

Non-GAAP Financial Measures

The schedule below presents net debt, net leverage and adjusted EBITDA, which represent non-GAAP financial measures. We provide reconciliations of these measures to the most directly comparable measures calculated in accordance with United States generally accepted accounting principles ("GAAP"). We believe that net debt and net leverage are important measures of our overall liquidity position and are calculated by removing cash and cash equivalents from our reported total debt and reporting net debt as a ratio of our reported adjusted EBITDA for the trailing twelve months ended March 31, 2024 and the year ended December 31, 2023. We believe that presenting adjusted EBITDA improves the comparability of our operating results 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 table that management has determined are not reflective of core operating activities and thereby assist investors with assessing trends in our underlying businesses. Other companies may calculate net leverage, net debt and adjusted EBITDA differently and, therefore, our measures may not be comparable to similarly titled measures of other companies. Net debt, net leverage and adjusted EBITDA should only be used as supplemental measures of our operating performance.

XPO, Inc. Reconciliations of Net Debt, Net Leverage and Adjusted EBITDA (Unaudited) (In millions)

	<u>As of</u> <u>March 31, 2024</u>	<u>As of</u> <u>December 31, 2023</u>		
Reconciliation of Net Debt				
Total debt	\$ 3,386	\$ 3,404		
Less: Cash and cash equivalents	229	412		
Net debt	<u>\$ 3,157</u>	<u>\$ 2,992</u>		
	Trailing Twelve Months Ended	Year Ended		
	<u>March 31, 2024</u>	<u>December 31, 2023</u>		
Reconciliation of Net Leverage				
Net debt	\$ 3,157	\$ 2,992		
Adjusted EBITDA	\$ 1,074	\$ 996		
Net leverage	<u>2.9x</u>	<u>3.0x</u>		
	Trailing Twelve Months Ended	Three Months Ended	Year Ended	Three Months Ended
	<u>March 31, 2024</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Reconciliation of Net Income from Continuing Operations to Adjusted EBITDA				
Net income from continuing operations	\$ 242	\$ 67	\$ 192	\$ 17
Debt extinguishment loss	25	-	25	-
Interest expense	184	58	168	42
Income tax provision	87	23	68	4
Depreciation and amortization expense	448	117	432	101
Litigation matter ⁽¹⁾	8	-	8	-
Transaction and integration costs	50	14	58	22
Restructuring costs	28	8	44	24
Other	1	-	1	-
Adjusted EBITDA	<u>\$ 1,074</u>	<u>\$ 288</u>	<u>\$ 996</u>	<u>\$ 210</u>

Amounts may not add due to rounding.

¹ Relates to California Environmental Matters as described in Note 18 to the Company's Annual Report on Form 10-K.

Non-GAAP Financial Measures

The schedule below presents adjusted operating income and adjusted operating ratio, which represents a non-GAAP financial measure, for our North American Less-Than-Truckload segment. We provide a reconciliation of these measures to the most directly comparable measures calculated in accordance with United States generally accepted accounting principles ("GAAP"). We believe that presenting adjusted operating income and adjusted operating ratio improves the comparability of our operating results from period to period by removing the impact of certain transaction and integration costs and restructuring costs, as well as amortization expenses as set out in the table below, that management has determined are not reflective of core operating activities and thereby assist investors with assessing trends in our underlying businesses. Other companies may calculate adjusted operating income and adjusted operating ratio differently and, therefore, our measures may not be comparable to similarly titled measures of other companies. Adjusted operating income and adjusted operating ratio should only be used as a supplemental measure of our operating performance.

XPO, Inc.
Reconciliations of Adjusted Operating Income and Adjusted Operating Ratio for North American Less-Than-Truckload
(Unaudited)
(In millions)

	Three Months Ended	
	March 31, 2024	December 31, 2023
Revenue (excluding fuel surcharge revenue)	\$ 1,011	\$ 966
Fuel surcharge revenue	210	221
Revenue	<u>1,221</u>	<u>1,187</u>
Salaries, wages and employee benefits	613	602
Purchased transportation	78	83
Fuel, operating expenses and supplies ⁽¹⁾	243	238
Operating taxes and licenses	16	13
Insurance and claims	21	21
Losses on sales of property and equipment	2	2
Depreciation and amortization	82	77
Restructuring costs	-	2
Operating income	<u>165</u>	<u>149</u>
Operating ratio ⁽²⁾	<u>86.4%</u>	<u>87.4%</u>
Other income	-	1
Amortization expense	9	8
Restructuring costs	-	2
Adjusted operating income	<u>\$ 175</u>	<u>\$ 160</u>
Adjusted operating ratio ⁽³⁾	<u>85.7%</u>	<u>86.5%</u>
Depreciation expense	73	69
Pension income	6	4
Adjusted EBITDA ⁽⁴⁾	<u>\$ 255</u>	<u>\$ 233</u>

Amounts may not add due to rounding.

¹ Fuel, operating expenses and supplies includes fuel-related taxes

² Operating ratio is calculated as (1 - (operating income divided by revenue))

³ Adjusted operating ratio is calculated as (1 - (adjusted operating income divided by revenue)); adjusted operating margin is the inverse of adjusted operating

⁴ Adjusted EBITDA is used by the company's chief operating decision maker to evaluate segment profit (loss) in accordance with ASC 280