Selected Investor Q&As with XPO Executives

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The Strategic Plan

1. **Can you walk through the planned spin-off structure at a high level?**

2. **XPO:** We're spinning off our brokered transportation services platform as a separate publicly traded company. It will be a tech-enabled platform comprised largely of our North American truck brokerage business —upwards of 80% of the operating income of SpinCo will be from truck brokerage. The other services are complementary and asset-light — managed transportation, which is integrated with brokerage already, global forwarding and our last mile network for home delivery of heavy and bulky goods. That's SpinCo in a nutshell.

   RemainCo will be a pure-play LTL business, something investors have been looking for.

[*] Edited for clarity

In addition, we're planning to divest two other businesses: North American intermodal, which provides rail brokerage and drayage services, and our operations in Europe. We're running a dual process for the European business for either a sale or an IPO.

3. **Out of all the different strategies you could have implemented, why another spin-off?**

4. **XPO:** We determined it was the best operational decision for our stakeholders, which include our customers and employees, and the best way to create value for our shareholders.

Operationally, it's about fit and focus. The two businesses are different animals, and what we learned from GXO is that management can run a standalone business more effectively if it's not part of a conglomerate. It makes sense to have LTL be a pure-play. It's an asset-based, network business levered to the industrial sector. Our brokered transportation group, which is primarily truck brokerage, is asset-light and a technology play, more levered to the consumer sector.

The separation should also help the investment community recognize the value we've built into both parts of the company. A number of investors like the durable franchise associated with an asset-based LTL pure-play, and have been seeking out another name to express this view.

Our peers trade at about 12x to 18x EBITDA. C.H. Robinson is our closest brokerage peer and has traded at 12x to 15x EBITDA for most of the last 10 years. They're bigger than we are and a formidable competitor we respect a lot, but we're more profitable, with more growth and we've been investing in cutting-edge technology for a longer time.

When you factor in the debt we plan to pay down with divestiture cash, with the goal of investment-grade, we believe the aggregate stock price of the two separate companies

could be trading in the range of 12x to 15x adjusted EBITDA. At that level, the aggregate price would be nearly double XPO's current stock price. So, the financial thought process behind this plan was extremely compelling to us, and taking the operational benefits into account, it was something our board of directors believed we really had to do.

5. **So, by separating brokerage, you're enabling a premium valuation on an asset that isn't embedded in the current EBITDA multiple, because people are so focused on LTL?**

6. **XPO:** Very well said — and we agree with you. It parallels our logistics segment before the GXO spin. The Street didn't appreciate that business, didn't understand it, didn't pay much attention to it, and now they do.

7. **Is this a complete departure from your M&A strategy?**

8. **XPO:** Our strategy is, and has always been, to create immense shareholder value. That focus made us the 7th best-performing stock of the Fortune 500 over the last decade. During that period, we bought 18 companies and integrated and optimized them. We also sold off parts of those acquisitions, most notably the Con-way truckload unit for about $550 million. And we greatly increased the profitability of the operations we kept. We also bought back $2 billion of our stock at one point in the cycle. So, we've remained nimble and opportunistic, and given what we're seeing in the current industry environment and investment community, we believe this step is the best way to continue to create outsized shareholder value.

9. **What's the customer reaction to the spin been like so far? How have your employees responded to the news?**

10. **XPO:** It's been positive. Customers like pure-plays, because pure-plays are focused. Our LTL employees are also happy with the news, and excited about our plan to grow

revenue. Our brokerage employees are also excited about being more in the spotlight with the spin-off than is possible in the conglomerate.

11. **How should we think about upcoming milestones?**

12. **XPO:** The main milestones in the timeline for a fourth quarter spin-off will be getting the Form 10 registration statement filed and declared effective by the SEC, filling out the management team with some key additions, creating a new brand, and forming a new board of directors. There's a lot of other work to do, but those are some of the big ones. We also have the divestitures of intermodal and Europe on our to-do list.

13. **Why not sell the brokerage business?**

14. **XPO:** A sale would preclude our shareholders from the opportunity to participate in future growth. The sale price would have to be very large to warrant going that route.

15. **How should we think about your divestiture plans in terms of tax leakage?**

16. **XPO:** Sell-side analyst reports we've read have estimated that, between Europe and intermodal, proceeds would be between $1.5 billion and $2 billion, with aggregate taxes of around $100 million.

17. **Why announce all the strategic actions at once? There are a lot of moving parts with different sequencing.**

18. **XPO:** We were heading in this direction, hiring consultants, involving more people internally. We wanted to get out ahead of a potential leak with correct information. We also wanted to start recruiting for key roles.

19. **Are there any operations in your European business apart from what you acquired from Norbert Dentressangle (ND)?**

20. **XPO:** No. We didn't do any other M&A in Europe after ND. We did start up a last mile business in some key geographies, and we did that organically. The ND logistics business we acquired went to GXO, along with the UK logistics operations we bought from Kuehne + Nagel last year.

21. **Are you better off selling the European business to a strategic?**

22. **XPO:** There are three ways to go there. Selling it to a strategic would lead to synergies, or we could sell it to a private equity buyer. Another option is to IPO it. The disadvantage there is we wouldn't get all the capital up front, so it wouldn't help us deleverage immediately, but we could participate in its expected growth going forward.

    Our European business is tricky to value, because Europe has fewer transportation companies, and there’s no direct comp to our operations. We have an LTL business, a truck brokerage business and a full truckload business. We’re number one or number two in these core business in the countries we want to be in — France, Spain, the UK and Portugal. Ideally, we’d be in Germany, too, but four out of five is okay. We also have a small managed transportation unit, and the last mile business we launched in Europe.

23. **What does your debt structure look like?**

24. **XPO:** We have around $1.2 billion of high-yield notes due in 2025 that are callable on May 1, 2022. We have a term loan of about $2 billion and some Con-way bonds due in 2034 that are around $300 million total — those bonds are likely to stick around.

25. **How much leverage do you plan to spin out brokerage with, and how much can the business handle?**

26. **XPO:** We're still figuring it out. Ideally, both companies would be investment-grade from day one of the separation. If we get divestment proceeds and keep generating cash we can use to pay down debt, we have a good chance of hitting both targets. If not, one of the companies will likely be investment-grade on day one, and the other will be on a short path to investment-grade, as long as we hit the milestones we agree to with the rating agencies. The aspiration would be investment-grade and preferably debt-free with a rock-solid balance sheet for each company, to act opportunistically with as few limitations as possible.

27. **After you've been successful in bringing down your leverage to investment-grade level, and assuming strong 2022 free cash flow generation, are you open to buybacks?**

28. **XPO:** Absolutely. We've never hesitated to buy back our stock when the stars align for shareholder value. We have about $500 million left of the board’s buyback authorization, but buybacks are not currently our first priority. Getting to investment-grade is priority one.

29. **Do you intend to do an Investor Day during this process?**

30. **XPO:** Yes. We’re thinking of doing separate Investor Days for SpinCo and RemainCo.

Less-Than-Truckload (LTL)

31. **What's your LTL business mix?**

32. **XPO**: Far and away, most of our customers are industrials. Geographically, our network is national, but we have outsized exposure to the Midwest and the Rust Belt. When we bought Con-way back in 2015, the company was based in Ann Arbor, Michigan, and it had a very Midwestern, industrial feel. That's worked against us in the last few years, because the industrial economy hasn't recovered since tariffs were put in place. Customers tell us they could be producing a lot more output if they could get labor, chips and supplies. However, the recovery in industrial has begun, and when supply chains start flowing better, it's going to be advantageous for us.

33. **What type of equipment does your LTL business use to move customer freight? Are your trailers pulled by Class A trucks?**

34. **XPO:** We use two types of trailers; both are pulled by Class-A trucks piloted by licensed CDL-A drivers. We have 28-foot trailers, called pups, that we use to move freight between our terminals. Most LTL carriers in the US attach two pups together when they move freight long distances, because it builds density in the linehaul network. The second type of trailer is called a city van. These are 48-foot trailers that we use for pickup-and-delivery. We manufacture both types of trailers in our production facility in Arkansas.

35. **Where will you place your emphasis in 2023 as a standalone LTL company — more on volume than pricing?**

36. **XPO:** It will be a combination of volume, pricing and operating ratio. We expect volume to be growing by mid-single digits, and we'll be using our new pricing tech to get the right freight in the right places for the right price. Volume doesn't have as much flowthrough to

adjusted EBITDA as yield does, but it allows us to spread out our fixed costs. Typically, our adjusted EBITDA flowthrough on LTL volume is 30% or more, versus yield at 100% flowthrough.

Yield obviously depends on the macro, and we're seeing strong customer demand. We also have a comprehensive, five-part plan to improve network efficiency and growth. We expect to improve our LTL margin by at least 100 basis points this year. Over time, we expect to improve our adjusted operating ratio by hundreds of basis points and be industry best-in-class instead of number two.

37. **How are the capacity additions going?**

38. **XPO:** Overall, very well. We've opened three terminals so far, and we have line of sight to more. We're also on track to open about half of our target 900 net new doors this year. We're looking at areas like California, Texas, Atlanta and Florida, where there's a high influx of consumers. We'll announce more doors in the months to come.

    In January, we opened a new trailer manufacturing line at our Arkansas facility. We're not dependent on the OEMs for trailers, which is a big advantage, but we do rely on them for tractors. The OEMs are trying their best to fill our tractor orders, which are substantially higher than in 2021. We've been able to increase the number of tractors in our fleet in the first quarter, but it's short of where we want to be.

39. **Can you talk about your capex plans longer-term in LTL?**

40. **XPO:** Historically, our capex spend is in the mid-single-digits as a percentage of revenue. This year, we're planning on capex in the 8% to 9% range. Accounting for revenue growth, we're roughly doubling the amount of capex this year vs. last year. LTL is a high-ROIC business, and we plan to invest in its growth.

41. **Are there any sector-specific trends in LTL you want to comment on?**

42. **XPO:** Our LTL sales executives recently attended a transportation conference in Dallas for large retailers, and the customer conversations were all about the retailers wanting more LTL capacity to move more freight. We want to give them that capacity. That's why we're investing now, so that we can handle more and more volume for them over time. That said, our industrial customers are showing the strongest sequential trend.

43. **Your ROIC is so high in LTL; how does it compare to your major competitors?**

44. **XPO:** Our companywide ROIC is 32%, with LTL's ROIC significantly higher. Our LTL ROIC is a smidge below Old Dominion's, which is about twice SAIA's ROIC.

45. **When LTL and truck brokerage are separate businesses, how will that impact the LTL operations?**

46. **XPO:** Very little. Today, our LTL business uses a number of sources for purchased transportation — both asset-based carriers and brokers — and our brokerage business is one of them. So, there's some arm's length synergy. XPO brokerage isn't the largest truckload provider in our LTL linehaul network, but it does participate in the LTL RFPs, and the transportation providers with the best rates and service are awarded the business. We anticipate that arms-length relationship will continue post-spin.

47. **Do you expect any change to your LTL insourcing or outsourcing tactics due to the spin-off?**

48. **XPO:** No. The spin won't impact that. However, we do want to change how we're using purchased transportation over time. When we first acquired Con-way, we outsourced

roughly 35% of linehaul to third-party carriers. Over the years, we've insourced roughly 2% to 3% per year. Last year, roughly 25% of our linehaul miles used purchased transportation. We'd like to bring the 25% down to the low teens.

49. **Once your pricing technology is fully in place and you add volume, is there anything structural that would prevent you from getting to where Old Dominion is?**

50. **XPO:** Nothing structural. We have terminals, doors and a network that covers 99% of all US zip codes. We have equipment, drivers and dockworkers, just like they do. It's a matter of execution. OD has executed well.

51. **Old Dominion and SAIA are both growing capacity this year. Do you have any concerns about excess capacity in a potential slowdown?**

52. **XPO:** No. Right now, the only real expansion is being done by three LTL companies — Old Dominion, SAIA, and now XPO. We've added an emphasis on volume growth after focusing on margin since buying Con-way in 2015. The other companies are keeping their capacity about the same and some are reducing it. Demand is continuing to outpace supply, especially in the industrial sector.

53. **How do you think about the industry's capacity growth over the next few years?**

54. **XPO:** We don't expect total capacity in the industry to grow meaningfully in the next two or three years. There's probably a low- to mid-single-digit capacity increase across a handful of big carriers, and the other carriers, overall, represent a footprint of flat to declining capacity. Central Freight went under because they were over-levered. YRC has reduced its capacity over the years. TFI has been looking to reduce capacity as well, with the UPS asset they bought.

55. **What are you doing to attract and retain truck drivers and dockworkers?**

XPO: Drivers and dockworkers are the two largest labor categories we have in LTL. In terms of drivers, we're progressing with our plan for twice the number of graduates in our driver schools this year, about 1,800 graduates. North of half the drivers we expect to hire this year will come from our schools. The trainees are a mix of XPO dockworkers who want a driving career and outside applicants who want to get their CDL-A license and become drivers. We're using new technology and social media to get more applicants into the pool and convert them at a better rate. We're also implementing a faster screening process for dockworkers.

56. **How has your EBITDA and free cash flow trended?**

57. **XPO:** We expect to have nearly tripled adjusted EBITDA this year compared to when we bought Con-way in 2015. The business threw off over $3 billion of net cash over the last five years. So, we know how to run a profitable, cash-generative, high-ROIC LTL business at scale. We've got a lot of margin growth ahead of us, and a lot of revenue growth as well, to leverage our fixed costs.

58. **Do you feel you've got the right people in place in LTL?**

59. **XPO:** Yes. We have a very strong national team run by our terminal managers. One manager for each of the 291 terminals in our network. We've spent a lot of time over the years upgrading the team. We have strong district managers and divisional presidents who are excellent. Mario, our acting LTL president, has an executive team of about 15 people. There will always be some changes with an organization this size, but we're not planning on doing a massive people transformation. We like the team we've got in place.

60. **Will your pricing strategy change at all, post-spin? Do you see this as an opportunity to take share? What else could change?**

61. **XPO:** As a general rule, we don't go for volume over price in any line of business, including LTL. We're not trying to go up the rankings of the trade magazines by being a sprawling empire. That's not our game. We're trying to create immense shareholder value. That's what determines our thought process and our strategy. Every penny of price we get in LTL goes right to pre-tax. There's no cost associated with price. Tonnage obviously has cost associated with it, so the flowthrough's not 100%.

62. **What are some of the things you've been doing on the technology front?**

63. **XPO:** One area of LTL technology we've put money behind is pickup-and-delivery optimization, so we get more stops per truck per hour with dynamic routing. We're also prioritizing solutions for linehaul and pricing — areas where we can extend our competitive advantage.

    We'd like to take out 5% of linehaul miles by being more efficient — maybe even 7%. We think we can do that, once we make some adjustments to our algorithms. We hadn't planned on pandemic conditions when we created them.

    We've also invested in pricing algorithms, and understanding pricing elasticity as it impacts our cost model. We're migrating from an old-school way of pricing — cost-plus or market-based — to a capacity-based pricing model. In other words, our fleet capacity is overutilized, underutilized or correctly utilized at any point in time, and we think pricing should be associated with that, rather than other factors, because capacity is what matters in the end. There are times when we're running empty miles, and in that situation we should be lowering pricing to take on more loads. There are other scenarios when we can and should raise pricing substantially to get the marginal dollars.

64. **What will be the LTL narrative post-spin? Is it positioned as a turnaround story, a growth story or both?**

65. **XPO:** It's definitely a growth story. We don't like the phrase "turnaround." It implies that the business is doing badly, and it's not. We had the second-best adjusted operating ratio in the industry last year. We've thrown off over $3 billion of net cash in the past six years. We don't think the business needs to be "fixed," but we have company-specific opportunities to significantly improve it.

66. **What's the biggest issue the trucking industry is facing right now? Is it finding drivers? Is it higher fuel prices? How is the industry dealing with the challenges?**

67. **XPO:** It's the availability of labor, particularly truck drivers, but also dock workers. We've addressed that issue with over 130 XPO driver training schools. The drivers that train for their CDL-A license through our schools stay with us longer and their safety records tend to be better.

Truck Brokerage

68. **Can you explain how the truck brokerage business works on a daily basis?**

69. **XPO:** Our truck brokerage business is an asset-light model. We don't own the tractors or trailers; we act as a broker, matching a shipper who needs full truckload capacity to move their goods with a third-party, independent carrier who has that capacity available. Our margin is the spread between the price the shipper pays and the cost of purchasing the capacity. This service is priced on either a spot or contract basis.

Our truck brokerage business has a variable labor structure that enables us to reduce costs when demand is soft and deploy additional resources to find trucks as demand returns. It's high ROIC and high free cash flow conversion. We have one of the largest truckload carrier networks in North America: 80,000 independent carriers representing approximately a million trucks in our database. We manage the business on our proprietary XPO Connect technology platform, which automates the process.

70. **Who's your top brokerage competitor and what's your edge?**

71. **XPO:** C.H. Robinson is still our number one competitor. We run into them all the time when competing for tier one customers. They're our most comparable peer, and they're obviously doing many things right. But we have first mover advantage in brokerage technology, dating back to the start of our business in 2011, and we're growing at a faster clip.

72. **What's so great about your truck brokerage business compared with companies like C.H. Robinson and Landstar?**

73. **XPO:** The numbers speak for themselves: outsized revenue growth, higher profit growth, better profit per load, better headcount productivity. We have a playbook for brokerage, and we're executing it extremely well. We've grown revenue and loads much faster than headcount, and we get strong operating leverage on that.

We also have very solid relationships with our customers — our top 20 customers have been with us for 13 years on average. We grew our annual volume with them by 30% last year. Those accounts are strong references for the new customers we're bringing into the business. Our customers are in very good hands. Our people at the director level and above have been with us for an average of eight years.

Our technology — XPO Connect — is very powerful. We've been investing in brokerage technology for over a decade, and it's gratifying to see the soaring rates in user adoption. One of the things we focus on is the customer side of truck brokerage; giving customers data that helps them make better decisions about buying transportation. Today, transportation is a data business, and we have huge quantities of data that we leverage to improve our algorithms and automation.

74. **How does your brokerage revenue growth compare to the industry, and how are you valued versus the digital startups?**

75. **XPO:** We've delivered a 27% truck brokerage revenue CAGR from 2013 to 2021 in an industry that's growing at 9%. We're best-in-class and we're growing at 3x the industry growth rate. That's a huge differential. It's hard to comp us to the digital startups in the industry, because they're not profitable, but their revenue multiples would correspond to about 20x to 30x adjusted EBITDA for us.

76. **When brokerage becomes a standalone business, what do you think investors will be most surprised about?**

77. **XPO:** Three things. First is ROIC — for XPO as a combined company, our ROIC is 32%, and our brokered services group has a higher ROIC than that. Investors will see how strong it is for the first time with the spin. Also, it will be much easier for people to appreciate just how much respect there is in the industry for our brokerage business, especially with the big, blue-chip customers. In 2021, we grew our brokerage volume by 29% on a year-over-year basis, grew volume with our top 20 customers by 35%, and grew the number of accounts who do more than $1 million of annual brokerage business with us by 48%.

And finally, investors may be surprised by how cutting-edge our tech is, and how profitable it allows us to be. Sometimes, in this industry, a new entrant will come in as a

loss leader and call itself a technology company, whereas we've always been an industry innovator, and it's allowed us to price in a way that enhances our margins.

78. **Why has the strong performance of your truck brokerage business been overlooked by investors?**

79. **XPO:** We agree that it's been ignored. It's time to change that. We're smoking the competition on the metrics. We can't control the multiple, but C.H. Robinson has traded in the 12x to 15x EBITDA range for a long time. It's a great company, but our numbers are better, so we believe we should have a higher multiple.

When you comp us to the digital startups, which aren't public or profitable yet, it's an infinite EBITDA multiple. The metric these private owners look at is revenue, and the multiple is about 3x to 5x revenue. We trade at less than 1x revenue. Any way you slice it, we think the market will arrive at the right multiple for us as a standalone company, we hope sooner than later.

80. **Have you guided to what kind of EBITDA you expect from the brokerage platform?**

81. **XPO:** In February, we guided to $1.36 billion to $1.4 billion of full year adjusted EBITDA for the whole company, including $1 billion of adjusted EBITDA from LTL, and around $180 million of corporate overhead. From there, you can calculate the adjusted EBITDA for the brokerage services segment. There's some noise in there, like European transportation, but directionally it's helpful. Keep in mind, we think between both companies we'll be able to lower corporate cost by $50 million to $60 million. Our Form 10 registration statement will include more financial data — including more detail on our ROIC.

82. **Is it XPO Connect or is it Freight Optimizer that's driving the outperformance in your gross yield?**

83. **XPO:** They're both part of our XPO Connect digital ecosystem. Our vision for truck brokerage right from the start in 2011 was, "How do we automate this business?" Because it was crying out for automation. We hired Mario Harik as CIO and we started putting hundreds of millions of dollars into that idea. We created our transportation procurement engine, and very quickly we had a tech-enabled brokerage business. We focused on delivering value for customers, carriers and employees.

That was Freight Optimizer, and it gave us a huge head start in digital. Today, more and more shippers want digital brokerage services, and we provide that with our XPO Connect brokerage platform. Freight Optimizer is a key part of that digital infrastructure. We also invested a lot of money in getting the pricing right for the customer and the carrier, and for us, too. We're able to see, in real-time, what's going on with supply and demand and negotiate rates with that knowledge, which allows us to expand our spread.

84. **Does the industry's pace of digital adoption seem slow to you, or is it as you expected?**

85. **XPO:** There hasn't been a tidal wave of adoption, so far, but it's been steady. A decade or so ago, 100% of brokerage was done by people on phones. Now, 70% of our brokerage orders are created or covered digitally. Even so, we had expected adoption by shippers and carriers to be further along. Eventually, it's all going to be automated. The adoption is going faster on the shipper side because the cost implications are so attractive.

Automation is a strong value proposition for all parties: we can do a better job for a customer and a carrier if they meet us electronically. We can make them more money. We can get carriers more loads. We can store the information better and do predictive analytics to plot out their whole week or month, rather than just tomorrow and the next

day. We think the speed of adoption will accelerate over the next five years. Manual brokerage practices will become like the travel agent industry over time — obsolete.

The pace of adoption is increasing already. Our Drive XPO mobile app, which carriers use to access XPO Connect, has had over 600,000 cumulative downloads. It's Adam Smith's hidden hand of capitalism: what's good works out.

86. **It's hard to get a handle, from the outside, on where the various brokerage companies stand with tech adoption. How do we remove the noise to see what's actually happening under the hood?**

87. **XPO:** The financial results are where the rubber meets the road. People can say all kinds of great stuff about their technology, but where are the numbers? Where's the profit? Where's the growth? Where's the margin expansion? Where's the leverage on the headcount? That's the validation, the proof in the pudding that says, "Okay, this technology actually does its job."

88. **What's the addressable brokerage market size?**

89. **XPO:** We've got a long runway in the digital brokerage space, and we're still in the early innings. The overall for-hire trucking sector in North America is $440 billion, and brokers have about $80 billion of that. Our truck brokerage business is about $3 billion in revenue, and we're one of the largest providers in the industry. Last year, we brought on 2,200 first-time customers. We've got a great reputation in the marketplace. The business is a gem.

90. **How much share of the for-hire trucking spend do you expect the brokerage industry to take in the foreseeable future, and what's the penetration rate?**

91. **XPO:** Less than 10% of North American for-hire truckload spend went through brokers 15 years ago, and now it's estimated to be 22%. Penetration has been climbing steadily in the single digits each year. We think brokers will continue to pick up 1% to 3% of share per year, especially in tight environments. Brokers have access to enormous capacity of trucks and trailers and the ability to move any kind of goods anywhere, using independent carriers. Shippers need that flexibility.

92. **As you look at the competitive advantage you built over a decade in brokerage, how do you think about the components of your share growth?**

93. **XPO:** The easiest way for us to measure that is in volume, specifically loads per day. Last year, we grew volume 29% overall, and 35% with our top 20 customers. And, we have a strong pipeline that's continuing to grow. We also have a history of taking smaller accounts and making them much larger accounts. Our loads per day have been up and to the right for a long time.

94. **What's your contract mix?**

95. **XPO:** 70% contract, 30% spot. The contract portion may go up or down a couple of points, but it's been pretty steady at between 65% and 70%.

96. **One of your peers has talked about contract loads they lose money on. Has that been an issue in your business, as well?**

97. **XPO:** Brokers lose money on contract loads every day. Typically, around 10% of our loads are negative. That's part of being in the brokerage business.

98. **What's the average duration of your contracts?**

99. **XPO:** It varies. With our largest customers, most contracts are around 12 months, but over the last three quarters, we've started to see more quarterly and six-month bids.

100. **Are you hiring more carrier sales reps and technologists in brokerage? How are you thinking about that relative to where the business is going?**

101. **XPO:** Our hiring decisions are data driven. We've hired carrier reps to bring on capacity. We've hired sales reps, who are calling on new customers. And we've hired technologists, who help us continue to evolve in the technology space. Over the last five years, we've grown our brokerage headcount by 38%, but we've grown our volume by 66%. So, while we'll continue to add some headcount in all three areas, we also know that the investment is paying off in a big way, thanks to our technology.

102. **Are there any signs that the dynamics are shifting in brokerage supply and demand?**

103. **XPO:** We don't see anything that tells us truckload capacity is going to loosen up significantly in the foreseeable future. There's still a driver shortage, an equipment shortage, a trailer shortage. Shippers are looking for a lot of capacity and brokers have the longest capacity reach.

104. **What's your take on a having an asset-light truck brokerage business vs. owning some assets?**

105. **XPO:** We've owned trailers for eight years as a service for some large retail customers. We don't actively market it, but it's been a lever to grow our retail business. In the context of our entire brokerage business, it's minimal; we're a non-asset model.

106. **Should your brokerage business be viewed as a growth stock, or a stable cash generator?**

107. **XPO:** Both — high growth and free cash flow generative.

Other

108. **Regarding the use of cash, you mentioned that you'll prioritize paying down debt. Are you aiming for a specific leverage level?**

109. **XPO:** Both companies should throw off a lot of cash, and the primary use of cash — apart from capex, obviously, on the LTL side — will be to pay down debt. Ultimately, we want to get leverage as low as possible. Even better, we'd like to wipe out the debt altogether to build optionality. If there's an interesting acquisition, we can afford it. If there's a recession, we can buy back our stock. That view will be basically the same with RemainCo and SpinCo after the spin.

110. **How will the technology team work post-spin? Will they be cross-functional and continue to support both businesses?**

111. **XPO:** Generally speaking, the tech talent focused on brokerage will go with SpinCo, and the tech talent focused on LTL will stay with RemainCo.

112. **How do you think the cultures will differ between the two companies, if at all?**

113. **XPO:** We expect that the cultures of both companies will continue to be entrepreneurial and professional. Both organizations place a high value on people who love to fabulously succeed, and are also team players, who get along well in the sandbox with their fellow

colleagues. That's a big part of the culture that has made XPO successful. Those qualities matter, whether you're working at a computer or on a dock.

114. **Last year, your run rate for corporate allocation was about $250 million with the GXO spin, correct?**

115. **XPO:** The unallocated piece for the year turned out to be about $210 million. The GXO spin-off happened in August, so seven months of 2021 operations included GXO, and we didn't excise pieces of that immediately. We're on a continuous process of reducing corporate overhead, plus we're going to be taking out some roles to simplify the two businesses. Between both companies, we believe we'll be able to lower corporate cost by $50 million to $60 million. This year, the expectation is unallocated corporate expense of $180 million. The $180 million is aligned with the midpoint of the adjusted EBITDA range that we guided to for the combined company.

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 transcript to the most directly comparable measure under GAAP , which are set forth in the tables posted in the fourth quarter and full year 2021 earnings release and the February 2022 Investor Presentation posted in the investor relations section of our website.

This document contains the following non-GAAP financial measures: adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) on a consolidated basis and return on invested capital (ROIC) on a consolidated basis for the year ended December 31, 2021; adjusted EBITDA, net cash generated from adjusted EBITDA, and improvement in adjusted operating margin (which is the inverse of adjusted operating ratio) for our North American less-than-truckload business for the years 2016 through 2021..

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 includes adjustments for transaction and integration costs, as well as restructuring costs, litigation settlements and other adjustments as set forth in the tables posted in the recent earnings release and February 2022 Investor Presentation on our website. 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 adjusted EBITDA improves 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 forth in the tables posted in the recent earnings release and February 2022 Investor Presentation on our website 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 operating ratio improves 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 forth in the tables posted in the recent earnings release and February 2022 Investor Presentation on our website. We believe that return on invested capital (ROIC) is an important metric as it measures how effectively we deploy our capital base. ROIC is calculated as net operating profit after tax (NOPAT) for a given period divided by invested capital as of the end of that period. NOPAT is calculated as adjusted EBITDA less depreciation expense, real estate gains and cash taxes plus operating lease interest. Invested capital is calculated as equity plus debt and operating lease liabilities less cash and goodwill and intangibles. We believe that net cash generated from adjusted EBITDA is an important measure of our ability to fund uses of capital that we believe will enhance shareholder value.

With respect to our financial targets for full year 2022 adjusted EBITDA for the whole company and full year 2022 adjusted EBITDA for LTL, a reconciliation of these non-GAAP measures to the corresponding GAAP measures is not available without unreasonable effort due to the variability and complexity of the reconciling items described above that we exclude from these non-GAAP target measures. 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 statement of income 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 statements relating to the planned spin-off of our North American truck brokerage business and the expected financial results of that spin-off as a standalone business; the planned divestitures of our North American intermodal business and our European business, and the expected cash proceeds of the planned divestitures; our future growth prospects for adjusted EBITDA and our 2022 financial target of at least $1.36 billion to $1.4 billion of full-year adjusted EBITDA for our whole company, with $1 billion of adjusted EBITDA generated by the North American LTL segment; our expectation that corporate overhead will be approximately $180 million for the whole company this year prior to the spin-off, and our belief that we can reduce total corporate overhead after the spin-off by $50 million to $60 million total for the two companies; our expectation that volume will grow by mid-single-digits in our North American LTL business in 2023; our expectation for a continued recovery in demand by our industrial customers; our expectation to open new LTL doors this year; our expectations for capital expenditures and for achieving a high return on invested capital (ROIC) in our North American LTL business; the degree with which we expect to use insourced transportation in our North American LTL business; our expectation for growth in overall capacity in the North American LTL industry; our plan to hire LTL drivers from our driver schools; our expectations for revenue growth, volume growth and earnings growth in our North American truck brokerage business in 2022 and going forward; our ability to generate a high level of ROIC in our North American truck brokerage business; our expectation for growth of the truck brokerage industry in North America; our plan to achieve an investment-grade credit rating by paying down debt, growing adjusted EBITDA and generating cash to pay down debt in both our planned spin-off of our North American brokered services platform and our retained North American LTL business; and our belief that the aggregate stock price of the two separate companies will trade at higher levels than our current stock price. 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 and meet the related conditions noted above, our ability to complete the divestitures of our European freight transportation business and intermodal business, the expected timing of the completion of the transactions and the terms of the transactions, our ability to realize 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, 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, spinoff 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, spinoff 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; risks and uncertainties regarding the expected benefits of the spin-off of our logistics segment or a future spin-off of a business unit; the impact of the spin-off of our logistics segment or a future spin-off of a business unit on the size and business diversity of our company; the ability of the spin-off of our logistics segment or a future 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 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 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 transcript 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 transcript 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.