



XPO Logistics Releases Chairman's Letter to Stockholders

April 14, 2021

GREENWICH, Conn., April 14, 2021 (GLOBE NEWSWIRE) -- [XPO Logistics, Inc.](#) (NYSE: XPO), a leading global provider of supply chain solutions, has released the text of the 2021 letter to stockholders from Brad Jacobs, chairman and chief executive officer.

The full letter appears below and was distributed with the company's proxy statement on April 13.

To Our Stockholders

In my letter last year, I said I was a pragmatic bear in the short-term, a bull in the mid-term and a mega-bull in the long-term. Well, the bear has left the building and the bull has arrived ahead of schedule. After a painful 12 months for pretty much everyone, 2021 and 2022 are shaping up to be big comeback years for the vast majority of our customers.

Many companies, especially those in consumer markets, are now in an accelerated V-shaped recovery. The 6% GDP growth some US economists are forecasting for this year could be conservative. Based on what our customers are telling us, I don't think 10% growth is out of the question. Freight transportation is a leading economic indicator, and our customers, for the most part, think they'll be in a much stronger position a year from now than they were before the pandemic.

The crux is whether burgeoning government spending will ultimately stimulate or stagnate the economy. Here, my mega-bullishness is cooling down a bit. When governments expand their role in allocating capital instead of letting free markets do their thing, historically that's led to higher inflation, higher interest rates and higher taxes — and, eventually, to low or no growth. That's not a certainty, but it's certainly a question mark.

One thing I'm sure of is that we have a resilient company and outstanding people. Our global team was able to keep goods flowing through supply chains in 2020 because they know our company is 100% committed to their safety. I thank every one of our 100,000 employees for showing true professionalism under circumstances that have been trying at times, but have also brought out the best in Team XPO.

Automation, outsourcing, e-commerce and the industrial economy

The rebound for our business began midway through 2020, driven by three massive tailwinds: e-commerce, outsourcing and customer demand for supply chain automation. By year-end, we had met or exceeded our pre-pandemic performance in all major areas of our business: logistics, less-than-truckload and truck brokerage.

E-commerce is a broad-based tailwind, with demand coming from pure-play e-tailers, omnichannel retailers and direct-to-consumer manufacturers. We provide these customers with inventory management, fulfillment and also returns management, where we have extensive expertise. The strong upward trends we saw in the back half of 2020 — notably, in consumer packaged goods, technology products, food and beverage, DIY products and other consumer sectors — have remained robust in 2021. Soon, we expect to see the return of brick-and-mortar retail demand as stores reopen.

Another highlight of late-2020 was the long-awaited start of the recovery in the industrial economy. This has an outsized benefit to our less-than-truckload business, where our freight primarily moves within industrial markets. Our LTL customers tell us that demand is speeding up as manufacturers move back to full production in the upcycle.

Outsourcing, which has been a steady tailwind for some time now, is becoming a sink-or-swim strategy for an increasing number of companies that currently manage their own logistics. Supply chains are becoming more complex, making it difficult for companies to meet customer expectations in-house. The pandemic showed that outsourcing logistics operations to specialists like XPO means greater flexibility, lower risk, more innovation and better visibility into the movement of goods.

The third big tailwind — customer demand for advanced automation — is being driven by a mix of e-commerce, outsourcing and the pronounced efficiencies that automation brings to logistics. We were an early adopter of machine learning and artificial intelligence in our operations, and we developed a proprietary warehouse platform that integrates cutting-edge solutions in-house. Today, our employees work side-by-side with intelligent technologies that make their jobs easier: autonomous goods-to-person systems, collaborative robots, robotic arms and other advanced automation we tailor to each customer's requirements. We've also introduced wearable technologies to improve efficiency and employee comfort.

Our truck brokerage business came roaring back in 2020, surpassing 2019 performance by the third quarter. We've substantially outperformed our major competitors in North America, as well as broker penetration of for-hire US trucking; our revenue CAGR of 16.3% from 2013 to 2019 was nearly double the US brokerage industry CAGR overall. XPO Connect, our digital freight marketplace, is accounting for a growing number of high-margin, "touch-free" transactions between customers and carriers, with one of the fastest adoption rates of its kind in the industry.

XPO Smart is a versatile technology that we developed to optimize productivity in our logistics and less-than-truckload sites. This proprietary suite of intelligent analytics is already improving productivity by more than 5% on average, and we expect a substantial upside to margin going forward.

Our North American LTL business is a shining example of continuous improvement. That's saying a lot, given that we're obsessed with constantly improving all of our service lines. We have the LTL industry's second-best adjusted operating ratio — the measure of profitability — and the best improvement in this metric over the last five years.

Our LTL business is very much on track to deliver at least \$1 billion of adjusted EBITDA¹ in 2022, propelled mainly by our technology. We're realizing new efficiencies from dynamic routing of pickups and deliveries, automated load-building for higher trailer utilization, and data-driven elasticity models that help inform pricing decisions for our larger accounts. And the best news is, we've barely begun.

Diversity, equity and inclusion

At XPO, we're determined to do more than just verbalize our support of DE&I — we're taking decisive actions that we believe will make a sustainable difference in our organization. In 2020, we appointed our first chief diversity officer, LaQuenta Jacobs. We also set ESG targets as part of our executive compensation program and we established three core objectives that relate to our best opportunity to make an impact: our recruitment and retention programs.

First, we're working to significantly increase the diversity of our talent pipeline by collaborating with partners, such as historically Black colleges and universities, to reach underrepresented groups. Second, we're making sure we promote women and minority employees, particularly to middle and senior management roles. And third, we're expanding our efforts to make it known that members of the Black, Hispanic, Asian, Native American and LGBTQ+ communities belong at XPO, as do women, military veterans and people with disabilities. All of these actions strengthen our cultural framework for DE&I.

In summary

A year ago, COVID-19 looked like a huge, insurmountable “pause button” that would stop the world in its tracks. We never paused.

Instead, we moved quickly to ensure the well-being of our employees. This was our foremost priority, and it allowed us to continue to serve our customers and help communities function. Without compromising safety one iota, we executed dramatic rebounds in our logistics and truck brokerage operations in the third quarter and delivered the best fourth quarter performance in our company's history.

We also continued to be strategic allocators of capital. In January, we completed the synergistic acquisition of 106 Kuehne+Nagel logistics operations in the UK and Ireland. Five of the blue-chip customers who came to us in the acquisition are projected to be in our top 25 European logistics customers by revenue in 2021.

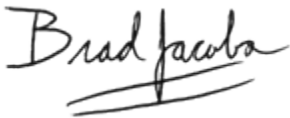
Given the strong momentum we see in 2021, we have a high degree of confidence that we'll make or beat our full-year guidance for adjusted EBITDA ¹ of \$1.725 billion to \$1.8 billion, which is a year-over-year increase of 24% to 29% companywide. Importantly, we expect to achieve this level of adjusted EBITDA growth in both segments of our business: logistics and transportation.

In December, we announced our plan to spin off our logistics business, and laid out a compelling rationale for separating the company into XPO and GXO. Each public company will have a simplified business model and its own equity currency when the separation is complete, with pure-play leadership, strategic priorities, capital structure, technology, organic growth initiatives and M&A opportunities. In addition, we're pursuing investment-grade ratings for both companies: GXO from day one, followed by XPO.

We're making excellent progress on the spin-off plan. We filed our confidential Form 10 with the SEC in March, and we've announced five world-class GXO executive appointees to date, with more to follow. Malcolm Wilson, the CEO of our European business, will lead GXO as global chief executive when the separation is complete. Malcolm has three decades of impeccable industry credentials. When we acquired Norbert Dentressangle in 2015, Malcolm had already grown the logistics division to global scale in 15 countries, and he has continued to lead it to unprecedented growth for XPO.

I'm proud that the pandemic didn't stop us from creating value for our stockholders. Our goal this decade is to beat what we did in the last decade, when we were the seventh best-performing stock of the Fortune 500. In the process, we won't forget for a minute that we work for the people and institutions who give us their precious investment dollars. You own the company. We work for you.

April 13, 2021



Brad Jacobs
Chairman and Chief Executive Officer
[XPO Logistics, Inc.](https://www.xpo.com)

¹ Adjusted EBITDA is a non-GAAP measure. Additional information on this measure can be found in Annex A to our company's Proxy Statement.

About XPO Logistics

XPO Logistics, Inc. (NYSE: XPO) is a top ten global logistics provider of cutting-edge supply chain solutions to the most successful companies in the world. The company operates as a highly integrated network of people, technology and physical assets in 30 countries, with 1,629 locations and more than 100,000 employees. XPO uses its network to help more than 50,000 customers manage their goods most efficiently throughout their supply chains. XPO's corporate headquarters are in Greenwich, Conn., USA, and its European headquarters are in Lyon, France. Visit [xpo.com](https://www.xpo.com) for more information, and connect with XPO on [Facebook](#), [Twitter](#), [LinkedIn](#), [Instagram](#) and [YouTube](#).

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