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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 28, 2019

**XPO LOGISTICS, INC.**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation)

001-32172  
(Commission File Number)

03-0450326  
(I.R.S. Employer  
Identification No.)

Five American Lane, Greenwich, Connecticut 06831  
(Address of principal executive offices)

(855) 976-6951  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.001 per share	XPO	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 7.01. Regulation FD Disclosure.**

On October 28, 2019, XPO Logistics, Inc. (the “Company”) released a slide presentation expected to be used by the Company in connection with certain future investor presentations, together with a corresponding script. Copies of the script and slide presentation are attached as Exhibit 99.1 and Exhibit 99.2, respectively, to this Current Report on Form 8-K.

The slide presentation and script should be read together and with the Company’s filings with the Securities and Exchange Commission, including the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2019.

The information furnished in this Item 7.01, including Exhibit 99.1 and Exhibit 99.2, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, and shall not be deemed to be incorporated by reference into any filing of the Company under the Exchange Act or the Securities Act of 1933, as amended, except to the extent that the registrant specifically incorporates any such information by reference.

**Item 9.01. Financial Statements and Exhibits.**

*(d) Exhibits*

<u>Exhibit No.</u>	<u>Exhibit Description</u>
<a href="#">99.1</a>	<a href="#">Investor Presentation Script, dated October 28, 2019</a>
<a href="#">99.2</a>	<a href="#">Investor Presentation, dated October 28, 2019</a>
104.1	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 28, 2019

XPO LOGISTICS, INC.

By: /s/ Karlis P. Kirsis  
Karlis P. Kirsis,  
Senior Vice President, Corporate Counsel

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October 28, 2019

## Presentation Script and Slides

*The following script should be read in conjunction with the accompanying slide presentation, which contains, among other information, source data for certain information set forth in the script.*

Thank you for joining us. We'll start with an overview of XPO Logistics today, and the importance of our technology to our strategy for driving growth, competitive differentiation and financial returns. We'll discuss a number of significant profit improvement opportunities specific to our operations. And we'll give you the details of our third quarter financial performance and 2019 targets.

XPO is a top ten global logistics company with about \$17 billion in annual revenue. We operate as a highly integrated network of people, technology and physical assets under the single brand of XPO Logistics. We use our network to help our customers manage their goods most efficiently throughout their supply chains.

As context, we have two reporting segments: transportation and logistics. Approximately 65% of our revenue comes from transportation. The other 35% is logistics, which we sometimes refer to as "supply chain" or "contract logistics."

Our markets are highly diversified. The more than 50,000 customers we serve span every major industry and touch every part of the economy. Our revenue comes from from a mix of key verticals, such as retail and e-commerce, food and beverage, consumer packaged goods and industrial.

About 59% of our revenue in 2018 was generated in the United States, 13% came from France and 12% from the United Kingdom. Of the balance, Spain was the next largest at 5% of revenue. In total, we operate in 30 countries with 1,531 locations and approximately 100,000 employees.

## Investor Highlights

These are the key factors driving our growth and returns:

- We hold leading positions in the fastest growing areas of transportation and logistics. More than 60% of our revenue comes from industry sectors that are growing at 2-5x GDP.
- Our rapid pace of innovation differentiates XPO's services and makes the most of the talent and assets within our organization.
- Our combination of scale, density, expertise and technology is critically important in e-commerce and omnichannel supply chains, where we have a strong global presence.

- Currently, we hold less than 2% share of the total addressable market opportunity. Our share growth complements opportunities for further consolidation of fragmented markets.
- Our scale also propels operating leverage, cross-selling, purchasing power and capacity to innovate.
- Our business model is optimized for free cash flow generation in all parts of the cycle: 70% of our revenue is asset-light and 77% of our cost basis is variable.
- We serve customers in different verticals with diverse economic cycles and the majority of our revenue is generated under long-term contracts (74% in 2018) — making our performance more resilient in a downturn.
- Our maintenance capex is low, and we have the ability to adjust our capex and turn working capital into a source of cash in an economic downturn.
- Our secret sauce has always been the world-class people we've attracted to XPO — not just our 35 executives, but also the 2,500 professionals at the next level, with blue-chip industry experience: our technologists, managers, engineers, logisticians and operators.
- Importantly, we're executing on 10 profit initiatives that are specific to XPO. In total, these initiatives represent an estimated \$700 million to \$1 billion of potential profit improvement by 2022.

### **XPO's Self-Driven Profit Growth Opportunity**

Looking at the 10 cost and revenue initiatives that, in total, represent up to \$1 billion of potential profit growth opportunity by 2022, all are specific to our company and largely independent of the macro. Six of the 10 are driven directly by our technology. They exist because we've invested in innovation for years, and our investments are bearing fruit across our operations.

We estimate that 40% of the potential opportunity is related to revenue initiatives: advanced pricing analytics and revenue management tools, our digital freight platform, our shared distribution network and cross-selling to strategic accounts in Europe. The other 60% is related to cost initiatives: LTL process improvements, contract logistics automation, workforce productivity, European margin expansion, global procurement and further back-office optimization.

Our technology is the single most important driver of these levers. For example, our proprietary algorithms are key to our plan for LTL process improvements, as well as our advances in logistics automation — we're targeting more than \$100 million of incremental profit improvement in each of these areas. We're applying data science to capture pricing opportunities across our transportation modes.. We're building elasticity models to optimize mix, and while it's still early, we're seeing positive results.

Beyond the P&L, our technology is a way for us to strengthen our relationships with customers and serve them as completely as possible. The industry is evolving, and customers want to future-proof their supply chains — we offer that. We have the ability to solve complex problems with sophisticated, customized solutions underpinned by our digitalization and data science.

Behind these initiatives is a global technology team of approximately 1,800 experts assigned to different areas of the business, and with a common understanding of our goals. Their ability to apply cutting-edge thinking to commercial practices distinguishes XPO from other technology efforts in our industry.

This month, we became the first logistics company to partner with the Massachusetts Institute of Technology in its Industrial Liaison Program to advance business innovation. This is a unique opportunity for us to partner with MIT's world-class research capabilities and realize new levels of productivity for our customers. At the same time, we'll be providing input into the future of robotics, machine learning and systems engineering.

We've structured our technology organization to deliver a number of important advantages:

First, there are no sacred cows in our business. Each year, we make one of the largest tech investments in our industry at about \$550 million. We're determined to disrupt the marketplace and, where necessary, disrupt ourselves to drive long-term earnings growth.

Second, while our technology strategy is spearheaded by our chief information officer, the team itself is embedded across our North American and European operations. This provides a way to address opportunities in real time, with constant feedback loops that engage our operators and customers.

Third, we can deploy innovations globally across multiple operations in a relatively short time. We've built a highly scalable platform on the cloud to speed the development of new ways to increase efficiency, control costs and leverage our footprint. It's a major reason why customers trust us with 160,000 ground shipments and more than 7 billion inventory units daily.

Because all of our services run on the same platform, we offer customers efficiencies that would be difficult or impossible to find elsewhere. For example, our customers can type a single number into Google to follow their goods through our warehouses and across our modes of transportation. This gives our large accounts an added incentive to use XPO for multiple solutions. The supply chain industry is wide open for disruptive thinking like this.

And fourth, we can take an innovation developed for one of our business units and distribute it across different service lines to drive widespread benefits. XPO Smart™ is a case in point. This proprietary XPO technology is a critical lever in our profit improvement plan — a suite of intelligent tools and analytics that self-adjusts site by site to drive productivity across our business units. We use these tools to improve our operations in a disciplined, consistent manner, as described below.

#### *XPO Smart™*

We designed XPO Smart™ to incorporate dynamic data science and machine learning to aid our managers in decision-making. We also use predictive analytics to understand the impact of operational decisions on future outcomes. All of this technology is proprietary to XPO.

Prior to XPO Smart™, like most of the industry we were managing warehouse labor spend through a combination of tribal knowledge and reactive analytics. Workers would receive reports on a Wednesday letting them know how they did on Monday. The benefits of moving to real-time visibility have been significant, and they're just the tip of the iceberg:

- 5%+ labor efficiency improvements from the first wave of logistics site implementations;
- 10%+ increase in motor moves per hour from our LTL dock pilots; and
- Employees who are more engaged in producing a winning performance.

The economics of rolling out XPO Smart™ are compelling: the payback is measured not in months or years, but in days. We're able to show customers how real-time insights into productivity can drive allocation of resources and cost reductions.

All of this information is interpreted using machine learning, so that our software becomes continually smarter at site-specific modeling. Our managers use the tools to make informed decisions about the optimal shift length, the mix of LTL dock workers and drivers, the ratio of full-time to part-time warehouse labor, and the use of overtime.

The data also teaches our managers about infrastructure — sometimes it's the physical space that creates inefficiencies. Our analytics track how goods flow through our warehouses and freight moves around our docks. We use that information to make improvements.

Here's a real-life example: a large customer had been let down by another 3PL and needed us to take on 25% more volume for the peak season. It was coming up fast in 60 days. XPO Smart™ helped us manage the surge. We organized shift schedules, moved the customer's inventory closer to the fulfillment stations and increased employee engagement. The customer's experience was so positive, they've since asked us to take on 50% more volume.

To date, we've rolled out XPO Smart™ in approximately 100 of our logistics warehouses in North America. Europe has a five-site pilot underway. We plan to implement the tools in the balance of our North American warehouses over the next 12 to 15 months. In addition, we've deployed the technology in approximately 20 LTL locations and expect to roll it out to all 290 of our North American LTL service centers by the end of this year.

Ultimately, XPO Smart™ is an optimization engine focused on the same objectives that inform our operations companywide: productivity, visibility, customer service, operational excellence and control — all attained through the practical application of XPO-specific innovation.

## **Company Overview**

We created XPO in 2011 to provide exceptional value for customers while generating meaningful returns for our shareholders. The supply chain industry has strong fundamentals for value creation: it's vast, growing, fragmented and ripe for innovation, with underpenetrated market sectors.

Supply chains are unique by nature — each one is a network spanning every step a company must take to move its goods from the origin to the end-user. Our customers typically have supply chains that include vendors, manufacturers, labor, assets, technologies, data and other resources. We believe that our ability to provide customers with integrated, end-to-end solutions gives us a significant competitive advantage.

There are secular industry trends in our favor, including the ongoing growth in e-commerce, just-in-time inventory management and the globalization of supply chains. Many customers, particularly national or multinational companies, prefer to use large, multimodal service providers to manage more than one aspect of their supply chain. This is borne out by our own experience. At year-end 2018, 90 of our top 100 customers were using at least two XPO service lines, and 55 of the 100 were using five or more of our services. Four years ago, these numbers were close to zero.

Our service offering is asset-light overall, with assets accounting for just under a third of revenue. In 2018, our net capex was 2.4% of revenue — a notably lower percentage than asset-intensive competitor groups in our industry, such as less-than-truckload, truckload, parcel and rail carriers. The assets we do own or lease are critical components of the customer services we provide: 787 contract logistics facilities, 480 cross-docks, trucking assets of 16,000 tractors and 40,000 trailers, and intermodal assets of 9,500 53-ft. boxes and 5,000 chassis.

We market our service offering using a two-pronged sales strategy: earn a greater share of wallet with our existing customer base and penetrate high-growth verticals where companies have a need for multiple XPO services.

Over the past three years, we quadrupled the number of strategic account managers in North America, beefed up sales support, raised incentive compensation and invested in new training and analytics to drive cross-selling. We also added sales associates and sales support personnel for our North American LTL organization. In Europe, we created a strategic account management team that deepened our European bench strength of senior-level sales talent in both transportation and logistics. In the third quarter, our global sales pipeline remained above \$4 billion for the third consecutive quarter.

The scope of our services gives us the opportunity to engage with many different types of customers. We are:

- The second largest contract logistics provider worldwide, and the largest outsourced e-fulfillment provider in Europe;
- A top three LTL provider in North America, and a leading LTL provider in Western Europe;
- The second largest freight broker worldwide, with the largest owned road fleet in Europe;
- The largest last mile logistics provider for heavy goods in North America;
- The third largest provider of intermodal freight services in North America;
- The largest manager of expedited shipments in North America by ground, air and automated carrier procurement;
- A global provider of managed transportation solutions, with technology-enabled control towers, managed expedite capabilities and dedicated capacity; and
- A global freight forwarder with an integrated network of ocean, air, ground and cross-border services.

In addition, we create value through the cross-fertilization of best practices. We're sharing knowledge across our service range with an emphasis on high-impact areas of operation, such as customer service, sales, safety, training, warehouse management, cross-dock operations, equipment maintenance and human resources.

Looking solely at the markets where we already operate, the total addressable opportunity is more than 50 times the size of our present revenue base.



## Overview of Logistics Operations

### *Contract Logistics*

Contract logistics is an asset-light business characterized by long-term contractual relationships, low cyclicalities and a high-value-add component that deters commoditization. It has low capex requirements as a percentage of revenue, which leads to strong free cash flow conversion and ROIC.

As the second largest contract logistics provider worldwide, we're at the forefront of a \$120 billion sector that's estimated to grow at 2-3x GDP. Our logistics footprint stands at 195 million square feet of facility space globally — this makes us attractive to multinational customers, as does our vertical expertise, technology and engineering capabilities.

The majority of our top contract logistics customers have investment-grade credit ratings. They represent the preeminent names in retail and e-commerce, food and beverage, technology, aerospace, wireless, industrial and manufacturing, chemical, agribusiness, life sciences and healthcare. We also have strong positions in fast-growing sub-verticals: for example, XPO is the number one provider of fashion logistics in Italy. There are very few logistics companies with our breadth of vertical expertise — most of our competitors specialize in one or two verticals.

When we secure a new logistics contract, the initial tenure is approximately five years on average, with a historical renewal rate around 95%. These relationships can lead to cross-selling and a wider use of our services, such as inbound and outbound logistics.

Our logistics offering encompasses a range of services for the purpose of helping our customers control costs and increase efficiency. We provide value-added warehousing and distribution, e-commerce and omnichannel fulfillment, cold-chain solutions, reverse logistics, packaging and labeling, factory support, aftermarket support, inventory management and order personalization services, such as laser etching. In addition, we provide highly engineered solutions and optimization services, such as production flow management.

Our competitive positioning in logistics is as a technology leader. We're innovative and agile, with the ability to handle complex implementations, and we're a huge proponent of advanced automation. With robotics, for instance, we work with about 30 of the top robotics companies in the world, culled from hundreds of suppliers.

Reverse logistics, also called returns management, is a fast-growing area of contract logistics and one where we have a high profile as a quality provider. In 2018, we managed about 170 million returns. It's a multifaceted service that includes inspections, repackaging, refurbishment, resale or disposal, refunds and warranty management. These are high-value services for any company with consumer end-markets, because consumers are increasingly test-driving the products they buy online. Our technology is a major differentiator.

One of our largest contract logistics wins to date is an omnichannel reverse logistics facility we began ramping up in mid-2018. Our customer is a large footwear and apparel company; we've partnered on a 1.1 million square foot returns processing center in the US. The site has been custom-designed to dramatically improve the processing time it takes to get products back into the supply chain once they're returned through retail, wholesale and e-commerce channels.

We're leveraging our complementary strengths in Europe and North America to make inroads with new verticals. For example, in Europe, we're a specialist in food and beverage logistics, which includes staples that are less sensitive to economic cycles. Our European food and beverage experts are helping us build this business in North America. In the US, we're strong in aerospace and other high-tech sectors; this is opening new doors for us overseas.

## Logistics Automation

Contract logistics processes are ripe for transformation through technology. Order fulfillment times are compressing, most notably in the direct-to-consumer space. What used to be a five-day process is now down to one day or less. The most cost-effective way to meet customer expectations is through advanced automation and intelligent machines — robots and cobots (collaborative robots), automated sortation systems, automated guided vehicles (AGVs) and goods-to-person systems.

These technologies deliver critical improvements in speed, control, accuracy and productivity. Importantly, robots are also a way to enhance worker safety and overall quality of employment. Our US warehouse safety record for OSHA reportable incidents is running at approximately 25% of the industry average. That's come down from last year as we continue to add more automation.

We've found that goods-to-person systems improve employee productivity by 4-5x. Cobots have a 2x benefit to productivity. And autonomous goods-to-person systems take automation even further, bringing inventory to workers at pick-and-pack stations. Stationary robot arms repeat demanding tasks with absolute precision 3x faster than would be possible manually. Robotics are particularly valuable in tight labor markets where wage inflation and labor shortages can erode customer margins.

Another major driver of logistics automation is consumer demand for speed, particularly in e-commerce. Increasingly, people want their goods in one or two days, or even the same day. The crescendos to peak periods are steeper and the peaks themselves are higher. We use automation to help manage these demands. We've also developed analytics that predict future peaks based on data histories and forecasted customer spend. And it's notable that about 10% to 35% of all e-commerce orders result in returned goods, which creates reverse peaks at certain times of year. We've been able to shave several days off the reverse process through automation, enabling customers to get product back on the shelf for resale.

In the third quarter, we increased cobot deployments in our warehouses in preparation for this year's retail holiday peak. Once fourth quarter fulfillment diminishes, we can repurpose these cobots for 2020 customer startups in our logistics pipeline and continue rolling them from implementation to implementation.

In addition, we've differentiated XPO from other logistics providers by our ability to create a synchronized environment across automation platforms. Early last year, we launched our proprietary warehouse management platform; it integrates robotics and other advanced automation into our operations with a high degree of control, even when complex, third-party software is involved. Our warehouse platform is a key competitive advantage, particularly in multichannel environments.

Other competitive differentiators for XPO are our order management tool (OMx), which gives customers deep visibility into fulfillment flows, and our business analytics dashboard (BMx), which gives customers XPO tools to manage their supply chains. Our connection management software (CMx) facilitates the seamless integration of SAP, Oracle and other customer systems, allowing us to engage in sophisticated demand planning.

Numerous blue-chip companies entrust us with the satisfaction of their customers. For Nestlé, the world's largest food and beverage company, we've developed a warehouse of the future in the UK, scheduled to open next year. Nestlé indicated to us that only two companies could execute on the goals they set, and we were seen as the most innovative and the fastest-moving of the two. The new warehouse will be fully automated and is expected to process more than a million pallets per year. It will have the highest throughput of any facility in Nestlé's fulfilment network. Our European innovation lab is being relocated to this site, where it will function as both a think tank and a launch pad.

## **Overview of Transportation Operations**

Our other segment — transportation — includes our lines for truck brokerage, truckload transportation, less-than-truckload transportation, managed transportation, last mile, intermodal, expedite and global forwarding. The multimodal capabilities of our digital transportation platform support growth across these service lines.

### *XPO Connect™*

XPO Connect™ is our company's proprietary digital freight marketplace. It has a shipper interface, a pricing engine, a carrier interface and a driver mobile app called Drive XPO™. The core of the platform is our powerful, proprietary Freight Optimizer system, which has been the backbone of our brokerage operation for years. We're capitalizing on years of tech investments and market know-how.

The platform provides visibility across multiple transportation modes; this has established the groundwork to continually improve service, capture share and reduce costs. In essence, our technology is positioning XPO for the future of transportation, where shipper and carrier activities become increasingly automated.

The current capabilities of XPO Connect™, as well as the tremendous potential of future applications, establishes this technology as a competitive moat encircling our transportation service lines.

### *Truck Brokerage and Transportation*

XPO utilizes a blended transportation model of brokered, owned and contracted capacity for truck transportation. The non-asset portion of our model is variable cost and gives us extensive flexibility. It includes brokered transportation services, as well as contracted capacity with independent owner-operators.

Brokerage is compelling to us for a number of reasons. In addition to low fixed costs, it has high free cash flow conversion and minimal capex requirements, with tailwinds from outsourcing and supplier consolidation. Trucking is a core supply chain service – many XPO customers who use our other lines of business need truckload brokerage as well. Examples of brokered freight include industrial flows of raw materials and finished goods, consumer goods, sensitive or high-value freight, and freight that requires high security.

XPO Connect™ is continually improving our brokerage service through automation, making us more productive and differentiating our service. We're able to customize the customer experience based on freight requirements and business-specific rules. KPIs can be filtered by factors like delayed shipments, weather or traffic.

On the carrier side, drivers use the Drive XPO™ app to interact with XPO Connect™ and book loads in the marketplace. They can “buy it now” at the published price or place a counteroffer on a load. They can post their capacity, submit e-paperwork and set preferences that trigger the automatic allocation of loads based on size, type and geography, all from their truck.

In North America, approximately 37,000 of the independent truckload carriers in our brokerage network are already registered on XPO Connect™, with carrier adoption gaining traction every month. The network itself represents close to a million trucks. This capacity is vitally important to shippers — they value our ability to find them trucks and drivers under all kinds of market conditions.

In Europe, the largest components of our transportation operations are LTL, dedicated transport and brokerage. In 2018, these three service lines combined generated about 80% of our European transport EBITDA. We also have a non-dedicated truckload business in Europe that provides on-demand capacity for our customers.

#### *Less-Than-Truckload (LTL)*

Our LTL business in North America is asset-based; it utilizes employee drivers, a fleet of tractors and trailers for linehaul, pickup and delivery of pallets, and a national network of terminals. We’re a top three LTL provider in the US, with a network that covers about 99% of all zip codes.

In Western Europe, where we’re a leading LTL provider, we utilize the optimal model for each national market. In the UK, for example, we own the trucks and employ the drivers, whereas in Spain, we contract with independent carriers for capacity. In France, we use a blended model. In areas where we use independent carriers, we support those relationships with XPO terminals and staff.

Our LTL team is laser-focused on on-time, damage-free performance. Using one of the industry’s most modern fleets, we deliver more than 20 billion pounds of freight a year. We have over 20,000 LTL customers in North America alone, primarily local accounts, and we’ve significantly increased the number of salespeople dedicated to serving and growing this base. We’re also diversifying our base by selling LTL across more verticals.

We’ve nearly doubled EBITDA in LTL in the three years since we acquired this business, and we’ve brought the operations a long way forward. In the third quarter this year, we realized an operating ratio of 82.3% and an adjusted operating ratio of 80.8% – this is our best third quarter adjusted operating ratio for LTL yet. We remain on track to generate at least \$1 billion of EBITDA in LTL in 2021.

Our technology roadmap for LTL focuses on the main components of the LTL service lifecycle: linehaul, pickup-and-delivery, and pricing. We also use XPO Smart™ to enhance productivity in yard and dock operations.

Our linehaul network is how we move LTL freight across the country. To put it in perspective, we move freight 2.6 million miles a day on average, or 655 million miles a year. Currently, only 10% to 15% of our volume travels direct. With intelligent route-building, such as bypass optimization, we can reduce empty miles, improve load factor and mitigate cargo damage, shaving our \$1.3 billion of annual linehaul spend. The process lets us deploy trucks deeper into the network and the freight is handled fewer times, which saves time and costs.

Our linehaul bypass models work with massive amounts of data, including shipment details, customer information, ride-by times, service level agreements and hazmat designations. The data is passed through three proprietary optimization models; most other LTL carriers use one model or none. Bypass recommendations are based on volume and density, taking freight dimensions into account to identify gaps in trailer utilization. We estimate that every percentage point increase in trailer utilization translates into about \$10 million of EBITDA.

Our technology optimizes other areas of linehaul as well. Compliance and exception management information can be easily accessed by our planners and freight flow teams. Decisions are supported by key metrics, such as must-arrive-by times. Our linehaul team has the ability to look at real-time trailer-building images from service centers in our network, confirming optimal trailer counts. And we use proprietary algorithms to analyze photos of errant pallets, identify the product and reroute it. We launched this application just months ago, and it's already on track to help us save around \$3 million in freight recovery costs this year.

The second major component of LTL optimization is pickup-and-delivery — We currently have \$650 million of annual P&D spend ripe for optimization. The new routing and visualization tools we've developed help our dispatchers improve route density, which reduces miles per stop and cost per stop.

Our P&D optimization plan focuses on adjusting to traffic realities in real time, accommodating late-breaking customer requests and generally managing surprises. We've created a more intuitive interface for our dispatchers, and we use machine learning to predict loading and unloading windows based on customer service histories.

The tools give our dispatchers visibility into the profit impact of route adjustments and help them act more efficiently. For example, two stops near each other could be moved to the same route and handled by a single truck and driver. Our drag-and-drop tools show the dispatcher whether a contemplated adjustment will make the plan better or worse. Sometimes a route change looks reasonable on the surface but has a negative impact on cost or service.

The third area of LTL optimization is pricing. Here, we're using elasticity models to adjust for current lane conditions. The goal is to price as intelligently as possible to balance the network. Most often, but not always, this also improves yield.

For larger accounts, we're using modeling to create "sticky" pricing proposals. Our algorithms incorporate data from past customer behavior and real-time market conditions to make the proposals as relevant as possible for our customers. For small to mid-sized accounts, we've greatly improved the software that our local account executives use to price lanes. Our salespeople can now price in real time, which aids our ability to capture share.

Currently, we provide quotes on nearly half of the freight in the US LTL market. We convert less than half of those quotes into revenue. For the first six months of 2019, without the benefit of our optimization tools, this equated to \$1.9 billion of revenue on \$9 billion of rate quotes. As the math suggests, we have a large EBITDA opportunity in LTL.

While each component of our plan delivers its own benefits, we also expect a strong synergistic effect on LTL as a whole. For example, when we optimize truck routes, this benefits asset utilization, driver utilization, customer service and yield, and should reduce our carbon footprint by decreasing empty miles.

## *Managed Transportation*

XPO is a top five global provider of managed transportation, with approximately \$2.7 billion of freight under management. We provide this non-asset service to shippers who want to outsource some or all of their transportation modes and related activities. These activities can include freight handling, such as consolidation and deconsolidation, labor planning, inbound and outbound shipment facilitation, documentation and customs management, claims processing and 3PL supplier management, among other services.

While managed transportation is still a small component of our revenue, it's ramping up now that we've integrated it with our XPO Connect™ platform. In the third quarter, we grew managed transportation revenue by 22% with a tailwind from our technology. The three arms of our managed transportation offering are control tower solutions, managed expedite and dedicated capacity.

XPO control tower experts are trained in operations, analytics, procurement and customer service. They design the optimal routes for a given supply chain, source the most efficient carriers and ensure a high level of performance. They also apply lean-based analysis to shipping patterns and oversee vendor performance, freight audits and payments, claims, charge-back notifications and other processes.

Our dedicated managed transportation service is a turnkey solution we tailor for each customer. It includes drivers, tractors, trailers, maintenance, management, fuel and KPI reporting. The service is facilitated by our proprietary, web-based system for the digital procurement and tracking of time-critical freight. We have thousands of vetted ground carriers in our independent expedite network with equipment ranging from cargo vans to flatbeds, as well as domestic and international air options.

We recently signed the largest contract in the history of our European transportation business. This is a multi-year dedicated transportation agreement in the UK with British Gypsum valued at £55 million a year. We're partnering with British Gypsum to transform their UK supply chain into a single, digitally-managed transportation network.

## *Last Mile Logistics*

Our last mile services are predominantly asset-light: we use independent contractors to perform transportation and over-the-threshold deliveries and installations. In North America, these services are supported by a network of 85 hubs that extend our last mile footprint to within 125 miles of approximately 90% of the US population.

XPO is the largest facilitator for the home delivery of heavy goods in North America, and yet we hold just 8% share of this sector in the US. Our last mile customers include big-box retailers that sell appliances, furniture, exercise equipment, large electronics and other heavy or bulky items. There's an ongoing shift toward consumers buying these items online, and given our specialization in heavy goods, home-delivery demand is a significant growth opportunity for us.

Last mile for heavy goods is a service-intensive business that we do very well. We have a cohesive network that we launched in 2013, when we bought the leading last mile company in North America; we then integrated three more highly regarded last mile providers over 18 months. Our retail and e-commerce customers benefit from the tens of millions of dollars we've invested in last mile technology.

In Europe, which is another fragmented last mile landscape, there's a large opportunity for us to apply our technology and best practices. We've established last mile operations for heavy goods in several European countries and won some sizable contracts. These are small but growing operations in a sector where our expertise is valued.

We recently launched XPO Connect™ in our last mile service for heavy goods and we've moved our first large customer onto the platform. We expect to have the technology pushed out to all last mile customers in early 2020, providing real-time ETAs for home deliveries, and enabling custom notifications and e-rescheduling.

These features enhance our consumer-friendly capabilities already in place, such as feedback loops, voice tracking of shipments with Google Home® and Amazon Alexa®, and augmented reality, which shows an item inside the home before it's delivered. The key in last mile is to keep consumer satisfaction as high as possible. We're the only last mile provider for heavy goods to invest in digital consumerization to this degree.

### *Intermodal*

Intermodal involves the long-haul portion of containerized freight movements. This is an additional growth opportunity for us within our freight brokerage unit. Services include rail brokerage, local drayage performed by independent trucking contractors, and on-site operational services. XPO has one of the largest drayage networks in the US, with more than 2,400 independent owner-operators and access to over 25,000 drayage trucks.

The nature of intermodal is that demand is influenced by external factors, such as the availability of truck capacity. When truck capacity is relatively tight, that's good for intermodal — the same is true of high fuel prices. In general, intermodal can be a much less expensive mode for freight that is not time-sensitive. The main drivers of customer satisfaction are cost effectiveness, ready capacity and service performance.

Our proprietary Rail Optimizer technology is a growth engine and a competitive advantage for us in intermodal; it enables constant communication with the railroads and provides a high level of visibility into the door-to-door movements of long-haul freight. We use sensors on our containers that tell us where a container is located, whether it's full or empty, and whether the door is open. These are just some of the ways we add value for our intermodal customers.

### *Expedite*

We offer expedited transportation, a non-asset business, as part of our freight brokerage operations in North America. Expedited shipments are time-critical goods or raw materials that have to get somewhere very quickly, typically on little notice.

We use a network of contracted owner-operators to handle expedited ground transportation, and an electronic bid platform to assign air charter loads. A large and separate component of our expedite operations is our proprietary transportation management platform, which awards loads electronically based on online carrier bids. These transactions primarily happen on a machine-to-machine basis. The technology initiates a new auction on the internet every few seconds, and we take a fee for facilitating the process.

One key driver of expedite demand is the trend toward just-in-time (JIT) urgent shipments. JIT is a supply chain strategy that requires 3PL support for both manufacturing production and inventory management. As the largest manager of expedited shipments in North America, we can act very quickly, often saving our customers from disastrous monetary loss.

Our expedite group serves other XPO service lines as well. For example, if a track repair stalls a rail container, we can off-load those goods to an expedite ground carrier in our network or put them on a chartered aircraft. This ability to find solutions to almost any challenge is a major advantage of using XPO.

### *Global Forwarding*

We provide non-asset global forwarding services in a \$150 billion sector where shippers depend on our domestic, cross-border and international expertise. The freight we forward may have origins and destinations within the same country or move between countries or continents. Shipments may travel by ground, air, ocean or some combination of these modes.

XPO has a network of independent market experts and licensed customs brokers that provide local oversight in thousands of key trade areas worldwide, and we operate a subsidiary as a non-vessel operating common carrier (NVOCC). We have an opportunity to grow market share in freight forwarding through our forwarding offices on four continents.

### **A Culture with Purpose**

In conveying our strengths, we believe that equal weight should be given to the human face of XPO. Our company employs approximately 100,000 extraordinary individuals who have great insights about our customers and our business.

In 2018, XPO management reviewed more than 32,000 employee survey responses and acted on countless suggestions; for example, the establishment of a permanent, US-based relief fund for colleagues in disaster areas. This powerful feedback loop is an important driver of our culture, which seeks to engage our employees, customers, investors and the global community through open communication. The surveys are one way we encourage a sense of ownership in XPO throughout our organization.

Our culture is also about being safe, respectful, entrepreneurial, innovative and inclusive — it's about having compassion, being honest and respecting diverse points of view, while operating as a team. We reinforce our culture through diverse worksites, open-door management, the XPO University training curriculum, our Workplace virtual community and equal opportunity hiring policies. We also support causes important to our employees, such as the Susan B. Komen Foundation's fight against breast cancer.

In addition, we have robust ethical guidelines that foster physical and emotional safety at work and clearly define prohibited behavior, such as harassment, dishonesty, discrimination, workplace violence, bullying, conflicts of interest, insider trading and human trafficking.

Our Pregnancy Care Policy, developed over the last year, is a gold standard not just for our industry, but for any industry. Any employee of XPO, female or male, who becomes a new parent through birth or adoption can qualify for six weeks of 100% paid leave as the infant's primary caregiver, or two weeks paid leave as the secondary caregiver. In addition, a woman receives up to 20 days of 100% paid prenatal leave for health and wellness and other preparations for her child's arrival.



Our female employees can request pregnancy accommodations without fear of discrimination, including "automatic yes" accommodations, such as changes to work schedules and the timing or frequency of breaks, or assistance with certain tasks. More extensive accommodations are easily determined with input from a doctor. Furthermore, we guarantee that a woman will continue to be paid her regular base wage rate while her pregnancy accommodations are in effect, even if her duties need to be adjusted, and she will remain eligible for wage increases while receiving alternate work arrangements.

We've also partnered with a leading healthcare network for women and families to offer supplemental health services from over 1,400 practitioners in 20 specialties via a virtual clinic. In total, more than 30 quality benefits are available to XPO women and families in the US. These include fertility services, prenatal and postpartum care, paid family bonding and a return-to-work program.

Sustainability is another priority for us. It's an area where XPO has already set an example in the industry, giving us an opportunity to build on that position. Our company has been named a Top 75 Green Supply Chain Partner by *Inbound Logistics* for four consecutive years, and in 2016 we were awarded the label "Objectif CO<sub>2</sub>" for outstanding environmental performance of transport operations in Europe by the French Ministry of the Environment and the French Environment and Energy Agency.

The warehouse of the future that we're creating with Nestlé will be sited on man-made plateaus, with landscaping to minimize the visual impact to nearby settlements. Additional sustainability measures include environmentally friendly ammonia refrigeration systems, energy-saving LED lighting, air-source heat pumps for administration areas and rainwater harvesting.

A number of our logistics facilities are ISO14001-certified, which ensures environmental and other regulatory compliances. We monitor fuel emissions from forklifts in our warehouses, and we have protocols in place to take immediate corrective action if needed. Our packaging engineers ensure that the optimal carton size is used for each product slated for distribution, and when feasible, we purchase recycled packaging. As a byproduct of our reverse logistics operations, we recycle millions of electronic components and batteries each year.

In transportation, we've made substantial capex investments in fuel-efficient Freightliner Cascadia tractors in North America; these use EPA 2013-compliant and GHG14-compliant SCR technology. Our North American LTL locations have numerous energy-saving policies in place and are implementing a phased upgrade to LED lighting.

In Europe, we own one of the industry's most modern road fleets: 98% compliant with Euro V, EEV and Euro VI standards, and with an average truck age of approximately three years. We also own a large fleet of natural gas trucks operating in France, the UK, Spain and Portugal. Recently, we made a significant investment in 100 new Stralis Natural Power Euro VI tractors for our less-than-truckload network in France. These tractors use a combination of liquified and compressed natural gas (LNG/CNG) to generate lower NOx emissions than the Euro VI standard and reduce noise in densely populated areas.

We've also begun piloting electric vehicles for last mile deliveries in urban areas, reducing emissions to zero. And we use government-approved mega-trucks in Spain — these can significantly reduce CO<sub>2</sub> emissions due to their larger carrying capacity.

The development of our culture will continue to be a steady march forward, as it has since our founding in 2011. In April, we published our inaugural Sustainability Report, a global document that covers 2018 data and initiatives. In addition, we publish a Corporate Social Responsibility Report for our European operations. Both documents can be found at <https://sustainability.xpo.com>.

### Third Quarter 2019 Financial Highlights<sup>1</sup>

In the third quarter, we grew EPS by 54% and grew adjusted EPS by 33% year-over-year. We also delivered a solid beat on adjusted EBITDA, outpacing the macro through cost control and margin discipline.

We reported the following results for the third quarter 2019, compared with the same period in 2018 year-over-year:

- \$4.15 billion of revenue, down 4%
- (0.5%) organic revenue<sup>2</sup>
- \$117 million of net income<sup>3</sup>, up 16%
- \$1.14 diluted earnings per share, up 54%
- \$121 million of adjusted net income<sup>4</sup>, unchanged
- \$1.18 adjusted diluted earnings per share, up 33%
- \$438 million of adjusted EBITDA, up 6%
- \$278 million of cash flow from operations, down 3%
- \$257 million of free cash flow, up 49%

### \$2.5 Billion Share Repurchase Program

Our strong balance sheet gives us considerable flexibility in making the best capital allocations on behalf of our stockholders. We've raised, or refinanced at attractive terms, over \$3 billion of debt from public and private investors since December 2018, while extending our maturity profile. XPO has no significant debt maturing until June 2022.

When our share price dropped through year-end 2018, we paused M&A in favor of buying back our own stock — a rare opportunity to create compelling shareholder value. We're very good at M&A, and we'll return to acquisitions when the time is right.

From December 14, 2018, through June 30, 2019, we repurchased 35.2 million shares of XPO common stock at a \$53.42 average price per share, for a total cost of approximately \$1.9 billion.

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<sup>1</sup> Reconciliations of non-GAAP financial measures used in this document are provided in the accompanying slide presentation.

<sup>2</sup> Commencing in the first quarter of 2019, the company excludes direct postal injection revenue in its last mile business from its calculation of organic revenue growth and continues to exclude fuel and foreign currency exchange. The company ceased offering its direct postal injection service in the first quarter of 2019.

<sup>3,4</sup> Net income attributable to common shareholders.

These numbers were unchanged from June 30, 2019, as we didn't purchase any stock in the third quarter.

The company is not obligated to repurchase any specific number of shares and can suspend or discontinue the program at any time.

### **2019 Financial Targets**

Our full-year 2019 financial targets<sup>5</sup> are:

- Revenue of (2.5%) to (4.0%) year-over-year, from (1%) to 1% previously; which translates to organic revenue growth of flat to 1.0%, from 2.5% to 4.5% previously, reflecting our expectation for continued softness in the macro environment;
- Adjusted EBITDA in the range of \$1.675 billion to \$1.725 billion, or year-over-year growth of 7% to 10%, unchanged from prior guidance;
- Free cash flow in the range of \$575 million to \$675 million, unchanged;
- Net capital expenditures in the range of \$400 million to \$450 million, unchanged;
- Depreciation and amortization in the range of \$745 million to \$765 million, from \$765 million to \$785 million previously;
- Effective tax rate in the range of 23% to 25%, from 25% to 28% previously; and
- Cash taxes in the range of \$110 million to \$130 million, from \$130 million to \$150 million previously.

### **Clear Path for Continued Growth and Profitability**

In summary, we're continuing to execute our growth strategy in the trillion-dollar addressable market where we operate. We're focused on running the business as efficiently, profitably and safely as possible so that our customers, investors and employees can benefit. XPO's capacity for innovation, propelled by scale, will continue to be a defining characteristic of our value creation.

We see an opportunity to further differentiate our company on the basis of superior customer service and proprietary technology. Our ability to drive efficiencies through technology in so many parts of the supply chain — from sourcing to final destination — clearly resonates with customers. This, plus our collaborative approach to customer relationships, are major reasons why 69% of Fortune 100 companies use XPO.

When we receive awards for excellence from world-class companies, such as Dow Chemical, Boeing, Diebold, Ford, GM, Nissan, Nordstrom, Raytheon, The Home Depot and Whirlpool, we know we're doing our job. In July, we were awarded a contract extension through 2024 by the Tour de France as their official transportation partner. This the 39th consecutive year we've partnered with the Tour, and we take great pride in supporting the race participants on the world stage, as we do with other global competitions: the Schneider Electric Paris Marathon, Tour Voile, Evian Gold Championship, Arctic Race of Norway, Freeride World Tour and Coupe de France.

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<sup>5</sup> Updated as of October 28, 2019.

In 2016, XPO made the Fortune 500 list for the first time, and one year later, we were named the fastest-growing transportation company on the list. In 2018, *Fortune* named us to their Fortune Future 50 list. Gartner has ranked us as a Magic Quadrant 3PL leader for three consecutive years. Recently, we were named a Winning “W” Company by 2020 Women on Boards for the gender diversity of our board of directors.

In Italy, we were awarded Logistics Company of the Year for innovation two years in a row. *Logistics Manager* named us 3PL of the Year. And in the UK, we were voted one of Glassdoor’s top three Best Places to Work. *Forbes* ranked us as the top-performing US company on the Global 2000 and one of America’s Best Employers. In March, *Forbes* named us one of the best companies to work for in Spain. We thank our employees for creating the culture that has led to these recognitions.

This year, *Fortune* once again named us one of the World’s Most Admired Companies, and ranked us first in our category of trucking, transportation and logistics. Many of the criteria for Most Admired Companies mirror strengths of XPO: innovativeness, long-term investment value, financial soundness, wise use of corporate assets and effectiveness in conducting a global business.

Today, our company is more capable of creating significant shareholder value than at any time in its history. It’s worth noting that about 19% of XPO’s diluted outstanding shares are held by company executives and directors, which aligns their interests with those of our public shareholders. We’re continuing to grow adjusted EBITDA faster than revenue by managing our costs and capital with discipline.

The 10 self-driven initiatives we’ve identified represent a pool of approximately \$700 million to \$1 billion of potential profit growth by 2022, largely independent of the macro. While we won’t get the full billion dollars, we’re excited about the size of the prize and the meaningful potential uplift to our profitability.

While the first eight years of XPO have been defined by significant accomplishments, our greatest opportunities to serve the interests of our investors and customers are still ahead.

Thank you for your interest!

### **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 document to the most directly comparable measure under GAAP, which are set forth in the financial tables attached to the accompanying slide presentation.

XPO’s non-GAAP financial measures for the three and nine months ended September 30, 2019 used in this document include: earnings before interest, taxes, depreciation and amortization (“EBITDA”) and adjusted EBITDA on a consolidated basis; free cash flow; adjusted net income attributable to common shareholders and adjusted earnings per share (basic and diluted) (“adjusted EPS”); adjusted operating income and adjusted operating ratio for our North American less-than-truckload business; and organic revenue and organic revenue growth for the logistics segment and on a consolidated basis.

We believe that the above adjusted financial measures facilitate analysis of our ongoing business operations because they exclude items that may not be reflective of, or are unrelated to, XPO and its business segments' 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, adjusted net income attributable to common shareholders and adjusted EPS include adjustments for transaction, integration and rebranding costs as well as adjustments for restructuring costs. Transaction and integration adjustments are generally incremental costs that result from an actual or planned acquisition and include transaction costs, acquisition and integration consulting fees, 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. Rebranding adjustments primarily relate to the rebranding of the XPO Logistics name on our truck fleet and buildings. 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 XPO's and each business segment's ongoing performance.

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. We calculate free cash flow as adjusted net cash provided by operating activities, less payment for purchases of property and equipment plus proceeds from sale of property and equipment, with adjusted net cash provided by operating activities defined as net cash provided by operating activities plus cash collected on deferred purchase price receivables. We believe that EBITDA and 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 net income attributable to common shareholders and adjusted EPS improve the comparability of our operating results from period to period by removing the impact of certain costs and gains that management has determined are not reflective of our core operating activities. We believe that adjusted operating income and adjusted operating ratio for our North American less-than-truckload business improve the comparability of our operating results from period to period by (i) removing the impact of certain restructuring costs and 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 organic revenue is an important measure because it excludes the impact of the following items: foreign currency exchange rate fluctuations, fuel surcharges and revenue associated with our direct postal injection service in last mile.

With respect to our 2019 financial targets for adjusted EBITDA, free cash flow and organic revenue, as well as our 2021 target for EBITDA in our North American less-than-truckload business, each of which is a non-GAAP measure, a reconciliation of the non-GAAP measure to the corresponding GAAP measure is not available without unreasonable effort due to the variability and complexity of the reconciling items described below that we exclude from the non-GAAP target measure. 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 balance sheet, statement of income and statement of cash flow, prepared in accordance with GAAP that would be required to produce such a reconciliation.

## **Forward-looking Statements**

*This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including our 2019 financial targets for our consolidated revenue and organic revenue, adjusted EBITDA, free cash flow, net capital expenditures, depreciation and amortization, effective tax rate and cash taxes, as well as our 2021 target for EBITDA in our North American less-than-truckload business and our potential profit growth opportunity by 2022. 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," "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 us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe 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 the risks discussed in our filings with the SEC and the following: economic conditions generally; competition and pricing pressures; our ability to align our investments in capital assets, including equipment, service centers and warehouses, to our customers' demands; our ability to successfully integrate and realize anticipated synergies, cost savings and profit improvement opportunities with respect to acquired companies; our ability to develop and implement suitable information technology systems and prevent failures in or breaches of such systems; our substantial indebtedness; our ability to raise debt and equity capital; our ability to maintain positive relationships with our network of third-party transportation providers; our ability to attract and retain qualified drivers; litigation, including litigation related to alleged misclassification of independent contractors and securities class actions; 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; risks associated with our self-insured claims; risks associated with defined benefit plans for our current and former employees; fluctuations in currency exchange rates; fluctuations in fixed and floating interest rates; fuel price and fuel surcharge changes; issues related to our intellectual property rights; governmental regulation, including trade compliance laws; and governmental or political actions, including the United Kingdom's likely exit from the European Union. All forward-looking statements set forth in this document 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 document 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.*

OCTOBER 2019

# Investor Presentation

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## Disclaimers

### 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: earnings before interest, taxes, depreciation and amortization ("EBITDA") and adjusted EBITDA for the three- and nine-month periods ended September 30, 2019 and 2018; EBITDA, adjusted EBITDA and adjusted EBITDA excluding truckload for the twelve-month periods ended December 31, 2018, 2017, 2016 and 2015; free cash flow for the three- and nine-month periods ended September 30, 2019 and 2018, and the twelve-month periods ended December 31, 2018, 2017, 2016 and 2015; adjusted net income attributable to common shareholders and adjusted earnings per share (basic and diluted) ("adjusted EPS") for the three- and nine-month periods ended September 30, 2019 and 2018; adjusted operating ratio for our North American less-than-truckload business for the three-month period ended September 30, 2019; and organic revenue and organic revenue growth for the three- and nine-month periods ended September 30, 2019 and 2018, on a consolidated basis and for our logistics segment.

We believe that the above adjusted financial measures facilitate analysis of our ongoing business operations because they exclude items that may not be reflective of, or are unrelated to, XPO and its business segments' 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.

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## Investor highlights: Key factors driving growth and returns

<b>1</b>	<b>Leading positions in the fastest growing sectors of transportation and logistics</b>	<ul style="list-style-type: none"> <li>▪ Top three industry positions across all major business units</li> <li>▪ Over 60% of XPO's revenues are in industry sectors that are growing at 2-5x GDP</li> </ul>
<b>2</b>	<b>Cost and revenue initiatives represent large pool of potential profit drivers</b>	<ul style="list-style-type: none"> <li>▪ ~\$700 million to \$1 billion pool of profit growth opportunity largely independent of the macro</li> <li>▪ XPO-specific levers include: labor productivity, LTL process improvements, contract logistics automation, pricing optimization, digital transportation platform and European margin expansion</li> </ul>
<b>3</b>	<b>Strong, multimodal presence in high-growth e-commerce and omnichannel</b>	<ul style="list-style-type: none"> <li>▪ Largest e-fulfillment 3PL in Europe, leading provider of reverse logistics and largest last mile provider for heavy goods in North America</li> <li>▪ Combination of scale, expertise and proprietary technology drives high consumer satisfaction levels</li> </ul>
<b>4</b>	<b>Share growth complements opportunities for further consolidation of fragmented markets</b>	<ul style="list-style-type: none"> <li>▪ Less than 2% share across key global markets</li> <li>▪ Differentiated ability to provide complex logistics solutions on a global scale</li> </ul>
<b>5</b>	<b>Fast pace of technological innovation drives competitive advantage</b>	<ul style="list-style-type: none"> <li>▪ Proprietary technology optimizes talent and assets</li> <li>▪ Data-driven technology initiatives, including warehouse automation and digital freight marketplace</li> </ul>
<b>6</b>	<b>Substantial advantages of scale</b>	<ul style="list-style-type: none"> <li>▪ Platform propels operating leverage, purchasing power, cross-selling and capacity to innovate</li> <li>▪ Compelling ability to provide consistent, multinational solutions to global customers</li> </ul>
<b>7</b>	<b>Significant cash flow generation</b>	<ul style="list-style-type: none"> <li>▪ 70% of revenue is asset-light, 77% of cost basis is variable</li> <li>▪ Targeting FY 2019 free cash flow in the range of \$575 million to \$675 million</li> </ul>
<b>8</b>	<b>Ability to outperform the macro in all parts of the cycle</b>	<ul style="list-style-type: none"> <li>▪ Deep expertise in diverse verticals with different economic cycles</li> <li>▪ High mix of contracted business (74% in 2018) adds resilience in economic downturns</li> </ul>
<b>9</b>	<b>Expectation of free cash flow acceleration in an economic downturn</b>	<ul style="list-style-type: none"> <li>▪ Ability to modulate capex with cyclical fluctuations; low maintenance capex</li> <li>▪ Working capital becomes source of cash in economic slowdowns</li> </ul>
<b>10</b>	<b>35 top executives and 2,500 professionals at the next level with blue-chip experience</b>	<ul style="list-style-type: none"> <li>▪ Irreplicable moat of technologists, managers, engineers, logisticians and operators</li> <li>▪ Results-oriented innovators driving differentiation in every line of business</li> </ul>

Note: Refer to the "Non-GAAP Financial Measures" section on page 2 of this document

## Top three transportation and logistics player across all major business units

One company, one brand – innovative, global and growing

LOGISTICS 35% OF TOTAL REVENUE	TRANSPORTATION 65% OF TOTAL REVENUE			
<p><b>Contract Logistics</b></p> <ul style="list-style-type: none"> <li>▪ Highly engineered and customized solutions</li> <li>▪ E-commerce fulfillment</li> <li>▪ Reverse logistics</li> <li>▪ High-value-add warehousing</li> <li>▪ Factory and aftermarket support</li> <li>▪ Integrated manufacturing and distribution</li> <li>▪ XPO Direct™ shared distribution network</li> </ul>	<p><b>North American Less-Than-Truckload</b></p> <ul style="list-style-type: none"> <li>▪ Time-definite service</li> <li>▪ Linehaul, pickup and delivery</li> <li>▪ Primarily asset-based capacity</li> <li>▪ National network of terminals</li> </ul>	<p><b>North American Transportation (Freight Brokerage)</b></p> <ul style="list-style-type: none"> <li>▪ Truck brokerage</li> <li>▪ Intermodal / Drayage</li> <li>▪ Expedite</li> <li>▪ Managed Transportation</li> <li>▪ Global Forwarding</li> </ul>	<p><b>North American Last Mile</b></p> <ul style="list-style-type: none"> <li>▪ Heavy goods and larger-than-parcel deliveries to the home</li> <li>▪ Asset-light model utilizing independent contractors</li> <li>▪ Dedicated network of last mile hubs</li> </ul>	<p><b>European Transportation</b></p> <ul style="list-style-type: none"> <li>▪ Primarily LTL, truck brokerage and dedicated transportation</li> <li>▪ Top LTL provider in Western Europe</li> <li>▪ Last Mile</li> <li>▪ Managed Transportation</li> </ul>

### Significant advantages of scale, innovation and best practices

Note: Revenue data, excluding intersegment elimination, as reported for FY 2018

**Global provider of significant capacity for customers**



**GROUND TRANSPORTATION ASSETS**

- 16,000** tractors
- 40,000** trailers
- 9,500** 53-ft. intermodal containers
- 5,000** chassis

**NON-ASSET TRANSPORTATION NETWORK**

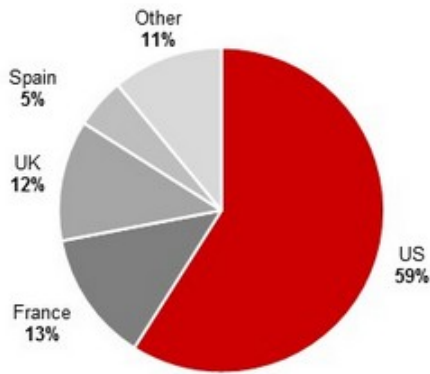
- 10,000** trucks contracted via independent owner-operators
- 1,000,000+** brokered trucks

**FACILITY ASSETS**

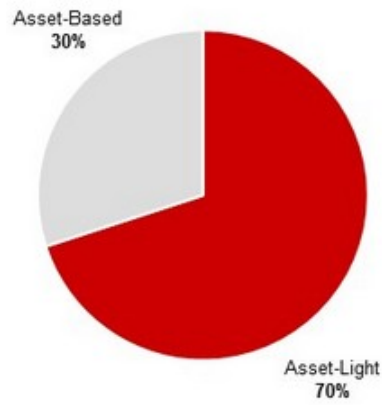
- 480** cross-docks
- 787** contract logistics facilities
- 195** million sq. ft. warehouse space

## Key metrics

### REVENUE BY GEOGRAPHY<sup>1</sup>



### REVENUE BY MIX<sup>1</sup>



**Total Revenue 2018: \$17.3 billion**

**CUSTOMERS**  
Over 50,000

**EMPLOYEES**  
~100,000

**LOCATIONS**  
1,531

**COUNTRIES OF OPERATION**  
30

<sup>1</sup> Geographic and mix data as of FY2018; key statistics as of September 30, 2019

## Integrated, end-to-end supply chain solutions in massive addressable markets

Business unit	CONTRACT LOGISTICS	NORTH AMERICAN LESS-THAN-TRUCKLOAD (LTL)	EUROPEAN TRANSPORTATION	NORTH AMERICAN FREIGHT BROKERAGE/EXPEDITE	INTERMODAL/DRAYAGE	LAST MILE
Market size <sup>1</sup>	\$120 billion	\$43 billion	\$455 billion <sup>2</sup>	\$375 billion	\$43 billion	\$13 billion
Market share <sup>3</sup>	5%	9%	1%	1%	2%	8%
Market position	<ul style="list-style-type: none"> <li>#2 largest global provider</li> <li>#1 largest outsourced e-fulfillment market share in Europe</li> <li>XPO Direct™ offers flexible shared distribution close to end-customers</li> </ul>	<ul style="list-style-type: none"> <li>#3 largest LTL provider in North America</li> <li>More than 75,000 next-day and two-day lanes</li> <li>Customer base diversified across industries, regions and sizes</li> </ul>	<ul style="list-style-type: none"> <li>Leading platform for truckload, LTL, truck brokerage and new last mile service</li> <li>#1 owned road fleet in Europe</li> </ul>	<ul style="list-style-type: none"> <li>#2 largest freight brokerage player globally</li> <li>XPO Connect™ offers leading-edge digital marketplace, provides real-time visibility into freight market supply and demand</li> </ul>	<ul style="list-style-type: none"> <li>#3 largest intermodal provider in North America</li> <li>30+ years experience in cross-border Mexico freight movements by rail</li> <li>Dray capacity at every major port and ramp</li> </ul>	<ul style="list-style-type: none"> <li>#1 North American last mile provider for heavy goods</li> <li>Expanded North American network hubs to 85 with 90% of the US's population within one-day range</li> </ul>
% of 2018 revenue	35%	22%	16%	15%	6%	6%

<sup>1</sup> Includes only North American and European markets. Sources include: Armstrong and Associates, Norbridge, Inc., EVE Partners LLC, FTR Associates, SJ Consulting Group, Inc., Bureau of Economic Analysis, U.S. Department of Commerce, A.T. Kearney, Transport Intelligence, American Trucking Associations, Technavio, Bain and Company, Wall Street research and management estimates

<sup>2</sup> European transportation size only includes truckload and brokerage

<sup>3</sup> Market share determined using business unit revenue, excluding intercompany eliminations

## Superior platform to capitalize on high growth e-commerce tailwinds

WHAT E-COMMERCE SHIPPERS DEMAND	WHAT XPO PROVIDES
<p><b>Expertise developing customized e-commerce solutions</b></p>	<ul style="list-style-type: none"> <li>▪ Unique provider of combined, customized solutions: warehouse management, carrier management and reverse logistics for e-commerce and omnichannel companies</li> <li>▪ Largest e-fulfillment 3PL in Europe, with a strong position in North America</li> <li>▪ Expertise managing peak demand periods (e.g. Black Friday/Cyber Monday)</li> </ul>
<p><b>Ability to manage complex returns and aftermarket services</b></p>	<ul style="list-style-type: none"> <li>▪ Omnichannel and reverse logistics leader in North America</li> <li>▪ 170 million returns processed annually</li> <li>▪ Extensive experience with product returns, testing, refurbishment, warranty management and other value-added services</li> </ul>
<p><b>Reliable last mile logistics service with high-density network</b></p>	<ul style="list-style-type: none"> <li>▪ Largest North American provider of last mile logistics for heavy goods, a growing category of online purchases, with service launched in Europe</li> <li>▪ Industry-leading consumer satisfaction levels powered by scale and technology</li> <li>▪ Over 10 million deliveries annually; revenue ~2x the next competitor</li> </ul>
<p><b>Lean inventory management with ability to move small shipments in shorter-haul networks</b></p>	<ul style="list-style-type: none"> <li>▪ XPO Direct™ shared-space distribution network gives customers time-definite, fast and affordable order fulfillment</li> <li>▪ Companywide, tracking more than 7 billion units of inventory daily</li> <li>▪ Approximately \$2.7 billion of freight under management</li> </ul>
<p><b>Sophisticated integration with customer technology infrastructures</b></p>	<ul style="list-style-type: none"> <li>▪ Customized logistics solutions, enabled by proprietary technology: predictive analytics, deployment of advanced warehouse automation and robotics</li> <li>▪ Big data-driven analytics, customized dashboards, value-added pattern analysis and high-quality reporting</li> </ul>

## Less than 2% current share of \$1 trillion addressable opportunity

**Strategic account teams in North America and Europe focus on winning large, incremental opportunities with new and existing customers**

- 90 of XPO's top 100 customers use two or more service lines
- 69% of Fortune 100 companies trust XPO with their business



<sup>1</sup> Service categories are North American expedite, intermodal, last mile, brokerage, LTL and supply chain; European transport and supply chain; and global forwarding

**~\$700 million to \$1 billion of potential profit growth opportunity by 2022**

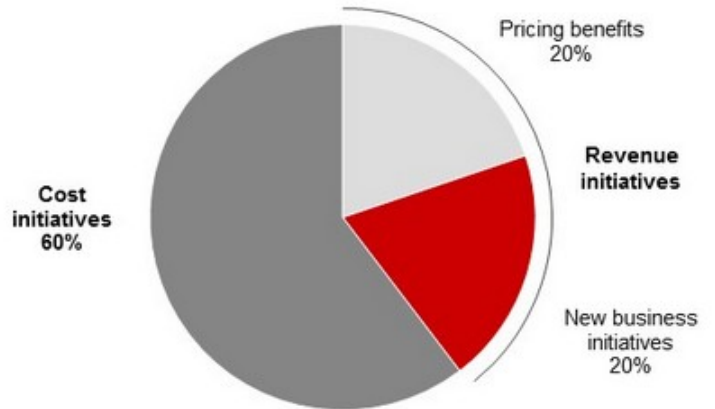
**POOL OF COST OPPORTUNITIES**

- XPO Smart™ workforce productivity:
  - Optimize \$5 billion of costs related to variable labor spend
- LTL process improvements:
  - Optimize \$1.3 billion of linehaul spend and \$650 million of P&D spend
- Contract logistics automation
- European logistics margin expansion
- Global procurement
- Further back-office optimization

**POOL OF REVENUE OPPORTUNITIES**

- Advanced pricing analytics and revenue management tools
- XPO Connect™ digital freight marketplace
- XPO Direct™ shared distribution network
- European cross-selling to strategic accounts

**KEY INITIATIVES AS % OF TOTAL POTENTIAL**



*XPO carefully analyzes all opportunities to ensure that resources are focused on endeavors that potentially can return the most value in the form of profitable growth*

**Six of the 10 profit growth initiatives are driven by technology**



## Technology blueprint: Differentiation in four areas of innovation

### Digital freight marketplace

- Automated capacity management
- Customer self-service, multimodal flexibility
- Connectivity through APIs

### Automation and intelligent machines

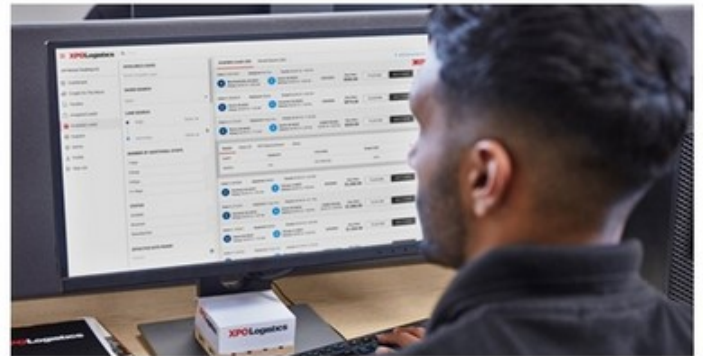
- Robots and cobots for picking and packing
- Goods-to-person autonomous robots, advanced sortation systems
- Warehouse AGVs (automated guided vehicles), augmented reality

### Dynamic data science

- Artificial intelligence
- Predictive analytics
- Intelligent optimization, data visualization

### Visibility and customer service

- Internet of Things
- Mobility
- Real-time tracking



**~\$550 MILLION**  
annual investment  
in technology

**~1,800**  
technology professionals,  
including over 100  
data scientists

**Singular technology platform propels customer and company efficiencies**

## Company-wide innovation drives comprehensive supply chain solutions

### PERVASIVE FOCUS ON EFFICIENCY AND PRODUCTIVITY ACROSS BUSINESS UNITS

#### CONTRACT LOGISTICS

- Proprietary warehouse platform manages complex operations, assimilates automation and enables customized solutions
- Cloud-based solution speeds supply chain startups and robotics integration
- Provides real-time optimization of operations through proprietary analytics and machine learning, including XPO Smart™ tools for labor productivity
- Integrates last mile with contract logistics via XPO Direct™ network, a powerful value proposition for retail, e-commerce, omnichannel and manufacturing customers

#### LTL

- Optimization tools improve LTL linehaul, pickup and delivery, and routing
- XPO Smart™ labor productivity tools improve efficiency of dock operations
- Comprehensive data capture feeds proprietary algorithms and machine learning
- Visibility facilitates selling LTL across more verticals to diversify base
- Dashboard provides full visibility of shipment status with end-to-end tracking
- Serves customers with user-friendly online tools for booking and managing freight

#### LAST MILE

- XPO Connect LM platform with intelligent analytics automates route planning and other service functions
- Digital management of deliveries is seamless for consumers
- Self-service capabilities facilitate scheduling and changes
- Immediate feedback loops capture actionable consumer input post-delivery
- Augmented reality improves satisfaction by showing how items will look in the home

#### FREIGHT BROKERAGE

- XPO Connect™ drives end-to-end efficiency in digital freight transactions
- Fully automated, self-learning marketplace links shippers and carriers in multimodal ecosystem
- Recent launch of XPO Connect™ pricing tool for truckload improves carrier procurement
- Robust Freight Optimizer technology underlies procurement capabilities
- Automated carrier matching leverages machine learning

**Customers trust us with 160,000 ground shipments and more than 7 billion inventory units daily**

## Cloud-based springboard for multiple profit improvements

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Cohesive suite of proprietary technology products focus on the most critical supply chain disciplines, leveraging machine learning to provide mode-agnostic, intelligent and adaptive solutions for customers

### **Direct** by XPOLogistics

#### **E-COMMERCE, RETAIL AND MANUFACTURING**

- XPO Direct™ shared-space network of strategically placed stockholding sites, cross-docks and last mile hubs
- Connectivity between national footprint of dedicated contract logistics facilities, last mile hubs and brokerage network
- Real-time, end-to-end visibility via a single tracking number
- Integrated with postal services and other parcel carriers
- Expected to reach \$1 billion revenue run rate by 2022

### **Smart** by XPOLogistics

#### **LABOR AND CAPACITY OPTIMIZATION**

- WmX deployment of advanced automation, faster startups and reduction in third-party technical support
- Focus on machine control and process optimization with real-time visibility
- Intelligent, predictive labor optimization in warehouse and LTL dock operations
- Supports implementation of centralized team deployed to key projects that create and retain value for the company

### **Connect** by XPOLogistics

#### **AUTOMATED SHIPPER-CARRIER CONNECTIVITY**

- Fully automated and self-learning marketplace for transportation transactions
- Dynamic pricing optimizes margins and drives share
- Supports expansion of managed transportation
- Brokerage automation integrates Freight Optimizer and Drive XPO™ carrier app
- Intermodal automation integrates Rail Optimizer and supports drayage network
- Last mile automation integrates XPO Connect LM and Ship XPO™

**Holistic approach encourages customer use of multiple XPO services**

## XPO is at the forefront of supply chain innovation

INDUSTRY EVOLUTION	XPO'S ADVANTAGE
<p><b>Moving from relationship-based industry to automated, data-centric space</b></p>	<ul style="list-style-type: none"> <li>▪ XPO Connect™ leverages XPO's breadth of transportation services to offer a multimodal experience with zero-touch automation capability</li> <li>▪ Proactive revenue generation gives smaller customers access to mode-agnostic transportation offerings and analytics previously available only to tier-one shippers</li> </ul>
<p><b>Digital platforms provide access to capacity</b></p>	<ul style="list-style-type: none"> <li>▪ XPO Connect™ propels cross-selling of transportation solutions to enhance customer experience and service levels</li> <li>▪ Differentiated platform with access to both significant capacity and shipping volume</li> </ul>
<p><b>Price transparency – efficient connection to long tail of capacity to reduce shipping costs</b></p>	<ul style="list-style-type: none"> <li>▪ Ability for customers to integrate XPO's solutions directly into their own systems via pricing and order creation APIs, eliminating the need to access multiple systems</li> <li>▪ XPO's managed transportation service offers customers the experience of a single system to manage their business with their transportation provider</li> <li>▪ XPO Connect™ pricing tool enhances price discovery in an increasingly transparent market</li> </ul>
<p><b>Monitor, track and optimize transportation spend</b></p>	<ul style="list-style-type: none"> <li>▪ Ability to provide customers with a holistic view of their transportation portfolios through XPO Connect™ for continuous optimization</li> <li>▪ Unique customer interface includes self-service analytics, quote management and tracking management</li> </ul>
<p><b>Carriers seeking loads and driver-friendly features</b></p>	<ul style="list-style-type: none"> <li>▪ XPO's proprietary technology connects large shipping volumes with multimode platform for service and capacity aggregation</li> <li>▪ XPO Connect™ facilitates easy booking of loads that will fill downtime and reduce empty miles</li> </ul>

## Highly skilled management team

LEADERSHIP	PRIOR EXPERIENCE
<b>Bradley Jacobs</b> <i>Chief Executive Officer</i>	United Rentals, United Waste
<b>Josephine Berisha</b> <i>Senior Vice President, Global Compensation and Benefits</i>	Morgan Stanley
<b>Tony Brooks</b> <i>President, Less-Than-Truckload – North America</i>	Sysco, PepsiCo, Roadway
<b>Erik Caldwell</b> <i>Chief Operating Officer, Supply Chain – Americas and Asia Pacific</i>	Hudson's Bay, Luxottica
<b>Richard Cawston</b> <i>Managing Director, Supply Chain – Europe</i>	Asda, Norbert Dentressangle
<b>Michele Chapman</b> <i>Senior Vice President, Global Sales Operations</i>	Amazon
<b>Ashfaque Chowdhury</b> <i>President, Supply Chain – Americas and Asia Pacific</i>	New Breed
<b>Troy Cooper</b> <i>President</i>	United Rentals, United Waste
<b>Matthew Fassler</b> <i>Chief Strategy Officer</i>	Goldman Sachs
<b>Sarah Glickman</b> <i>Acting Chief Financial Officer; Senior Vice President, Corporate Finance</i>	Novartis, Honeywell, Bristol-Myers Squibb
<b>Luis-Angel Gómez Izaguirre</b> <i>Managing Director, Transport – Europe</i>	Norbert Dentressangle
<b>Mario Harik</b> <i>Chief Information Officer</i>	Oakleaf Waste Management

Note: Partial list in alphabetical order

## Highly skilled management team (cont.)

LEADERSHIP	PRIOR EXPERIENCE
<b>Tavio Headley</b> <i>Senior Director, Investor Relations</i>	Jefferies, American Trucking Associations
<b>Meghan Henson</b> <i>Chief Human Resources Officer</i>	Chubb, PepsiCo
<b>Erin Kurtz</b> <i>Senior Vice President, Communications</i>	Thomson Reuters, AOL
<b>Katrina Liddell</b> <i>Senior Vice President, Transportation Sales – North America</i>	Johnson Controls International
<b>John Mitchell</b> <i>Chief Information Officer, Supply Chain – Americas and Asia Pacific</i>	New Breed, Pep Boys, Lowe's
<b>Patrick Oestreich</b> <i>Senior Vice President, Strategic Sales and Account Management</i>	DB Schenker
<b>Emily Phillips</b> <i>Senior Vice President, Advanced Solutions</i>	Home Depot, JDA Software
<b>Greg Ritter</b> <i>Chief Customer Officer</i>	Knight Transportation, C.H. Robinson
<b>Sanjib Sahoo</b> <i>Chief Information Officer, Transport Solutions</i>	TradeMONSTER
<b>Christopher Synek</b> <i>President, Transportation – North America</i>	Republic Services, Cintas
<b>Daniel Walsh</b> <i>President, Last Mile</i>	Brambles, CHEP
<b>Malcolm Wilson</b> <i>Chief Executive Officer, XPO Logistics Europe</i>	Norbert Dentressangle, NYK Logistics

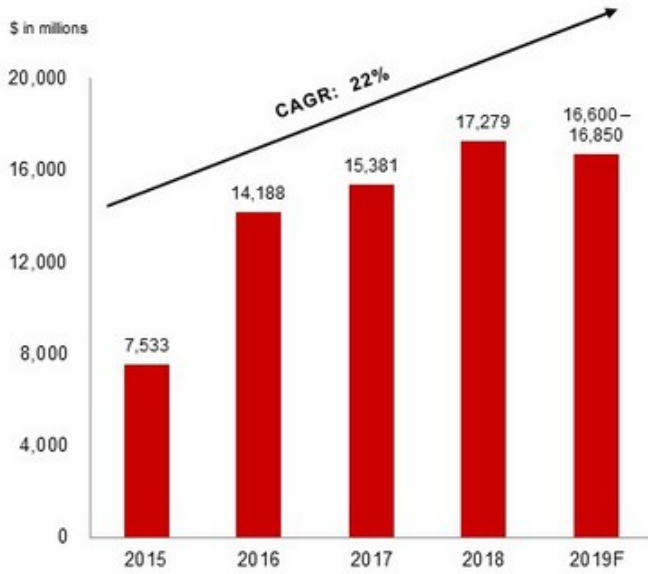
Note: Partial list in alphabetical order

# Financial highlights and key metrics

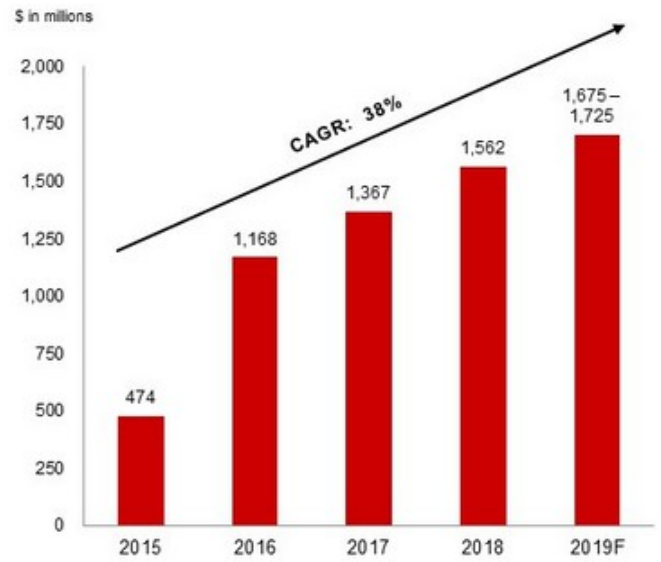
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## Industry-leading growth in revenue and adjusted EBITDA

### REVENUE



### ADJUSTED EBITDA



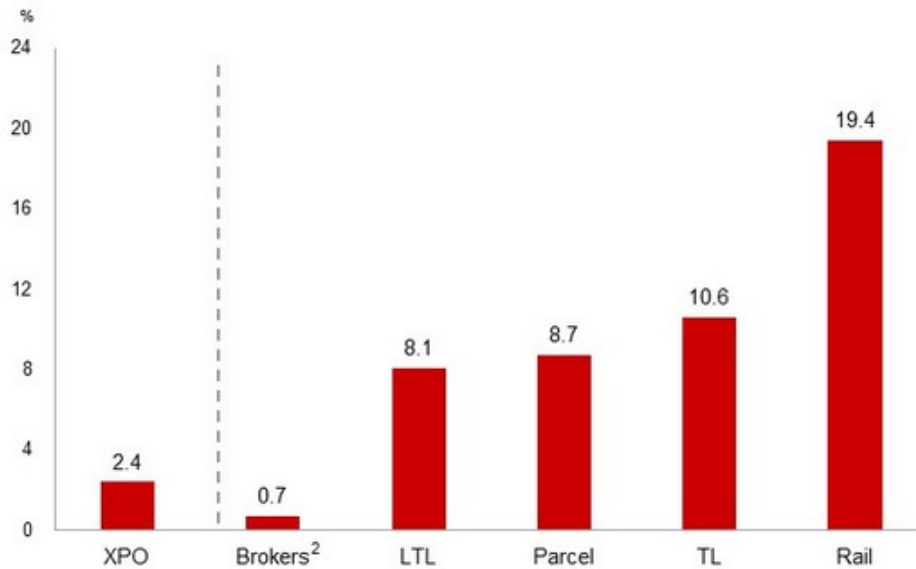
Note: Both charts exclude impact of divested North American truckload unit  
Refer to the "Non-GAAP Financial Measures" section on page 2 of this document



## Optimal asset/ non-asset business mix

Flexible business model enhances customer service and financial returns

2018: LOW NET CAPEX<sup>1</sup> AS % OF REVENUE VS. COMPETITOR GROUPS

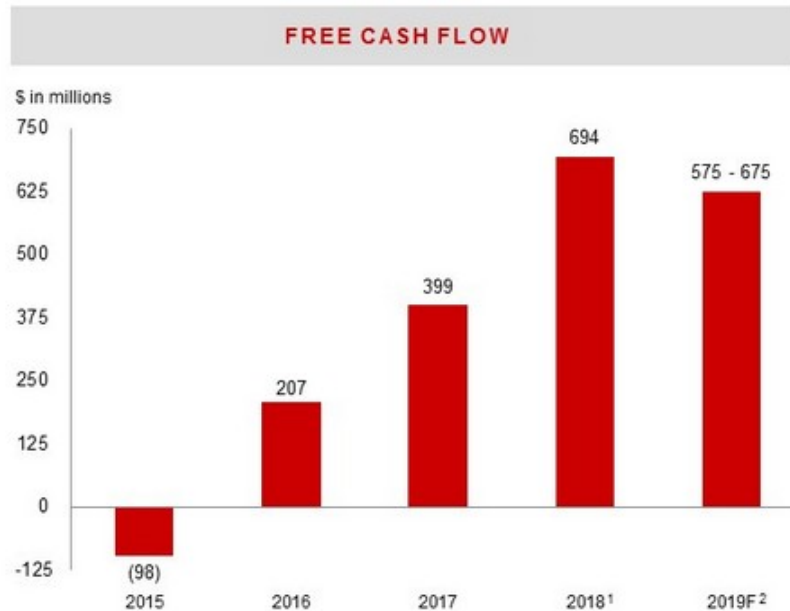


<sup>1</sup> Net capex is defined as payment for purchases of property and equipment less proceeds from sale of assets

<sup>2</sup> Brokers include CH Robinson, Echo Global Logistics and Expeditors International; LTL includes Old Dominion Freight Line, YRC Worldwide, ArcBest and Saia; Parcel includes FedEx and UPS; TL includes Werner Enterprises, Knight-Swift Transportation and Heartland Express; Rail includes CSX Rail Corp, Norfolk Southern, Union Pacific, Kansas City Southern, Canadian Pacific Railway and Canadian National Railway Company; figures calendarized to December 31 year end, with exception of Echo Global Logistics and Expeditors International calendarized to last twelve months as of September 30, 2018

## Strong free cash flow generation

Our 2019 free cash flow guidance reflects lower cash interest and lower cash taxes, along with disciplined capital expenditures and strong working capital management

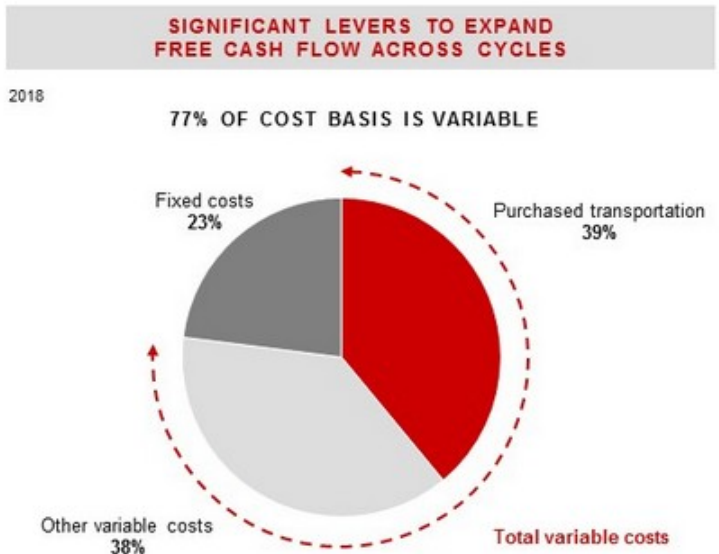


<sup>1</sup> 2018 free cash flow includes an incremental benefit of approximately \$200 million from trade receivables programs

<sup>2</sup> 2019F free cash flow reflects: 1) the company's adjusted EBITDA target of \$1.675 billion to \$1.725 billion; 2) the company's net capex target of \$400 million to \$450 million, including \$650 million of gross capex and \$200 million to \$250 million of asset sales; 3) anticipated cash interest expense of \$275 million to \$290 million; 4) a cash tax range of \$130 million to \$150 million, and 5) working capital as a use of cash, offset by an expected incremental benefit to free cash flow of \$125 million to \$150 million from trade receivables programs. For additional detail on the impact of our trade receivables programs on our free cash flow, please visit [www.investors.xpologistics.com](http://www.investors.xpologistics.com)  
 2016 and 2017 data have been recast to reflect the impact of Accounting Standards Update 2016-18  
 Refer to the "Non-GAAP Financial Measures" section on page 2 of this document

## Operating flexibility across all economic environments

- Blended model of owned, contracted and brokered capacity for truck transportation
  - Non-asset portion is predominantly variable-cost and includes brokerage operations, as well as contracted capacity with independent providers
- Contracted businesses demonstrate greater resilience during an economic downturn
  - XPO's logistics relationships are characterized by long-term contractual agreements with an initial tenure of five years on average and historical renewal rates over 95%
  - Last mile core heavy goods business benefits from contracted revenue streams and non-asset model
- Potential volume declines in macro slowdown can be mitigated by margin expansion in brokerage and managed transportation as cost of capacity declines
- Ability to generate even stronger cash flows in economic downturns
  - Can flex capex with cyclical fluctuations; low growth and maintenance capex requirements
  - Working capital becomes source of cash
- Predecessor companies displayed strong resilience in last financial crisis
  - EBITDA minus capex as a % of revenue remained at ~5%<sup>1</sup> from 2007 through 2009



<sup>1</sup> Includes financial performance of Con-way, Jacobson (excluding Jacobson forwarding business), Norbert Dentressangle (pro forma for acquisition of Christian Salvesen) and New Breed

## Full-year 2019 financial targets

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<b>REVENUE</b>	Revenue of (2.5%) to (4.0%) year-over-year, from (1%) to 1% previously; which translates to organic revenue growth of flat to 1.0%, from 2.5% to 4.5% previously
<b>ADJUSTED EBITDA</b>	Adjusted EBITDA in the range of \$1.675 billion to \$1.725 billion, or year-over-year growth of 7% to 10%, unchanged from prior guidance
<b>FREE CASH FLOW</b>	Free cash flow in the range of \$575 million to \$675 million, unchanged
<b>NET CAPEX</b>	Net capital expenditures in the range of \$400 million to \$450 million, unchanged
<b>DEPRECIATION AND AMORTIZATION</b>	Depreciation and amortization in the range of \$745 million to \$765 million, from \$765 million to \$785 million previously
<b>EFFECTIVE TAX RATE</b>	Effective tax rate in the range of 23% to 25%, from 25% to 28% previously
<b>CASH TAXES</b>	Cash taxes in the range of \$110 million to \$130 million, from \$130 million to \$150 million previously

Notes: Financial targets updated October 28, 2019; refer to the "Non-GAAP Financial Measures" section on page 2 of this document

## Q3 2019 results, compared with Q3 2018 YOY

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<b>REVENUE</b>	\$4.15 billion of revenue, down 4%
<b>ORGANIC REVENUE</b>	(0.5%) organic revenue
<b>NET INCOME<sup>1</sup></b>	\$117 million of net income, up 16%
<b>DILUTED EPS</b>	\$1.14 diluted earnings per share, up 54%
<b>ADJUSTED NET INCOME<sup>1</sup></b>	\$121 million of adjusted net income, unchanged
<b>ADJUSTED DILUTED EPS</b>	\$1.18 adjusted diluted earnings per share, up 33%
<b>ADJUSTED EBITDA</b>	\$438 million of adjusted EBITDA, up 6%
<b>CASH FLOW FROM OPERATIONS</b>	\$278 million of cash flow from operations, down 3%
<b>FREE CASH FLOW</b>	\$257 million of free cash flow, up 49%

<sup>1</sup>Net income attributable to common shareholders  
Financial targets updated October 28, 2019  
Refer to the "Non-GAAP Financial Measures" section on page 2 of this document

## \$2.5 billion share repurchase program

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As of September 30, 2019, XPO had approximately 92 million shares of common stock outstanding, compared with 127 million shares outstanding on September 30, 2018.

From December 14, 2018 through September 30, 2019, the company repurchased:

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<b>Number of shares</b>	35.2 million shares of XPO common stock
<b>Price per share</b>	\$53.42 average price per share
<b>Total cost</b>	\$1.9 billion approximate total cost of repurchases

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**Our liquidity gives us considerable flexibility in making the best capital allocation decisions on behalf of our shareholders**

The company is not obligated to repurchase any specific number of shares, and can suspend or discontinue the program at any time.

# **Business overview: Global logistics**

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## Capitalizing on fast-growing areas of logistics through technology

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**Comprehensive, end-to-end service range with high-value-add solutions**

- Diverse, customized logistics and distribution services, including highly engineered and tech-enabled solutions
- Full-service positioning has led to consistent market share gain over the last three years

**Best-in-class e-commerce fulfillment platform with exposure to diverse end-markets**

- Extensive reach and integrated transport network provide customers with the flexibility to manage production flows, growth initiatives and peak management
- Leading 3PL provider across retailing, consumer goods, technology, food and beverage, industrial and automotive<sup>1</sup>

**Global partner with scale, well-positioned to address complex supply chain needs**

- XPO's global footprint and integrated transport network provide customers with the flexibility to manage production and changes in demand
- Industry-leading consumer satisfaction levels powered by scale and technology
- Top five industrial tenant in the world, with significant real estate expertise

**Proprietary warehouse management technology with focus on automation and labor efficiency**

- XPO Smart™ suite delivers labor efficiency through advanced analytics and machine learning
- Strategic investment in automation and robotics capabilities

**XPO Direct™ offers compelling nationwide solutions for e-commerce and retail fulfillment**

- Shared-space storage and distribution network positions company to capitalize on increasing demand for flexible, dynamic e-commerce fulfillment services
- Unique, bundled selling of contract logistics, last mile for heavy goods and other transportation solutions; 99% of US population served via two-day ground delivery

<sup>1</sup> Based on number of customer relationships, per Armstrong & Associates



## Second largest provider of contract logistics worldwide

### LEADING MARKET POSITION IN DIVERSE VERTICALS<sup>1</sup>

VERTICAL	XPO POSITION
Chemicals	#1
Consumer goods	#1
Food and beverage	#1
Industrial	#1
Retail and e-commerce	#1
Automotive	#2
Technological	#2
Healthcare	#6

- ~\$120 billion global opportunity
- Enormous growth opportunity beyond current 5% market share
- Continue to capture market share and grow share of wallet with existing customers

### KEY METRICS

Industry size	~\$120 billion
2018 revenue as % of total XPO revenue	35%
Locations	787
Facility space	195 million sq. ft. (92 million sq. ft. in North America)
Employees	~56,000
Average contract length	~5 years
Historical renewal rate	95%

Source: Company information, industry research, Armstrong & Associates, public company filings  
<sup>1</sup> Based on number of global customer relationships

## Strong value proposition of scale, technology and operational expertise



### Expansive global footprint of contract logistics facilities

- Strong moat of blue-chip supply chain professionals
- Competitive cost structure: global top five industrial real estate tenant; top procurer of temporary labor, material handling equipment and packaging
- Proprietary technology for management of warehouse facilities, processes, automation, labor, demand and fulfilment
- Comprehensive R&D capability to assess, develop and deploy new technologies
- Extensive expertise in inventory and capacity management, forecasting, industrial engineering, LEAN operations, automation, security and safety

Source: Company information; warehouse square feet as of September 30, 2019

## Sophisticated capabilities deeply integrated with customer supply chains

Comprehensive capabilities for e-commerce fulfillment, forecasting and returns protect customer brands and strengthen consumer loyalty

### FULFILLMENT



- Multichannel services
- Pick, pack and dispatch services
- Inventory management with web portals
- Quality assurance
- Courier management
- Peak activity management

### INBOUND LOGISTICS AND MANUFACTURING SUPPORT



- Flow optimization
- Space maximization
- Replenishment automation
- Inventory regulation through a vendor-management model

### REVERSE LOGISTICS AND AFTERMARKET SUPPORT



- A leading reverse logistics provider in North America and Europe, and the UK market leader specializing in retail and grocery asset management
- ~10% to 35% of all e-commerce orders result in returns
- Customized, analytics-driven return-to-retail, refurbishment and disposal services

### VALUE-ADDED SERVICES



- Packaging
- Co-packing
- Kitting
- Bundling
- Collateral fulfillment
- Channel-specific boxing and labeling
- Retail compliance
- Customizations

### WAREHOUSING



- Offers customers the ability to shift between short-term and long-term needs and from fixed to variable costs with seasonal flexibility
- Agility supported by XPO's technology and experienced operators

### SUPPLY CHAIN OPTIMIZATION



- Cross-functional technology platform that analyzes inventory patterns
- Strategy formulation for speed-to-market and multichannel management
- Demand forecasting and planning

## Warehouse automation and intelligent machines

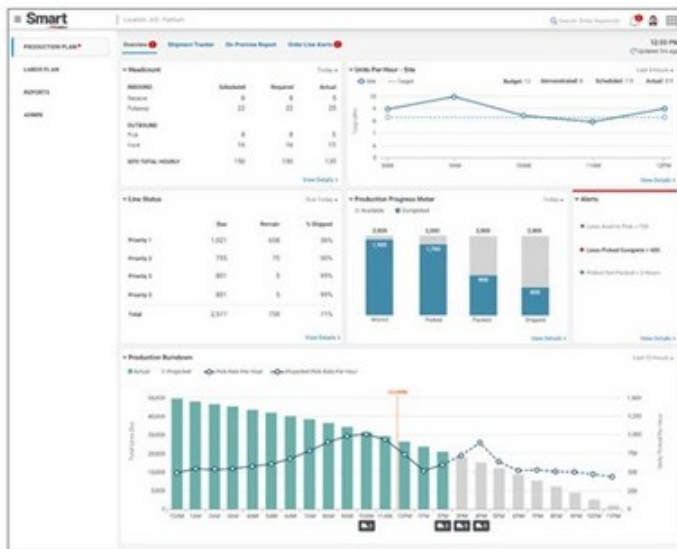
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- Superior visibility and control of advanced automation on proprietary warehouse management platform
- Data is transmitted consistently to multiple systems, eliminating data silos
- Robots work cooperatively with humans or as standalone solutions, tailored to individual customer requirements
- Can perform several steps of a process by tying in multiple technologies, increasing fulfillment speed and accuracy
- Picking/packing robots are effective ways to overcome space and labor constraints, including collaborative robots (cobots) and goods-to-person systems
- Automation mitigates safety risks



**4x productivity improvement with employees supported by goods-to-person systems**  
**2x productivity improvement with employees who work alongside cobots**

## XPO Smart™: Proprietary, cutting-edge logistics management tools



- Labor planning and analytics, slotting, order analytics, forecasting and inventory control
- Business intelligence to drive productivity and operational effectiveness
- Online access from anywhere in the world via Office365 login
- Rapid and real-time information
- Overview screen displays in 60-90 seconds, showing of-the-moment productivity
- Granular-level detail in two to three clicks

### ADVANCED FEATURES

- Interactive software manages warehousing and distribution processes in unison
- Labor management and planning
- Attendance tracking
- Production management, inbound and outbound
- Productivity tracking
- SKU velocity
- Employee engagement
- Controlled by centralized planning team

**Currently ~100 logistics warehouses and 20 LTL service centers utilize XPO Smart™, with roll-outs underway**

## Proprietary warehouse platform enhances productivity, visibility and control

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**WMx****Warehouse management**

Manages all distribution processes within the warehouse walls

**OMx****Order management**

Centralizes customer order data, enables real-time visibility

**CMx****Connection management**

Integrates customer systems with XPO product suite

**WCx****Warehouse controls**

Provides control of automation and robotics fully integrated with warehouse management software

**BAx****Business analytics**

XPO algorithms generate reports, insights and forecasts

**Special software layer enables customization**

## XPO Direct™: Flexible, shared-space distribution for B2C and B2B customers

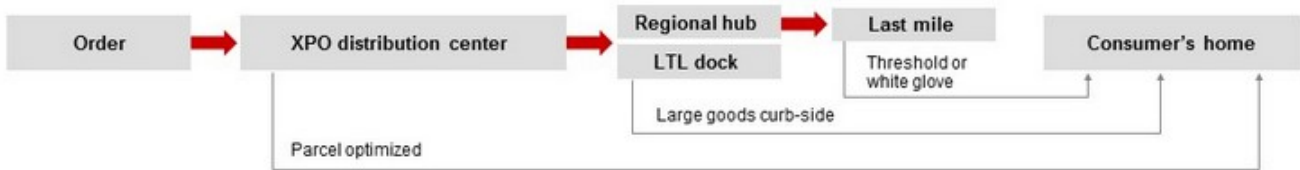
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- Variable-cost model solves challenges of seasonal peaks and fluid demand
- Improves service to end-customers without requiring large capital investments and fixed costs
- Predictive XPO algorithms forecast optimal stock positioning for future dates, becoming continually smarter through machine learning
- Retailers, e-tailers and manufacturers effectively rent XPO's warehouse capacity, operations, technology, labor and transportation as needed
- National solution with critical mass



**Network utilizes strategically placed XPO stockholding sites, cross-docks and last mile hubs**

# XPO Direct™: Compelling, nationwide solution for retail distribution



## SPEED AND LOW COST

- Scale and proximity
Speeds up store replenishment and home delivery; reaches 99% of population with one- to two-day ground
- Fully integrated
Provides a single tracking number from supplier to consumer, through XPO's network
- Shared space
Allows retailers to position and reposition inventory based on consumer demand and seasonal patterns
- All sizes fit
Parcel delivery for small items and white-glove, inside-the-home delivery for big and bulky items

## ONE TRACKING NUMBER END-TO-END



# Business overview: North American Transportation

- Less-than-truckload
  - Truck brokerage
  - Last mile
  - Intermodal and drayage
  - Managed transportation
  - Freight forwarding
-

## Less-than-truckload (LTL): Clear path to at least \$1 billion EBITDA in 2021

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**Favorable long-term industry fundamentals**

- Rational pricing dynamics
- Rapid growth of e-commerce driving retail shipments to LTL carriers

**National coverage offers advantages of scale**

- Natural competitive advantage over regional counterparts, due to scale and visibility of volume flows
- Growing lane density continues to contribute to margin uplift, given operating leverage

**Proprietary network optimization software with technology-driven path to further profit improvement**

- Network optimization via intelligent load-building, yard management, dynamic pricing and route optimization through machine learning and AI
- XPO Smart™ tools driving process improvements and labor productivity to significantly reduce labor-related expenses

**Growing cross-selling opportunities**

- Increasing base of LTL customers utilizes XPO's service platform for other logistics solutions
- XPO's footprints of LTL cross-docks and last mile hubs are strategically placed to capture share of wallet from customers looking for end-to-end services

**Strategic focus on high-yielding freight**

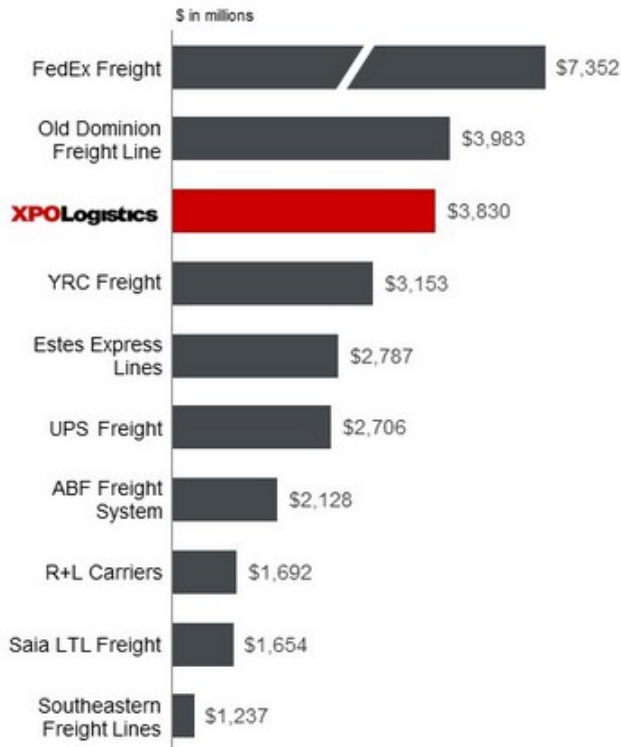
- Growing yields on both national accounts and local accounts, aided by dynamic pricing algorithms
- Diversified, high-yield customer base across industries, regions and types

**Track record of growth and margin expansion with significant upside**

- Resilient cash flow generation across freight cycle due to disciplined yield performance, working capital and ability to flex capex

## LTL: Top three provider in North America

### TOP LTL PROVIDERS BY REVENUE 2018<sup>1</sup>



Source: SJ Consulting Group  
<sup>1</sup> Includes fuel surcharge

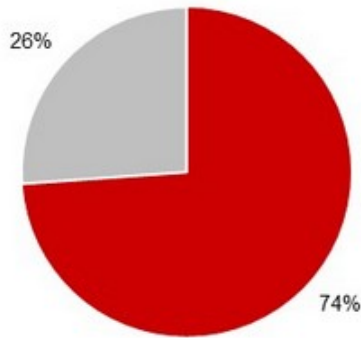
### XPO KEY METRICS

<b>Industry size</b>	~\$43 billion
<b>2018 revenue as % of total XPO revenue</b>	22%
<b>Employees</b>	~21,000
<b>Cross-dock facilities</b>	290
<b>Number of tractors / trailers</b>	~8,000 / 25,000
<b>Average length of haul</b>	817.5 miles
<b>Average tractor fleet age</b>	5.06 years

## LTL: Opportunity to serve customers with additional XPO services

### LTL CUSTOMERS LEVERAGE MULTIPLE XPO SERVICES<sup>1</sup>

LTM SEPTEMBER 30, 2019

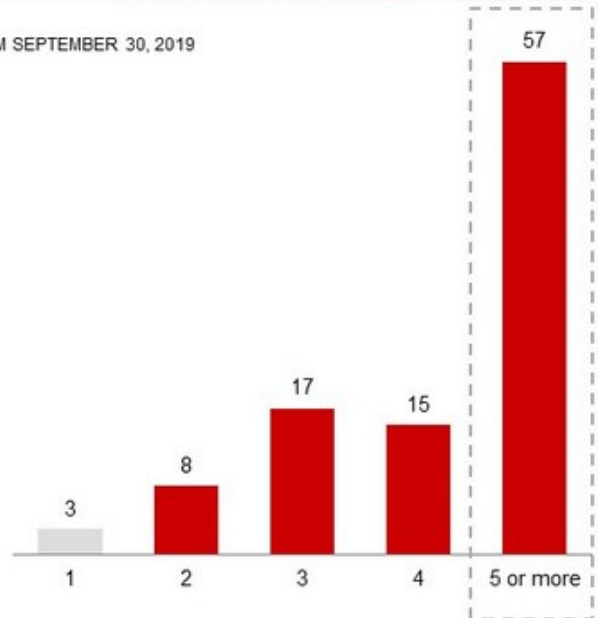


Top 1,000 LTL customers

■ LTL customers that use more than one XPO service globally
 ■ LTL-only customers

### NUMBER OF XPO SERVICES USED BY TOP 100 LTL CUSTOMERS

LTM SEPTEMBER 30, 2019



<sup>1</sup> Service categories are North American Expedite, Intermodal, Last Mile, Brokerage, LTL and Supply Chain, European Transportation and Supply Chain and Global Forwarding;

## LTL: National coverage is a major advantage over regional players

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### DELIVERS MORE VALUE FOR CUSTOMERS THAN REGIONAL LTL PROVIDERS

- Comprehensive services for customers with delivery needs in multiple markets
- Diverse end market, broad geographical exposure and larger customer base
- Longer routes with better pricing dynamics
- Greater access to information and technology to generate insights to maintain competitiveness

### PROPRIETARY TECHNOLOGY PROPELS FUTURE UP SIDE

- Dynamic route optimization
- Intelligent load-building
- Advanced pricing algorithms
- Cross-selling opportunities with other business units



XPO'S NATIONAL LTL NETWORK

## LTL: Targeting three areas of continuous network improvement operations

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### DYNAMIC ROUTE OPTIMIZATION

Intelligent routing guidance and robust real-time visibility improve customer experience, efficiency of planning and dispatch functions:

- Reduces pickup and delivery miles per stop and cost per stop
- Increases pickup and delivery pounds per man-hour, stops per hour and weight per trip
- Improves service levels through better delivery-time route sequencing and exceptional management

### INTELLIGENT LOAD-BUILDING

Proprietary technology leverages machine learning and AI to automate load-building and optimize linehaul network flows:

- Real-time monitoring of compliance maximizes trailer utilization
- Bypass algorithm reduces multiple stops for trucks dedicated to direct movements
- Shipment dimensioning app in beta-test enhances linehaul optimization algorithms

### ADVANCED PRICING OPTIMIZATION

Proprietary algorithms automate pricing for small to mid-sized accounts to help optimize mix:

- Speeds onboarding of more profitable local accounts
- Provides real-time cost visibility at the shipment level
- Balances the network, reducing cost and utilization inefficiencies, such as empty miles
- Elasticity models help inform pricing decisions

**Proprietary technology becomes continually smarter at automating LTL operations for optimal results**

## XPO Smart™: Workforce productivity to drive profit improvement

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- Averaging 5%+ reduction in labor cost in logistics sites, with some sites much higher
- Analytics provide deep visibility into scheduled versus active workers by role in real time
- Analyzes facility, teams and individuals
- Right-sizes shift scheduling and perm/temp labor mix, taking turnover and training time into account
- Piloting XPO Smart™ for dock operations in LTL service centers ahead of planned roll-out nationally to all 290 LTL service centers by the end of this year



**Site-specific modeling helps managers understand the future impacts of operational decisions**

## Truck brokerage: Broad opportunity to cross-sell vast carrier capacity

### Competitive advantage: extensive capacity, significant freight volumes and proprietary digital marketplace

- Non-asset business places shippers' freight with an established network of independent brokered carriers
  - XPO offers contracted, pre-determined rates for specific origin and destination pairs
  - Extensive carrier network enables access to competitive spot pricing
- Differentiated technology and superior customer service through XPO Connect™ digital freight marketplace, Drive XPO™ app and proprietary Freight Optimizer system
- #1 provider of expedited solutions in North America
- Proprietary Dynamic Max Pay pricing algorithm allows XPO to procure transportation consistently below market rates

KEY METRICS	
Industry size <sup>1</sup>	~\$375 billion
2018 revenue as % of total XPO revenue <sup>2</sup>	11%
Locations	19
Employees	~1,300
Carrier relationships	38,000
Accessible trucks	Over 1,000,000

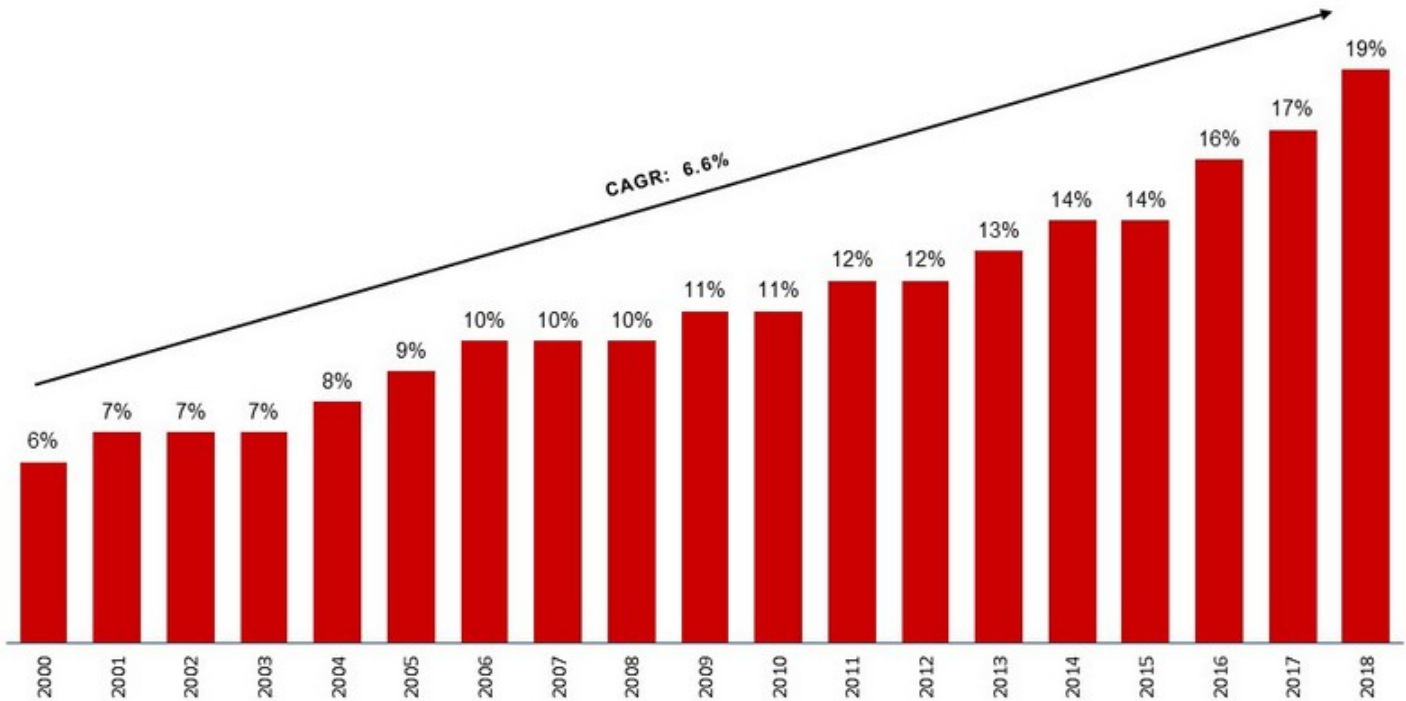
SERVICE OFFERINGS	
▪ Refrigerated	▪ Heavy haul
▪ Expedite	▪ High value, high security
▪ Full truckload, domestic and cross-border	▪ Specialized equipment

Source: Company information; Armstrong & Associates  
<sup>1</sup> Total truckload industry size, including brokerage component  
<sup>2</sup> Includes truck brokerage and expedite, excluding intercompany eliminations



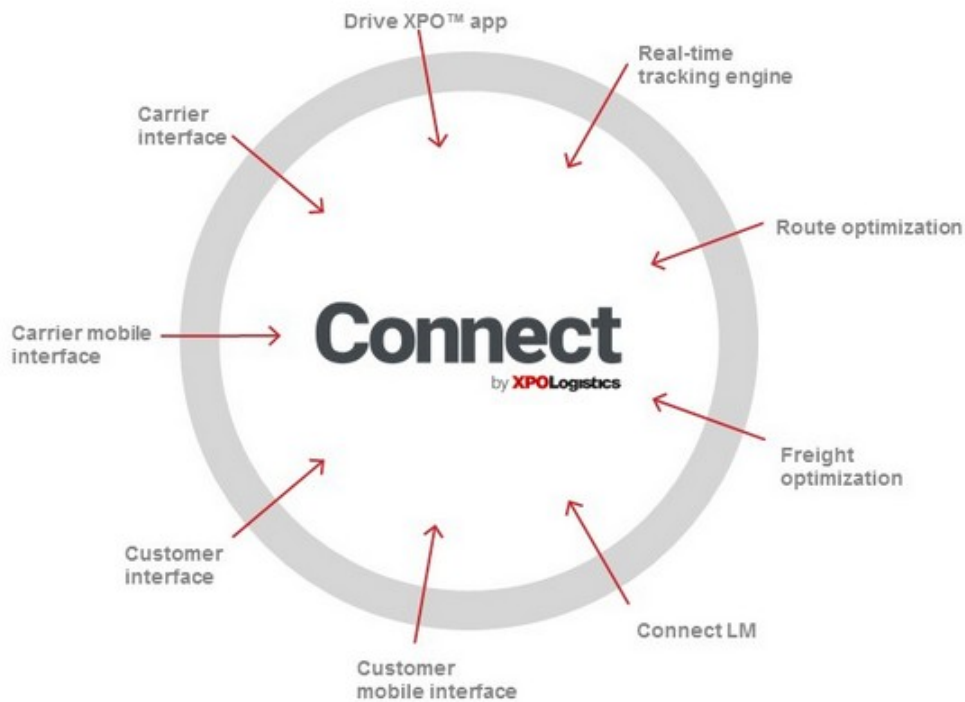
## Steady increase in brokerage penetration across cycles

US FREIGHT BROKERAGE INDUSTRY PENETRATION OF TOTAL FREIGHT MARKET (%)



Source: Armstrong & Associates; Industry research

## Drives efficiency, volume, and margin expansion



**MODE-AGNOSTIC** – Shows shippers and carriers supply and demand in real time across truck, rail and ocean

**OPERATIONAL SYNERGIES** – Provides full visibility of customer relationships to facilitate up-sell and cross-sell

**CAPACITY OPTIMIZATION** – Connects with any TMS for seamless capacity management and cross-capacity integration

**ZERO-TOUCH AUTOMATION** – Gives shippers a single access point to track, analyze, rate and buy transportation services online

## XPO Connect™: Over 37,000 registered US truck carriers

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### Drivers access platform with Drive XPO™ app

- Single, digital solution for carriers to locate loads that match their capacity and routes
- Optimizes network capacity via proprietary freight matching for active and available drivers
- Increases service levels to customers by providing real-time location, arrival and departure information
- Provides options to "buy it now" for loads at the published price or place counteroffers
- Customized preferences trigger automatic allocation of loads based on freight size, type and geography.

### COMPREHENSIVE FUNCTIONALITY FROM THE ROAD

#### CAPACITY POSTING

Request loads for a specific lane and date and get notified when matching loads become available

#### FREIGHT MANAGEMENT

Access details about assigned loads, automatically track and clear stops, and submit paperwork to get paid faster

#### DRIVER ENGAGEMENT AND RECRUITMENT

Preview XPO's freight opportunities using the guest access feature and sign up to start booking

#### LOAD BOOKING

Search for available loads, place bids and immediately purchase loads to keep moving

**Rapid adoption by carriers, with traction increasing each month**

## Last mile: Superior service and national brand protection

### VALUE PROPOSITION FOR CUSTOMERS

- National footprint provides one- and two-day delivery to 95% of the United States, combined with middle-mile services through XPO Direct™
- Superior execution by expert operators and consistently high consumer satisfaction reinforced by proprietary technology developed for last mile
- Ability to flex carrier base between dedicated customers and network of last mile hubs to flawlessly execute during peak season
- Real-time business intelligence helps customers manage big data, facilitates faster, more accurate routing and forward capacity planning, and manages on-site inventory
- Custom white glove and threshold delivery coupled with leading position in complex installations garner premium pricing
- Large, longstanding customer base values brand protection

### KEY METRICS

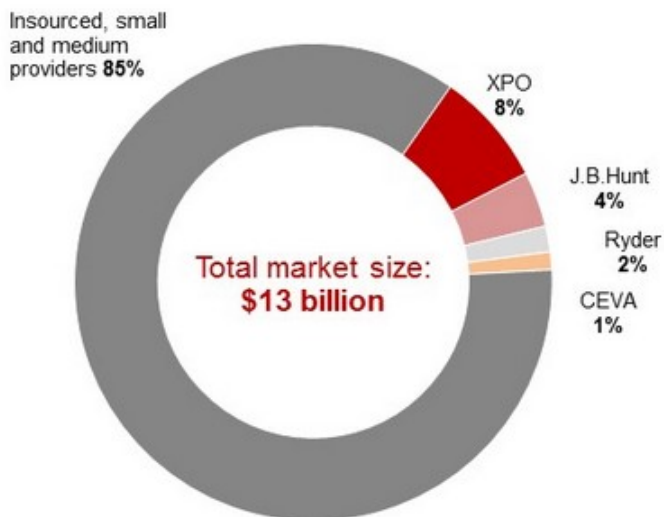
<b>Industry size</b>	~\$13 billion
<b>2018 revenue as % of total XPO revenue<sup>1</sup></b>	6%
<b>Locations</b>	85
<b>Employees</b>	~2,200
<b>Annual deliveries</b>	Over 10 million
<b>Average tenure of top five customers</b>	15 years

**Uniquely positioned to capitalize on e-commerce trend of oversized goods purchased online**

<sup>1</sup> Excludes discontinued postal injection business

## Last mile: Best-in-class performance supported by decades of experience

### LAST MILE HEAVY GOODS MARKET SHARE, 2018



### LAST MILE CHALLENGES FOR RETAILERS

- Last mile for heavy goods is a complex service, making it difficult for new entrants to perform well
- Fear of reputational damage is a significant barrier to entry
- Home delivery replaces the in-store experience, but the skill set required to delight consumers is very different
- Scale and route density are needed to attract top carriers and realize economies
- Consumers expect digital visibility of their goods in transit and a mobile user experience
- Even minor lapses in service – late deliveries, unsatisfactory goods or inexperienced carriers – can cause long-lasting brand damage

Source: Company estimates

## Last mile: XPO's technology personalizes the consumer experience

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- Connect LM, XPO's technology for last mile service, manages key levers that enhance the consumer experience:
  - 69% of eligible orders now consumer self-scheduled via the web, Alexa or automated call
  - 30% reduction in calls per delivery driven by automation and improved customer satisfaction
  - All shipment data visible in single platform
- Internet of Things: full integration with home digital assistants
- Real-time tracking: on-demand ETA updates and rescheduling
- Augmented reality capability creates virtual image of how an item will look in a room, reducing likelihood of return
- Flexible route re-sequencing
- Customized notifications
- Constant stack-ranking of carriers based on KPIs rewards good service, prunes underperformers
- Provides flexibility to serve customers of all sizes to best suit their requirements
- Efficient feedback loop identifies issues for quick resolution

## Last mile: End-to-end visibility ties directly to consumer satisfaction

- XPO Connect™ provides one last mile tracking number and one tracking portal, providing customers with total visibility from order to delivery
- Point-of-sale appointment engine enables delivery and install scheduling at customer check-out
- Capacity management tools allow adjustments to available capacity, balancing route efficiency with customer availability
- Route planning and management tools transform operational visibility
- Open integration platform enables API connections with retail customers and expedites onboarding
- Next-generation order management capabilities support diversified business growth

SERVICES PROVIDED	XPO CONNECT™	TRADITIONAL CARRIERS
<b>Ease of integration</b>	✓	—
<b>End-to-end “parcel-like” visibility and tracking</b>	✓	—
<b>Consistent customer experience</b>	✓	—
<b>Multi service level delivery</b>	✓	—
<b>Multimodal:</b> Parcel / LTL / In-home	✓	—
<b>Final mile experience:</b> Uber-like visuals, text messaging, smart speaker enabled	✓	—

## Intermodal: Third largest provider in North America

### Competitive advantage: 30-year rail partners, national drayage and technology

- Contracts with railroads to provide the long-haul portion of the shipment of containerized freight
- Provides container capacity, rail brokerage, local drayage, on-site operational services and door-to-door shipment management
- A US drayage leader: national network of terminals provide container storage and service to and from all major ports and ramps
- 2,400 owner-operators with access to over 25,000 additional drayage trucks
- Near-shoring of manufacturing in Mexico creates strong cross-border tailwind
- Proprietary technology has reduced costs by improving empty miles and enhancing customer satisfaction through on-time performance

KEY METRICS	
<b>Industry size</b>	~\$43 billion
<b>2018 revenue as % of total XPO revenue</b>	6%
<b>Locations</b>	37 terminals
<b>Employees</b>	~370
<b>Number of 53-ft. containers / chassis</b>	9,500 / 5,000
<b>Drayage trucks under contract</b>	Over 25,000

Source: SJ Consulting Group



## Intermodal: Superior value proposition enabled by proprietary technology

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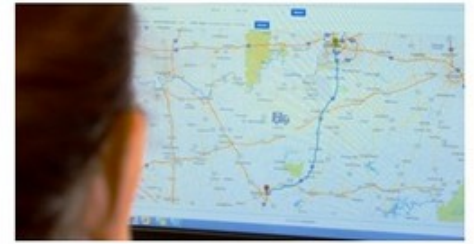
### SERVICE CAPABILITIES

- Coverage at every key ramp and port
- Intermodal rail ramp drayage, TWIC-compliant port drayage
- Ocean drayage management services



### CROSS-BORDER MEXICO SERVICE

- Decades of experience managing cross-border freight, with an extensive organization in both Mexico and US
- Longstanding relationships with the railroads, ramp operators and drayage drivers on both sides of the border
- Expedited, brokerage and global forwarding teams react quickly to help customers navigate accidental delays



### RAIL OPTIMIZER TECHNOLOGY

- Proprietary intermodal management system tracks door-to-door movements of long-haul freight with GPS on containers
- Communicates constantly with railroads to proactively identify any delays
- Fosters driver communication during drayage legs
- Monitors whether containers are full or empty, doors are open or closed
- Keeps shippers informed through EDI integration and an online, self-service portal

## Managed transportation: Optimized solutions and capacity procurement

### BUSINESS OVERVIEW

- Top five global provider based on value of freight under management
- Services include freight handling, labor planning, facilitation of inbound and outbound shipments, cross-border customs management and documentation, claims processing and third-party logistics supplier management

### VALUE PROPOSITION

#### Leading integrated technology platform

- Commercially developed TMS
- Proprietary tracking and visibility tool
- Worry-free set-up and disaster recovery

#### Onsite control tower

- Account management
- Carrier / supplier management
- Freight planning
- Business intelligence

#### Business intelligence and actionable reporting

- Tech tools collect and decipher big data and turn it into actionable information for performance improvement

#### Low-risk transition / comprehensive integration

- Successful deployment of complex solutions for large customers ramped up in the past two years

### SERVICE OFFERINGS TO CUSTOMERS

#### Control tower solutions

- \$2.7 billion of freight under management
- Global network of control towers provides door-to-door visibility into order status and freight tracking

#### Managed expedite

- Industry-leading expedite web technology automates procurement and tracking of time-critical freight
- Fulfillment averages 16 minutes from time of request

#### Dedicated transportation

- Tailored fleet solutions help customers optimize routes and lower costs
- Detailed reports help customers gauge success and strategize for the future

## Freight forwarding: Worldwide network of local market experts

### BUSINESS OVERVIEW

- Non-asset freight management solution for domestic, cross-border and international shipments
- Experienced team guides freight through customs points, providing local oversight at thousands of destinations in Asia, Europe and the UK
- Less than 1% share of \$150 billion industry
- Opportunity to grow share through network of dedicated offices on four continents

### VALUE PROPOSITION

#### Strong technology capabilities

Integration with XPO Connect™ enhances visibility and efficiency

#### Centralized control

Global reach for customers, with rigorous oversight of pickup, delivery and freight in transit

#### Intra-company support

Provides valuable support to other XPO operations serving multinational and cross-border customers

### SERVICE OFFERINGS TO CUSTOMERS

#### Cross-border services

- Any size, weight or mode, including out-of-gauge cargo
- Export and import services, domestic-to-foreign and foreign-to-foreign
- Large carrier network provides service to and from the US, Mexico and Canada
- More than 30 years' experience in Mexico

#### High-value-add services

- Customs clearances, customs filings, ISF filings and facilitation of bonds, duties and taxes
- Operates subsidiary as a non-vessel operating common carrier (NVOCC)
- Documentation management: letters of credit, sight drafts and certificates of origin
- Asset value protection coverage available

#### Domestic services in North America

- Time-critical, time-sensitive, cost-sensitive and special handling
- Air charter, next-flight-out, deferred, ground expedite, truckload, LTL and intermodal
- Flexible options: next-day, two business days or three business days: morning or afternoon arrival

# **Business overview: European transportation**

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## Large opportunity to cross-sell to multinational customers in Europe

### Strong positions in key European transportation markets

- Leading provider of LTL and truck brokerage services in Western Europe
- Network of over 100 locations in Europe serving countries inside and outside the eurozone

### Limited customer concentration, with established long-term relationships

- Top 20 customers account for only ~27% of total revenue
- 50% of all XPO customers in Europe have used XPO for 10 years or more

### Full-service platform with a large opportunity to cross-sell

- 48% of top 100 customers in Europe use at least three transportation services
- Six of top 10 logistics customers in Europe are also transportation customers
- European footprint captures business from regional customers with international supply chains that can be served by XPO's global network

### Significant benefits of proprietary technology deployed through global development

- Rolled out Drive XPO™ and Freight Optimizer technologies, giving carriers increased visibility and the ability to interact with XPO Connect™
- Deploying XPO Connect™ platform across Europe in 2019

### Strong runway for top-line growth and margin expansion

- Substantial opportunities for expansion across the service range, particularly truck brokerage and last mile
- Profit initiatives imported from North American LTL underway to drive earnings growth in European LTL

Note: Customer data as of December 31, 2018

## Leading provider of truck brokerage and LTL transportation in Europe

### COMPETITIVE ADVANTAGES: EXTENSIVE CAPACITY, TECHNOLOGY AND MULTINATIONAL SERVICES

- Balanced non-asset and asset-based model, with one of Europe’s largest ground transportation networks
- Largest owned road fleet in Europe
- Green transport leader in Europe, with LNG fleet, electric last mile vehicles, mega-trucks and multimodal solutions
- Leader in safety and training

### KEY SERVICE OFFERINGS

- Leading less-than-truckload provider in the UK, France, Spain and Portugal, with daily service to 30 countries
- Dedicated truckload offering is a key differentiator in European markets
- Leading truck broker in Europe
- Fragmented last mile landscape with regional providers represents a large opportunity for XPO

### KEY METRICS

<b>Industry size</b>	~\$455 billion <sup>1</sup>
<b>2018 revenue as % of total XPO revenue</b>	17%
<b>Locations</b>	195
<b>Employees</b>	~15,000
<b>Trucks</b>	~8,000
<b>European countries served</b>	14

<sup>1</sup>Includes truckload and brokerage  
Source: Bain

## Broad network coverage across Europe

- Over 100 locations serving countries inside and outside the eurozone
- Transportation capabilities from a single pallet to full truckloads
- 50,000 pallets delivered daily over domestic networks
- 9,800 pallets delivered daily over international networks
- Rapid response to emergency requests

- International Hub XPO
- International Hub Partner
- Platform XPO
- Platform Partner



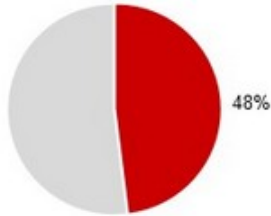
## Business strategy tailored for key markets

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### LARGEST MARKETS BY % OF EUROPEAN TRANSPORTATION REVENUE

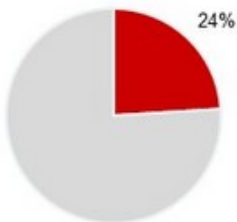
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FRANCE



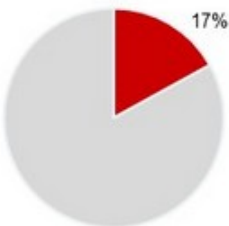
- Uses blended model of XPO-owned trucks and contracted independent carriers for less-than-truckload
- Established last mile as a subcontracted model
- Non-dedicated truckload business being phased out and replaced by truck brokerage, which is demonstrating strong growth

UNITED KINGDOM AND IRELAND



- XPO-owned trucks and employee drivers
- Established last mile business
- Overnight distribution service to auto dealer networks
- Rapid growth of dedicated truckload being driven by increasing business from large contracts

SPAIN AND PORTUGAL



- Independent carrier contractors utilize XPO-branded equipment
- Established last mile as a subcontracted model
- LTL and brokerage model in strong deployment



## Strategic plan to grow European revenue and expand margin

### EXPAND EXISTING PLATFORM



- Take advantage of fragmented market to drive outsized growth
- Increase scale in last mile and brokerage businesses
- Grow share of wallet with key customers

### COLLABORATE ACROSS NETWORK



- Increase cross-selling of European transportation and contract logistics services
- Leverage worldwide network to attract and retain large customers with global supply chain needs

### INCREASE PRODUCTIVITY



- Utilize XPO's technology platform to continuously improve efficiency and reduce costs
- Focus on cost controls to drive operating leverage and expand margins

### BUILD STRONG CUSTOMER RELATIONSHIPS



- Develop unique solutions to customer challenges
- Embed XPO solutions in customer supply chain operations

**Execute on most compelling profit improvement initiatives from North American plan**

## Sharing growth drivers between North America and Europe

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### NORTH AMERICAN TECHNOLOGY DEPLOYED IN EUROPE

- **XPO Connect™**
  - Successfully implemented customer portal across Europe in 2019
- **Drive XPO™**
  - App currently in roll-out in Europe, enables carriers to interact with XPO Connect™ from the road
- **Freight Optimizer**
  - Imported XPO's brokerage system, with robust pricing tools, market analytics and carrier management engine

### EUROPEAN BEST PRACTICES DEPLOYED IN NORTH AMERICA

- Leads to greater business resilience
- Example: food and beverage logistics
  - Leveraging European expertise to help penetrate food and beverage verticals in North America
  - Sector includes staple goods, typically less sensitive to economic cycles
  - Europe has deep expertise to share in frozen, refrigerated and dry storage, recall management, lot-code/date-code tracking, mixing, packaging and network optimization.

**Cohesive integration of global operations enables cross-pollination**

## Summary of key factors driving growth and returns

1	<b>Leading positions in the fastest growing sectors of transportation and logistics</b>	<ul style="list-style-type: none"> <li>▪ Top three industry positions across all major business units</li> <li>▪ Over 60% of XPO's revenues are in industry sectors that are growing at 2-5x GDP</li> </ul>
2	<b>Cost and revenue initiatives represent large pool of potential profit drivers</b>	<ul style="list-style-type: none"> <li>▪ ~\$700 million to \$1 billion pool of profit growth opportunity largely independent of the macro</li> <li>▪ XPO-specific levers include: labor productivity, LTL process improvements, contract logistics automation, pricing optimization, digital transportation platform and European margin expansion</li> </ul>
3	<b>Strong, multimodal presence in high-growth e-commerce and omnichannel</b>	<ul style="list-style-type: none"> <li>▪ Largest e-fulfillment 3PL in Europe, leading provider of reverse logistics and largest last mile provider for heavy goods in North America</li> <li>▪ Combination of scale, expertise and proprietary technology drives high consumer satisfaction levels</li> </ul>
4	<b>Share growth complements opportunities for further consolidation of fragmented markets</b>	<ul style="list-style-type: none"> <li>▪ Less than 2% share across key global markets</li> <li>▪ Differentiated ability to provide complex logistics solutions on a global scale</li> </ul>
5	<b>Fast pace of technological innovation drives competitive advantage</b>	<ul style="list-style-type: none"> <li>▪ Proprietary technology optimizes talent and assets</li> <li>▪ Data-driven technology initiatives, including warehouse automation and digital freight marketplace</li> </ul>
6	<b>Substantial advantages of scale</b>	<ul style="list-style-type: none"> <li>▪ Platform propels operating leverage, purchasing power, cross-selling and capacity to innovate</li> <li>▪ Compelling ability to provide consistent, multinational solutions to global customers</li> </ul>
7	<b>Significant cash flow generation</b>	<ul style="list-style-type: none"> <li>▪ 70% of revenue is asset-light, 77% of cost basis is variable</li> <li>▪ Targeting FY 2019 free cash flow in the range of \$575 million to \$675 million</li> </ul>
8	<b>Ability to outperform the macro in all parts of the cycle</b>	<ul style="list-style-type: none"> <li>▪ Deep expertise in diverse verticals with different economic cycles</li> <li>▪ High mix of contracted business (74% in 2018) adds resilience in economic downturns</li> </ul>
9	<b>Expectation of free cash flow acceleration in an economic downturn</b>	<ul style="list-style-type: none"> <li>▪ Ability to modulate capex with cyclical fluctuations; low maintenance capex</li> <li>▪ Working capital becomes source of cash in economic slowdowns</li> </ul>
10	<b>35 top executives and 2,500 professionals at the next level with blue-chip experience</b>	<ul style="list-style-type: none"> <li>▪ Irreplicable moat of technologists, managers, engineers, logisticians and operators</li> <li>▪ Results-oriented innovators driving differentiation in every line of business</li> </ul>

Note: Refer to the "Non-GAAP Financial Measures" section on page 2 of this document

# Supplemental materials

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## XPO is widely recognized for performance and culture

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- Named one of the World's Most Admired Companies by Fortune, 2018, 2019
- Recognized by Ford Motor Company with World Excellence Award for expedite innovation, 2019
- Named a Leader in the Magic Quadrant for 3PL Providers by Gartner, 2018, 2019
- Named a Winning "W" Company by 2020 Women on Boards for gender diversity of the board of directors, 2019
- Named one of Spain's Best Companies to Work For by Forbes, 2019
- Recognized by Dow Chemical Company with Gold Safety Excellence Award for drayage, 2019
- Recognized by General Motors with Supplier of the Year Award for aftermarket distribution, 2019
- Recognized by Raytheon Company with EPIC Supplier Excellence Award for on-time delivery, 2019
- Named to the Fortune Future 50 list of US companies best positioned for breakout growth, 2018
- Ranked #7 of the Glassdoor Top 20 UK companies with the best leadership and culture, 2018
- Recognized by Boeing Company with Performance Excellence Award, 2018
- Ranked #67 of Largest US Employers by Fortune, 2018
- CEO Jacobs ranked #10 on Barron's list of World's Best CEOs, 2018
- Awarded Company of the Year for innovation by Assologica (Italy), 2017, 2018
- Named a top-performing US company on the Global 2000 by Forbes, 2017
- Named one of America's Best Employers by Forbes, 2017
- Named a Top 100 3PL by Inbound Logistics, 2014, 2015, 2016, 2017, 2018, 2019

## Highlights of XPO's inaugural sustainability report

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### IN 2018:

- US warehouse employees received an average annual wage increase of 8%, with over 30% receiving an increase of 10% or more
- XPO partnered with a leading healthcare network for women and families to offer supplemental health services from over 1,400 practitioners in 20 specialties through a virtual clinic
- XPO drivers worldwide travelled more than 1.4 billion accident-free miles
- Road to Zero safety program reduced US distracted driving by 37% from 2018 through LTL in-truck technology and driver coaching
- 1.7 million training hours were invested in employee development worldwide
- 30% of all global hires were women
- Tuition reimbursement of up to \$5,250 annually paid toward an employee's cost of continuing education

**The report is available for download at [sustainability.xpo.com](https://sustainability.xpo.com)**

## Highlights of XPO's inaugural sustainability report (cont.)

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### **XPO'S PREGNANCY CARE AND FAMILY BONDING BENEFITS ARE PROGRESSIVE IN ANY INDUSTRY**

- Any XPO employee, male or female, receives up to six weeks of 100% paid postnatal leave as the infant's primary caregiver
- Women receive up to 20 days of 100% paid prenatal leave for health and wellness
- "Automatic yes" pregnancy accommodations are granted on request: changes to work schedules, the timing or frequency of breaks, and assistance with certain tasks
- More extensive accommodations are easily arranged with input from a doctor
- XPO guarantees that a woman will continue to be paid her regular base wage rate while her pregnancy accommodations are in effect
- XPO guarantees that a woman will remain eligible for wage increases while her pregnancy accommodations are in effect
- All enhancements provided at no additional cost to employees

**In total, more than 30 quality benefits are available to XPO women and families in the US**

## Strongly committed to sustainability in transportation and logistics

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### TRANSPORTATION

- Named a Top 75 Green Supply Chain Partner by Inbound Logistics for 2016, 2017, 2018, 2019
- Honored for excellence in environmental improvement by SmartWay®
- Awarded the label "Objectif CO<sub>2</sub>" for outstanding environmental performance of transport operations by the French Ministry of the Environment and the French Environment and Energy Agency
- Large investment in fuel-efficient Freightliner Cascadia tractors in North America (EPA2013-compliant and GHG14-compliant SCR technology)
- Large investment in 100 Stralis Natural Power Euro VI tractors in Europe; combination of liquified and compressed natural gas (LNG/CNG) reduces NOx emissions below Euro VI standard
- One of the most modern fleets in Europe: 98% compliant with Euro V, EEV and Euro VI standards, with an average truck age of approximately three years in 2018
- Government-approved mega-trucks in Spain can reduce CO<sub>2</sub> emissions up to 20%
- Drivers train in responsible eco-driving and fuel usage reduction techniques
- North American LTL operations have energy-saving policies in place and are implementing a phased upgrade to LED lighting
- Experimenting with diesel alternatives such as diesel-electric hybrids; piloting zero-emission electric vans in Europe for last mile service

**CarbonNET, our proprietary, cloud-based calculator, helps our operations document emission sources, activity data and CO<sub>2</sub> calculations**



## Strongly committed to sustainability in transportation and logistics (cont.)

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### LOGISTICS

- Numerous XPO facilities are ISO14001-certified to high standards for environmental management
- Nestlé's warehouse of the future in the UK will be sited on man-made plateaus, with environmentally friendly ammonia refrigeration systems, LED lighting, air-source heat pumps for administration areas and rainwater harvesting
- Waste mitigation measures, such as electronic waybills and documentation, are instilled in daily operations to reduce paper and other waste products
- Energy efficiency evaluations are performed prior to selecting warehouses to lease, and energy efficient equipment is purchased when feasible
- 79% of material handling devices used in our logistics sites operate on battery power instead of fuel
- Millions of electronic components and batteries are recycled annually as a byproduct of reverse logistics operations
- Packaging engineers ensure that the optimal carton size is used for each product slated for distribution
- Recycled packaging is purchased when feasible
- Reusable kitting tools are utilized for the installation of parts in customer operations, manufactured by XPO

**We operate our business with high regard for the environment and our stakeholders**

## Business glossary

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- **Contract Logistics:** An asset-light, technology-enabled business characterized by long-term contractual relationships with high renewal rates, low cyclicalities and a high-value-add component that minimizes commoditization. Contracts are typically structured as either fixed-variable, cost-plus or gain-share. XPO services include highly engineered solutions, e-fulfillment, reverse logistics, packaging, factory support, aftermarket support, warehousing and distribution for customers in aerospace, manufacturing, retail, life sciences, chemicals, food and beverage, and cold chain. Reverse logistics, also known as returns management, refers to processes associated with managing the flow of returned goods back through contract logistics facilities: for example, unwanted e-commerce purchases, food transport equipment or defective goods. Reverse logistics services can include cleaning, inspection, refurbishment, restocking, warranty processing and other lifecycle services.
- **Expedite:** A non-asset business that facilitates time-critical, high-value or high-security shipments, usually on very short notice. Revenue is either contractual or transactional, primarily driven by unforeseen supply chain disruptions or just-in-time inventory demand for raw materials, parts or goods. XPO provides three types of expedite service: ground transportation via a network of independent contract carriers; air charter transportation facilitated by proprietary, a web-based technology that solicits bids and assigns loads to aircraft; and a transportation management system (TMS) network that is the largest web-based expedite management system in North America.
- **Freight Brokerage:** A variable cost business that facilitates the trucking of freight by procuring carriers through the use of proprietary technology. Freight brokerage net revenue is the spread between the price to the shipper and the cost of purchased transportation. In North America, XPO has a non-asset freight brokerage business, with a network of 38,000 independent carriers. In Europe, XPO generates over €1 billion in freight brokerage revenue annually, with capacity provided by an asset-light mix of owned fleet and independent carriers.
- **Global Forwarding:** A non-asset business that facilitates freight shipments by ground, air and ocean. Shipments may have origins and destinations within North America, to or from North America, or between foreign locations. Services are provided through a network of market experts who provide local oversight in thousands of key trade areas worldwide. XPO's global forwarding service can arrange shipments with no restrictions as to size, weight or mode, and is OTI and NVOCC licensed.

## Business glossary (cont.)

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- **Intermodal:** An asset-light business that facilitates the movement of long-haul, containerized freight by rail, often with a drayage (trucking) component at either end. Intermodal is a variable cost business, with revenue generated by a mix of contractual and spot market transactions. Net revenue equates to the spread between the price to the shipper and the cost of purchasing rail and truck transportation. Two factors are driving growth in intermodal in North America: rail transportation is less expensive and more fuel efficient per mile than long-haul trucking, and rail is a key mode of transportation in and out of Mexico, where the manufacturing base is booming due to a trend toward near-shoring.
- **Last Mile:** An asset-light business that facilitates the delivery of goods to their final destination, most often to consumer households. XPO specializes in two areas of last mile service: arranging the delivery and installation of heavy goods such as appliances, furniture and electronics, often with a white glove component; and providing logistics solutions to retailers and distributors to support their e-commerce supply chains and omnichannel distribution strategies. Capacity is sourced from a network of independent contract carriers and technicians.
- **Less-Than-Truckload (LTL):** The transportation of a quantity of freight that is larger than a parcel, but too small to require an entire truck, and is often shipped on a pallet. LTL shipments are priced according to the weight of the freight, its commodity class (which is generally determined by its cube/weight ratio and the description of the product), and mileage within designated lanes. An LTL carrier typically operates a hub-and-spoke network that allows for the consolidation of multiple shipments for different customers in single trucks.
- **Managed Transportation:** A service provided to shippers who want to outsource some or all of their transportation modes, together with associated activities. This can include freight handling such as consolidation and deconsolidation, labor planning, inbound and outbound shipment facilitation, documentation and customs management, claims processing, and 3PL supplier management, among other things.
- **Truckload:** The ground transportation of cargo provided by a single shipper in an amount that requires the full limit of the trailer, either by dimension or weight. Cargo typically remains on a single vehicle from the point of origin to the destination and is not handled en route. See Freight Brokerage on the prior page for additional details.

## Business glossary (cont.)

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- **XPO Connect™**: XPO's fully automated, self-learning digital freight marketplace connects shippers and carriers directly, as well as through company operations. XPO Connect™ gives customers comprehensive visibility across multiple transportation modes in real time, including fluctuations in capacity, spot rates by geography and digital negotiating through an automated counteroffer feature. Shippers can assign loads to carriers and track the freight through one, secure login. Carriers use the Drive XPO™ app from the road to interact with shippers and with XPO. The app also serves as a geo-locator and supports voice-to-text communications. XPO has deployed XPO Connect™ in North America and Europe for truckload freight, with additional capabilities for last mile customers and independent contractors engaged in the home delivery of heavy goods.
- **XPO Direct™**: XPO's national, shared-space distribution network gives retail, e-commerce, omnichannel and manufacturing customers new ways to distribute their goods. XPO Direct™ warehouses serve as stockholding sites and cross-docks that can be utilized by multiple customers at the same time. Transportation needs are supported by XPO's brokered, contracted and owned capacity. B2C and B2B customers essentially rent XPO's capacity for contract logistics, last mile, LTL, labor, technology, transportation and storage. They can position inventories fluidly across markets without the capital investment of adding distribution centers, while XPO uses its existing assets and supplier relationships as growth levers. The XPO Direct™ network encompasses over 90 facilities in North America.
- **XPO Smart™**: XPO's technology suite of optimization tools improve labor productivity, intelligent warehouse management and demand forecasting in the company's logistics and transportation operations. XPO Smart labor productivity tools interface with the company's proprietary warehouse management system to forecast optimal staffing levels day-by-day and shift-by-shift. In addition, the warehouse management system facilitates the integration of robotics and other advanced automation, enabling XPO to start up customer logistics projects or expand existing implementations with a high degree of efficiency. The integrated technology provides an intelligent, single solution that combines key supply chain applications, including unified order management and intuitive dashboard tools that analyze trends and guide decision-making.

## Financial reconciliations

The following table reconciles XPO's net income attributable to common shareholders for the periods ended September 30, 2019 and 2018 to EBITDA and adjusted EBITDA for the same periods.

Reconciliation of Non-GAAP Measures XPO Logistics, Inc. Consolidated Reconciliation of Net Income to Adjusted EBITDA (Unaudited) (In millions)								
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019	2018	\$ Variance	Change %	2019	2018	\$ Variance	Change %
Net income attributable to common shareholders	\$ 117	\$ 101	\$ 16	15.8%	\$ 282	\$ 308	\$ (24)	-7.8%
Distributed and undistributed net income	13	8	5	62.5%	30	25	5	20.0%
Net income attributable to noncontrolling interests	6	6	-	0.0%	21	22	(1)	-4.5%
Net income	136	115	21	18.3%	333	353	(20)	-5.7%
Debt extinguishment loss	-	17	(17)	-100.0%	5	27	(22)	-81.5%
Interest expense	75	51	24	47.1%	218	195	23	32.1%
Income tax provision	34	41	(7)	-17.1%	99	95	4	4.2%
Depreciation and amortization expense	188	180	8	3.3%	548	528	20	3.4%
Unrealized loss (gain) on foreign currency option and forward contracts	(4)	(1)	(3)	300.0%	5	(13)	18	-138.5%
<b>EBITDA</b>	<b>\$ 427</b>	<b>\$ 403</b>	<b>\$ 24</b>	<b>6.0%</b>	<b>\$ 1,200</b>	<b>\$ 1,155</b>	<b>\$ 45</b>	<b>4.4%</b>
Transaction, integration and rebranding costs	-	10	(10)	-100.0%	2	25	(23)	-92.0%
Restructuring costs	11	2	9	450.0%	28	2	26	1300.0%
<b>Adjusted EBITDA</b>	<b>\$ 438</b>	<b>\$ 415</b>	<b>\$ 23</b>	<b>5.5%</b>	<b>\$ 1,230</b>	<b>\$ 1,182</b>	<b>\$ 48</b>	<b>4.0%</b>

Notes: The sum of quarterly net income attributable to common shareholders and distributed and undistributed net income may not equal year-to-date amounts due to the impact of the two-class method of calculating earnings per share  
Adjusted EBITDA was prepared assuming 100% ownership of XPO Logistics Europe  
Refer to the "Non-GAAP Financial Measures" section on page 2 of this document

## Financial reconciliations (cont.)

The table reconciles XPO's net income attributable to common shareholders for the periods ended September 30, 2019 and 2018 to adjusted net income attributable to common shareholders for the same periods.

Reconciliation of Non-GAAP Measures XPO Logistics, Inc. Consolidated Reconciliation of GAAP Net Income and Net Income Per Share to Adjusted Net Income and Adjusted Net Income Per Share (Unaudited) (In millions, except per share data)				
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
GAAP net income attributable to common shareholders	\$ 117	\$ 101	\$ 282	\$ 306
Debt extinguishment loss	-	17	5	27
Unrealized (gain) loss on foreign currency option and forward contracts	(4)	(1)	5	(13)
Impairment of customer relationship intangibles	-	-	6	-
Transaction, integration and rebranding costs	-	10	2	25
Restructuring costs	11	2	28	2
Income tax associated with the adjustments above	(2)	(5)	(12)	(9)
Impact of noncontrolling interests on above adjustments	-	(1)	(1)	(1)
Allocation of undistributed earnings	(1)	(2)	(3)	(3)
<b>Adjusted net income attributable to common shareholders</b>	<b>\$ 121</b>	<b>\$ 121</b>	<b>\$ 312</b>	<b>\$ 334</b>
<b>Adjusted basic earnings per share</b>	<b>\$ 1.31</b>	<b>\$ 0.97</b>	<b>\$ 3.21</b>	<b>\$ 2.74</b>
<b>Adjusted diluted earnings per share</b>	<b>\$ 1.18</b>	<b>\$ 0.89</b>	<b>\$ 2.91</b>	<b>\$ 2.48</b>
<b>Weighted-average common shares outstanding</b>				
Basic weighted-average common shares outstanding	92	125	97	122
Diluted weighted-average common shares outstanding	102	137	107	135

Note: Refer to the "Non-GAAP Financial Measures" section on page 2 of this document

## Financial reconciliations (cont.)

The following table reconciles XPO's net cash provided by operating activities for the three and nine months ended September 30, 2019 and 2018, and the years ended December 31, 2018, 2017, 2016 and 2015, to free cash flow for the same periods.

Reconciliation of Non-GAAP Measures XPO Logistics, Inc. Reconciliation of Cash Flows From Operating Activities to Free Cash Flow (Unaudited) (In millions)								
	Three Months Ended September 30,		Nine Months Ended September 30,		Years Ended December 31,			
	2019	2018	2019	2018	2018	2017	2016	2015
Net cash provided by operating activities	\$ 278	\$ 288	\$ 442	\$ 530	\$ 1,102	\$ 785	\$ 622	\$ 91
Cash collected on deferred purchase price receivable	49	-	186	-	-	-	-	-
Adjusted net cash provided by operating activities	327	288	628	530	1,102	785	622	91
Payment for purchases of property and equipment	(177)	(145)	(413)	(413)	(551)	(504)	(483)	(249)
Proceeds from sales of property and equipment	107	30	192	92	143	118	69	60
<b>Free Cash Flow</b>	<b>\$ 257</b>	<b>\$ 173</b>	<b>\$ 407</b>	<b>\$ 215</b>	<b>\$ 694</b>	<b>\$ 399</b>	<b>\$ 208</b>	<b>\$ (98)</b>

Notes: 2016 and 2017 data have been recast to reflect the impact of Accounting Standards Update 2016-18. Refer to the "Non-GAAP Financial Measures" section on page 2 of this document.

## Financial reconciliations (cont.)

The following table reconciles XPO's revenue attributable to its North American less-than-truckload business for the three and nine months ended September 30, 2019 and 2018 to adjusted operating income and adjusted operating ratio for the same periods.

**XPO Logistics North American Less-Than-Truckload  
Adjusted Operating Ratio  
(Unaudited)  
(In millions)**

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019	2018	\$ Variance	Change %	2019	2018	\$ Variance	Change %
Revenue (excluding fuel surcharge revenue)	\$ 839	\$ 826	\$ 13	1.6%	\$ 2,462	\$ 2,439	\$ 43	1.8%
Fuel surcharge revenue	135	143	(8)	-5.6%	404	414	(10)	-2.4%
<b>Revenue</b>	<b>974</b>	<b>969</b>	<b>5</b>	<b>0.5%</b>	<b>2,866</b>	<b>2,853</b>	<b>33</b>	<b>1.2%</b>
Salaries, wages and employee benefits	454	442	12	2.7%	1,350	1,312	38	2.9%
Purchased transportation	97	104	(7)	-6.7%	305	300	5	1.7%
Fuel and fuel-related taxes	65	75	(10)	-13.3%	205	218	(13)	-6.0%
Other operating expenses	90	121	(31)	-25.6%	285	363	(78)	-21.5%
Depreciation and amortization	57	62	(5)	-8.1%	169	183	(14)	-7.7%
Maintenance	26	26	-	0.0%	80	77	3	3.9%
Rents and leases	12	11	1	9.1%	36	33	3	9.1%
Purchased labor	1	3	(2)	-66.7%	5	9	(4)	-44.4%
<b>Operating income</b>	<b>172</b>	<b>125</b>	<b>47</b>	<b>37.6%</b>	<b>451</b>	<b>358</b>	<b>93</b>	<b>26.0%</b>
<b>Operating ratio <sup>(1)</sup></b>	<b>82.3%</b>	<b>87.0%</b>			<b>84.4%</b>	<b>87.4%</b>		
Restructuring costs	1	-	1	100.0%	3	-	3	100.0%
Amortization expense	8	8	-	0.0%	25	25	-	0.0%
Other income <sup>(2)</sup>	6	8	(2)	-25.0%	17	22	(5)	-22.7%
<b>Adjusted operating income</b>	<b>\$ 187</b>	<b>\$ 141</b>	<b>\$ 46</b>	<b>32.6%</b>	<b>\$ 496</b>	<b>\$ 405</b>	<b>\$ 91</b>	<b>22.5%</b>
<b>Adjusted operating ratio <sup>(3)</sup></b>	<b>80.8%</b>	<b>85.4%</b>			<b>82.6%</b>	<b>85.8%</b>		

<sup>(1)</sup> Operating ratio is calculated as  $(1 - (\text{Operating income} / \text{Revenue}))$ .

<sup>(2)</sup> Other income primarily consists of pension income and is included in Other expense (income) on the Condensed Consolidated Statement of Income.

<sup>(3)</sup> Adjusted operating ratio is calculated as  $(1 - (\text{Adjusted operating income} / \text{Revenue}))$ .

Note: Refer to the "Non-GAAP Financial Measures" section on page 2 of this document



## Financial reconciliations (cont.)

The following table reconciles XPO's net income (loss) attributable to common shareholders for the years ended December 31, 2018, 2017, 2016 and 2015 to EBITDA, adjusted EBITDA, and adjusted EBITDA excluding the North American truckload business divested in 2016.

Reconciliation of Non-GAAP Measures XPO Logistics, Inc. Consolidated Reconciliation of Net Income (Loss) to Adjusted EBITDA excluding Truckload (Unaudited) (In millions)				
	Years Ended December 31,			
	2018	2017	2016	2015
Net income (loss) attributable to common shareholders	\$ 390	\$ 312	\$ 63	\$ (246)
Preferred stock beneficial conversion charge	-	-	-	52
Distributed and undistributed net income	32	28	6	3
Net income (loss) attributable to noncontrolling interests	22	20	16	(1)
Net income (loss)	<u>444</u>	<u>360</u>	<u>85</u>	<u>(192)</u>
Debt commitment fees	-	-	-	20
Debt extinguishment loss	27	36	70	-
Other interest expense	217	284	361	187
Loss on conversion of convertible senior notes	-	1	-	10
Income tax provision (benefit)	122	(99)	22	(91)
Accelerated amortization of trade names	-	-	-	2
Depreciation and amortization expense	716	658	643	363
Unrealized (gain) loss on foreign currency option and forward contracts	(20)	49	(36)	3
<b>E BITDA</b>	<u>\$ 1,506</u>	<u>\$ 1,289</u>	<u>\$ 1,145</u>	<u>\$ 302</u>
Transaction, integration and rebranding costs	33	78	103	201
Restructuring costs	21	-	-	-
Litigation costs	26	-	-	-
Gain on sale of equity investment	(24)	-	-	-
Gain on sale of intermodal equipment	-	-	-	(10)
<b>Adjusted E BITDA</b>	<u>\$ 1,562</u>	<u>\$ 1,367</u>	<u>\$ 1,248</u>	<u>\$ 493</u>
Adjusted E BITDA divested NA Truckload business	-	-	80	19
<b>Adjusted E BITDA excluding Truckload</b>	<u>\$ 1,562</u>	<u>\$ 1,367</u>	<u>\$ 1,168</u>	<u>\$ 474</u>

Notes: Adjusted EBITDA was prepared assuming 100% ownership of XPO Logistics Europe  
Refer to the "Non-GAAP Financial Measures" section on page 2 of this document

## Financial reconciliations (cont.)

The following table reconciles XPO's GAAP revenue to organic revenue and organic revenue growth for the three months ended September 30, 2019 and 2018 for the logistics segment and the consolidated company.

Reconciliation of Non-GAAP Measures XPO Logistics, Inc. Reconciliation of GAAP Revenue to Organic Revenue (Unaudited) (In millions)					
	Logistics		Consolidated		
	Three Months Ended September 30,				
	2019	2018	2019	2018	
Revenue	\$ 1,510	\$ 1,517	\$ 4,154	\$ 4,335	
Fuel	-	-	(428)	(452)	
Direct postal injection revenue	-	-	-	(59)	
Foreign exchange rates	43	-	78	-	
<b>Organic Revenue</b>	<b>\$ 1,553</b>	<b>\$ 1,517</b>	<b>\$ 3,804</b>	<b>\$ 3,824</b>	
Organic Revenue Growth <sup>(1)</sup>	2.4%		-0.5%		

<sup>(1)</sup> Organic revenue growth is calculated as the relative change in year-over-year organic revenue, expressed as a percentage of 2018 organic revenue.

Note: Refer to the "Non-GAAP Financial Measures" section on page 2 of this document