

Benefit to free cash flow from trade receivables programs

Principle: When the company sells receivables, it accelerates cash receipts, thereby increasing reported free cash flow.

Examples:

On 06/1, company generates an accounts receivable invoice of \$100. If the receivable is outstanding at end of quarter (customer has not paid) and the company sells the receivable for cash consideration on 06/30, operating cash flows (and free cash flow) during the quarter have benefitted from the receivable sale.

By way of contrast, if the company sells the receivable on 06/1 and the customer remits payment on or before 06/30, the sale of the receivable has not benefitted free cash flow during the quarter because, absent the sale, operating cash flows would have reflected the cash receipt. (Note, XPO has visibility to customer remittances post-sale as it functions as a servicer on behalf of receivable purchasers)

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Benefit (reduction) to free cash flow from trade receivables programs	44	56	60	22	(92)	(33)	(13)	9	(5)
Securitization Programs									
A Receivables sold in period	338	790	780	691	598	750	829	775	882
B Cash consideration	269	787	779	691	598	750	829	775	882
C Deferred purchase price (DPP)	69	3	-	-	-	-	-	-	-
D Cash collected related to DPP	66	49	-	-	-	-	-	-	-
E Less: cash collected as servicer on sold receivables	(342)	(741)	(767)	(690)	(626)	(696)	(842)	(770)	(883)
F Total cash impact of securitization programs (B + D + E)	(7)	95	12	1	(28)	54	(13)	5	(1)
Factoring Programs									
G Receivables sold in period	235	196	243	264	199	112	112	116	113
H Cash Consideration	234	195	242	263	199	112	112	116	112
I Cash consideration from prior sequential quarter	(183)	(234)	(195)	(242)	(263)	(199)	(112)	(112)	(116)
J Total cash impact of factoring programs	51	(39)	48	21	(64)	(87)	(0)	4	(4)
Benefit (reduction) to free cash flow from trade receivables programs (F + J)	44	56	60	22	(92)	(33)	(13)	9	(5)
Year-to-date benefit (reduction) to free cash flow from trade receivables programs			110				(115)		4

- A Represents gross amount of trade receivables sold in the period indicated in connection with securitization programs
- B With respect to trade receivables sold in the period indicated, represents portion of purchase price received in cash on day of sale
- C With respect to trade receivables sold in the period indicated, represents portion of purchase price for which payment is deferred (DPP)
- D Represents cash collected during the period indicated on DPP (reflected with investing activities on the statement of cash flows)
- E Represents cash collected in servicing capacity on sold receivables during the referenced period
- G Represents trade receivables sold during the period indicated in connection with factoring programs
- H With respect to trade receivables sold during the period indicated, represents cash received on sold receivables
- Any difference between cash purchase price and gross amount of receivables sold represents the discount on sale of receivables and is recorded within interest expense

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