Q3 2022 highlights

November 2022

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 this document.

This document contains the following non-GAAP financial measures: adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") on a consolidated basis; adjusted EBITDA margin on a consolidated basis; adjusted net income from continuing operations attributable to common shareholders and adjusted diluted earnings from continuing operations per share ("adjusted EPS") on a consolidated basis; free cash flow; adjusted operating income (including and excluding gains on real estate transactions) for our North American less-than-truckload segment; adjusted operating ratio (including and excluding gains on real estate transactions) for our North American less-than-truckload segment; margin (revenue less cost of transportation and services (exclusive of depreciation and amortization)) and margin as a percentage of revenue (margin % of revenue) for our North American truck brokerage business; adjusted EBITDA excluding gains on real estate transactions for our North American less-than-truckload segment; net leverage; and net debt. We also refer to (i) margin as gross profit dollars and (ii) margin as a percentage of revenue (margin % of revenue) as gross profit margin in this document.

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 EBITDA margin, adjusted net income from continuing operations attributable to common shareholders and adjusted EPS include adjustments for transaction and integration costs, as well as restructuring costs, and other adjustments as set forth in the attached tables. Transaction and integration adjustments are generally incremental costs that result from an actual or planned acquisition, divestiture or spin-off and may include transaction costs, consulting fees, retention awards, and internal salaries and wages (to the extent the individuals are assigned full-time to integration and transformation activities) and certain costs related to integrating and converging IT systems. Restructuring costs primarily relate to severance costs associated with business optimization initiatives. Management uses these non-GAAP financial measures in making financial, operating and planning decisions and evaluating 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 net cash provided by operating activities from continuing operations, less payment for purchases of property and equipment plus proceeds from sale of property and equipment. We believe that adjusted EBITDA and adjusted EBITDA margin improve comparability from period to period by removing the impact of our capital structure (interest and financing expenses), asset base (depreciation and amortization), litigation settlements, 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 from continuing operations 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, including amortization of acquisition-related intangible assets, transaction and integration costs, restructuring costs and other adjustments as set out in the attached tables. We believe that margin (revenue less cost of transportation and services (exclusive of depreciation and amortization)) and margin as a percentage of revenue (margin % of revenue) improve the comparability of our operating results from period to period by removing the cost of transportation and services, in particular the cost of fuel, incurred in the reporting period as set out in the accompanying tables. We believe that adjusted operating income and adjusted operating ratio improve the comparability of our operating results from period to period by (i) removing the impact of certain transaction and integration costs and restructuring costs, as well as amortization expenses and (ii) including the impact of pension income incurred in the reporting period as set out in the attached tables. We believe that net leverage and net debt are important measures of our overall liquidity position and are calculated by removing cash and cash equivalents from our reported total debt and reporting net debt as a ratio of our trailing twelve-month reported adjusted EBITDA.

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. 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 our ability to effect the spin-off of our tech-enabled brokered services platform and meet the related conditions of the spin-off, our ability to complete the divestiture of our European business, the expected timing of the completion of these transactions and the terms of the transactions, our ability to achieve the expected benefits of the transactions, our ability to retain and attract key personnel for the separate businesses, the risks discussed in our filings with the SEC, and the following: economic conditions generally; the severity, magnitude, duration and aftereffects of the COVID-19 pandemic, including supply chain disruptions due to plant and port shutdowns and transportation delays, the global shortage of certain components such as semiconductor chips, strains on production or extraction of raw materials, cost inflation and labor and equipment shortages, which may lower levels of service, including the timeliness, productivity and quality of service, and government responses to these factors; our ability to align our investments in capital assets, including equipment, service centers, and warehouses and other network facilities, to our customers' demands; our ability to implement our cost and revenue initiatives; the effectiveness of our action plan, and other management actions, to improve our North American LTL business; our ability to benefit from a sale, spin-off or other divestiture of one or more business units, and the impact of anticipated material compensation and other expenses, including expenses related to the acceleration of equity awards, to be incurred in connection with a substantial disposition; our ability to successfully integrate and realize anticipated synergies, cost savings and profit improvement opportunities with respect to acquired companies; goodwill impairment, including in connection with a business unit sale, spin-off or other divestiture; matters related to our intellectual property rights; fluctuations in currency exchange rates; fuel price and fuel surcharge changes; natural disasters, terrorist attacks, wars or similar incidents, including the conflict between Russia and Ukraine and increased tensions between Taiwan and China; risks and uncertainties regarding the expected benefits of a future spin-off of a business unit, the impact of a future spin-off of a business unit on the size and business diversity of our company; the ability of the spin-off of a business unit to qualify for tax-free treatment for U.S. federal income tax purposes; our ability to develop and implement suitable information technology systems and prevent failures in or breaches of such systems; our indebtedness; our ability to raise debt and equity capital; fluctuations in fixed and floating interest rates; our ability to maintain positive relationships with our network of third-party transportation providers; our ability to attract and retain qualified drivers; labor matters, including potential labor disputes between railroads and their union employees and our ability to manage our subcontractors, and risks associated with labor disputes at our customers and efforts by labor organizations to organize our employees and independent contractors; litigation, including litigation related to alleged misclassification of independent contractors and securities class actions; risks associated with our self-insured claims; risks associated with defined benefit plans for our current and former employees; the impact of potential sales of common stock by our chairman; governmental regulation, including trade compliance laws, as well as changes in international trade policies, sanctions and tax regimes; governmental or political actions, including the United Kingdom's exit from the European Union; and competition and pricing pressures.

All forward-looking statements set forth in this 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.

Where required by law, no binding decision will be made with respect to the divestiture of the European business other than in compliance with applicable employee information and consultation requirements.

Why invest in XPO?

- $51 billion industry with strong pricing dynamics, secular growth drivers and high difficulty for entry
- One of the largest LTL networks in North America
- Significant, multi-year investments to grow capacity and gain market share under LTL 2.0 plan: adding terminals, doors, rolling stock, drivers and dockworkers
- XPO-specific competitive advantages, including in-house trailer manufacturing and in-house CDL-A driver training at scale
- Proprietary technology that enhances quality of service, optimizes pricing and drives efficiency
- Strong profitability and superior return on invested capital

Driven to outpace peers on share gains and service quality

Why invest in RXO?

- $750+ billion market for RXO's service offerings, persistent broker penetration of for-hire truckload transportation, and strong trend toward digitization driven by shipper demands for visibility and flexibility
- Market-leading truck brokerage business with long track record of above-industry growth and complementary transportation solutions
- Nimble access to massive capacity, with independent carrier network of over 1.5 million trucks
- First-mover technology advantage with proprietary RXO Connect™ digital platform widely adopted by customers and carriers
- Asset-light model with highly variable cost structure, and strong profitability and free cash flow conversion

Confident in taking share under any macro conditions

Strong third quarter 2022 performance

- Reported diluted earnings from continuing operations per share of $1.13; adjusted diluted earnings per share from continuing operations rose 54% to $1.45
- Delivered $185 million of operating income, a third quarter record, up year-over-year by 65%
- Generated $142 million of free cash flow, while more than doubling historical gross capex invested in North American LTL network
- In North American LTL, reported $1.2 billion of revenue and $258 million of adjusted EBITDA, third quarter records
- In North American LTL, tonnage outperformed typical seasonality and industry trends; improved every month through the quarter and inflected positive in September; improved further in October
- In North American truck brokerage, decisively outperformed the industry with volume growth of 9%
- In North American truck brokerage, achieved a strong gross profit margin of 19%, grew gross profit dollars year-over-year by 31%

Refer to the "Non-GAAP Financial Measures" section on page 2 of this document and reconciliations for related information

XPO

XPO third quarter 2022 highlights

REVENUE	$3.04 billion
NET INCOME[1]	$131 million
OPERATING INCOME	$185 million
DILUTED EPS[2]	$1.13
CASH FLOW FROM OPERATING ACTIVITIES[3]	$265 million
ADJUSTED NET INCOME[1]	$168 million
ADJUSTED DILUTED EPS[2]	$1.45
ADJUSTED EBITDA	$352 million
FREE CASH FLOW	$142 million

NORTH AMERICAN TRUCK BROKERAGE		
YoY GROWTH IN GROSS PROFIT DOLLARS[4]	31%	
YoY GROWTH IN VOLUME	9%	
NORTH AMERICAN LTL		
OPERATING RATIO	85.0%	110 bps YoY improvement
ADJUSTED OPERATING RATIO[5]	82.8%	160 bps YoY improvement

[1] From continuing operations attributable to common shareholders
[2] Diluted earnings from continuing operations per share
[3] Net cash provided by operating activities from continuing operations
[4] Calculated as revenue less cost of transportation and services (exclusive of depreciation and amortization); also referred to as margin
[5] Excludes gains from sales of real estate; there were no real estate sales in Q3 2022
Refer to the "Non-GAAP Financial Measures" section on page 2 and reconciliations for related information

XPO

Balance sheet and liquidity as of September 30, 2022

NET DEBT[1]	$2.36 billion
NET LEVERAGE[2]	1.7x
TOTAL LIQUIDITY[3]	$1.54 billion

- Continuing to reduce net debt through disciplined deleveraging:

  2.7x (YE 2021)

  2.0x (Q1 2022)

  1.8x (Q2 2022)

  1.7x (Q3 2022)

- Capital allocation plan post-spin-off:
  - Organic growth driven by deploying capital in capacity and high-return projects, including technology and productivity initiatives
  - Continued debt reduction to target investment grade credit metrics
  - Return of capital to shareholders

[1] Calculated as total debt of $2.91 billion less $544 million of cash and cash equivalents
[2] Calculated as net debt of $2.36 billion divided by adjusted EBITDA of $1.40 billion for the trailing twelve months ended September 30, 2022
[3] Includes $1 billion of available borrowing capacity and $544 million of cash and cash equivalents
Refer to the "Non-GAAP Financial Measures" section on page 2 and reconciliations for related information

XPO

Financial reconciliations

The following table reconciles XPO's net income from continuing operations attributable to common shareholders for the periods ended September 30, 2022 and 2021 to adjusted EBITDA for the same periods.

Reconciliation of net income from continuing operations to adjusted EBITDA

$ in millions (unaudited)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change %	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change %
Net income from continuing operations attributable to common shareholders	$ 131	$ 21	523.8%	$ 761	$ 197	286.3%
Debt extinguishment loss	-	46		26	54	
Interest expense	35	53		103	176	
Income tax provision	34	11		194	60	
Depreciation and amortization expense	118	118		349	357	
Unrealized loss on foreign currency option and forward contracts	-	-		-	1	
Gain on sale of business	-	-		(434)	-	
Litigation settlements	-	29		-	29	
Transaction and integration costs	25	15		60	26	
Restructuring costs	9	14		19	16	
Adjusted EBITDA (1)	$ 352	$ 307	14.7%	$ 1,078	$ 916	17.7%
Revenue (1)	$ 3,042	$ 3,270	-7.0%	$ 9,747	$ 9,445	3.2%
Adjusted EBITDA margin (2)	11.6%	9.4%		11.1%	9.7%	

[1] Three and nine months ended September 30, 2021 include the results of operations of the company's intermodal business, which was sold in March 2022; revenue (including intercompany transactions) and adjusted EBITDA attributable to intermodal for the three months ended September 30, 2021 were approximately $309 million and $20 million, respectively; revenue (including intercompany transactions) and adjusted EBITDA attributable to intermodal for the period from April 1, 2021 through September 30, 2021 were approximately $575 million and $31 million, respectively

[2] Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue

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

XPO

Financial reconciliations (cont.)

The following table reconciles XPO's net income from continuing operations attributable to common shareholders for the periods ended September 30, 2022 and 2021 to adjusted net income from continuing operations attributable to common shareholders for the same periods.

Reconciliation of adjusted net income and adjusted diluted earnings per share

$ in millions, except per-share data (unaudited)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net income from continuing operations attributable to common shareholders	$ 131	$ 21	$ 761	$ 197
Debt extinguishment loss	-	46	26	54
Unrealized loss on foreign currency option and forward contracts	-	-	-	1
Amortization of acquisition-related intangible assets	19	22	58	65
Gain on sale of business	-	-	(434)	-
ABL amendment cost	-	1	-	1
Litigation settlements	-	29	-	29
Transaction and integration costs	25	15	60	26
Restructuring costs	9	14	19	16
Income tax associated with the adjustments above [1]	(16)	(35)	32	(49)
Discrete and other tax-related adjustments [2]	-	(4)	-	(4)
Adjusted net income from continuing operations attributable to common shareholders	$ 168	$ 109	$ 522	$ 336
Adjusted diluted earnings from continuing operations per share	$ 1.45	$ 0.94	$ 4.51	$ 2.95
Weighted-average common shares outstanding				
Diluted weighted-average common shares outstanding	116	116	116	114

[1] *Income tax rate applied to reconciling items excluding gain on sale of business is based on GAAP annual effective tax rate, excluding discrete items and contribution- and margin-based taxes; income tax rate applied to gain on sale of business represents actual tax expense impact, which is considered a discrete item*

[2] *Discrete tax items reflect a tax benefit related to a tax planning initiative that resulted in the recognition of a long-term capital loss offset by tax expense due to valuation allowances that were recognized as a result of the spin-off of our logistics business*

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 from continuing operations for the periods ended September 30, 2022 and 2021 to free cash flow for the same periods.

Reconciliation of cash flows from operating activities of continuing operations to free cash flow

$ in millions (unaudited)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Adjusted net cash provided by operating activities from continuing operations	$ 265	$ 250	$ 664	$ 558
Payment for purchases of property and equipment	(127)	(77)	(394)	(212)
Proceeds from sales of property and equipment	4	12	11	72
Free cash flow [(1)]	$ 142	$ 185	$ 281	$ 418

[1] Third quarter 2022 includes $53 million of cash outflows related to transaction costs

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

Financial reconciliations (cont.)

The following table reconciles XPO's operating income attributable to its North American less-than-truckload business to adjusted operating income, adjusted operating ratio and adjusted EBITDA for the respective periods shown in the table below.

Reconciliation of North American less-than-truckload adjusted operating ratio and adjusted EBITDA

$ in millions (unaudited)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenue (excluding fuel surcharge revenue)	$ 931	$ 904	$ 2,777	$ 2,648
Fuel surcharge revenue	273	167	771	466
Revenue	1,204	1,071	3,548	3,114
Salaries, wages and employee benefits	538	495	1,557	1,434
Purchased transportation	123	124	393	334
Fuel and fuel-related taxes	105	73	320	207
Other operating expenses	171	151	498	430
Depreciation and amortization	60	57	175	169
Rents and leases	23	21	68	58
Transaction and integration costs	-	1	2	1
Restructuring costs	2	-	5	-
Operating income (1)	182	149	530	481
Operating ratio (2)	85.0%	86.1%	85.1%	84.6%
Other income (3)	15	15	45	43
Amortization expense	8	8	25	25
Transaction and integration costs	-	1	2	1
Restructuring costs	2	-	5	-
Adjusted operating income (1)	$ 207	$ 173	$ 607	$ 550
Adjusted operating ratio (4)	82.8%	83.9%	82.9%	82.3%
Depreciation expense	52	49	150	144
Other	(1)	-	-	-
Adjusted EBITDA (1) (5)	$ 258	$ 222	$ 757	$ 694
Adjusted EBITDA Margin (6)	21.5%	20.8%	21.3%	22.3%
Gains on real estate transactions	-	(5)	-	(27)
Adjusted EBITDA, excluding gains on real estate transactions	$ 258	$ 217	$ 757	$ 667
Adjusted operating income, excluding gains on real estate transactions	$ 207	$ 168	$ 607	$ 523
Adjusted operating ratio, excluding gains on real estate transactions (4)	82.8%	84.4%	82.9%	83.2%

1 Operating income, adjusted operating income and adjusted EBITDA include real estate gains of $- million and $5 million for the three months ended September 30, 2022 and 2021, respectively, and $- million and $27 million for the nine months ended September 30, 2022 and 2021, respectively

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

3 Other income primarily consists of pension income

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

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

6 Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue

Note: Effective in first quarter 2023, the company expects to make the following changes: (i) adjusted operating income to exclude pension income income and (ii) both adjusted EBITDA and adjusted operating income to reflect an allocation of an additional $80 million of annual corporate costs

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

XPO

Financial reconciliations (cont.)

The following table reconciles XPO's revenue attributable to its North American Truck Brokerage business for the quarters ended September 30, 2022 and 2021 to margin for the same periods.

Reconciliation of North American truck brokerage margin

$ in millions (unaudited)	Three Months Ended September 30, 2022	2021	Change %
Revenue	$ 686	$ 700	-2.0%
Cost of transportation and services (exclusive of depreciation and amortization)	556	601	
Margin [1]	$ 130	$ 99	31.3%
Margin % of Revenue [2]	19.0%	14.1%	

[1] Margin is calculated as revenue less cost of transportation and services (exclusive of depreciation and amortization); also referred to as gross profit dollars

[2] We also refer to margin % of revenue as gross profit margin

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

XPO

Financial reconciliations (cont.)

We believe that net leverage and net debt are important measures of our overall liquidity position and are calculated by removing cash and cash equivalents from our reported total debt and reporting net debt as a ratio of our adjusted EBITDA. The following tables calculate XPO's net leverage and net debt for the periods presented.

Reconciliation of net leverage and net debt

$ in millions
(unaudited)

	As of			
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Reconciliation of Net Debt				
Total debt	$ 2,908	$ 2,912	$ 3,559	$ 3,572
Cash and cash equivalents	544	436	1,004	260
Net debt	$ 2,364	$ 2,476	$ 2,555	$ 3,312

	Trailing Twelve Months Ended September 30, 2022	Trailing Twelve Months Ended June 30, 2022	Trailing Twelve Months Ended March 31, 2022	Year Ended December 31, 2021
Reconciliation of Net Leverage				
Net debt	$ 2,364	$ 2,476	$ 2,555	$ 3,312
Adjusted EBITDA	$ 1,401	$ 1,356	$ 1,281	$ 1,239
Net leverage	1.7x	1.8x	2.0x	2.7x

	Trailing Twelve Months Ended September 30,[1] 2022	Nine Months Ended September 30, 2022	Trailing Twelve Months Ended June 30,[2] 2022	Six Months Ended June 30, 2022	Trailing Twelve Months Ended March 31,[3] 2022	Three Months Ended March 31, 2022	Twelve Months Ended December 31, 2021	Nine Months Ended September 30, 2021	Six Months Ended June 30, 2021	Three Months Ended March 31, 2021
Reconciliation of Net Income from Continuing Operations to Adjusted EBITDA										
Net income from continuing operations attributable to common shareholders	$ 887	$ 761	$ 777	$ 630	$ 749	$ 489	$ 323	$ 197	$ 176	$ 63
Debt extinguishment loss	26	26	72	26	46	-	54	54	8	8
Interest expense	138	103	156	68	183	37	211	176	123	65
Income tax provision	221	194	198	160	181	113	87	60	49	19
Depreciation and amortization expense	468	349	468	231	473	116	476	357	239	119
Unrealized (gain) loss on foreign currency option and forward contracts	-	-	-	-	2	-	1	1	1	(1)
Gain on sale of business	(434)	(434)	(434)	(434)	(450)	(450)	-	-	-	-
Litigation settlements	2	-	31	-	31	-	31	29	-	-
Transaction and integration costs	71	60	61	35	42	10	37	26	11	5
Restructuring costs	22	19	27	10	24	6	19	16	2	1
Adjusted EBITDA	$ 1,401	$ 1,078	$ 1,356	$ 726	$ 1,281	$ 321	$ 1,239	$ 916	$ 609	$ 279

[1] Trailing twelve months ended September 30, 2022 is calculated as the nine months ended September 30, 2022 plus the twelve months ended December 31, 2021 less the nine months ended September 30, 2021
[2] Trailing twelve months ended June 30, 2022 is calculated as the six months ended June 30, 2022 plus the twelve months ended December 31, 2021 less the six months ended June 30, 2021
[3] Trailing twelve months ended March 31, 2022 is calculated as the three months ended March 31, 2022 plus the twelve months ended December 31, 2021 less the three months ended March 31, 2021
Refer to the "Non-GAAP Financial Measures" section on page 2 of this document

XPO