: Looking at gross capex, you can see here that our capex was a tad under 4% of revenue in 2018. That was when we were executing LTL 1.0.

Capex moved slightly higher in 2019 to 5.2%, and in 2020 we curbed our capex when Covid arrived. Although demand improved in the back half of the year, it was difficult to procure equipment.

In late 2021, and in 2022, we began implementing our growth plan for LTL 2.0. We ramped up production at our trailer manufacturing facility, and the OEMs started to fill our orders for new tractors, albeit not as many as we'd like. We also launched our plan to open about

900 net new doors over a two-year span. To date, we've opened 345 net new doors, and we're confident we'll meet our target on plan.

As a result, our gross capex this year will be about twice last year's capex — both in dollars, and as a percent of revenue. You can see that our average tractor age remains at the high end of our desired range, which is five to six years. We've put our orders in, and there are signs that the supply chain issues with the OEMs are easing. We'll continue to invest in additional rolling stock until the average tractor age comes back down to the midpoint of our range.

Slide 59

MF: Our return on invested capital in LTL has been persistently strong, above 30%. We expect a near-term moderation given our planned capex, and then a return to current levels, and with a much higher level of earnings, outpacing revenue growth. Our investments will drive shareholder value.

Slide 60

MF: Here's a look at our net leverage profile from 2019 through 2022, with the impact from the RXO spin-off. At year-end 2022, pro forma for the spin-off, we expect our leverage to be 2X net debt to trailing 12-months adjusted EBITDA.

By comparison, our leverage for XPO at year-end 2021, inclusive of our brokerage business, was 2.7X. At year-end 2020, prior to the GXO spin, it was 3.3X. So, we've been steadily de-levering, and we intend to continue to do so.

Slide 61

MF: That's the backdrop, and as we think about capital allocation, our number one focus is on organic growth, using all of the levers the team discussed today.

As that priority is satisfied, we expect to continue to commit free cash to debt reduction. We expect EBITDA conversion to free cash to average more than 30% over the forecast period. After addressing organic growth and debt paydown, we'll consider returning capital to shareholders as our balance sheet allows, and as market conditions dictate.

In summary, our priorities are organic growth and a strong balance sheet, and within those parameters, we'll remain nimble about allocating capital, as we've always been.

With that, I'll turn it back to Mario for concluding remarks.

Slide 62

MH: Thanks, Matt. Before we wrap up, I want to summarize the compelling rationale for investing in XPO at this pivotal point in our growth.

First, we operate in an industry with durable demand and favorable pricing trends, where 76% of market share is held by the top 10 players. It's a stable landscape with seasoned operators.

Second, we're one of only a handful of players at the top of the industry with the national coverage needed to thrive economically on a national scale — and we're the only LTL carrier with the ability to create capacity for trailers and drivers in-house at scale. These are company-specific levers that are partly independent of the macro.

Third is our proprietary technology, and our focus on transforming LTL into a dynamic, data-driven transportation model, starting with pricing.

Fourth is our growth plan, and the many ways we're executing for market share and yield, to drive revenue and margin expansion.

And fifth is our leadership team. There's a huge runway ahead for this business, starting with the 11% to 13% CAGR in adjusted EBITDA we plan to generate by 2027 — and I'm looking forward to working with the team to deliver on our targets.

We appreciate your interest in XPO!

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 presentation 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"), adjusted operating ratio (including and excluding gains on real estate transactions), return on invested capital ("ROIC"), net leverage, net debt and adjusted revenue attributable to the remaining company. This document also refers to free cashflow, a non-GAAP financial measure.

We believe that the above adjusted financial measures facilitate analysis of the ongoing business operations of our business because they exclude items that may not be reflective of, or are unrelated to, our business' 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 include adjustments for transaction and integration costs as well as restructuring costs. 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, 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. Management uses these non-GAAP financial measures in making financial, operating and planning decisions and evaluating our LTL business' ongoing performance.

We believe that adjusted EBITDA improve 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 operating ratio improve the comparability of our operating results from period to period by (i) removing the impact of certain transaction, integration and *rebranding costs and restructuring costs, as well as amortization expenses and (ii) including the impact of pension income incurred in the reporting period as set out in the attached tables. We believe that ROIC is an important metric as it measures how effectively we deploy our capital base. ROIC is calculated as net operating profit after tax ("NOPAT") for the trailing twelve months ended June 30, 2022divided by invested capital as of June 30, 2022. NOPAT is calculated as adjusted EBITDA less corporate costs, depreciation expense, real estate gains and cash taxes plus operating lease interest. Invested capital is calculated as operating assets less non-debt liabilities. We believe that net leverage and net debt are important measures of our overall liquidity position and are calculated by removing cash and cash equivalents from our reported total debt. Adjusted revenue attributed to the remaining company is calculated as revenue for XPO less revenue from the Intermodal and RXO businesses and eliminations. We believe that free cash flow is an important measure of our ability to repay maturing debt or fund other uses of capital that we believe will enhance stockholder value. Free cash flow is calculated as net cash provided by operating activities, less payment for purchases of property and equipment plus proceeds from sale of property and equipment.*

With respect to our financial targets for 2027 adjusted EBITDA and adjusted operating ratio, 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 prepared in accordance with GAAP that would be required to produce such a reconciliation.

Forward-Looking Statements

This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements relating to the planned spin-off, the expected timing of the spin-off, the anticipated benefits of the spin-off, the planned divesture of the European business, growth strategies and our targets for growth, profitability and efficiency. 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," "efficiency," "growth strategies," "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. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by the company in light of its experience and its perception of historical trends, current conditions *and expected future developments, as well as other factors the company believes 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 our ability to effect the spin-off of our tech-enabled brokered transportation platform and meet the related conditions of the spin-off, the expected timing of the completion of the spin-off and the terms of the spin-off, our ability to achieve the expected benefits of the spin-off, our ability to retain and attract key personnel for the separate businesses, the risks discussed in our filings with the SEC, and the following: economic conditions generally; the severity, magnitude, duration and aftereffects of the COVID-19 pandemic, including supply chain disruptions due to plant and port shutdowns and transportation delays, the global shortage of certain components such as semiconductor chips, strains on production or extraction of raw materials, cost inflation and labor and equipment shortages, which may lower levels of service, including the timeliness, productivity and quality of service, and government responses to these factors; 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; our ability to benefit from the proposed spin-off; our ability to successfully integrate and realize anticipated synergies, cost savings and profit improvement opportunities with respect to acquired companies; goodwill impairment, including in connection with the proposed spin-off; matters related to our intellectual property rights; fluctuations in currency exchange rates; fuel price and fuel surcharge changes; natural disasters, terrorist attacks, wars or similar incidents, including the conflict between Russia and Ukraine and increased tensions between Taiwan and China; risks and uncertainties regarding the potential timing and expected benefits of the proposed spin-off of our tech-enabled brokered transportation platform, including the risk that the spin-off may not be completed on the terms or timeline currently contemplated, if at all; the impact of the proposed spin-off of our tech-enabled brokered transportation platform on the size and business diversity of our company; the ability of the proposed spin-off of our tech-enabled brokered transportation platform to qualify for tax-free treatment for U.S. federal income tax purposes; our ability to develop and implement suitable information technology systems and prevent failures in or breaches of such systems; our indebtedness; our ability to raise debt and equity capital; fluctuations in fixed and floating interest rates; our ability to maintain positive relationships with our network of third-party transportation providers; our ability to attract and retain qualified drivers; labor matters, including our ability to manage our subcontractors, and risks associated with labor disputes at our customers and efforts by labor organizations to organize our employees and independent contractors; litigation, including litigation related to alleged misclassification of independent contractors and securities class actions; risks associated with our self-insured claims; risks associated with defined benefit plans for our current and former employees; the impact of potential sales of common stock by our chairman; governmental regulation, including trade compliance laws, *as well as changes in international trade policies, sanctions and tax regimes; governmental or political actions, including the United Kingdom's exit from the European Union; and competition and pricing pressures.*

All forward-looking statements set forth in this presentation 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 presentation speak only as of the date hereof, and we do not undertake any obligation to update forward-looking statements to reflect subsequent events or circumstances, changes in expectations or the occurrence of unanticipated events, except to the extent required by law.

There can be no assurance that the planned spin-off or planned divesture of the European business will occur, or of the terms or timing of any transaction. Where required by law, no binding decision will be made with respect to the divestiture of the European business other than in compliance with applicable employee information and consultation requirements.