August 5, 2026

Second quarter 2026 earnings call

GXO Logistics Q2 2026 Earnings Call

GXO Presenters

Patrick Kelleher – GXO Chief Executive Officer
Mark Suchinski – GXO Chief Financial Officer
Kristine Kubacki – GXO Chief Strategy Officer

Q&A Participants

Stephanie Moore – Jefferies
Chris Wetherbee – Wells Fargo
Daniel Hultberg – Oppenheimer and Company
Ravi Shankar – Morgan Stanley
Brandon Oglenski – Barclays
Ari Rosa – Citigroup
Tom Wadewitz – UBS
Jason Seidl – TD Cowen
Bascome Majors – Stephens
Brian Ossenbeck – J.P. Morgan

Operator

Welcome to the GXO second quarter 2026 Earnings Conference Call and Webcast. My name is Paul 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, Patrick Kelleher.
Mr. Kelleher, you may begin.

Patrick Kelleher – GXO Chief Executive Officer

Good morning and thank you for joining our second quarter 2026 results call. Joining me today are Mark Suchinski, our Chief Financial Officer, and Kristine Kubacki, our Chief Strategy Officer.

Before we get into the quarter, I'd like to acknowledge a special milestone. This week marks five years since GXO became an independent public company. Milestones are an opportunity to celebrate progress. They're also a reminder that every milestone is the beginning of a new chapter, one this team is exceptionally well positioned to lead. The foundation established over the past five years, combined with new leadership, and a new strategic agenda are now translating into results. We're seeing real momentum build behind our strategy, and we're still in early innings.

Starting on slide four, our first-half financial performance puts 2026 firmly on plan, even as we prioritize the investments that drive long-term profitable growth. Looking to 2027, leading indicators — including pipeline and wins — are running ahead of our expectations, giving us confidence in accelerating growth and higher margins.

In the second quarter, we generated revenue of $3.4 billion and organic revenue growth of 3.4%, with broad-based contribution across all our regions. Adjusted EBITDA was $219 million and adjusted EPS was $0.59. Approximately 40% of our new business wins came in our strategic growth verticals.

Moving to slide five, this was a quarter of strong commercial momentum — our strongest commercial quarter in three years. In the second quarter we added $410 million in new business wins, up more than 30% versus the prior year, with marquee wins across our largest customers and strategic verticals. That commercial momentum has continued into the third quarter, where we expect wins again to increase significantly year over year, particularly driven by demand from data center and aerospace and defense customers.

For the first half, wins reached nearly $640 million, up about 20% year over year. Even after a quarter with a rapid pace of closings, our sales pipeline has already expanded post-quarter to $2.7 billion. Just as important as the pipeline size is the breadth and quality of what's in our pipeline: a deeper mix of opportunities across our strategic growth verticals and our largest global customers.

We now have over $1 billion of expected incremental new business revenue secured for 2026, giving us strong line-of-sight into the balance of the year and underpinning our updated full-year guidance. Mark and Kristine will discuss our financial results and commercial wins in more detail shortly.

Moving to slide six. Over the past year, we’ve been executing a deliberate evolution designed to position the business for its next phase of growth. The initial focus centered on strengthening the leadership team, bringing in experienced leaders across Commercial, Operations, Americas & Asia Pacific and Finance, to establish the capabilities and perspectives needed to lead the business forward.

With that foundation firmly in place, we’ve begun to evolve our structure and operating model to equip the business to scale efficiently and create the foundation for sustained execution.

We are making significant progress on our three strategic priorities: sharpening commercial excellence, strengthening operational discipline through the GXO Way, and leading in AI and next-generation automation through GXO IQ. These are the levers that we believe will accelerate growth and expand margins.

First, on Commercial, we're winning more, and we're winning better. Our wins this quarter were led by blue-chip, global brands, expanding relationships with Nike, Marks & Spencer and PepsiCo, and a significant new ecommerce win in Continental Europe with Ahold, just to name a few.

Nothing illustrates our progress better than North America, our single largest growth opportunity. A more disciplined commercial approach and a sharper focus on our strategic verticals have meaningfully expanded both our pipeline and our win rate here. Importantly, we're winning larger, more complex mandates than we were a year ago.

We are also building on our leadership in aerospace and defense and in technology, particularly data-center infrastructure — the fastest-growing verticals in our market. In aerospace and defense, we added new and expanding work with Raytheon, Boeing and IAG, leveraging on our market-leading capabilities. In technology, we signed a major new hyperscaler relationship, our largest win in the quarter, and expanded with a global cloud-and-technology leader and a semiconductor-equipment leader in Malaysia. And we continued to build our footprint in life sciences.

Second, in Operations, we are beginning to scale the GXO Way, evolving from local and regional excellence to one consistent set of global standards. Concretely, that means deploying a common labor-management system across sites, moving our regions onto a single global operating dashboard so we manage to the same metrics and KPIs around the world, and consolidating procurement scale that was previously managed regionally. We've identified a number of near-term opportunities to improve efficiency, including global procurement and labor management. We'll discuss our approach in greater detail at Investor Day. This is how excellence becomes repeatable rather than site-specific, and it is a meaningful contributor to the margin expansion we expect over time.

Third, in Technology, GXO IQ moved from platform launch to scaled deployment this quarter and we are on track to reach about fifty sites in 2026. We're packaging our proprietary AI into repeatable product waves — starting with forecasting, replenishment and pick optimization — that deploy across connected sites rather than being rebuilt one at a time. Alongside that, we will deploy 20,000 robots across our network this year. Our advantage isn't just having algorithms; it's deploying them inside live operations and turning that into a repeatable productivity engine.

Across the Commercial organization, enhancements to customer-facing processes, service models, and cross-functional coordination are helping create a more seamless end-to-end customer experience. This quarter we introduced a streamlined, global approach to account management, evolving from a regional model to a globally integrated one, aligning GXO around the customer, not geography, with a trusted-advisor mindset — so our global customers experience one connected GXO across regions. It is designed to be a true Customer Success model, and the results are starting to show.

Technology, which is increasingly central to every aspect of our business, is a massive opportunity. We're ensuring we both optimize what we have today, make the right investments for the future and connect innovation to execution through the GXO Way, standardizing where it makes sense to turn proven excellence into everyday performance. Today, our Tech and Operations teams are working in tandem to modernize service delivery, improve operational efficiency, and elevate customer experience to create a more agile operating environment that balances innovation with operational excellence.

To bring it together, we delivered a solid second quarter, our strongest commercial quarter in three years, with a pipeline that has continued to build and record incremental revenue, more than $1 billion already secured for 2026. Our three priorities — accelerating organic growth, strengthening operational execution through the GXO Way, and translating our AI, automation and tech leadership into measurable value creation — are moving from strategy to execution, and we are already seeing them show up in our results. Five years into our journey as a public company, the momentum behind this strategy is real, and we are still in the early stages of what it can deliver. With that, I will hand the call to Mark.

Mark Suchinski – GXO Chief Financial Officer

Thank you, Patrick, and good morning, everyone. Having completed my first full quarter at GXO, my confidence in this business has only grown. A highly contractual model, a customer base of the world's leading brands, and commercial activity that gives us a clear runway into 2027. The opportunity ahead on margins and cash generation is just as clear, and that is where much of my focus will center for the remainder of the year and as we move into 2027.

Turning to slide seven, GXO delivered second quarter revenue of $3.4 billion, up 4% year over year and 3.4% organically, with broad-based contribution across all of our regions. Second quarter revenue was impacted by the timing of new contract start-ups and exits.

We delivered adjusted EBITDA of $219 million and adjusted EPS of $0.59. Our adjusted EBITDA margin in the quarter was 6.4%, consistent with the second quarter last year. We believe we have clear line-of-sight to expand margins, expecting margin improvement in the back half of the year as new business ramps and our cost and technology initiatives begin to take hold. Just as important, our margin-improvement path is supported by the investments we are making in systems and operating infrastructure. Common dashboards, enhanced labor-management tools, greater procurement visibility and a stronger data foundation are giving us a more consistent way to manage the business and scale efficiently. These capabilities are already improving execution across the network and will help translate growth into margin expansion over time.

Moving to slide eight. In the quarter, we generated operating cash flow of $76 million and generated positive free cash flow of $12 million, a meaningful improvement year over year reflecting tighter working capital discipline, and we remain on track against our full-year free cash flow conversion target.

Turning to our balance sheet, we ended the quarter with $769 million in cash and a strong liquidity position. Net leverage was 2.6x, down from 3.0x this time last year. After quarter-end, we repaid $400 million of bonds that matured in July using cash on hand. Our investment-grade balance sheet is strong, and we remain focused on disciplined capital allocation to maximize returns for shareholders. Consistent with that framework, we also resumed share repurchases, buying back $21 million of stock year to date, with approximately $280 million remaining under our existing authorization. We will continue to be disciplined and opportunistic in how we deploy capital, balancing high-return organic investment, further deleveraging, and returns to shareholders.

The Wincanton integration continues to move at speed. We completed roughly 90% of our planned integration actions and remain on track to deliver run-rate cost synergies of $60 million by year-end.

Turning to our full-year outlook on slide nine. We are tightening our 2026 guidance ranges, with midpoints unchanged. That reflects the strong underlying performance of our core business and improved visibility from more than $1 billion of incremental revenue already secured for the year. We are:

- Maintaining organic revenue growth of 4% to 5%;
- Tightening adjusted EBITDA to $945 million to $965 million,
- Narrowing adjusted diluted earnings per share to $2.95 to $3.15; and
- Maintaining free cash flow conversion of 30% to 40%.

With commercial activity increasing, operational momentum building, and AI and automation scaling across our network, we're well-positioned to drive growth and expand margins through the balance of 2026 and beyond.

With that, over to you, Kristine.

Kristine Kubacki – GXO Chief Strategy Officer

Thanks, Mark. Good morning, everyone.

This morning, I'd like to address the three questions we hear most often from investors: what is driving our growth, how durable is that growth, and how are we positioning GXO for the next phase of value creation.

Turning to slide ten, let me start with where we're winning. We've concentrated our commercial engine on four strategic growth verticals — aerospace and defense; technology and data centers; industrials; and life sciences — large, fast-growing markets with a combined addressable market of over $230 billion. This quarter we added marquee wins across them: in aerospace and defense, new and expanded work with Raytheon and Boeing; in technology and data centers, a major new hyperscaler relationship — our largest win of the quarter — and our first semiconductor-logistics win in Malaysia.

This is different work. Technically complex, highly regulated, service-intensive programs that extend well beyond traditional warehousing. A more differentiated offering that is stickier and carries better economics. And as our capabilities in data centers and semiconductors deepen, they are opening markets we historically haven't served, extending our addressable market into new geographies. That focus is converting. First-half wins in our strategic growth verticals are running at nearly three times last year's pace, the clearest evidence that our commercial momentum is accelerating.

Our pipeline is both broader and higher quality than a year ago. Larger, more complex, long-duration mandates where our scale and technology are genuinely differentiating. 27% of it now sits in our strategic growth verticals. That tells us the success in what we're winning is being fed by a real shift in what we're chasing. That pivot is sharpest in North America, where our second quarter pipeline is up 34% year over year and our wins are up 85% in the first half.

Moving to slide 11. Patrick took you through the headline wins, so let me point to what sits behind them — how much of that revenue is already locked in. We have a record level of incremental revenue secured for 2026, and we've already built approximately $353 million of secured revenue for 2027. That growth is being driven on three fronts: we are growing with our existing customers, winning share from competitors, and benefiting from the continued secular trend toward outsourcing. This level of visibility underpins our confidence in the durability of this growth.

To return to where I began. Our growth is driven by deeper relationships with the world's leading brands and a deliberate shift into the fastest-growing, higher-margin verticals. The next phase of value creation comes from compounding those advantages, converting a richer pipeline with better economics and scaling AI across our network to turn productivity into profitability. We look forward to sharing more at our Investor Day on November 16.

With that, I'll hand it back to the operator for Q&A.

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press [star 1] on your telephone keypad. A confirmation tone will indicate your line is in the questioning queue. You may press [star 2] to remove your question from the queue. For participants using speaking equipment, it may be necessary to pick up your handset before pressing the star key. One moment please while we pull questions.

Q&A Transcript

Operator

Our first question is from Stephanie Moore with Jefferies.

Stephanie Moore – Jefferies

Hi, good morning. Maybe starting off on the commercial momentum that you're seeing. Obviously the billion increase in new business wins is really fantastic to see. But maybe if you could go deeper into how your go-to-market strategy has changed in the last year Patrick, since you've joined, that has enabled this success.

So especially you've always had the size, you've always had the automation angle. But what from that go-to-market strategy or GXO's own services, are really resonating with the complexity of what a lot of these new target verticals are requiring. Probably a good place to start. Thank you.

Patrick Kelleher – GXO Chief Executive Officer

Yes, sure I think it's really around two things: the first is where we're playing; and our focus on the B2B verticals, especially with data centers and technology space; aerospace and defense; industrials. Continued focus on e-commerce certainly but focus on the B2B industry verticals I think has really played well to our capabilities around operating complex supply chains, dealing in a highly regulated environment, executing solutions that need to be perfect, I'll call it. We have to be on time and executing in a very precise way. That really has lent itself to the things that GXO is already very good at. And as I've talked about in previous calls, I think areas where GXO has been underweighted in terms of our focus in past years, leveraging those capabilities that we have.

The second dimension is the focus on where to go for growth. And we really have in the last year put more emphasis on growing with current customers and we've talked about the customer success model that we're putting in place, which is really about global account management, building stronger relationships with existing customers, and investing more in those relationships for growth. That coupled with winning in the marketplace from other 3PLs has been a big contributor to growth.

So being very competitive in the RFP-type environment, while continuing to see the same trajectory of new outsourcing coming in. Those tend to be longer lead times. We're seeing the same volume of activity around customers outsourcing for the first time to us, but that is a smaller percentage of our total wins with that emphasis on current customers and winning in the RFP environment.

And I think the combination of making sure we're focused on the right market verticals, with the right capabilities and strategy to win, as well as focusing on the right customer segments, has been great fuel for growth as we step through the year.

Stephanie Moore – Jefferies

Got it, thank you. And just as my follow up, maybe you can help us walk through the algorithm to your comments about your confidence and seeing accelerating organic growth. So, if you could outline what the new win contribution is, how that translates into 2027, any commentary around underlying demand with existing contracts and how that impacts the volume environment. Again, just kind of the algo into that accelerating growth as we look ahead. Thank you.

Patrick Kelleher – GXO Chief Executive Officer

Yeah, sure I'll ask Kristine to comment and then I'll close it out.

Kristine Kubacki – GXO Chief Strategy Officer

Hi, Stephanie. So, I think our confidence, obviously with the first-half performance with the wins, the commercial momentum that we're seeing, and then, I think, we closed the pipeline very strong in the second quarter and in a matter of weeks, at the end of July, we saw that pipeline rebound to $2.7 billion, back to a record. So, from a commercial standpoint, as Patrick mentioned, we're seeing just momentum continue into the third quarter.

Through the first half, we signed $638 million in new wins. Last year, in totality, we signed about $1.1 billion. We believe just given the current momentum that we're seeing on the commercial front, in the third and the fourth quarter, we will substantially exceed that level of new wins. They're feeling good about acceleration of organic growth as we move into the back half of this year, and then certainly have clear line of sight of accelerating organic growth as we move into 2027.

Patrick Kelleher – GXO Chief Executive Officer

Yeah, and I'll just close it out, Stephanie. We think in the third quarter, based on what we see, we're going to have similar new business performance year over year to what we saw in the second quarter. And that gives us a lot of confidence both in moving towards 2027, but also confidence in achieving our organic growth expectations for 2026.

Stephanie Moore – Jefferies

All right, thank you.

Operator

Our next question is from Chris Wetherbee with Wells Fargo.

Chris Wetherbee – Wells Fargo

Good morning guys. I wanted to talk a little bit about the margin improvement opportunity. So I guess as we think about the back half of the year, and then maybe more importantly, as we go into 2027, can you outline some of the key drivers that you would expect to start to see or realize? Some of that margin expansion that I think you guys have talked about; I'm guessing Wincanton and the synergy opportunity. It sounds like you're moving forward with the integration there, so that's an opportunity. But can you expand a little bit on what we should expect to see?

Mark Suchinski – GXO Chief Financial Officer

Yeah, thanks, Chris. It's Mark. You mentioned the synergies from Wincanton. We've made good progress there, but really when we think about the back half of the year, the stronger revenue volumes and the seasonality, we'll be able to take advantage of that and sequentially will help increase margins in the third and fourth quarters. But above and beyond that, the investments that we're making as it relates to technology and the GXO Way – leveraging our scale from a procurement standpoint across the entire enterprise –really provides us some real firepower to expand those margins. And based on what we're seeing and what we expect based on the data, the dashboards, the trends that we have here, we're really expecting to see that expansion of margins year over year really start to take hold. The green shoots are going to be coming up in the fourth quarter and then that will accelerate into 2027.

It's going to take us a little time to drive the GXO Way across the entire enterprise. We're large, we've got a lot of different sites. But we talked about the common dashboards, the labor management tools, procurement visibility – we're putting the right things in place to go drive the cost structure in the right direction while continuing to grow the business. So, scaling up allows us to leverage the business from a fixed cost standpoint, and then driving that productivity across the board. And again, it's just not leveraging the warehouse. But I think we have a lot of opportunity on the procurement side of things when we think about moving from local, regional buying and procurement, to leveraging the scale of the organization.

We're taking it one step at a time. Our COO has been on board here a few months. I'm partnering very closely with him to provide him support as we move down the path here, and so I think that's how I'd phrase it at this point in time. And when we talk with you all in the middle of November, we'll provide a lot more detail and provide updates on the progress and what I call KPIs that we're measuring and that you should measure as we move forward.

Chris Wetherbee – Wells Fargo

Okay, that's very helpful. I appreciate that. And then maybe a follow-up. I think in the prepared remarks you mentioned a new win in Malaysia, and you talked about geographic opportunities. We don't typically think about GXO from an Asia perspective in terms of a geography that you've done much in. Can you talk about that and maybe combine that with the AI data center opportunity for you? Is that going to be another avenue of growth?

Patrick Kelleher – GXO Chief Executive Officer

Yes, I can comment on both. I think the win in Asia in Malaysia is a great testament to the great people that we have in that theater. We're a relatively small business there still. We opened up our free trade zone operation in the Singaporean economic development zone there and we've been quick to fill that. And we'll continue to look to add more capacity in Asia, particularly in 2027.

In 2027 we'll be turning our eye to accelerate growth in Asia with further investment there, particularly around sales, marketing, and operational depth to deliver growth. I think it represents a tremendous white space for us and additional TAM coming into the business for us to drive growth 2027 and beyond.

To your question on AI and the deployment there, as we talked about, GXO IQ is the platform for deployment of AI. We see that as a catalyst to contributing significantly to operational productivity improvement. We'll have that deployed at 50 sites by the end of the year, then accelerating the deployments throughout 2027. And we're currently working, as I talked about in the comments, currently working through deployment of a package that focuses on productivity that spans inbound, picking, outbound, and optimization of labor planning. So, we're very excited about the potential that has for us. We’re going to share a lot more about that on the Investor Day, November 16.

Chris Wetherbee – Wells Fargo

Appreciate the time.

Patrick Kelleher – GXO Chief Executive Officer

Thank you.

Mark Suchinski – GXO Chief Financial Officer

Thanks, Chris.

Operator

Our next question is from Scott Schneeberger with Oppenheimer and Company.

Daniel Hultberg – Oppenheimer and Company

Hey, good morning, it's Daniel for Scott. Thank you for taking our question. Could you please discuss what you're seeing if we think about your non-strategic growth verticals, the trends you've been seeing both from a volume perspective and as well as new business wins? And, what do you anticipate for the next couple of quarters here? Thank you.

Patrick Kelleher – GXO Chief Executive Officer

Yeah, sure It's hard to call any of them non-strategic. We're putting a lot of emphasis on the B2B strategic verticals, and I know I use that language, but the core of our business, 70% of our business is consumer-facing Retail, Ecommerce, Omnichannel and CPG.

40% of our wins year-to-date have come from our strategic verticals on the B2B side, but 60% has come from those core verticals.

Our second biggest win in the second quarter was a large Ecommerce opportunity in Europe. So, we continue to invest in that core business, want to maintain the leadership position that we have in the execution of those solutions.

Ecommerce, especially, represents a great growth opportunity as we look out to 2030. Ecommerce is projected to grow still at 6% to 8% CAGR out to 2030; and our teams are focused on our growth in that space, particularly Ecommerce and Omnichannel. And so you can continue to see more growth across all three regions as we move forward through this year and next.

Daniel Hultberg – Oppenheimer and Company

Got it, thank you. On Wincanton revenue synergies, do you have any incremental insights? It sounds like integration is going well, but any update there please?

Patrick Kelleher – GXO Chief Executive Officer

Yeah, I think from a revenue synergy perspective, Mark certainly talked about delivering the bottom-line synergies and we're on track, and we'll achieve that in 2026 in terms of our aspirations there. On the revenue synergies that are really coming to life, it's been a big contributor to the pipeline improvement that we've seen throughout the year. Those teams are integrated and working together as one GXO team.

I think where we are seeing really exciting developments is around the aerospace and defense industry in particular where the Wincanton team really brought some deep competencies, particularly on the defense side. We're already seeing new business wins, and we've talked about those in the comments. And so, I think we're well positioned with those teams working together to deliver organic growth in the UK as we go forward.

Daniel Hultberg – Oppenheimer and Company

Thank you.

Operator

Our next question is from Ravi Shanker with Morgan Stanley.

Ravi Shankar – Morgan Stanley

Great, thanks. Morning everyone. Patrick and Mark. Mark, I think you mentioned GXO Way as a margin driver for 2027 and Patrick, I think you mentioned larger and more complex mandates. I'm wondering to what extent this pivot in the makeup of the pipeline will also drive higher margins over time and if you can help us dimension that a bit?

Patrick Kelleher – GXO Chief Executive Officer

Yes, absolutely and I think the answer is the answer we have said, that our focus on the B2B verticals especially – these are high growth markets in and of themselves. They require complex supply-chain solutions, specialized execution, certifications that are required, and so they do command structurally higher margins. And that is an important shift. Margin improvement is driving more balance in our business, across industry verticals. We're going to continue to drive forward market leadership in Retail, Ecommerce, Omnichannel and CPG. But we want to see a higher percentage of our business in the B2B vertical. So B2C verticals today are about 70% of our business. We see the B2B verticals becoming a higher percentage of our business going forward and that will contribute absolutely to margin improvement.

Ravi Shankar – Morgan Stanley

Maybe a quick follow up here for Patrick or Kristine. I think you mentioned 20,000 robots across your network this year. How many of those do you think might be humanoid robots? And what do you think that count will look like by 2030? If you guys have a little more clarity, given that you've been running trials or live operations for some time?

Patrick Kelleher – GXO Chief Executive Officer

Yeah, absolutely. In production, zero will be humanoids this year. We have a number of humanoids deployed in pilot. We've done 45 pilots on humanoids so far, we have an additional pilot launching in Europe very shortly.

We have not achieved ROI on humanoids yet; I think we are a couple of years away from that, but we're seeing such great progress with our partners around the efficacy of that technology and the application opportunities that it has in the warehouse environment. So humanoids will absolutely feature in our solutions, but I think in production, we're probably two years away from that.

Ravi Shankar – Morgan Stanley

Very helpful. Thank you.

Patrick Kelleher – GXO Chief Executive Officer

Thank you.

Operator

Our next question is from Brandon Oglenski with Barclays.

Brandon Oglenski – Barclays

Hey, good morning. Thanks for taking the question. Patrick, I think you mentioned in your prepared remarks about making investments for the future. And I think that you mentioned about your Tech team and your Ops team working together. Can you elaborate what you hope to achieve there looking forward?

Patrick Kelleher – GXO Chief Executive Officer

Yes, absolutely. So in terms of investments in the future, we talked about that in the last couple calls. Some of our investments have been very focused on sales and marketing. And when you think about the comments I made around our approach to global customer success through an account management model, they're deploying additional salespeople to our business, particularly focused with expertise on the B2B verticals, all underpinned by an even more robust marketing agenda. We're already seeing the benefits of those investments. When you look at the commercial growth in new business signings that we're seeing, and we expect to continue from an operations perspective. And a technology team perspective, we have been working through even more specific and deliberate plans around how we go about the development of AI and the deployment of AI in our business, combining proprietary capabilities with off-the-shelf capabilities in the operating environment.

We have a parallel work stream from an AI perspective on how we're leveraging off-the-shelf AI to improve back-office functions and efficiency of the business. And our tech and ops teams are working through the GXO Way to look at how we add adaptive technology to our operations. That would include physical AI in our operations, so that the technology is connected to the concept of operations and how we operate within our facilities, to ensure we're getting true productivity benefit and return on investment associated with those deployments.

We'll talk more at the Investor Day around how that's going to come to life and we'll highlight some very specific initiatives that we have to drive ROI on those investments and especially margin enhancement as a result.

Brandon Oglenski – Barclays

I appreciate that and actually that was my follow up on GXO IQ, but I think you kind of touched on it there. It sounds like AI is impacting both your operations, your customers, the way you're approaching the market, and even data centers. I don't know, do you want to expand on that too?

Patrick Kelleher – GXO Chief Executive Officer

Yeah, sure. I think we're living in the full lifecycle of AI. We absolutely embrace AI as a contributor to efficiency and the quality of execution in our business. We are certainly benefiting from the solutions that we have for our customers in supporting data centers. Both the build of data centers, and the ongoing maintenance and sustainment of data centers through service parts and return solutions.

So, we really are living across the whole lifecycle of AI, not only embracing the build-out of AI around the world, but actually leveraging AI for our business, both in the operations that we're executing for our customers, but also AI in the management of our own business.

We are excited about the potential that AI has for us and certainly for our customers and for the supply chain solutions that we're bringing forward. And that's so important as supply chains are becoming more and more complex to drive for resilience with efficiency and high levels of service. I think AI is going to be a really, really important contributor that underpins achieving those supply-chain objectives.

Brandon Oglenski – Barclays

Thank you.

Patrick Kelleher – GXO Chief Executive Officer

Thanks, Brandon.

Operator

Our next question is from Ari Rosa with Citigroup.

Ari Rosa – Citigroup

Hi, good morning. So, it sounds like a lot of encouraging developments underway. That's great.

I know there have been several questions on the margin profile and the margin uplift; I was hoping you could put some numbers to that. If we think about GXO traditionally having an adjusted EBITDA margin in the 6% to 7% range, net income margins, maybe in the low-single-digit range, what is the opportunity there? And I'm sure you'll speak about this at Investor Day, so I apologize if we're preempting that. But just maybe the incremental margins on the new business wins, the new verticals that you're targeting and then how that translates into the overall margin opportunity for the business if we think two to three years out. Thanks.

Patrick Kelleher, Chief Executive Officer

Sure. I've said before, and I'll say it again, I think we have a substantial opportunity for margin improvement in our business. I said very very openly, we lag our competitive peers in terms of EBITDA and EBIT performance in contract logistics. We're very focused on closing that gap and then eclipsing the performance of our peers. When you talk about the margin levels that you referenced, we're a 3.5% to 4% EBIT margin business right now. We really deserve to be above 6% and we'll share more details on November 16 at the Investor Day in terms of our path to achieve that. But we are absolutely committed to closing the gap to the peer set and ultimately flipping industry performance on EBIT and EBITDA margins. I know that the new business that we're bringing in is margin accretive to our current performance. So that is a big area of focus on our new business agenda. Not only achieving the topline growth but achieving margin expansion through organic growth has absolutely been part of the plan.

I would reinforce that we are absolutely on our financial plan as reinforced by our full-year guidance and our affirmation of that, and we are so excited to share the story on November 16 in terms of where we see ourselves going in 2027 and beyond to achieve not only sustainable organic growth, but margin enhancement over the 2027 period and long-term. Mark, maybe if you have anything?

Mark Suchinski – GXO Chief Financial Officer

Patrick, I think you covered it well. You've talked about it at the high level and now, it's for us to execute on that, right? We have lots of opportunities. We're seeing them every single day and we've got a good plan in place and we're going to march to that and we're going to continue to focus on delivering quarter after quarter.

Ari Rosa – Citigroup

Great, that's helpful. And one of the features of the GXO story that we've always been drawn to is the free cash flow generation. It looks like you guys are set up to be doing north of $300 million this year based on the conversion rates that you mentioned in the outlook.

Just curious how you're thinking about priorities for that capital. You mentioned buybacks. Is there a prospect that could accelerate? What are the other uses of capital that you envision and how should we think about what that sustainable free cash flow looks like? Thank you.

Mark Suchinski – GXO Chief Financial Officer

Thanks, Ari. There are lots of opportunities for us to continue to focus on cash. It's a big priority for me. Improving our free cash flow conversion, obviously through improving profitability and growing the top line, that helps on the free cash flow side. But I think we've got plenty of opportunities to work on working capital – collections quicker, billing quicker on the DPO side. Plenty of opportunities to focus there, and we're making some progress there and I think it's reflective. Small improvements, I think we're taking good steps, and we saw some of that come through here in the second quarter.

We're going to continue to focus on the cash, but from a capital allocation standpoint, first and foremost, we're going to invest in ourselves. We're going to invest in growing our business. Number one priority. We talked a lot about growth. We need to balance that with continuing to focus on deleveraging, reducing our interest expense. That helps bring more cash to the bottom line.

But as you indicated, we started to buy shares again here recently. We have $280 million left under our current plan. And I would say that, with where the stock price is at this point in time, we think it's a great investment. And so therefore, we will continue to buy back shares here in the back half of the year. And then I think when we get to Investor Day, I think we'll go much deeper into our plan around capital allocation. But those are the priorities and as I said, with where the stock price is, we're going to continue to buy shares because we think that our stock is undervalued.

Ari Rosa – Citigroup

Wonderful – appreciate the time.

Mark Suchinski – GXO Chief Financial Officer

Thanks, Ari.

Operator

Our next question is from Tom Wadewitz with UBS.

Tom Wadewitz – UBS

Yeah, good morning. I wanted to start with just some thoughts on the competitive environment. It's great that you're seeing these wins in data centers and air and defense. How do you think about who else can do that business well? I'm sure it's a broad group that wants to do that, but in data centers, do you compete a lot with those that have strong forwarding? Is it those that have already done data centers for a long time and the big global players like DHL Supply Chain? Or, how do you think about that competitive environment? And also, I guess how you differentiate in those markets as well?

Patrick Kelleher – GXO Chief Executive Officer

Sure, I would just say I'm really pleased with the competitive advantage that we have in those areas, both on data centers and on aerospace and defense. And I think our success there is great evidence that we are top of the list for customers in those industries to pick GXO to work with. And that's flowing through in the sales number.

I think we have very differentiated capabilities on the data center side in terms of being an end-to-end provider around the data center, supporting not only the forward build, but also parts replenishment, returns, and refurbishment activities required for the sustainment of data centers over the long term.

From an aerospace and defense perspective, I would contend that we are the market leader in the customer base that we service today. The capabilities that we have both across commercial and defense aerospace, capabilities that we have from a defense perspective. We are launching a number of service offerings over the next couple months and into 2027. I'd highlight we have a really unique munitions solution launching in the UK and I think one of the few providers in the world who would provide a service like that as a private company, publicly traded, non-government company. So, the threads that we have into the defense space are deep and I think we are so, so well positioned to continue to win, to continue to execute, and I think we'll be the market leader for years to come.

Tom Wadewitz – UBS

So, you're commenting on both aerospace and defense and then saying you want to be a market leader in data center too? Or was that more aero defense?

Patrick Kelleher – GXO Chief Executive Officer

I think we are a market leader in data centers. Certainly given the volume of new business that's coming in, and the size of this that we have today, I think we are a market leader.

Tom Wadewitz – UBS

Okay, and then I guess a quick follow up would be on attrition. I think we normally think about the contract wins as the big driver, but then you have something like 5% attrition as kind of normal. As you work on this mix and have traction in the strategic customers, does that imply that your attrition rate would tend to go down? And I guess that would also maybe just be a question, are these also kind of stickier longer-term contracts that you're signing in these strategic areas? Thanks for the time.

Patrick Kelleher – GXO Chief Executive Officer

Sure, yes, it does imply that our attrition rate would go down. Our focus on our customer success model is going to be a contributor to that. We want to create stickier relationships, longer term relationships, and we want to continue to reduce churn in the business as a lever to drive more accelerated organic growth. So that is very clearly part of our plans, and we'll share on November 16, Investor Day, the trajectory that we see ourselves achieving between the end of the year and through the end of this decade.

Tom Wadewitz – UBS

Great, thank you.

Operator

Our next question is from Jason Seidl with TD Cowen.

Jason Seidl – TD Cowen

Thank you, Patrick, Kristine, team. Good to talk to you guys this morning. Wanted to look at GXO IQ a little bit closer. Obviously, you guys are going to have 50 sites by the end of this year. Maybe you can give us an update on some of what you're seeing in terms of the early gains, and then maybe go into what do you think 2027 is going to bring in terms of number of sites?

Patrick Kelleher – GXO Chief Executive Officer

Yes, as said, we're going to be deployed to more than 50 sites by the end of the year. I am going to defer the answer to the question until November 16. We have lots of details that we're pulling together on that, and it will best be shared in the context of the overall story that we're going to share on that day.

Jason Seidl – TD Cowen

Okay, if we can switch gears a little bit then towards your strategic growth verticals, and it's good that you guys are showing some gains there. How should we think about that business from a margin profile versus some of your legacy businesses?

Kristine Kubacki – GXO Chief Strategy Officer

Hi Jason, it's Kristine. I think, in my prepared comments we talked about, and Patrick has talked about in several answers here, about attractive economics in these verticals. And the more complex the operations, the more value-added services that we're providing for our customers, the more differentiated outcomes. These mean better economics for us. And then certainly as we talked about stickier, longer lasting relationships with those customers.

So, I think overall, as the mix continues to evolve for us, as this is one of the levers as we look forward to margin improvement, that will be a long-term driver to that as we look out over the next several years.

Jason Seidl – TD Cowen

But if I can push on that a little bit, is there any way you guys can push us in the right direction on just how much more it can add to the margins in terms of your existing business? What are we looking at? Is it 100 basis points, is it more than that?

Patrick Kelleher – GXO Chief Executive Officer

I think for obvious reasons we wouldn't comment on specific margin differentials between industry verticals and so forth. We can share on November 16 an overall context of how the blend of the business will generate higher margins. We'll make sure to contextualize that in a helpful way on November 16.

Jason Seidl – TD Cowen

Fair enough. I look forward to November then.

Patrick Kelleher – GXO Chief Executive Officer

Thanks, Jason.

Operator

Our next question is from Bascome Majors with Stephens.

Bascome Majors – Stephens

Thanks for taking my questions. Patrick, as you approach the year mark here, and look at the results of the GXO business versus the results of your former competitor's supply chain business, can you help us understand as analysts mostly focused on US listed companies, are there some mix differences that help explain their higher recent organic growth? I don't know if it's the overweight US versus you today, or a little bit of Asia in there, but just big picture, where is the mix driving a faster growth rate there and where is that an opportunity in your long-term strategy as we look forward? Thank you.

Patrick Kelleher – GXO Chief Executive Officer

Yeah, sure. I think that I have spoken to this on previous calls as GXO. We're underweighted in North America. That is a high growth market, and we have put a lot more emphasis on growing in North America since I joined a year ago. And we're seeing the benefits of that focus come through in the new business wins. With the new business wins being signed, we should see accelerated organic growth in North America for GXO overall as a result of that focus.

I do think that Asia represents a phenomenal opportunity for us. We're in Thailand, Singapore, and Malaysia today. We are looking at plans for our expansion there. But that is a structurally very good growth market for the contract logistics industry, one that we should be participating in in a bigger way.

And so, coupled with the focus on the strategic B2B verticals, I think are all strategic decisions that we're taking that improve that mix that you reference, sort of a portfolio view of the business, that does fuel higher organic growth for GXO in the future. And we're going to share lots more details on that on November 16.

Bascome Majors – Stephens

To clarify that point, are these just markets with higher growth rates in Asia and the Americas right now than Europe, and that's part of it? And if you could add a little more intra-Europe: the GXO business is overweight, the UK, DHL is overweight, Germany… are there some intra-Europe differentials that are just market growth rates not necessarily working in your direction today? Thank you.

Patrick Kelleher – GXO Chief Executive Officer

Yeah, so we have enjoyed great growth in Europe and the UK. We're going to continue to enjoy that great growth as we compete in those markets. North America is a market that is growing at a higher rate in contract logistics, and we want to leverage our scale and position in this market for accelerated growth. Asia. We're a very small business in Asia today, so focus on growing our business in Asia will be important to contributing to that organic growth. When we look at intra-Europe, we're really pleased with the presence that we have in Europe, the countries that we're participating in. And so, we will look carefully at country expansion in Europe, but we'll do that carefully.

We are opening a new operation in Greece coming up in the second half. That'll be our first entree into that market. I think if you look at the numbers, the performance of our business by country in Europe has been very strong, and a big contributor to our growth over the first five years of our history. We're going to continue to harvest that as we go forward. So, I think it is that diversified geographic portfolio that not only is important for our growth, emphasizing certain markets like North America and Asia gives us accelerated growth, but also resilient growth through that diversification and careful expansion.

Bascome Majors – Stephens

Thank you.

Operator

Our next question is from Brian Ossenbeck with J.P. Morgan.

Brian Ossenbeck – J.P. Morgan

Hey, good morning. Thanks for taking the question. Maybe first, just a quick follow up on the short term here, can you give a little bit more perspective or confidence and the visibility for accelerating both organic growth, organic revenue growth? And then the wins to support what I would think is accelerating organic growth in 2027? How much of that is just stuff you have in the pipeline already that's coming online? Or maybe it's a mix of the new strategic stuff that's starting to ramp up as well?

Kristine Kubacki – GXO Chief Strategy Officer

Yeah, Hi Brian, I think, this is Kristine here. I think we've hit a bit on all the commercial activity that has really just gone up in a big way over the last six months. And we're really seeing that sustained momentum as we move into the back half.

So, our incremental revenues for this year obviously at this point are a record. So $1 billion. We feel very good about as we're moving into the back half, delivering on the organic growth guidance that we've reiterated here today. And then as we look out into 2027, as we're converting the new wins for the third quarter and the fourth quarter, those will largely fall into next year and of course we'll be building on that, layering on that, those opportunities as we move into the first half of next year. So, I think we have every bit of confidence, as I previously mentioned, that we'll exceed the wins from last year, substantially, and we look for accelerating organic growth as we move into 2027.

Brian Ossenbeck – J.P. Morgan

All right, thanks. Kristine and Patrick, know we will hear a lot more in a few months at the Investor Day, but what are the constraints you see here for profitable growth? I know time is always one, getting new companies to outsource and take over in place. How about locations, real estate, labor availability? And also, just kind of curious to hear what you think you need to do to establish a bigger foothold in the Asia-Pacific region? Thank you.

Patrick Kelleher – GXO Chief Executive Officer

Yeah, sure in terms of any sort of headwinds to organic growth, for us it really is going to be about managing the things that we control. The biggest will be to make sure that our operational staff capabilities, and people capacity that we have in place, are matching the growth that we're delivering from a new business signings perspective so that we can be managing successful implementations and bringing new customers on, new operations on, as we strive to achieve those organic growth aspirations.

We work really hard on activities around people, including succession planning; making sure that we're recruiting ahead of winning new business; training people before they take over responsibility for an operation; making sure that we've got the talent to step up for the organic growth that's coming on. That is probably where I spend a significant amount of my time positioning us for organic growth going forward. The second part of your question, please remind me?

Brian Ossenbeck – J.P. Morgan

Just on anything you can preview for Asia-Pacific what you might need to get a bigger foothold there?

Patrick Kelleher – GXO Chief Executive Officer

For Asia, we really are looking to grow as much as we can organically there. We'll be investing in our sales and marketing capability, investing ahead in operating capability. We want to be careful around new country entry there, but certainly participating in the bigger markets in Asia will be important to us as we look to expand beyond the three countries that we’re in there. That will begin to happen in 2027, and we'll preview a bit of that on November 16.

Brian Ossenbeck – J.P. Morgan

All right, thanks very much, Patrick.

Operator

Thank you, we have reached the end of our question-and-answer session. I would like to hand the floor back over to Patrick Kelleher for any closing remarks.

Patrick Kelleher – GXO Chief Executive Officer

Great, thank you. And as we conclude the call, I want to note that this quarter marked five years since GXO became an independent public company. In two weeks I'll mark my first anniversary as CEO. I am so proud of the progress that we've made evolving what I truly believe is a category defining company. Over the past year we've strengthened our leadership team, implemented a more customer-centric commercial model, and we are strengthening operational execution through the GXO Way.

We're winning more business, deepening relationship with customers and diversifying into higher margin strategic verticals. Our strongest commercial performance in three years, particularly in North America, reflects the progress that we're making and reinforces our conviction that we're building the right foundation for long-term growth. At the same time, we're investing in capabilities that will define our future success. We're advancing GXO IQ, scaling automation, strengthening our talent pipeline and building an organization designed to perform consistently and grow sustainably over the long term. We are not focused on short-term gains. We are building a stronger GXO with the capabilities, talent and operating model to create value for customers and shareholders for years to come.

We're still early in the journey, yet the momentum we're seeing gives me such tremendous confidence in our future. We're executing our financial plan, investing strategically for the future, and allocating capital effectively – including the deployment of our $280 million open share buyback authorization, and new business wins – position us for accelerating growth into 2027.

To end, I want to thank our team members around the world for their commitment and thank our customers and shareholders for their trust and support. We look forward to updating you on our progress next quarter and sharing more about our long-term strategy at Investor Day in November. Thank you for joining.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you again for your participation.