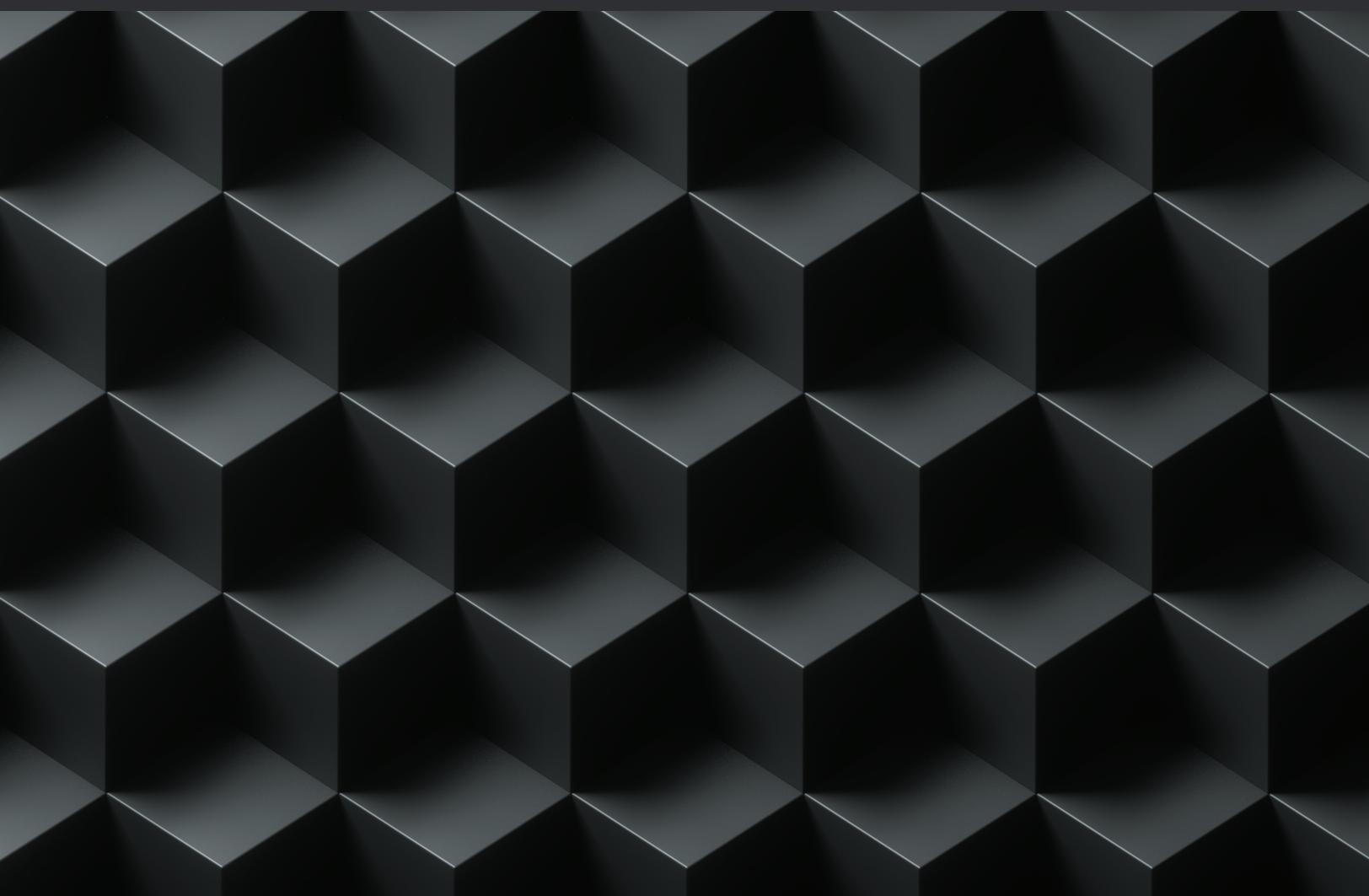


August 6, 2025

# Second quarter 2025 results





## **GXO Logistics Q2 2025 Earnings Call**

### **Presenters**

**Malcolm Wilson** – Chief Executive Officer

**Baris Oran** – Chief Financial Officer

**Kristine Kubacki** – Chief Strategy Officer

### **Q&A Participants**

**Stephanie Moore** – Jefferies

**Chris Wetherbee** – Wells Fargo

**Ravi Shanker** – Morgan Stanley

**Scott Schneeberger** – Oppenheimer

**Brian Ossenbeck** – JP Morgan

**Ari Rosa** – Citigroup

**Matt Milask** – Stifel

**Jeff Kauffman** – Vertical Research

**Jason Seidl** – TD Cowen

### **Operator**

Welcome to the GXO second quarter 2025 Earnings Conference Call and Webcast. My name is Chemaly and I'll be your operator for today's call.

At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. If anyone should require operator assistance during the conference, please press star-zero on your telephone keypad.

Please note that this conference is being recorded.

Before the call begins, let me read a brief statement on behalf of the Company regarding forward-looking statements, the use of non-GAAP financial measures, and the Company's guidance:

- During this call, the Company will be making certain forward-looking statements within the meaning of applicable securities law, which, by their nature, involve a

number of risks, uncertainties, and other factors that could cause actual results to differ materially from those projected in the forward-looking statements.

- A discussion of factors that could cause actual results to differ materially is contained in the Company's SEC filings. The forward-looking statements in the Company's earnings release or made on this call are made only as of today, and the Company has no obligation to update any of these forward-looking statements, except to extent required by law.
- The Company also may refer to certain non-GAAP financial measures as defined under applicable SEC rules during this call. Reconciliations of such non-GAAP financial measures to the most comparable GAAP measures are contained in the Company's earnings release, and the related financial tables are on its website.
- Unless otherwise stated, all results reported on this call are reported in United States dollars.
- The Company will also remind you that its guidance incorporates business trends to date and what it believes today to be appropriate assumptions. The Company's results are inherently unpredictable and may be materially affected by many factors, including fluctuations in foreign exchange rates, changes in global economic conditions and consumer demand and spending, labor market and global supply chain constraints, inflationary pressures, and the various factors detailed in its filings with the SEC.
- It is not possible for the Company to actually predict demand for its services, and, therefore, actual results could differ materially from guidance. You can find a copy of the Company's earnings release, which contains additional important information regarding forward-looking statements and non-GAAP financial measures, in the Investors section on the Company's website.

I will now turn the call over to GXO's Chief Executive Officer, Malcolm Wilson. Mr. Wilson, you may begin.

### **Malcolm Wilson – GXO Chief Executive Officer**

Thanks, Chemaly, and good morning, everyone. Thanks for joining us this morning. With me in Greenwich today are Baris Oran, our Chief Financial Officer, and Kristine Kubacki, our Chief Strategy Officer.

We're pleased to have built on our momentum from the first quarter and delivered a great second quarter.



We saw new business wins of \$307 million dollars, up 13% year over year, including with the likes of Akzo Nobel, Boeing, L’Oreal, Nestle, Pratt & Whitney and Thermo Fisher. Our new business wins for the first half of the year total over half a billion dollars.

We delivered record revenue of \$3.3 billion dollars, and \$212 million dollars of adjusted EBITDA, up 13% year over year.

In June, we raised our full-year guidance for organic revenue growth, adjusted EBITDA and adjusted diluted earnings per share. And today, given our better-than-expected performance in the first half of 2025, we’re again raising our full-year adjusted EBITDA guidance, to a new range of \$865 million dollars to \$885 million dollars – an increase of \$25 million dollars vs. our initial range.

This quarter, we received final regulatory approval for our strategic acquisition of Wincanton. This will unlock growth opportunities in the industrial and aerospace markets for GXO across Europe. The GXO and Wincanton teams are already collaborating on a range of strategic customer tenders across both the aerospace and defense verticals. We’ll be kicking off the integration of the two companies in the coming weeks and we still expect to deliver the lion’s share of the run rate \$60 million dollars of synergies by the end of 2026, which is ahead of our previous expectation. On top of that, we also expect to gain significant revenue synergies over the coming years. With that in mind, I’d like to take a moment to welcome our new colleagues from Wincanton. It’s a stellar organization and, like GXO, it’s clear that the high caliber of their people is why Wincanton has been able to build such an incredible business.

Also, during the quarter, we launched GXO IQ, a software platform that we designed in partnership with Google Cloud specifically for the complexities of supply chain operations. GXO IQ leverages AI to provide a modular, scalable means to start up customer operations more quickly, run them more reliably, and access a broad suite of value-added software applications. GXO IQ reflects the best of GXO’s innovation and progress we’ve made over the past few years: we’re operators first, with a relentless focus on adding value to our customers’ global supply chains.

I’m extremely proud of our great second quarter performance. This week marks GXO’s fourth anniversary since we became a publicly traded company, and it’s worth putting our accomplishments in context.

In the four years since the spin, we’ve signed nearly four and a half billion dollars of new customer contracts, undertaken three very successful acquisitions and nearly doubled the size of the business – all while remaining an investment grade balance sheet company.



Our customer satisfaction scores are at an all-time high. We're in the process of finalizing a nearly-20-year expansion of our business with a top 15 US retailer. We will now operate with this customer in all three regions. We've also renewed and expanded with two of our top customers, including H&M, into multi-year agreements across multiple geographies. These long-term global partnerships speak volumes about the value we create for our customers and our ability to solve complex challenges when they need it most.

GXO remains the market leader in automated fulfillment. We've more than doubled the number of robots deployed in our operations over the past four years, increased the percentage of our revenue that's processed by automation to about 50%, and made groundbreaking advances in warehouse AI.

Our sales pipeline remains robust at \$2.4 billion dollars, exclusive of the Wincanton sales pipeline. It has grown by more than a third since the last full year prior to the spin, and it's more diverse than ever before. Reflecting our new business wins to date, GXO is very well positioned to drive profitable growth into 2026 and beyond.

Before I turn it over to Baris, I want to say a few words about the additional news we announced yesterday. Baris plans to step down from his role as Chief Financial Officer to pursue new opportunities. He will remain with GXO, serving as our CFO, until a successor is named.

I've deeply appreciated Baris's partnership over the past four years. He has been dedicated not only to the performance of the company, but to our customers and our people. He's been instrumental in instilling capital and cost discipline while maintaining strong momentum on new business wins. GXO is well positioned thanks, in large part, to his valuable contributions.

And with that, I'll turn it over to Baris. Baris, over to you.

### **Baris Oran – GXO Chief Executive Officer**

Thanks, Malcolm. It's been an honor to work with you and the team to build GXO into a true industry leader. I feel this is the right moment to embrace new opportunities, and I do so with immense gratitude and pride in all that we've accomplished since the spin. It's gratifying to know GXO has a bright future ahead.

Now, turning to the quarter.

As Malcolm mentioned, in the second quarter of 2025, GXO delivered record revenue of \$3.3 billion dollars, growing 16% year over year, of which 6% was organic. This was our highest-quarter organic growth in nine quarters. Organic revenue growth accelerated



sequentially in each region – highlighting the value of our contractual business model, which proved resilient throughout the dynamic trade environment. Our strongest organic growth in the quarter was in the omni-channel retail and technology verticals. We now have about \$800 million dollars of incremental revenue secured for 2025, which, in combination with our retention rates in the mid-90s, puts us in excellent shape to achieve or improve upon our full-year organic growth targets.

We delivered adjusted EBITDA of \$212 million dollars. Our margins expanded by 90 basis points sequentially, as the sizeable automated startups and productivity initiatives we mentioned last quarter matured more quickly than expected, and we saw improved space utilization in our shared network. We continue to leverage our SG&A more effectively due to our central efficiencies programs.

We recorded net income of \$28 million dollars, and adjusted net income of \$66 million dollars. Our diluted earnings per share was 23 cents, and our adjusted diluted earnings per share increased to 57 cents.

Our free cash flow in the second quarter primarily reflects the payment for the one-time regulatory item we booked last quarter. We're on track to deliver our target of 25% to 35% adjusted EBITDA to free cash flow conversion for the full year.

Our operating return on invested capital remains well above our target. We remain disciplined in our capital expenditures and working capital management, which allows us to continue to invest into our business with high returns.

Our leverage levels remain steady at 3x net debt, even after repurchasing shares during the first half of the year. In the second quarter, we repurchased 2.6 million shares at an average price of \$34.86; in total, in the first half of the year, we have repurchased 5.4 million shares, or about 4% of the total shares outstanding, at an average price of \$37.34. This represents a 26% discount to our average share price over the last 30 trading days.

And in June, Moody's upgraded GXO's credit rating. We are proud that we have now hold Investment Grade ratings from all three major agencies, for the first time since the spin, which reflects the scale and resilience of our contractual business model.

We remain laser focused on our capital allocation and continue to prioritize investments in technologies and services that drive the greatest returns. Our focus in 2025 will continue to be on accelerating our organic growth and the integration of Wincanton. We expect to see accelerated growth opportunities coming from our acquisitions.



As Malcolm mentioned, given our excellent operating performance in the first half of 2025, and following our guidance update in June, we're raising our full-year adjusted EBIT-D-A guidance again. As a reminder, for 2025, we now expect to deliver:

- Organic revenue growth of 3.5% to 6.5%, up from our initial guidance of 3% to 6%
- Adjusted EBITDA of \$865 million dollars to \$885 million dollars, up from our initial guidance of \$840 million dollars to \$860 million dollars
- Adjusted diluted earnings per share of \$2.43 to \$2.63, up from our initial guidance of \$2.40 to \$2.60, and
- Adjusted EBITDA to free cash flow conversion of 25% to 35%.

We are excited about our increasing momentum. We now have greater visibility than ever of the benefits we will be capturing as we bring the Wincanton and GXO businesses together. These benefits will begin to be realized during the remainder of this year and will materially ramp up throughout 2026. And we're already on our way to capturing the strategic growth opportunity we've targeted with this acquisition.

Given our strong operating results and our effective capital allocation, GXO remains well positioned to deliver outsized value for our customers and our shareholders. With that, I'll pass the mic to Kristine. Kristine, over to you.

### **Kristine Kubacki – GXO Chief Strategy Officer**

Thanks, Baris. Good morning, everyone. We're very pleased with our results for the second quarter of 2025.

I'd like to first touch upon our value creation strategy, which is a part of our long-term growth algorithm that makes GXO resilient across all parts of the cycle.

This strategy focuses on GXO's ability to use our global scale, our deep tech and operational expertise, and our obsession with our customers to capitalize on the secular tailwinds that we believe will drive the future of fulfillment.

As Malcolm described, the tailwinds driving the market align with our core competencies. We've made meaningful progress on growing our global relationships with blue-chip customers, operating best-in-class automated operations, and expanding into high-growth verticals. This is what GXO has proven we do best. Just to touch upon a few of our most immediate opportunities:



First, we've discussed before how we use AI in our operations, but we're also playing a significant role in the cloud and AI value chain. The logistics market opportunity for technology is estimated to be \$28 billion dollars today, and, as the infrastructure need for AI grows, our opportunity will only continue to expand.

Second, we're making inroads into the healthcare market, which is a \$34-billion-dollar opportunity. We're about to start operations for our landmark deal with England's National Health Service's Supply Chain, our first significant win in healthcare and our largest contract win of all time.

Third, we're seeing strong demand from customers in Germany, the largest economy in Europe. We launched a flagship, highly automated omnichannel fulfillment facility for Levi's last year, which has established our foothold in this total addressable market of \$72 billion dollars.

And finally, the largest opportunity of all: we continue to see momentum in our industrial and aerospace businesses. This was one of our fastest-growing verticals throughout the first half of this year. We're already collaborating on twelve RFPs with the Wincanton team, and our pipeline in industrial and manufacturing, including aerospace, has doubled in the last 18 months.

As we grow with our existing customers and expand into new geographies, our technology advantage becomes more valuable. Our industry-leading automation, software and AI solutions, as Malcolm mentioned, provide the foundation for our long-term profitable growth strategy.

And with that, I'll pass the mic back to Baris.

### **Baris Oran – GXO Chief Executive Officer**

Before we move to Q&A, I want to take a moment to express my appreciation and gratitude to Malcolm as he concludes his tenure as CEO of GXO.

Under his leadership, GXO has flourished. We have nearly doubled the size of the business, completed three transformative acquisitions, and emerged as the global leader in warehouse automation and AI. He leaves us on a high note: record quarterly revenues, groundbreaking automation and AI developments, record customer satisfaction, and an investment-grade balance sheet, with a clear line of sight to profitable growth for years to come. His leadership has shaped not just our results, but our future. It has been an honor to be part of this chapter with him.

And with that, we'll turn it over to Chemaly and we'll transition to Q&A.

## Questions-and-Answers Session

### Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 to remove yourself from the queue.

For participants using speaker equipment, it may be necessary to pick up their handset before pressing the star keys. One moment, please, while we poll for questions. Our first question comes from the line of Stephanie Moore with Jefferies. Please proceed with your question.

### Stephanie Moore – Jefferies

Hi, good morning. Thank you. And, Malcolm, it was, it's been great to work with you over the last four years, and you will definitely be missed. And we wish you the best of luck as you move on to your next endeavors and in life going forward. So great working with you.

### Malcolm Wilson – GXO Chief Executive Officer

Thanks very much, Stephanie. Much appreciated.

### Stephanie Moore – Jefferies

So pretty really nice acceleration in organic growth as really the second quarter progressed. Can you maybe highlight what has changed from a geographic and market perspective just as the first half progressed and the nice acceleration in growth from 1Q to 2Q? Thank you.

### Malcolm Wilson – GXO Chief Executive Officer

Sure, Stephanie. Let me give you a bit of an overview of what we're seeing on the ground right now. And probably a good starting point is just to look across our three big regions here in North America, Continental Europe and the UK.

So first and foremost, when we think about our Continental Europe business and our UK activity, we saw growth in volumes through the last quarter. UK definitely improving trend in Q2 compared to Q1.

Like Q1 in North America, really, it was our strongest region in terms of volumes, which was largely due to the customer mix. In North America, we have a strong exposure to aerospace and technology infrastructure customers. These have all been performing very, very good, better than we could have anticipated. We've also seen some stronger than expected performance in consumer verticals here in North America.

When we think about inventory levels across our business, nothing really to speak about in that regard. So, at an inventory level, the incremental levels of inventory that we were seeing in the earlier part of the year, they've all now really dissipated, and we see normal levels of inventory in the warehouses, normal customer levels of inventory, everything that we would expect to see right now just as we're starting to prepare for the holiday season.

What I can also add is when we look into Q3, we're already a third of the way through Q3, all of the trends that we've seen in Q2 have remained pretty consistent. So, what I mean by that is, when we look at the existing volumes, what we're forecasting on the go forward, the certainty that we can see in new business startups, so Kristine mentioned about the business in the health sector in the UK, but there's a plethora of large new contracts all starting up for us, all well planned, all in good order. So, all of these things are giving us a really strong view for the second half of the year.

The company is performing very well and we're benefiting as we have done from those secular demand trends that we've seen historically in e-commerce, but now more in healthcare, aerospace and more importantly, in the defense industry. And of course, AI and the cloud infrastructure benefits that we're seeing are all playing a part.

I think one thing to add, we're already in the deep detail of planning peak holiday season with our customers. And while the operating environment is definitely dynamic, we can all say that we definitely remain in a very balanced outlook for the rest of this year.

We're seeing customers really preparing in earnest for what will be a good holiday season. They're committing costs, so that's a strong sign of their belief in the second half of the year and the pace of ramp up that we normally experience in that period of time. We've got a strong level of confidence in delivering the full year organic outlooks that we've talked about.

Also taking a little early look at '26, the level of new business that we've actually signed this year has been incredibly strong, our strongest ever. So, this strong view we have on new business momentum, the phasing that's taken us into '26 is meaning that we really have a significantly high level of incremental revenue already booked for next year.

That's bigger than we've ever had before. So overall, a very good outlook. But I do want to kind of say one last point. As a management team, I think we've had a reputation for being prudent and that's sometimes it's never the bad thing to be. And I think it's for all of those reasons that we're choosing right now to maintain that conservative view for the rest of the year.

We're maintaining that organic growth midpoint guide of 5%. Of course, there are a lot of opportunities right now for us to do better than our plan. But right now, we're all of the opinion it's better to maintain this conservative approach for the remainder of the year.

**Stephanie Moore – Jefferies**

Thank you, Malcolm. Well, you answered my second question, which was around peak season. So, I will just pass it on from here. Thanks, again.

**Malcolm Wilson – GXO Chief Executive Officer**

Thanks, Stephanie. And it's been a pleasure to talk with you. Thank you.

**Stephanie Moore – Jefferies**

Thank you.

**Operator**

Thank you. Our next question comes from the line of Chris Wetherbee with Wells Fargo. Please proceed with your question.

**Chris Wetherbee – Wells Fargo**

Hey, thanks. Good morning, guys. And congrats, Malcolm. It has been a pleasure working with you. And congrats, Baris, too. Looking forward to still, I think, having you around maybe another couple quarters here. But obviously, it's been a pleasure working with you both.

**Malcolm Wilson – GXO Chief Executive Officer**

Thanks, Chris.

**Baris Oran – GXO Chief Financial Officer**

Thank you, Chris.

### **Chris Wetherbee – Wells Fargo**

Maybe just following up on the last question, I guess, as you think about the pace of organic revenue growth, it seems like things are beginning to fall into place, particularly as it pertains with the Wincanton deal, maybe some of the verticals that that opens up, you have the healthcare opportunities coming online as well.

I guess as you think about the organic revenue pace, you've obviously increased the range for this year, I guess as we maybe take a step back, look out to '26, maybe beyond, do you think we're at the point, obviously economically dependent here to some extent, that we could see organic revenue growth kind of reaccelerate back into those upper single digit ranges? Does it sort of, things feel like they're starting to fall in place in terms of the pipeline and the opportunity set that you guys are seeing to support that?

### **Malcolm Wilson – GXO Chief Executive Officer**

Chris, let me give you some updates on that. I mean, I think in general terms, I think we definitely have been through a couple of years of slow growth, partly down to the economy, partly down to transitioning new customers. When we consider Wincanton, definitely that's going to be a big contributor in terms of revenue growth, but also bottom line.

Remember, there are around \$60 million of cost synergies alone baked into the Wincanton deal. We'll see roughly about \$14 million of that this year and we'll see the lion's share of the combined \$60 million between now and the end of 2026. So that's going to be a big driver on the EBITDA. It will help our margin recovery for sure also. But Wincanton in its own right, it grew its top line by 10% in Q2, it's performing incredibly well.

So, with the integration starting in the next few weeks, our teams are already right now collaborating on just a ton of new major customer tenders and particularly in verticals that we've never operated really with any scale in North America, defense, aerospace, we're very strong in it. In Europe, almost non-existent. For Wincanton, it has some stellar customers in these areas. And I've got no doubt; it will be a springboard for the business growth in those areas.

And I think also right now, we are starting to see the extra sales, that we're seeing right now through 2025. I think a testament to the changes to organization that we made at the start of this year and later parts of last year, where we changed our sales organization. You'll remember that we brought in a new Chief Revenue Officer, Richard Cawston. We changed around some of our sales organization and the metrics that they perform about. So, all of these things play very much for stronger growth.

Of course, we have to have one eye on the wider macro economy. I think right now, we're ebbing out of the uncertainty window of tariffs that customers are stabilizing down in their thinking about that. So, I think really future is looking very, very good for the business.

And of course, I can't not mention the fact we've got a stellar new CEO joining us in just about a week's time. And I'm really looking forward to welcoming Patrick. He's going to bring his own style and his own style into the business, which I think will be incredibly good for the future.

### **Chris Wetherbee – Wells Fargo**

Okay, very helpful. Certainly, seems like there's opportunities here. One quick follow, in terms of buybacks, I guess, how do you think about that opportunity going forward? Noted the price that you bought shares at relative to where we are today. Is this still something that you want to lean into as you look forward or is this capital allocation take a little bit of a different sort of approach as we move forward into the second half?

### **Baris Oran – GXO Chief Financial Officer**

Hi, Chris. It's Baris here. As you recall, our Board announced about 500 million shares repurchased in February, and we repurchased shares both in first quarter and second quarter. Second quarter at \$34.86, 2.6 million shares, and a total of 5.4 million shares, about 4% of the shares outstanding, at a discount of 26% to our average share price over the last thirty days.

We've been very careful about maintaining our credit metrics, and I'm pleased to note that after receiving an upgrade from Moody's in June, GXO again holds investment grade credit rating from all three agencies for the first time since the spin. We continue to see our shares as attractively valued, but as always, we have balanced our share repurchase against our capital allocation priorities, including organic growth and leverage levels. And we do have a lot of organic growth to go after ahead of us.

### **Chris Wetherbee – Wells Fargo**

So that suggests that maybe the organic growth opportunities are a little bit more outweigh the buybacks in the current environment?

### **Baris Oran – GXO Chief Financial Officer**

At the moment, the return from organic growth is very high. That has been always our number one focus. But we'll take a look at share buybacks as prices become more attractive and balance it against the credit metrics.

**Chris Wetherbee – Wells Fargo**

Okay. That's very helpful. Thanks for the time this morning. Appreciate it.

**Malcolm Wilson – GXO Chief Executive Officer**

Thanks, Chris.

**Baris Oran – GXO Chief Financial Officer**

Thank you, Chris.

**Operator**

Thank you. Our next question comes from the line of Ravi Shanker with Morgan Stanley. Please proceed with your question.

**Ravi Shanker – Morgan Stanley**

Great. Thanks for the time. And Malcolm again, congratulations on your tenure and good luck for the future.

So maybe also, thanks for the color, in response to the first question. Maybe to a follow-up there, very few companies in this environment are raising the guidance, let alone twice in two months. I'm not sure I fully understand again what is driving that rate of change. I think you said in your response that inventory levels are normal right now, so it can't be companies stocking up. So how much of that pace of improvement that you're seeing on a relative basis is structural related to supply chain shifts? Is it just companies being excited about consumer demand over the next twelve months? What is driving that increased rate of change?

**Baris Oran – GXO Chief Financial Officer**

Hi Ravi, it's Baris here. As far as our profitability is concerned, we are seeing a sequential improvement. We've seen a sequential improvement in Q2, and we expect to see another sequential improvement in the second half versus the first half. This is driven by our strong momentum on the site level efficiencies, increasing maturity of our startups in the second quarter, which we expect to continue through the second half of the year.

On top, we have better space utilization in our shared user network, and we have tight cost controls. These give us confidence that you'll see the margins improve in the second half of the year.

As far as the revenue is concerned, for the second half of the year, we expect to have more contributions from net new business wins, and we have taken a prudent approach on our expectations for the contributions from our existing operations. This is all embedded in our guidance, and we also expect slight improvement in customer retention to further improve compared to the first half.

I mean, this is our momentum, and as you would recall, since 2017, our organic growth has been slightly over 8% CAGR, so we are getting the momentum faster and faster to get into a higher growth, both on revenue and EBITDA.

**Ravi Shanker – Morgan Stanley**

Right, and the question was, is that because the macro is just improving or you guys are doing an awesome job? Or what is driving that acceleration?

**Baris Oran – GXO Chief Financial Officer**

It is primarily driven by, EBITDA improvements are primarily driven on internal actions, on strong momentum on-site level efficiencies, maturity of the startups, and better space utilization. Those are the things we've been working on for twelve months, and you're seeing the results now.

**Ravi Shanker – Morgan Stanley**

Understood. And maybe as a quick follow-up. The A&D space has been really hot for the last year or so. Can you just share a few more details on your business here, kind of US versus Europe, the size of the business, the growth rate, etcetera?

**Kristine Kubacki – GXO Chief Strategy Officer**

Hi Ravi, it's Kristine here. Thanks for the question. I think Malcolm mentioned and talked about the opportunities, and I think really linking the A&D opportunity, as Malcolm mentioned, we have a great presence in The US with some great blue-chip companies that we've been growing with. But we haven't necessarily cracked the market into Europe and the UK. And really, our acquisition strategy is at the foundation of this, and it is a massive market. It's hundreds of billions of dollars of TAM in terms of total industrial, and aerospace, and defense.

And just to contextualize that in terms of what it's meant for our pipeline, we today have about \$500 million in our pipeline related to industrial and A&D, and that has doubled over the last eighteen months. We really are just at the starting gate with Wincanton. We've just begun the collaboration with the team there with the 12 RFPs that we have with them. As we begin the integration, this is just going to continue to

unlock, and we're really excited about the opportunity set that this means not only for '26, but into the end of the decade at least.

**Ravi Shanker – Morgan Stanley**

Understood. Thank you.

**Operator**

Thank you. Our next question comes from the line of Scott Schneeberger with Oppenheimer and Company. Please proceed with your question.

**Scott Schneeberger – Oppenheimer**

Thanks very much. Good morning, everyone, and Malcolm, best wishes. Congrats. Had a great career. Really enjoyed working with you.

**Malcolm Wilson – GXO Chief Executive Officer**

Thanks Scott, much appreciated.

**Scott Schneeberger – Oppenheimer**

I guess first one probably, Malcolm probably for you. This quarter was heavy on the mix of new activity, over half came from new activity, and that's been just the contribution of new activity versus outsourcing versus via competitors has really moved around recently. Could you kind of speak to what we should see going forward and maybe a little bit about what's behind that? Thanks.

**Malcolm Wilson – GXO Chief Executive Officer**

Yes, for sure, Scott. I mean, second quarter was a very strong quarter, but actually we saw really strong momentum in e-commerce. And obviously, we've always been in a kind of leading position in terms of supporting e-commerce customers generally. But more than half of the wins that we had was coming actually from the e-commerce area. The percentage of revenue coming from e-commerce really pretty much balanced across all of the big three regions that we're operating in.

But definitely e-commerce, and we also saw outsized growth in reverse logistics. And again, this definitely pointing to the kind of structural strengthening of e-commerce activities, always been a growth engine for our business. I think economically wise, it slowed for a couple of years. It's definitely now on the return and we've seen that with strong strength over the first half of the year.

And when we look at the sales pipeline, I'll come on to that in a second, definitely see that going forward.

We've also in the last twelve months started up several very large-scale automation e-commerce sites. So those are including some of the ones we mentioned earlier on in the call, Levi's is a good example, but also big, automated facilities with people like Puma, Zalando, where we're actually operating the largest e-commerce facility in France. So generally, things are on a good trend on that.

And last thing I think to say is, it's widely reported that while today we can kind of think about sales in e-commerce, that number is definitely going to rise in the future. E-commerce really lends itself incredibly well to reverse logistics, where we enjoy slightly improved margins, but also automation. And I mean, in automation, I think we're in a great place.

Maybe Kristine, you want to just jump in and add a little comment on this. But I think automation is a space where we've made it our own. I think we're pretty much in a leading position now across the industry. Kristine?

### **Kristine Kubacki – GXO Chief Strategy Officer**

Thanks, Malcolm. Hi, Scott. It's Kristine here. Just to talk, reverse logistics represents over 10% of our current pipeline. But looking at the activity and the new wins around e-commerce, that certainly is going to drive the demand for reverse logistics. And AI is enhancing our reverse capabilities and driving that opportunity for future growth.

As you know, about a third of e-commerce orders are returned, on average, which really reflects the material drag on our customers' margins. And returns are an extremely complicated, complex operation. And if we can help unlock with AI the opportunity to rapidly resell products, and help our customers unlock further margins.

Some of the AI tools that we've taken on the inbound side around proactive replenishment, we're actually using that same tool on the back-end side for reverse logistics to help with those capabilities. So, I think it further differentiates our tech offering and will help drive our reverse logistics opportunities in the future.

### **Scott Schneeberger – Oppenheimer**

Great, thank you both for that. I guess, and Baris, to get you involved here too. Could you discuss ERP system implementation across your three main geographic regions, and just discuss kind of timing of what we should expect to see and maybe financial impact across the P&L and the cash flow statement? Thanks.

**Baris Oran – GXO Chief Financial Officer**

Sure, Scott. We have gone live with our first phase of our ERP implementation. First is UK, it's live and everything is working well. They're paying, they're collecting. So far everything is good, which will create a lot of synergy and a lot of cost reduction.

And next we will go to U.S. We will start building The U.S. capabilities and from there, we will go to Continental Europe. This is going to give us a lot of productivity at the back-office level, and we will accelerate synergies from our acquisitions in an accelerated way and you will see the impact in our EBITDA, reduced SG&A and bottom line. We're very excited about it. It's going to take us to the next level.

**Scott Schneeberger – Oppenheimer**

Thanks very much.

**Baris Oran – GXO Chief Financial Officer**

Thank you.

**Operator**

Thank you. Our next question comes from the line of Brian Ossenbeck with JPMorgan. Please proceed with your question.

**Brian Ossenbeck – JPMorgan**

Hey, good morning. Thanks for taking the questions. Malcolm, congrats and best of luck in your next adventures, wherever that might be.

**Malcolm Wilson – GXO Chief Executive Officer**

Thank you, Brian.

**Brian Ossenbeck – JPMorgan**

So just to start with you, a question on Wincanton. It sounds like there's some good RFPs going already. Cost synergies sound like they're on track and ramping up, but is it too early? I guess when will we hear a little bit more about the revenue synergies and the opportunities? Is this something we should assume is sort of like Clipper and what that ultimately yielded? How are you thinking about that and when should we hear a little bit more about quantifying what that might mean?

**Malcolm Wilson – GXO Chief Executive Officer**

I think, Brian, if thinking about the Clipper acquisition, it took us broadly around eighteen months to start really realizing significant revenue synergies. And actually, the large contract, the largest the company has ever signed with the British National Health Service, in fact, that's a direct result of that Clipper acquisition.

So broadly, you can see it's taking on average around two years and that's a combination of, of course, customers generally are already contracted, so, they will go to tender and obviously, they will look more favourably on a Wincanton in the future as it becomes integrated in GXO because it has a much larger business offering, multi geography, very different than the original Wincanton organization.

The focus areas, I think as Kristine touched on, aerospace, they have great business in this area, defense, in particular, and defense, I guess, it's likely to be an industry that's going to do incredibly well everywhere around the world in the coming years. So, I think it's a very opportune time that we will gain a strong foothold in defense area across all of Europe.

It's not just those two though, Wincanton is highly exposed to infrastructure projects, nuclear industry, lot of civil activities and some healthcare as well. It's actually a real plum level of business that we're bringing on board.

And as I mentioned earlier, our teams are already actually collaborating on a number of very, very large bids in defense in particular, in aerospace. I think I would definitely be watching this space towards the 2026 and early 2027. That's about the right time where we should anticipate new contracts starting to fall and there'll be big ones in the same thought process as the National Health, because that's the nature of how these big activities in defense are contracted across Europe.

So very, very positive way forward. As I mentioned earlier, we'll be starting the full-scale integration of the two companies.

Maybe just one last thing to comment on Wincanton, because I wouldn't want it to be overlooked. As part of the regulatory approval, we did agree to dispose of a very small amount of the Wincanton business, broadly around 5% of the total Wincanton business. I know it might sound crazily small, but nevertheless, that was part of the agreement that we finalized with the CMA process. That process is underway.

We're confident that we'll achieve success in that. But in fairness, I think those customers, just like so many of our customers, they're minded about the holiday season. So, I think it's probably likely to be an event that actually happens as we move into 2026, as we get beyond the holiday season and start the New Year.

So just to finish off on the Wincanton information, but I hope that's a pretty comprehensive update for you, Brian.

### **Brian Ossenbeck – JPMorgan**

Yes. Thanks, Malcolm. That's very helpful. Maybe just one more on just general thoughts on supply chains and how they've obviously shifted and probably still over the next couple of years. But are we past the point of peak disruption now that we've got a little bit more certainty on tariffs, peak season, you gave some commentary on inventory levels.

But just wanted to hear the general comments you hear from some of your bigger customers. Are they done consolidating the footprints? Is all that churn more or less over and you feel like that's stabilized relative to what we've seen in the last couple of years? Thanks.

### **Malcolm Wilson – GXO Chief Executive Officer**

Brian, I think overall churn has definitely stabilized. I think our retention on existing customers is growing. But I think as an overview of our industry, unusually right now, there are no big dynamic events. I don't see right now any port disruptions. I don't see anything happening in manufacturing.

So actually, we're in a relatively calm period. That's not to say that that might all change tomorrow, who knows what can happen in the world. But I think definitely the only trend we see right now is a general trend of businesses moving manufacturing, moving reliance away from China and more towards Western environments. That's something we've seen across most of our customers.

Obviously, the tariff aspects of discussion earlier in the year probably influenced some of that, but I think it's beyond that. That's probably the one trend we see. That will be good for our business. That's a good trend for us.

But other than that, no, I think we're entering a more calmer environment and customers are able to make more longer-term decisions. And that's what we're seeing in the projects and the sales pipeline that we've got right now.

Baris, maybe you can add a little bit to my comments?

### **Baris Oran – GXO Chief Financial Officer**

Yes, on the empty space on our shared users' network, we have been able to consolidate and sell them to some of our open space. And from this point on, we expect

modest positive contribution in our margins moving forward. And hypothetically, the opportunity exceeds over \$10 million and gradually we're getting there, utilization is getting better, and the margin improvement is going to get there in Q3 and Q4.

**Brian Ossenbeck – JPMorgan**

Okay. Thanks very much. Appreciate it.

**Malcolm Wilson – GXO Chief Executive Officer**

Thanks, Brian.

**Operator**

Thank you. Our next question comes from the line of Ari Rosa with Citi. Please proceed with your question.

**Ari Rosa – Citigroup**

Hi, good morning. Just wanted to echo everyone's comments. Congrats, Malcolm, it's been a pleasure working with you. And Baris, a little surprised on the announcement, but congrats to you as well. I have always enjoyed speaking with you and working with you.

So, for my first question, just pretty straightforward. It seems like capex took a step-down year over year in the first half. Just wanted to get some color on what drove that step down and what we should be expecting there for the second half of the year?

**Baris Oran – GXO Chief Financial Officer**

Our capex in the second quarter was about \$41 million down from \$84 million in Q2 of last year. And our 2024 capex was about 2.5%, of which roughly two thirds was related to growth. We will have around 2.5% to 3% in capex. We are very aware of the environment and we are very diligent in our analysis on where we utilize our capital dollars to have the best returns for our shareholders.

**Ari Rosa – Citigroup**

But is that change in capex reflective of anything, whether it's future growth or startup costs or anything of that sort?

**Baris Oran – GXO Chief Financial Officer**

No, we have an active dialogue with our customers. Some of our customers are opting to take over the capex themselves. It doesn't have an impact on our EBIT or top line growth, but that's a choice and that's a discussion that we use those levers actively in our dialogue with our customers. Sometimes they are more lenient to work on the working capital side. Sometimes we're more lenient to work on the capital expenditure side.

We look at the entire project as a return, return on invested capital and IRR, and want to get the best return for our shareholders, and provide the best service for our customers. It has no bearing on the future growth of the company.

### **Ari Rosa – Citigroup**

Okay, understood. That's helpful. And then just for my second question, Malcolm, as you transition or as the company transitions to a new CEO, with Patrick coming in, as you mentioned here shortly, I was hoping you could just kind of reflect on GXOs position. It sounds like a lot is really progressing nicely right now. But just what advice would you give to Patrick? What would you advise him to focus on, to be aware of as he thinks about kind of planning his tenure as CEO? And particularly as he thinks about giving an outlook to us and to the investment community for the next couple of years? Thanks.

### **Malcolm Wilson – GXO Chief Executive Officer**

Sure. Yes. I mean, look, that's a great question to ask. And then Patrick, he's a seasoned leader. He's a great choice for the business going forward.

He's from this industry, so, I doubt there's very much I can explain to Patrick that he doesn't already know. He's a seasoned veteran of the logistics industry. And his former employer's loss is definitely GXOs gain. We're delighted to have him joining the business.

I'm sure Patrick will take some time during the rest of this year to reflect, to get to know the business. All companies are different in their dynamic. And I'm looking forward to seeing in the future the work that Patrick does. I think he'll be a great new CEO for our organization. He'll bring new ideas. And look, I'm not going to steal Patrick's thunder. You can ask him yourself that question on our next earnings, which he'll be leading. And I'm sure by that time, he'll have some initial thinking already in his mind.

But the company is going across into a safe pair of hands, but very much a dynamic pair of hands that is very well equipped to move this business to the next level on. I think we've almost doubled the size of the business in the last four years.

No reason why we can't continue that stellar level of growth, whilst also improving the business in terms of its margins, its overall dynamic and the kind of customers in different industries that we work in. It's ready to, the companies, I think, in a great position to become much more diversified and we're bringing a new leader in who really is very much equipped to help the company in that journey.

**Ari Rosa – Citigroup**

That's really encouraging. Thanks for the time, Malcolm, Baris.

**Malcolm Wilson – GXO Chief Executive Officer**

Thank you very much.

**Baris Oran – GXO Chief Financial Officer**

Thank you.

**Operator**

Thank you. Our next question comes from the line of Bruce Chan with Stifel. Please proceed with your question.

**Matthew Milask – Stifel**

Hey, good morning. This is Matt Milask on for Bruce. Thanks for taking our question. Malcolm, congratulations to you as well.

Just with regards to governance, I know we've touched on this, but obviously several new board members with some deep industry expertise, new CEO incoming, announced CFO transition, we're curious if you could comment on how, if any strategic priorities have changed, perhaps any broad strokes of operational or shareholder focused adjustments that the Board or company might be looking for would be helpful? Thanks.

**Malcolm Wilson – GXO Chief Executive Officer**

I think, Matt, let me answer that point for you. I mean, look, we've refreshed our Board and it's good to see when you look at the new board members, what you're seeing is a lot of very experienced industry expertise coming into the business. We've added effectively another five new, sorry, I beg your pardon, another seven new directors over the course of 2025. So, team members including former Chief Supply Chain officers at 3M, Honeywell, KKR, Procter and Gamble, Amazon, Petco.

I mean, are really top-notch industry experts. So, they're going to be a huge assistance to the CEO as he gets to grips with the company and starts to think about strategies for the future. I think the company is really going to be in an excellent position going forward. But it's too soon to think about how that might look.

I think we have to give Patrick time to get to know the company, also, our new board members time to acclimatize to GXO and I'm sure that things will start to unfold as we start the planning process for 2026 and beyond.

**Matthew Milask – Stifel**

Thanks a lot.

**Operator**

Thank you. Our next question comes from the line of Jeff Kaufman with Vertical Research Partners. Please proceed with your question.

**Jeff Kauffman – Vertical Research**

Thank you very much. And then Malcolm, I'll echo what everyone else has said, really enjoyed working with you the last four years and best of luck. Baris, I'll have plenty of time to tell you that as well.

A couple of detailed questions, so, how do I think about the FX impact on revenues just based on where things are today for the next couple of quarters?

**Baris Oran – GXO Chief Financial Officer**

As you know, Jeff, we don't hedge our revenue, so whatever the spot rates are for that quarter will be reflected moving forward into our reported revenue growth in Q3 and Q4. As you would recall, in 2024, the average FX rate for Euro was \$1.08 and Pound was \$1.28. So, you need to reflect a higher number in your reported revenue forecast for Q3 and Q4 accordingly. In Q2 alone, we had about 4% of our 16% revenue growth was coming from foreign exchange.

**Jeff Kauffman – Vertical Research**

And then with the thoughts on the divestiture of the small piece of Wincanton that you are going to be divesting, do we treat that as a discontinued operation, or do we wait until the transaction to put that impact in?

**Baris Oran – GXO Chief Financial Officer**

It's a small business and it's important to note that we don't need to finalize the divestiture in order to start integration as we have ring fenced the relevant portion of Wincanton's business, we can start integration right away. The relevant parameter is around \$100 million of revenue on an annual basis. So, it's really not material for the entire financial statements of the company.

**Jeff Kauffman – Vertical Research**

Okay. And then final question, with debt to EBITDA running at about three times on a trailing basis, ideally, where would you like to see that before the company was to reengage with strategic acquisition?

**Baris Oran – GXO Chief Financial Officer**

Acquisition is not in our short-term agenda. We would like our leverage to be lower first. And as we have more room, it gives us a lot of financial flexibility and optionality so we can act on opportunities as it comes. So ideally, if it was 1.5x to 2x, over time, it gives us enough flexibility to act on opportunities. Of course, we'll take a look at the opportunities as they come, but short-term focus is organic growth, not M&A, and creating cash flow to continue to de-lever the balance sheet.

**Jeff Kauffman – Vertical Research**

That's all my questions. Thank you.

**Baris Oran – GXO Chief Financial Officer**

Thanks, Jeff.

**Operator**

Thank you. Our next question comes from the line of Jason Seidl with TD Cowen. Please proceed with your question.

**Jason Seidl – TD Cowen**

Thank you, operator. Good morning, Malcolm, congratulations. I wanted to go back to the reverse logistics commentary about the strong growth. Maybe you can put some numbers around it for us. I know it's pretty high margin type of business for you guys. And then where did that growth come from? Is this coming from sort of new customers that you have or existing customers just growing their reverse logistics trends?

### **Kristine Kubacki – GXO Chief Strategy Officer**

Hi, Jason. It's Kristine here. I can start, maybe Malcolm can chime in. In terms of, I mentioned about the pipeline, and it's about a little over 10% of our pipeline. And it's a high single digit, low double-digit kind of in terms of our revenue today that we derive from reverse logistics.

But what's encouraging is, again, you have the activity that e-commerce, that new activity in e-commerce that starts up. And again, about half of our wins this quarter came from e-commerce. And really that activity is what drives the demand for new reverse logistics operations. Increasingly complex, but they have a big benefit for our customers, that they really turn to us to help solve those challenges within the operations.

### **Malcolm Wilson – GXO Chief Executive Officer**

And just to add to Kristine's comments, I mean, some of the big giant customers that we're starting with that have been started over the last twelve months and there's quite a number in our plan during the remainder of this year, some just prior to the holiday season, some will be almost in the end of the holiday season, but really getting ready for next year. They won't be playing an active part of our customer service, the consumers this year. But against all of those, we can see activities running alongside on reverse logistics.

And I think definitely as e-commerce is definitely coming back, no question whatsoever about that. I think we've been a little bit slow in its development over the past couple of years, but there's definitely a trend coming back now. More and more customers engage with us in upgrading existing operations, bringing in new sites and obviously a lot of new automation coming on board.

And that's really playing perfectly to GXOs wheelhouse, where we're able to not only deploy brand new automation, but with existing customers, volumes are improving and allowing us to put in place tactical automation that is under our own direct control. We've moved roughly over the last four years from that forty percent to 50% automated. That trend is going to carry on.

This company is going to be more and more automated. And clearly, as Baris indicated, that's good for our bottom line. That's good for our margins and our EBITDA growth.

### **Jason Seidl – TD Cowen**

Malcolm, Kristine, that was helpful. For a follow-up here, I to go back to your organic growth. Obviously, great number in the quarter. Your range though, I was wondering, it

seems like you're being, I think, a little bit conservative on that low end of the range given that we're more than a third way through the third quarter here. What would it take, for it to fall back down to that low end of the range? Would that be sort of a macro event that was unforeseen? Just give me a little bit of color on that.

**Malcolm Wilson – GXO Chief Executive Officer**

Yes, at this point in time, I think it's difficult to foresee an event that would do that right now. And the reason I say that is, look, we're already halfway through quarter three. We can see already with a high degree of confidence where quarter three will land. That leaves us quarter four and we're already in a deep planning process for that holiday season.

A lot of our revenues are tied in. A lot of our income is tied in. So right now, difficult to imagine an environment where we will be at the lower end of the range. As I mentioned earlier, I think as a management team, we've approached a very conservative view on this organic growth for the rest of the year.

And please appreciate, we have a new CEO coming in. I think he's right and proper that he gets to know the business during the rest of this year. He'll make decisions about whether we review that guide level as we move into the second half of the year and later earnings calls.

But right now, I think we're feeling very, very good about the remainder of this year. Everything that we're seeing, new customer startups, very well planned. They're going to be very well executed. National Health Service business in its own right is worth something in the range of 0.4% of organic growth. That's starting towards the end of this quarter, beginning of quarter four. So everything we can see would lead us to believe that we're going to have a really good year.

But as I mentioned, it's right and proper right now. Think we just keep that very conservative approach.

**Jason Seidl – TD Cowen**

Now that makes sense. Appreciate the time as always.

**Malcolm Wilson – GXO Chief Executive Officer**

Thank you.

**Operator**



Thank you. And ladies and gentlemen, that is all the time we have for questions today. I'd like to hand the call back to Malcolm Wilson for closing remarks.

**Malcolm Wilson – GXO Chief Executive Officer**

Thanks very much, Chemaly. And look, we really appreciate you cheering the call so well.

So, on a personal note, as Baris mentioned, today, it does mark my last earnings call and I thoroughly enjoyed working with everybody over this last period.

I've never been so much congratulated on my advancing years, but I do really appreciate all the warm comments that you've all given me this morning and indeed for Baris as well, although he's not quite as advancing in years as I am at this point in time.

Serving as the CEO of GXO these last four years, and indeed actually the twelve months prior to the spin, the preparing of the company, the recruiting of team members, getting it ready to be a standalone business, well, that's been an absolute honor for me.

I want to thank all of our team members at GXO, our loyal customers, a specific call out for Baris Oran and our shareholders for trusting us on this journey. I'm very, very pleased to be welcoming GXO's incoming CEO, Executive Officer, Patrick Keller. Patrick is going to be a super leader for the company. I'm very confident in his ability to lead the company into his next chapter of growth.

So, with that, I'd like to wish everybody a great rest of the day and thanks very much for joining us on our call.

Thanks very much. Chemaly, we'll finish the call.

**Operator**

Thank you. And ladies and gentlemen, this concludes today's teleconference. Thank you for your participation. You may disconnect your lines at this time. Have a wonderful day.