GXO INVESTOR DAY

Unlocking logistics at full potential.

GXO Investor Day Transcript
January 12, 2023

Presenters in order of speaking:

- **Malcolm Wilson**, Chief Executive Officer
- **Mark Manduca**, Chief Investment Officer
- **Bill Fraine**, Chief Commercial Officer
- **Marv Cunningham**, Chief Operating Officer, Americas & Asia Pacific
- **Gavin Williams**, Managing Director, UK & Ireland
- **Eduardo Pelleissone**, President, Americas & Asia Pacific
- **Meagan Fitzsimmons**, Chief Compliance and ESG Officer
- **Baris Oran**, Chief Financial Officer

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Please also refer to the Legal Disclaimer included in the presentation.

Malcolm Wilson, GXO Chief Executive Officer

Slide 3: Our agenda today

Good morning, everyone, and thanks for joining us today. I'm Malcolm Wilson, the CEO of GXO.

It's been nearly 18 months since we became a publicly traded company. During this time, we've successfully navigated a period of extraordinary disruption in global supply chains. We've demonstrated the exceptional value that a scaled, pure-play logistics provider, as GXO, can offer.

This morning, you'll hear how we're executing on a five-year business plan to increase revenue organically by 8-12%, to $17 billion dollars, and nearly triple our adjusted EBITDA to $1.6 billion dollars – that is 17% compounded annual growth rate.

To share how we'll achieve this, with me here today are several members of our senior management team, who will talk you through why we're so excited about this business and its future. I know many of you have spoken with Baris, Mark, and me previously, and I'm pleased to be able to introduce to you some other key members of the team, who help run our company – day in, day out.

Presenting with me today will be Mark Manduca, Bill Fraine, Marv Cunningham, and Meagan Fitzsimmons. Meagan heads up all of our ESG activities.

You'll also hear from Eduardo Pelleissone, and Gavin Williams. They're running our core regional businesses. Gavin runs our UK activity, but in fact, today, he's filling in for Richard Cawston. Some of you will have met Richard in the past – he runs our Europe-wide business. Regretfully, Richard is out with COVID at the moment, so he's not able to join us.

And finally, you'll hear from Baris Oran, our CFO. He'll be running through, in some detail, the financials that are the bedrock of this business plan.

And lastly, we're very pleased to be joined today by a number of our Board of Directors, and our Chairman.

Slide 4: GXO Mission statement

As we go through the presentation today, I want you to keep two key points in mind:

- First, no other player in this space combines our scale, technology, and expertise, which enable us to solve our customers' challenges at the level we do.

- And second, we expect these differentiated features to continue to drive market share gains within an attractive and growing industry.

Slide 5: GXO at a glance

As you can see, we've established a strong foundation for value creation.

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Today, we operate 974 warehouses in 27 countries – that’s more than two hundred million square feet of space! Our 130,000 global team members serve more than 1,200 global customers.

In 2021, we delivered annual revenues of approximately $8 billion dollars and pro forma adjusted EBITDA of $633 million dollars. Over the past five years, we’ve grown organic revenue by a compound annual rate of 8%, all while delivering strong cash conversion and an above 30% return on capital invested.

Slide 6: Full-year 2022 and full-year 2023 outlook

The focus today is our 2027 business plan and financial outlook. To provide helpful context, this morning, we announced our preliminary full-year financial results for 2022, as well as our preliminary 2023 outlook.
In 2022, we’ve achieved revenue of about $9 billion dollars, and adjusted EBITDA of $720-730 million dollars.

Looking specifically at 2023, despite a clearly softer macro environment, we still expect to achieve organic revenue growth of between 6 and 8%, and adjusted EBITDA of $700-730 million dollars, and that’s even after taking into account a $70-million-dollar headwind coming from foreign exchange and reduced pension income.

We’ll be giving you a detailed update on our 2023 guidance on the 15th of February, but the purpose of today is to outline our strategic vision for the 2027 outlook of the company, so let’s all keep that as our focus.

Slide 7: We solve complex supply chain problems for the world’s largest companies.

Many of the largest and most sophisticated companies in the world partner with GXO – we refer to them as the “blue-est” of the blue chips.

They depend on us to design and implement sophisticated solutions to their most complex problems. By working with GXO, they are able to realize lower costs, higher revenues, increased productivity and, importantly, lower emissions.

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The strong reputation we've developed has enabled us to deepen our relationships with our existing customers, while attracting more and more blue-chip business. This ensures great stability.

At the same time, we remain highly diversified, with low concentration risk: our largest customer still represents only 4% of our overall business.

We see an amazing runway for growth with these customers and others as we continue our track record of winning market share.

Slide 8: We're focused on the center of global supply chains.

Let me provide a high-level overview of the business. In the simplest terms, we build and operate the most advanced warehouse solutions in the world.

We are the lynchpin that enables the world's largest companies to most efficiently get their products into the hands of the consumer. This is a space that's growing more and more complex, as changing consumer expectations and preferences continue to drive a need for faster delivery times, higher levels of returned inventory, and better visibility throughout the supply chain.

Traditional warehousing solutions are no longer sufficient to fill these needs. The industry needs scaled technology players to deliver these complex solutions – and that is why GXO will continue to take market share.

Slide 9: We design and operate state-of-the-art warehouses, enabled with the latest technologies.

So, what does the world's most advanced warehouse look like?

Each warehouse is configured for the specific needs of our customers – but at a high level, GXO's facilities operate according to the same principle: how can we optimize our customer's operations, to increase speed and efficiency, improve accuracy, and enhance the experience for our people?

By deploying cutting-edge hardware and software, we're able to optimize the flow of inventory through the warehouse space and streamline the fulfillment process.

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Whether we're building a brand-new facility from greenfield, or configuring an existing facility, or upscaling a takeover of a customer site – in each case, we're deploying technology, which is something only a scaled player with significant resources and experience can do.

Slide 10: Our path to growth

Which brings us to the reason for this event: why should you invest in GXO?

There are two factors that we expect to propel our growth and value creation over the next five-year period:

First, this is a massive market that's growing rapidly due to strong, secular tailwinds. Most companies in this space lack GXO's scale and global reach.

Second, we have strong competitive advantages that have enabled us to grow faster than the broader market – year in and year out. You'll hear more about this later in the presentation; we like to refer to it "The GXO Difference."

Slide 11: A massive and rapidly growing market opportunity

Taking a closer look at the overall market, three megatrends are expected to power continued rapid growth in our industry and a 45% increase in our total addressable market by 2027:

- First, as supply chains grow more complex, companies are outsourcing more and more of their warehousing.

- Second, eCommerce and direct-to-consumer business, which experienced hyper-growth during the pandemic these past few years, is a long-term trend that shows no signs of subsiding.

- And last, the growing need to make supply chains more resilient and upgrade existing warehouses and solutions.

Mark will take you through each of these trends in more detail in a moment.

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Slide 12: The GXO difference

Our other speakers today will focus on what enables GXO to grow even faster than this fast-growing market.

And that really boils down to three key advantages:

The first is our technology, which is fundamental to who we are and how we win and retain business. We were early adopters of technology, and we've made investments over many years that have put us head and shoulders over our peer set. Technology enables us to add value to our customers' end-to-end operations in terms of cost, efficiency, accuracy, and environmental impact.

The second is our global scale. We have leading positions in our core verticals throughout North America and Western Europe. We have a diverse footprint and customer base. Our teams on the ground have a proven track record of sharing best practice across all our locations.

And third is the expertise we've built internally over many decades and the trust we've won with our customers. While it's possible to build more warehouses or buy more tech, you can't quickly obtain our track record. That enables us to implement warehouse solutions, "right-first-time," that deliver all the benefits our customers need. Our customers know we will listen closely to their needs and design the right solution to lower their costs, while improving their quality of service to the end consumer. That's a powerful selling point.

Slide 13: GXO tomorrow: 2027 guidance

So, given the strong forecast for overall market growth and our clear differentiation in the industry, we're confident in our ability to grow the business over the next five years, despite some near-term macroeconomic pressure.

As I mentioned earlier, we plan to:

Grow organic revenue organically by 8-12%, to $17 billion dollars;

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Grow adjusted EBITDA to approximately $1.6 billion dollars, nearly tripling our adjusted EBITDA and representing a 17% Compound Annual Growth Rate over this period.

On that point, you'll notice that we've referenced a different FX rate. We thought it important to use the 2021 FX rate to give absolute clarity on the growth numbers, but clearly we're at a different FX rate today. If we use current FX, the $1.6 billion dollars becomes $1.5 billion dollars – still more than doubling our adjusted EBITDA over the plan period.

In addition, we will drive free cash flow conversion of more than 30%, and deliver operating return on invested capital of more than 30%.

Importantly, this is an organic business plan, assuming constant FX, and reflecting our preliminary expectations for 2023, which include the impacts of a softer macroeconomic outlook in the near term. Beyond 2023, we expect to deliver growth in line with our normal levels. That's based on the company doing more of what we've already done over the past five years.

Slide 14: Our agenda today

With that, I'd like to turn it over to Mark Manduca, our Chief Investment Officer.

Mark Manduca, Chief Investment Officer

Slide 15: GXO has consistently outperformed the industry

Good morning, everyone. I'm Mark Manduca, the Chief Investment Officer of GXO.

Over the last five years, GXO has outperformed the economy and the overall warehouse market – as well as the outsourced market.

To break this down, over the period of 2017 to 2021, we have seen physical product revenue – in other words, the volume of goods and economic activity – grow 3%.

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At the same time, due to powerful tailwinds and increased value-add within the warehousing market, we've seen the market grow faster, at 4%.

We've seen third-party logistics providers grow even faster than this, at 6%, reflecting the value-add that they provide.

And GXO grew faster still, at some 8%, as a result of the combination of factors which I'll now take you through.

Slide 16: Our path to 8-12% annual organic revenue growth by 2027

As Malcolm has just articulated, we expect to grow even faster over the next five years.

This growth will be based on a combination of: one, baseline economic growth; two, the three secular tailwinds of outsourcing, eCommerce, and supply chain resiliency, including the trend of nearshoring; and three, what we call "The GXO difference."

In this part of the presentation, we're going to focus on these three secular tailwinds – and then Bill and the rest of the team are going to address what sets us apart.

Slide 17: Secular tailwind #1: Outsourcing

The first secular tailwind propelling GXO is outsourcing. Over the last five years, the outsourced portion of the market has outgrown the broader market. We expect this outperformance to continue as the benefits of economies of scale and rising technological complexity make the outsourced offering even more compelling.

As of 2021, the industry is 32% outsourced, but if you look at the table to the right – in certain verticals, including some of our core verticals here at GXO, the outsourced share is much lower.

We expect the total addressable warehousing market of $456 billion dollars to grow to $660 billion dollars by 2027, and the percentage of the market that's outsourced to grow from 32% to 35% in the coming years. That represents growth of 58%.

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Even if GXO were not to win any incremental market share, outsourcing would contribute approximately 2% compound annual growth rate over the coming years.

It's also worth remembering, within the outsourced market, how fragmented the industry is – with the top five players in contract logistics having a combined market share of less than 8% of the total addressable market in 2021. When we compare that to similar industries in asset-light business support services, such as contract catering, hotel management and business services, a 25-30% market share for the top five players is that much more typical.

Slide 18: Structural tailwind #2: eCommerce

Secondly, unlike traditional brick-and-mortar, with eCommerce, each item needs to be sorted and separated, and individual packages need to be created to be shipped to the end consumer. This creates demand for a far greater degree of sophistication throughout the fulfillment process, and a compelling revenue-multiplier effect for.

But it doesn't stop there. More eCommerce also means more returns: roughly one in three items are being returned in the eCommerce environment. The increased touchpoints mean higher revenue capture for the warehouse provider.

And eCommerce is increasing as a share of overall commerce and will continue to do so. The pandemic certainly accelerated this trend, but it's been a long-term shift in consumer behavior for many years.

Over the six-year period, eCommerce penetration is expected to increase from 20% to approximately 29% in GXO's core markets, as consumers continue to shift their spending online. What that means for the industry is an extra revenue contribution of approximately $20-30 billion dollars over the six-year period.

All else equal, that equates to the approximately 1% incremental revenue contribution for GXO.

Slide 19: Structural tailwind #3: Supply chain resilience

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The need to make supply chains more resilient has driven a trend towards holding more inventory – the concept of just-in-case, rather than just-in-time. Industry estimates suggest there will be a structural shift of 3-4% more inventory being held in warehouses across the economy.

Moreover, nearshoring has been a pervasive global theme over the last few years. We're seeing this very clearly in the US semiconductor industry, and expect many other verticals to follow the trend of pursuing resiliency in their supply chains through the theme of near-shoring.

Our research estimates that $3.5 trillion dollars in global goods exports will move to new countries before 2027, as a result of a renewed focus on supply chain diversification. While it's hard to be precise about how much of this will accrue to each region, each ~1% of these global goods that moves to Europe and North America will represent a $1-billion-dollar warehousing opportunity.

Combined, we're confident that these factors will represent an annual incremental revenue growth of 1% for the industry over the period in question.

Slide 20: Our path to 8-12% annual organic revenue growth by 2027

So, overall, based solely on the baseline economic growth and the three tailwinds that I've discussed, we are expecting between 6-8% annual growth in this business.

But that's only part of the growth story. We're going to continue to take an outsized share of the market by leveraging that "GXO difference."
And now I'm going to turn it over to our Chief Commercial Officer Bill Fraine and the rest of the team, who are going to specifically address why we'll continue to outgrow the market.

Bill Fraine, Chief Commercial Officer

Slide 21: Our agenda today

It's great to be with you this morning. I've been in this industry for more than four decades, including 20-plus years at FedEx, where I ran the sales organization, reporting to Fred. And I can honestly say I've never been more impressed by the breadth and depth of an organization's capabilities than in my time with GXO.

Slide 22: The GXO Difference: Why customers choose GXO

As you heard from Malcolm, "The GXO Difference" is our competitive advantage. I like to think of it as the secret sauce that drives customers to choose us in first place and stick with us over the long term.

What The GXO Difference comes down to is creating short- and long-term value for our customers and shareholders through our unique combination of technology, scale, and expertise.

Our tech advantages are clear. GXO has roughly 22% more tech-enabled warehouses than market average, and about 7,600 pieces of tech are now operational at our customer sites around the globe.

Our scale advantage is evidenced by our wide range of service offerings, which we deploy across verticals in our 974 sites located around the world.

And finally, our expertise advantage resides in our team of leaders and operators with decades of industry experience. This enables us to serve as trusted partners to our customers throughout the contract lifecycle, driving greater customer retention. On average, our top 20 customers have been with us for 15 years – and each year, we grow and renew more than 95% of our revenue.

I'll now spend a few minutes discussing each of these three advantages in more detail.

Slide 23: The GXO Difference: Our technology advantage

Investments in cutting-edge technology are a major growth driver for our business.

Across core verticals, we see a strong correlation between automation and market share growth. Put simply, GXO's market share increases wherever we implement high-tech warehouses.

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As Marv will explain more in just a few minutes, our team has a unique and deep understanding of how to deploy this sophisticated technology. We keep close tabs on innovation and are constantly testing numerous large and small technology opportunities.

Ultimately, our tech advantages enable us to offer continuous improvement opportunities to customers over the life of a contract, and this is a powerful driver of retention and growth with our customers.

Slide 24: The GXO Difference: Our global scale

Our ability to serve multinationals around the world is another key reason GXO wins with customers.

GXO's customer base is multinational, and our approach allows us to serve them on a global basis. We're uniquely positioned in the market as a global player purely focused on contract logistics – making us agile, focused and customer-centric in our approach.

Unsurprisingly, 84% of revenue comes from customers working with GXO on more than one site, and 52% comes from customers working with us in more than one country.

We have established leading market positions across North America, Western Europe, and the UK. And we have built scale positions across the following core verticals – omnichannel retail and consumer packaged goods; food and beverage; industrial and manufacturing; as well as tech and consumer electronics.

Importantly, scale enables us to continuously learn and improve shared knowledge across our verticals and our large, diversified customer base to create more value.

Slide 25: The GXO Difference: Our trusted expertise

And that ties in nicely with our third key advantage – trusted expertise.

For most 3PLs or contract logistics providers, the relationship with the customer begins and ends at the warehouse: the customer signs a contract for a site and they have a site team to operate a specific set of processes

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over a set time period. At GXO, our relationship with our customers go well beyond that. We become the customer.

The difference may sound subtle, but it is not: it's a top-down commitment to creating a customer for life, and this begins at the executive level.

Our senior executives are intimately familiar with each of our accounts and the services we provide to them. If I mention any account name to Malcolm, Richard, Gavin, Eduardo, Baris, or Paul, we can get right into the details of our operations without background context. They know our customers. This emphasis on connectivity with our customers permeates all the way down through our front line.

And because of this commitment, our customers trust us to do mission-critical work. Let me give you some examples of what I mean by this:

In the aerospace industry, we do forward manufacturing for an OEM that has driven their ability to more than triple their monthly output.

In our returns services, we handle tens of millions of products for both large tech companies and large retail companies, for which we drive a tremendous improvement in their working capital.

And for one of the world's largest cloud companies, we provide an on-site service that keeps their webservices operating and growing.

Slide 26: The GXO Difference in action

Now, let me give you an example of the value the GXO Difference can create for a customer over time:

This particular customer has been with GXO over 10 years. Our relationship began when they were jilted by a competitor and dropped in July with a critical peak coming up.

Through our Tech, Scale and Expertise, we rescued their peak – and from that, we developed a relationship as a reliable partner.

After peak, we held our first Strategic Planning Session, where we discussed learnings and opportunities to improve. We set targets of

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improvement for the new year ahead, to be in place for the following peak, where we collapsed two sites into one, while rationalizing their transportation carriers and improving service while lowering costs.

As we continued to work together, we aligned with their customer service teams to learn direct customer feedback. We discovered the out-of-box experience – what we call "OOBE" – for the end customer was a cause of low customer satisfaction. You have all seen this: big box, tiny item; having garments you wanted to wear this weekend show up, crushed to one side of the box, all wrinkled up; and the worst, the product arrives broken and damaged.

We developed a team together, compared learnings from other customers and sites, reviewed potential tech deployment and even shopped online with top brands to view their OOBE process and their experience.

From this, we designed new packaging and packaging selection processes. We added an automated envelope mailer system while reducing costs by shrinking package size and corrugate costs. The OOBE experience for that peak moved from a negative to a positive Net Promoter Score with their customers.

And finally, we worked to develop a new retail delivery process. The current system created bottle necks in stores and caused the need for off-site storage locations in local markets. We developed forward stocking locations, where instead of U-Haul sites being managed by store employees, we would hold pallets at 7 key location around the US managed by GXO professionals, and deliver on demand as needed. We created an inventory system for the pallets visible to the customer and an app for the store managers, so they could see and select product as needed. This process reduced cost, and in the first year, increased sell-through by 60%. Now, that is how you create a customer for life.

If you take one thing away from these case studies, it should be that this process of continuous improvement becomes addictive for a customer. Especially with the knowledge that each year they have the power to improve their world and their ability to delight their customers, while cutting costs. They begin to believe anything is possible through GXO, and over time, they come to know that it's true.

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This is the result of The GXO Difference! And this is what the GXO teams do, across all verticals.

And in the end, maintaining and growing a partnership with a client over the long-term drives increased revenue and higher margins.

Slide 27: The GXO Difference drives shareholder value

We look for ways to enhance performance for all of our customers, across all of our verticals, every day. And this ability to continuously deliver value for customers leads to us being rewarded with more of their network. This creates an important flywheel effect that enables GXO to create significant value for our shareholders.

As we introduce more automation, creating more sophisticated solutions, customer productivity increases. When you consider the economics of warehousing, GXO typically represents less than 1% of customer revenues, but can drive more than 10 times return on investment for them through lower costs, higher revenues and faster inventory turnover. All of this, in turn, increases customers' willingness to pay, driving GXO's revenue and margins higher.

And as you'll see highlighted in the case studies that Gavin and Eduardo will go over later, GXO's unique customer value proposition enables us to retain and expand customer relationships at a high rate, which also drives higher margins through lower customer onboarding costs and the opportunity to sell more value-added solutions.

So, to summarize, the key universal concept I'd like you to keep in mind as we move through the rest of today's presentation is that our technology advantages, global scale, and trusted expertise create enormous value for our customers and that is the most important determinant of our continued ability to create value for YOU, our shareholders.

Now, I'm going to welcome Marv Cunningham, our COO and CIO for the Americas and Asia Pacific region. Marv and his team are experts at making sure we exceed our customers' expectations every day through automation, robotics and artificial intelligence, so he is uniquely positioned to discuss our technology advantage in more detail.

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Marv Cunningham, Chief Operating Officer, Americas & Asia Pacific

Slide 28: Our Agenda today

Good morning, everyone. It's great to be here with you today to continue our conversation about The GXO Difference for my area of innovative solutions that include automation, both on the hardware and software sides.

By way of introduction, I'm Marv – Marv Cunningham. I've been on the team for about two and a half years. Prior to joining GXO, I have worked in logistics and key roles at Amazon – both in the US and in European markets – at Target, at Rent the Runway, and Hudson Bay, which includes Sak's and Saks's Off Fifth.

Before we dive into the impact of our tech advantage, I'd like to show you a quick reel to orient you to the types of automation we use to meet our customers' needs.

Slide 29: Our automation leadership drives new business wins

So as you can see – we deploy large-scale automation, cobots, vision scanners, and automated vehicles, alongside predictive analytics, to solve our customers' most challenging problems.

Our leadership in automation is a powerful growth engine for GXO – and a key element of The GXO Difference that Bill spoke of.

The industry today is around 8% automated, which compares to GXO at about 30% automated. In addition to this automation, we're also finding that we can deploy increasing amounts of modular technology and retrofit solutions for our customers, meaning that around 34% of our operations are tech-enabled.

We have outpaced the industry in both tech investments, as well as other investments, and we've gained significant market share as a result.

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Automation and technology is the future of this industry, and we're in a pole position to capitalize on that.

Slide 30: We create enormous value for our customers

Our deployment of tech drives significant value for our customers.

We're able to reduce their costs, improve accuracy, reduce wasted inventory, and improve the service they provide to their end consumer – driving much higher net promoter scores.

It's a virtuous circle – our expert deployment of tech improves the outcomes for our customers, which drives faster growth and higher margins for them. In return, GXO grows with these customers. I'll let Baris talk you through the full financial implications of this, but our automated contracts are ultimately stickier and have higher margins.

Slide 31: The three components of GXO's technological advantage

Our solutions are tech-advantaged in three very important ways, which I will cover in more detail over the next few slides:

First, we are the industry leaders in automated sites. We've spent the past decade investing in world-class tech, which has positioned us to be able to automate our customers' operations faster and more effectively than anyone else in the industry.

We are also advanced on adaptive tech, as you saw in the video. As noted earlier, GXO has approximately 7,600 pieces of adaptive tech in operation at customer sites around the world. That's up 50% more year over year, and our deployment will continue at pace in future years, driving further uplift to our solutions.

Last, but certainly not least, is our software. Our highly customized software solutions go hand in hand with automation to increase the visibility, predictability, and control of logistics operations.

Slide 32: Automation: We are an industry leader in large infrastructure automation

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Taking a closer look at automation: warehouse tech has come a long way over the past decade. Not long ago, the most you could do to automate processes was put in some material handling equipment, which was still a very fixed and rigid solution. Today, we can drive higher flexibility, increased productivity, inventory accuracy and repeatability through automated enhancements.

We complete several large-scale infrastructure projects each year. What we mean by “large-scale infrastructure projects” are warehouses designed and built from the ground up, where the majority of processes are automated. These warehouses are tailored to the individual needs of each customer to maximize their productivity benefits and our return on investment.

The capex spend on automation for these projects can range from $10 million up to $50 million dollars, and they typically take a year to eighteen months to complete.

While the capex on these projects is higher, the return is also much higher. Customers that have undertaken these builds are seeing tremendous benefits – greater flexibility, ability to manage high degrees of complexity, higher inventory accuracy levels, productivity increases of up to 4 times, and repeatability that allows us to reduce costs by more than 50%.

Slide 33: Adaptive Tech: Our modular technology solutions optimize operations, reduce costs and improve safety

Our adaptive tech is small and flexible and can be retrofitted to enhance any process in existing warehouses.

There are several different types of tech that fall under this category:

Mobile collaborative robots that work side by side with our people to make inventory picking faster and more accurate, driving a more than 2x productivity improvement over a fully manual operation.

Robotic arms that do everything from engraving products to building pallets of packaged goods.

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And wearable machine-vision tech, such as glasses and smart gloves, that enable our people to more efficiently gather information about storage locations, product identifiers and inventory levels. Our machine vision technology provides an approximate 8% increase in processing speeds compared to manual operations.

GXO is not just a tech company – we're a continuous improvement partner, and we target operational enhancements every year at each of our sites. A key advantage of running almost 1,000 warehouses is the ability to leverage these learnings across our footprint, providing GXO a scalable platform.

As I mentioned a moment ago, our vision technology drives an 8% increase in processing speed, which equates to a savings of approximately 5 seconds per unit. While that might not sound like much, 5 seconds per unit at a site that's processing 1 million units per month at a labor cost of $20/hour is a very significant savings to our customer. You can imagine the effect of leveraging this benefit across the hundreds of sites that we could operate in this vertical.

A further significant and structural benefit that GXO has in this area is our scale, which enables us to procure significant discounts when purchasing technology. In some cases we're able to secure a discount of more than 50% on adaptive technology compared to the rates that in-house operators or other competitors would have to pay.

Slide 34: Software: Customizable proprietary solutions and third-party integrations make it easy to manage customer data

Behind every large-scale automation process and every piece of adaptive technology, we also provide its software component. GXO's focus on software is ensuring everything connects seamlessly and reliably, to provide an evergreen solution to our customers.

From a customer perspective, business is always changing, and our software solutions need to be flexible and resilient to meet these challenges.

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As hardware complexity increases, the demands on software are even greater, meaning only the largest and most reliable players can compete in this field.

What GXO offers its customers is:

- A scaled, cloud-based infrastructure, providing customers a more resilient service;
- The ability to start up new projects and implement new pieces of technology faster than any other player in the market;
- The ability to incorporate a wider range of technology and hardware to meet customer needs – we're constantly testing numerous forms of automation; and, finally,
- The ability to provide replicable outcomes, allowing our solutions to scale across multiple sites, verticals, geographies, and processes.

So next, let's take a look at the way our solutions can transform an operation.

Slide 35: A traditional site

First, I'll walk you through a more traditional – "old fashioned" – warehouse solution, containing manual operations to the core processes that occur in each operation.

Then, I'll explain how we deploy automation across each of these processes to streamline the overall operation of the warehouse.

On the inbound side: as you can see in this diagram, the inbound in the old, traditional warehouse, you might not even know when the truck arrives. The truck would arrive, you would unload the product. That product then has to be determined: where do I go from inbound, to storage? Often times, it is staged in that inbound storage area until you can drive it to where you need to place it in the building.

From there, you, as the customer, place the order.

Then we have to go and find that unit, pick it out of that rack, and take it to pack. They're going to take your product, pack it into a corrugate box – all manual, all by hand. They'll close up the box, they'll tape up the box, and then they’ll print out a label that then slaps on the box, and finally out the door to come to your home.

What we try to do at GXO is we want to optimize each and every area of a warehouse, so I'm going to provide you some opportunity to understand how we think about this across the various functions.

So let’s start again with the inbound: on the inbound side, we use advanced notices from our carriers to understand what product is coming in, and when it will be in the warehouse. We can cross-reference, using AI and Machine Learning, to understand where we want to put that in the building.

We can use AI technology to also drive and understand, what is the turn ratio of the product that we’re bringing into the building? If it’s a faster-moving product, we want it closer to the outbound dock; if it’s a slower-moving product, we can put it in storage further away.

We can use various tools, such as monorails; we can use goods-to-person systems or collaborative robots to help our team put those goods in a serviceable storage location, that is what we call a “pickable location.” That pickable location is an area that I know exactly where it is and how many are there, so when you, as the customer, place the order, I can send a team or a robot to go pick it.

Once we pick it, we can then take it to pack. At pack, we have several ways to automate the process: We can have automated boxers that actually build and put your product in; we can use robotic arms to actually select a product and put it in the corrugate box to then be packed out and sent to you; we can use auto-labelers, so that the individual does not have to place any labels on the box, but it’s done with automation.

It’s more accurate, it’s faster, it’s a lower cost, and it drives overall building performance, to ensure that this will work for our customers.

Slide 36: Warehouse transformation drives productivity improvements

So, as you can see, at each stage of the warehouse process, we’re realizing massive productivity improvements by thoughtfully deploying technology. The key is making sure each stage works in harmony to

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maximize the benefits for the entire warehouse. There's no value bringing in inventory quickly, only for it to sit bottlenecked before storage or picking.

This is really where knowledge and expertise that can only be gained through operating hundreds of sites and thousands of pieces of technology set us apart, and that is The GXO Difference.

As the scope of what's possible with technology continues to expand, GXO is committed to staying ahead of the curve by investing in tech to drive growth.

Around the world, our "warehouses of the future," as we call them, serve as innovation incubators where we collaborate with customers to identify the next frontier for digital automation.

Furthermore, because of our reputation as early adopters and skilled deployers of tech, technology manufacturers come to us FIRST to try the most cutting-edge innovations. We're currently working with more than 200 technology suppliers.

I've been working in automated warehouses for over a decade now; I think the industry has only scratched the surface of what's achievable. Looking forward another 10 years, the reason I'm working at GXO, is that I think this business is uniquely positioned as the leading tech-enabled contract logistics provider for the future. And I'm proud to be part of that journey.

Now I'll hand you over to Gavin, head of our UK & Ireland business. Gavin, over to you.

Gavin Williams, Managing Director, UK & Ireland

Slide 37: Our agenda today

Good morning, everyone.

My name is Gavin Williams. Whilst I don't match up to Bill's 40 years, I've been in Logistics for nearly 30 – 8 of these with GXO, where I am President of the UK and Ireland business in Europe.

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Slide 38: GXO Europe overview

Our European business consists of operations in 14 countries, across approximately 500 locations, serving many of Europe's leading brands.

Our core markets in this region are the UK & Ireland – which I lead – France, Netherlands, Spain and Italy. We have a fast-growing business in Poland, and following our acquisition of Clipper Logistics, we're doubling down on growth in Germany, Europe's largest economy.

As you'll see in the upcoming presentation, we really do work with some fantastic brands across Europe.

Slide 39: Our core verticals

Our operations across all geographies are diversified in terms of the verticals we serve.

Our core verticals, as Bill mentioned, are: Omni-channel retail and consumer packaged goods; Food and beverage; Industrial and manufacturing; and Technology and consumer electronics.

You can see in this chart how growth in each of these four verticals will contribute to our 2027 revenue target.

I'm going to cover omnichannel retail and returns, which, together with consumer packaged goods, contribute approximately 50% of our revenue.

I'll also be highlighting our great food and beverage business. Eduardo, who runs Americas and Asia Pacific, will then provide a detailed overview of our other two core verticals.

Now feels a great time to pause and bring to life some examples of the diversified solutions we've delivered for our customers – let's take a look.

Hopefully you can see the different types of value we can add across diverse types of customers. They're great examples of the types of solutions we provide.

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Slide 40: Vertical overview: Omnichannel retail & consumer packaged goods

As I mentioned, Omnichannel retail – which includes eCommerce, and consumer packaged goods – is our largest vertical, and we currently have approximately 9% share of the outsourced market.

Today, less than 40% of the $120-billion-dollar addressable market has been outsourced, and we expect that this portion of the market will outpace overall market growth over the next five years.

Reverse logistics is also included within this vertical, which represented 7% of our total group revenues in 2021. And with the outsourced reverse logistics market expected to grow at 14% compounded through 2027, this is a particularly exciting growth area for GXO.

Slide 41: Market overview: Omnichannel retail & consumer packaged goods

Taking a closer look at this vertical, the single largest challenge for any retailer, particularly in the fashion sector, is managing inventory effectively.

The average fashion retailer sees 40% excess inventories at the end of each season, which are either sold at a significant discount or, worst case, destroyed. This alone represents an approximate 800-basis-points margin headwind for some omni-channel retailers.

The second factor to consider within retail is the ongoing structural shift towards the direct-to-consumer eCommerce channel. This offers consumers greater convenience, but also offers brands the ability to generate higher incremental margins, helped by the benefits of GXO's technology.

One of the major challenges that comes with eCommerce is, of course, returns. In aggregate, about 25% of returns are sent to landfill.

Given the higher costs of processing – which may be damaged or out of season, and typically arrive as single units – the cost of handling returns has historically been a major issue for many brands. As a result, an

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estimated 50% of returned items are not resold, which is a significant missed profit opportunity for retailers.

So, in a nutshell: because of the higher share of commerce that's online, the problem is getting bigger, and at the same time, consumer expectations are getting higher, which is why we see ongoing growth potential in this vertical.

Slide 42: The GXO difference: Omnichannel retail & consumer packaged goods

With over 40 years of operating in omni-channel retail, GXO runs state-of-the-art direct-to-consumer and B2B warehouse facilities around the world, so we're deeply experienced in all the consumer channels. This scale provides insights and solutions that we can deploy across many other customers, to provide a better outcome and a cycle of continuous improvement.

34% of GXO's revenue in Omnichannel retail is automated. This automation allows our customers to offer their consumers a broader range of products that can be fulfilled rapidly, driving sales, particularly in an online world. It also allows them to reduce excess inventories through a warehouse that can facilitate higher volumes with a higher level of service. What this means for our customers is higher incremental margins, more cash flow, and material environmental benefits.

Our ability to implement high-tech solutions is why so many of our customers partner with us.

Slide 43: GXO in action: eCommerce apparel

Let's look at how this works in the real world with a case study. Have in mind that, within eCommerce, we're the last touch on a consumer order before it reaches the person's home – so our quality of service is more important today than ever to our customers' consumer proposition.

To bring this to life, a global fashion retailer was suffering from uncompetitive order lead times.

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GXO was able to stand up a customized, automated warehouse facility in less than half the time that the customer expected.

Our solution involved integrating flexible labor resources with collaborative robots in a facility that was located to minimize transportation costs and increase the speed to market.

Our solution reduced delivery times, increased the breadth of their offering, and optimized inventory to maximize profitability and minimize cost per unit of handling.

Ultimately, we drove a 40% reduction in inventory, but doubled the number of manageable SKUs in circulation – while reducing costs by 34% and increasing the customer's Net Promoter Score with its own consumers by 45%.

As a result of this excellent performance, we have opened up additional facilities in new markets with this customer, as they look to extend the benefits they realized at this site.

Slide 44: GXO in action: Reverse logistics

In another example, this time reverse, GXO leverages predictive analytics and scanning technology to accelerate processing and prioritize seasonal products to offer them a rapid re-sale opportunity. Additionally, by leveraging automation, GXO can also reduce the cost of handling products, remove errors and drive faster inventory turnover.

GXO also offers repair services to drive value from damaged or faulty products in both fashion and consumer electronics.

Additionally, with our acquisition of Clipper Logistics, we've gained significant additional expertise in reverse logistics and repairs in the tech sector, where we are certified by a number of global electronics providers, cementing our position as a leader in this fast-growing vertical.

On this slide, you can see the GXO impact on returns with one large, global fashion company. These results are indicative of what we've done with returns at many other facilities.

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Our solution prevented nearly all returns from going to a landfill, with more than 96% being resold and almost all of the remainder either sent to charity or recycled.

Based on standard industry performance, we estimate that this improved process could drive a 28% uplift in revenue from returned product and a 60% increase in gross profit for an omni channel retailer.

We have an incredible opportunity with returns management, because most eCommerce companies haven't yet optimized their returns processes. Our solutions support both our ESG commitments and our profitability.

Slide 45: Vertical overview: Food & beverage

Now, let's switch to discuss our food and beverage vertical:

Our revenue from this vertical in 2021 was $1.3 billion dollars, which represents about a 10% market share. The overall market is worth an estimated $112 billion dollars, of which only 13% is currently outsourced.

By 2027, we expect that addressable market to be worth approximately $157 billion dollars, or about a 6% compound annual growth. So, this is a big growing market. Industry sources also expect this to be an area of rapid technological improvement over that same time period.

Our case studies are from some truly global brands where we operate across multiple geographies.

Slide 46: Market overview: Food & beverage

Looking a little closer, customers in this space are wrestling with a few challenges unique to this sector.

The food industry generates approximately one third of global greenhouse gas emissions, and food waste accounts for roughly 6% of global emissions.

According to industry data, the average food and beverage company today also wastes approximately 4% of their product.

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Companies want to know how they can do better. And in tandem, reduce their costs – particularly during periods of economic uncertainty.

Slide 47: The GXO Difference: Food & beverage

So where do we position ourselves?

To help address these challenges, GXO's solutions and technology are aimed at reducing inventory waste through improved accuracy and minimizing variable costs through productivity enhancements.

The food and beverage industry has a relatively uniform product offering, allowing for a high degree of automation of repetitive processes, fitting closely with GXO's expertise.

We've got numerous examples where we've deployed automation to streamline processes in this vertical. These range from modular technology solutions, such as collaborative robots, to fully automated storage and retrieval systems.

In some cases, our solutions are shown to reduce costs by more than half, and to reduce waste by more than 60% through high levels of order accuracy.

Taken together, when you look at how all of that falls through our customers' bottom line, it can equate to an additional 2 points of incremental EBITDA margin – so this is a real, measurable difference in a high-volume industry.

Slide 48: GXO in action: Global food group

By way of a case study, I'd like to highlight how we've helped a major food customer address rising costs, as well as order inaccuracy and stock loss.

This customer's warehouse footprint was comprised of multiple expensive facilities that were entirely manual, which increased their exposure to labor inflation. Additionally, traditional manual processes reduced accuracy and increased inventory wastage, with inaccurate fulfilment being directed towards discount channels, driving lower margins.

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GXO designed and implemented a fully automated facility, which immediately improved productivity and efficiencies. We saw order accuracy improving to over 99%, which resulted in a 60% reduction in variable labor costs; a 150% increase in productivity; and a 67% overall reduction in inventory wastage.

The customer believed so strongly in the benefits of this transition to automation that they committed to a long-duration partnership.

And for us, ultimately, this automation has showcased GXO's ability to deliver large-scale, technology-driven transformations for our customers.

So that's two of our four core verticals covered. I hope you can see how Tech, Global scale and Trust that make up "The GXO Difference" is driving the opportunity.

With that, I would like to hand it over to Eduardo, to walk through our other two core verticals. Over to you, Eduardo.

Eduardo Pelleissone, President, Americas & Asia Pacific

Slide 49: Our agenda today

Thanks, Gavin, and good morning, everyone.

Since GXO became a publicly traded company, I've been leading the Americas and Asia Pacific business, which we call "AMAPAC." Prior to that, I've had several senior roles in large international organizations.

It's my pleasure to be here with all of you to talk about our AMAPAC business, as well as our Industrial and Technology verticals.

Slide 50: GXO AMAPAC overview

Let's start first with an overview of our AMAPAC business. We operate across 13 countries, with more than 400 sites. Our main market and focus is North America, where we identify a $235-billion-dollar total addressable market. Our focus on this core market allows us to be very cost-effective and leverage our tech capabilities.

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It’s also worth noting, given Mark’s comments on nearshoring and supply chain rebalancing, that we have very exciting opportunities within Latin America and Asia Pacific countries to capitalize on this growth potential.

Slide 51: Vertical overview: Industrial & manufacturing

Turning now to our Industrial and Manufacturing vertical, in which we house our market-leading aerospace business:

This business, as you can see from the metrics on the slide, is an area where GXO has significant runway for growth and expansion.

Our 2021 revenue was around $1 billion dollars. The outsourced market today is $68 billion dollars and is estimated to grow at a 8% CAGR. By 2027, we expect the overall market to be worth $264 billion dollars, of which $108 billion dollars would be outsourced.

While we only have about a 1% market share of the entire Industrial and Manufacturing outsourced opportunity, we’re very strong in some particular sub-verticals, like in the aerospace, chemicals, energy, and automotive, where we’re excited about the opportunity presented by the electric vehicle trend.

Slide 52: Market overview: Industrial & manufacturing

Turning now to the overall market dynamics…

The industrial vertical has among the most complicated supply chains of any industry, with many products relying on multiple layers of suppliers, and some products having tens of thousands of different components embedded within them.

Moreover, there is a fundamental duration mismatch between fast-moving, cyclical end-market demand and slow-moving supply chains, making inventory management of prime importance.

Some specific niches also have very tough certifications, which compounds the supply chain challenges.

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Combined, industrial and manufacturing warehousing solutions face an uphill battle, with some customers facing up to 10% inventory inaccuracy in this vertical.

Slide 53: The GXO Difference: Industrial & manufacturing

Warehousing is a modest cost in the value chain for Industrials and Manufacturing customers, but optimizing it can have an outsized impact on their businesses.

GXO has 15 years of experience within specific verticals in the industrial landscape, and having all the required clearances and certifications.

The supply chain challenges in the industrial vertical can range from integrating fragmented systems across multiple regions, improving accuracy of processes, and increasing the on-time performance, which reduces inventory levels.

All in, we’ve got examples where we’ve driven a 50% reduction in variable warehousing costs that, alone, could potentially boost incremental customer EBITDA margins by 1-2% – but also, we have examples where we’ve dramatically improved customer working capital and footprint.

While the minority of our revenue is automated today, recent developments in technology give us confidence that this will rise and offer an avenue of opportunity for us to add even more value to our industrial customers over the coming years.

Slide 54: GXO in action: Aerospace Manufacturer

Let’s walk through a real case study, which will exemplify what I’ve just described.

As you know, aircraft orders are hugely complex, incredibly expensive, and can take a year to fulfill. Just to put that in perspective, we are talking upwards of $100 million dollars per unit, more than 50 tier-one suppliers, thousands of indirect suppliers, and millions of different parts involved.

One major aerospace manufacturer turned to us to solve its challenges with improving efficiency and reducing its overall real estate footprint.

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To achieve this, GXO leveraged its engineering, IT, and program management capabilities to develop an integrated solution to improve the process of picking and kitting aircraft components, to meet increased demand.

Our solution improved the efficiency by 300%, reduced the labor needs by 60%, and dramatically reduced the space requirements – by 70%.

On the back of this amazing performance, we've grown our partnership and have now opened six new sites with this customer.

Slide 55: Vertical overview: Tech & consumer electronics

Turning to tech, we have very strong credentials in this vertical, with a 22% market share, and almost 50% of our revenue in this vertical is automated.

In 2021, we generated revenue of slightly over $1 billion dollars in tech and consumer electronics. We expect the overall addressable market to grow at a 7% CAGR through 2027, and the outsourced opportunity will grow by 11% annually – making this the fastest-growing verticals.

Slide 56: Market overview: Tech & consumer electronics

This is a market where we deal with very valuable products.

Inefficient inventory management can cause manufacturers and service providers to hold billions of dollars in additional inventory. You can see, for example, that around $25 billion dollars of capital is tied up in the nearly 300 million cellphones returned each year in Europe and North America.

Within the consumer electronics and technology industry, statistics suggest that handling returns represents nearly all the profit that can be generated on the original sale.

Inefficiency in this particular supply chain ultimately generates 50 million tons of waste every single year.

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Slide 57: The GXO Difference: Tech & consumer electronics

Once again, GXO is able to provide a differentiated solution to these unique industry challenges.

Our market-leading technology enables better leveraging of data and more automated processes to reduce variable costs and improve customer margins. We ensure our customers are able to consistently manage and grade returns. This reduces the cost of handling returns for customers and improves the resale value of these items, making the economics of the returns more favorable.

The impact we provide to our customers is clear: a 30% reduction in variable warehousing costs translates to a 1-to-2% increase in EBITDA margin, and a high 99% on-time shipment rate.

We can also dramatically reduce emissions, helping our customers to achieve their ESG targets. In cellphones, for example, product lifecycle emissions are reduced by about 90% for each refurbished handset.

Slide 58: GXO in action: Tech & consumer electronics

Let me explain how we bring that value to life through our smart and sustainable solutions.

Looking at one example, with a North American telecom provider, we implemented a first-of-its-kind automated return facility to handle their high-value, high-volume mobile device returns.

The customer was seeing a significant increase in the volume of returns of its cell phones, with the cost of processing these returns very high, but still representing an attractive profit pool – if the process could be managed efficiently.

The failure to manage the returns efficiently was also generating significant e-waste and unnecessary emissions. We incorporated five separate hardware providers into a unified solution, boosting productivity, improving consistency of outcomes, ultimately helping the resale of these devices, at a lower cost.

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The system has the potential to process nearly 400,000 devices per day – twice the semi-automated capacity that was previously in place. Our solution reduced the customer's variable costs by 35%. And as I mentioned a moment ago, for every refurbished device, there is a profound emissions reduction.

Given the cutting-edge nature of the solution, this major customer was willing to commit to GXO on a ten-year contract.

With that, let me hand you to Meagan Fitzsimmons, our Chief Compliance and ESG Officer, to discuss how ESG is quickly becoming a competitive advantage across all of our verticals.

Meagan Fitzsimmons, Chief Compliance & ESG Officer

Slide 59: Our agenda today

Good morning, everyone.

As Eduardo mentioned, I lead GXO's ESG program – something I became especially passionate about over more than a decade in legal and compliance at major consumer products companies.

At GXO, ESG isn't something that we view as an "add-on." Rather, GXO is an enabler of a more sustainable economy. As Malcolm and Bill said, it's a true competitive advantage. We've infused our comprehensive ESG strategy through our entire organization as part of our focus, not just on WHAT we do, but HOW we do it.

Slide 60: Our commitment to ESG

Our commitment to ESG helps to ensure that we are a company that our customers want to work WITH, and our employees want to work FOR. It's a commitment we take seriously.

From an ESG perspective, we're directly aligned with our customers' needs, and our solutions are focused on generating economic, environmental and social benefits.

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For example, we're working with our landlords around the world to ensure all new warehouses have LED lighting and we're strategically deployed LED retrofitting, for which we've typically seen payback within 8-12 months. We also continue to launch new solar sites and focus on sourcing renewable energy – our facilities in Spain, for example, are now 100% renewable.

To give you a quick snapshot of where we are today:

> On the E: We've made substantial progress on many of our priority environmental goals – including having nearly achieved our goal of 80% global landfill diversion by 2025. I'll talk a bit later about how some of our initiatives help to keep products out of landfills and put them back in the hands of the consumer.
>
> On the S: We are laser-focused on being an Employer of Choice, and I'll share a bit more in a moment about some of our successes there.
>
> On the G: We pride ourselves on robust internal controls, strong cybersecurity, prudent risk management, and our values-based culture of ethical conduct and speaking up.

While we appreciate being among the highest-rated in our industry for our ESG efforts (having a double-A rating from MSCI and having recently been named by Newsweek as one of America's Most Responsible Companies), we are focused on what more we can achieve and look forward to continuing to raise the bar for ourselves and for the logistics sector.

Slide 61: ESG guides our business

Our ESG program has three key stakeholders: our investors, our employees and our customers. In fact, when we conducted GXO's first materiality assessment last year, those were the three groups from whom we sought feedback.

I want to talk for a minute about the clear benefits of our ESG program for employee engagement.

Being an employer of choice and creating a safe place to work is obviously important, but it's also critical to reducing turnover and improving productivity, strengths for which customers look to GXO.

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As a business with around 130,000 people working in our sites, our ability to hire and retain talent is critical, and a more engaged workforce is a more productive one.

In addition to our industry-leading safety record, we offer an inclusive workplace that provides team members with opportunities for advancement.

As we continue to deploy our internal development program, Grow at GXO, at more and more sites, we see retention rates increase at those sites by approximately ten percent.

We take great pride in our ever-expanding Diversity-Inclusion and Belonging program and the networks and opportunities it creates, including paths to employment for populations that may have historically been underrepresented or untapped in the labor market. For example, with one of our major technology customers, we are developing a best-in-class disability recruitment and workplace inclusion strategy to expand across our network of sites.

We regularly measure employee engagement through confidential employee surveys, and the majority of our employees reported high levels of satisfaction with their jobs in our Q4 global survey. Following our surveys, we create targeted action plans to address any potential issues to ensure that our sites are staffed with engaged team members who are ready to deliver for our customers.

Slide 62: The GXO Difference: ESG creates more value for customers

With respect to the “E’ in ESG, we focus on environmental sustainability for three reasons:

- First, it’s the right thing to do for our planet.
- Second, it reduces costs in the short and long term and increases the resilience of our operations into the future.
- And third, it’s vitally important to our customers.

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Our blue-chip customer base has their own ambitious ESG targets, and they want to partner with GXO, because we can enable them to achieve those targets.

Our experience implementing large-scale, best-in-class solutions for these customers has given us expertise in a wide range of ESG solutions across all verticals and geographies. Whether we are implementing a customer-designed solution – like the grinders that turn sneakers into rubber for playground flooring – or creating something new for them – like cheaper and greener packaging solutions – we know what works and we know what doesn't, and we can leverage these learnings to add value for all of our customers.

In every single vertical, we have a demonstrated ability to target the areas of highest emissions and waste and deliver material, impactful results that reduce our customers' environmental impacts.

Slide 63: Enabling the circular economy

You have already heard from Gavin and Eduardo about some of the work we do for our customers managing product returns and repairs. These capabilities have enormous environmental and economic benefits. In supporting a circular economy, GXO is helping our customers to decrease manufacturing costs, to get full-priced or refurbished products back into the hands of consumers, to minimize a customer's need to discount, and to keep goods out of landfills.

For example, it had not been economically viable for one of our retail customers to repair an item if the cost was around 24 Pounds. Through our repair and refurbishment services, we were able to reduce that threshold of economic viability to around 7 Pounds, providing a huge economic benefit to the customer, and keeping those goods out of the waste stream.

We also work on more durable goods. For example, we have handled repairs and salvage operations for a major US home appliance company for nearly 4 years. In that time, GXO's repair services have enabled our customer to put over 30 tons of product back in the hands of consumers, keeping it out of landfills and providing over 6 million dollars of worth of benefit to the customer.

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When goods do need to be discarded or recycled, we can work with customers to ensure the process is managed correctly, components are re-used where possible, and what cannot be re-used is dealt with compliantly.

These are just a few examples of how our ESG leadership wins us business and helps create "customers for life," as Bill mentioned earlier.

So, in closing, our ESG strategy informs everything we do and enhances our value proposition to customers and to employees. And we have a number of additional levers we can pull on the ESG front to deliver even more value across the board – driving The GXO Difference.

With that, I'd like to turn it over to Baris Oran, our CFO, to provide more detail on GXO's drivers of shareholder value creation.

Baris Oran, Chief Financial Officer

Slide 64: Our Agenda today

Good morning, everyone. Thank you all again for joining us today.

It's great to see so many familiar faces.

Over the next few minutes, I am going to walk you through some of the unique aspects of our business, which drive shareholder value creation, and our achievement of the 2027 financial targets that Malcolm introduced at the beginning of today's presentation.

My colleagues have described our differentiation for our customers from commercial, technological, and operational perspectives, and I'm going to show you how we differentiate ourselves for our shareholders through organic value creation.

Slide 65: Key drivers of GXO's organic value creation

The first driver of our organic value creation is the high quality of our growth, which includes contractual resilience, cash generation, and high operating returns. We'll take our top line from $8 billion dollars to

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approximately $17 billion dollars, driving, on average, annual organic revenue growth of 8-12%.

We're not only focused on growth, but on profitable growth that creates value for our shareholders. Therefore, our second driver is how we increase productivity at the site level, and in our overall support structure.

Via our continuous improvement and productivity measures, our adjusted EBITDA will grow faster than our revenues, reaching $1.6 billion dollars by the end of 2027.

Slide 66: High-quality growth: Diversified, contracted, blue chip

Let me try to peel the onion for you all.

At the core of our value creation is our ability to drive high-quality growth. And core to this growth is:

First, our long-term relationships, with an average contract and lease term of five years.

Second, our pricing framework, which is managed through contractual terms and includes escalations for inflation. This is different from transportation or other markets, which are subject to the whims of short-term supply and demand.

Third, our stable revenue base, which is diversified by customer, by vertical and by geography. This makes us resilient through different parts of the cycle. In addition, as Malcolm noted at the outset, no customer represents more than 4% of our total book of business.

And, fourth, our top-notch, blue-chip customer base. Today, we serve 30 of the Fortune 100. Our customers are high-quality companies – not only with their brands and their commitment to consumer experience, but also with their balance sheet – the vast majority of our top 100 credit-rated customers are Investment Grade.

Due to all these factors, our revenue has predictability in the high 90s for 2023 and around 80% for 2024. That's why we're so confident about the longevity of our growth.

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Slide 67: Resilient contracts generate predictable cashflows and returns

We offer two types of contracts.

Roughly half – 45%, to be exact – of our book of business is governed by Open-book Contracts, which follow a cost-plus model, where all costs are passed through with a mark-up.

Open-book contracts have minimal initial upfront costs, which boosts our operating return on invested capital throughout the life of the contract. What's more, our margins stay broadly fixed, with limited percentage margin volatility throughout the life of the contract.

The other half of our business is Hybrid Closed-book, which combines elements of Open-book and fixed-price Closed-book contracts. These contracts have inflation escalators, as well as high margin potential, as we retain the benefits of productivity gains in-house.

Our contracts are designed for margin and credit protection, inflation pass-throughs, and cash flow generation.

Slide 68: Example: Open-book contract

Let me walk you through the mechanics of an open-book contract.

Open-book, or cost-plus, contracts, have both fixed and variable markup components. And regardless of market volatility, they tend to have resilient margins. Hypothetically, if volumes would go down on an Open-book contract, our margins would go slightly up – and if volumes go up, our margins go slightly down, because a portion of our markup is fixed.

As I said a moment ago, this type of contract makes up roughly 45% of our book of business. These contracts have high returns, as a majority of the upfront investment is covered by our customers. Having said that, the upside potential on these contracts is also shared with the customer.

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Slide 69: Example: Hybrid closed-book contract

Now, let's take a look at Hybrid Closed-book contracts, which make up the other half of our business. In this type of contract, you keep your upside – all productivity gains are kept in-house, your fixed revenues will cover your fixed costs, and your variable costs are covered by variable revenues.

We have inflation escalators embedded in these contracts. These contracts do have mild operating leverage; however, as the vast majority of our cost structure is variable, we have the ability to scale up and scale down our operations, in line with supply and demand conditions.

For example, every year during peak, there are some facilities that are doubling in volume, which we scale back immediately after the peak season ends. So, we've honed our skills at flexing up and down with optimal efficiency, and this keeps these contracts resilient, which keeps our margins sticky.

Slide 70: Project-based >30% operating return on invested capital

We write our contracts for returns.

Let me highlight how our returns evolve in a potential Open-book or Hybrid Closed-book contract: for the same amount of revenue, in a Closed-book contract, we'd have a higher EBITDA margin; but on the EBITA margin level, it's roughly the same. This reflects the higher level of investment in a Hybrid Closed-book contract compared to an Open-book contract, which results in slightly higher returns in an Open-book environment, compared to the Hybrid Closed-book environment.

Both of these contract types are "high return" in nature, but with slightly different characteristics, and we like to maintain a balance between the two across our book of business.

Slide 71: 2027 Adjusted EBITDA outlook: Growth and efficiency

When we think about how our growth and contract structures manifest in our adjusted EBITDA results, we expect to reach $1.6 billion dollars of adjusted EBITDA by the end of 2027, based on 2021 exchange rates. If we used today's exchange rates, this would be roughly about $1.5 billion dollars.

The walk from $600 million dollars to $1.6 billion dollars is primarily driven by our high-quality growth, which my colleagues have highlighted in detail.

Breaking this down into more detail, you will see that the largest building block of our 2027 EBITDA outlook is our core growth, which around $730 million dollars of EBITDA, or about 70% of our EBITDA growth, over the planning period.

We will also focus on growing in higher-margin areas, like automation and value-added services. We expect this mix benefit to contribute around $140 million dollars of EBITDA in our forecast.

At the same time, we expect to see a meaningful positive EBITDA impact from the implementation of adaptive tech, productivity measures, and Clipper synergies – while seeing some dilution from pension income.

All in, we expect to increase our adjusted EBITDA margin to 9%.

Slide 72: Adjusted EBITDA growing faster than revenue

Let's take a closer look at these productivity measures.

As you may recall, we're the most automated contract logistics service provider. We're the leader in both automation and reverse logistics, both of which contribute to our margin expansion.

We also bring hundreds of pieces of adaptive technology online per year and expect a margin uplift ranging around $30 million dollars from these deployments on an annual basis.

We've also finalized a number of central efficiency projects, which we've been working on with the help of Accenture. We expect these initiatives to drive roughly $60 million dollars of uplift in adjusted EBITDA.

And finally, the cost synergies related to our acquisition of Clipper Logistics last year. We reaffirm that we're on track to achieve the 36 million Pounds of synergies by 2025 that we've previously guided to.

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Slide 73: 2027 Adjusted EBITDA margin outlook: Automation and mix

Automation is not only a significant differentiating factor but is also a higher-margin activity for us. We expect our fully automated sites to make up around 40% of our total operations by 2027, and these operations carry margins about 200 basis points higher, on average.

We also expect other mix changes to drive further margin expansion, as we continue to focus on reverse logistics and value-added services that provide better consumer proximity for our customers. We expect that this business line will grow at roughly 3x the rate of our company overall – and, of course, these services are higher margin in nature.

Slide 74: 2027 Adjusted EBITDA margin outlook: Central efficiencies

Next, taking a look at our plans for central efficiencies.

We've recently finished our first year as a publicly listed company. Being a standalone organization has given us an opportunity to step back and review our support services and reflect on how we can enhance our efficiency. Over the past several months, we've been working with Accenture on a plan to streamline different parts of our organization, optimize procurement efforts, and explore outsourcing of non-core activities.

We expect these initiatives to provide around $60 million dollars of additional adjusted EBITDA in this planning cycle, primarily driven by our procurement of tech, hardware and data centers; by streamlining our support services; by further standardization in our operations; and by taking advantage of our global scale to lower the aggregate cost structure across our enterprise. Starting in 2023, we will be investing about $80 million dollars in these initiatives, and the benefits will be more prevalent in 2024 and 2025.

Slide 75: 2027 Adjusted EBITDA margin outlook: Clipper synergies

Now, turning to the cost synergies from our acquisition of Clipper.
As you may recall, we've reconfirmed the 36 million Pounds of cost synergies which we'll capture in the next three years, following 30 million

Pounds of investment. These synergies include removing costs by combining support functions through integrated structures, reductions in PLC costs, and deriving procurement benefits of scale. The vast majority of these synergies will be captured in the first half of the three-year period.

Note that this total does not include any revenue synergies, and we do expect Clipper to provide incremental revenue growth opportunities to the broader enterprise – and we've already seen this in action in Continental Europe.

Clipper has been trading above our expectations, and it is both adjusted EPS and cash flow accretive for us, as we financed the deal at attractive interest rates. As we capture these cost synergies, the accretion will increase even further.

Slide 76: Adjusted EBITDA → Free cash flow

At its heart, this business is a high-cash-flow-generating enterprise. Due to the compounding nature of this business, we expect to throw off more than $2 billion dollars of cumulative cash flow.

And it's important to note that, given the huge growth opportunity, we're clearly making a choice here: to reinvest in our high-return business. If we were not making that choice, we'd be converting cash at a much higher level, up to 60% of adjusted EBITDA.

Slide 77: Balance sheet financial flexibility: >$2B of balance sheet capacity by 2027

This $2 billion dollars of free cash flow means that our leverage level moves from 2.1x net leverage, to a net cash position by 2027.

For a business this resilient, having a net cash position is clearly suboptimal for our shareholders from a capital structure perspective. However, this position provides significant balance sheet headroom, and an opportunity to create incremental value through cash deployment.

So: how are we going to put this $2 billion dollars to work for our shareholders?

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Slide 78: Capital allocation

Beyond the growth plan and investments in automation & technology we have outlined today, we still expect to generate more than $2 billion dollars of free cash flow.

We would like to deploy this free cash flow in a manner that will drive the greatest shareholder value.

We have a pipeline to pursue accretive bolt-on M&A which we will weigh up against the benefits of returning capital to shareholders, including a buyback.

Importantly, our north star with respect to capital allocation will always be to maintain a strong balance sheet and financial flexibility.

Slide 79: GXO: Growth, predictability and cash returns

Since the spin, over the last six quarters, we've delivered on our promises to the capital markets, despite a volatile macroeconomic backdrop.

Today, you've heard about the untapped automation and technology opportunity, the huge and growing addressable market, and our execution capabilities, which give us a long runway of growth.

Our team has provided you a plan today to nearly double this business in the next five years; almost tripling our adjusted EBITDA and, on top of that, generating over 2 billion dollars of free cash flow, which we will deploy in the best interest of our shareholders.

GXO is uniquely positioned, and we're leading the pack in capturing this opportunity.

We're excited, and we invite you to join us in our journey.

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Closing comments from CEO Malcolm Wilson, post audience Q&A

Slide 80: A clear path to extraordinary growth

Thank you for joining us here today.

I hope we were able to give you more color on our business – and, especially, on our differentiated value proposition and our strategy for the coming years.

This is a massive, growing market, and our tech, our scale, and our expertise – which we call “The GXO Difference” – have established us as the benchmark of our industry. When I speak to our peers, they refer to us as the benchmark of our industry. This is why we are so excited about our future.

By 2027, we are confident that we will have doubled our top line and nearly tripled our adjusted EBITDA – while putting more than $2 billion dollars of free cash flow to work – to accelerate our growth and generate even more value for our shareholders.

We deeply value everyone’s interest today, and the support you give to GXO. Thanks again for joining us.

Have a great day.

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