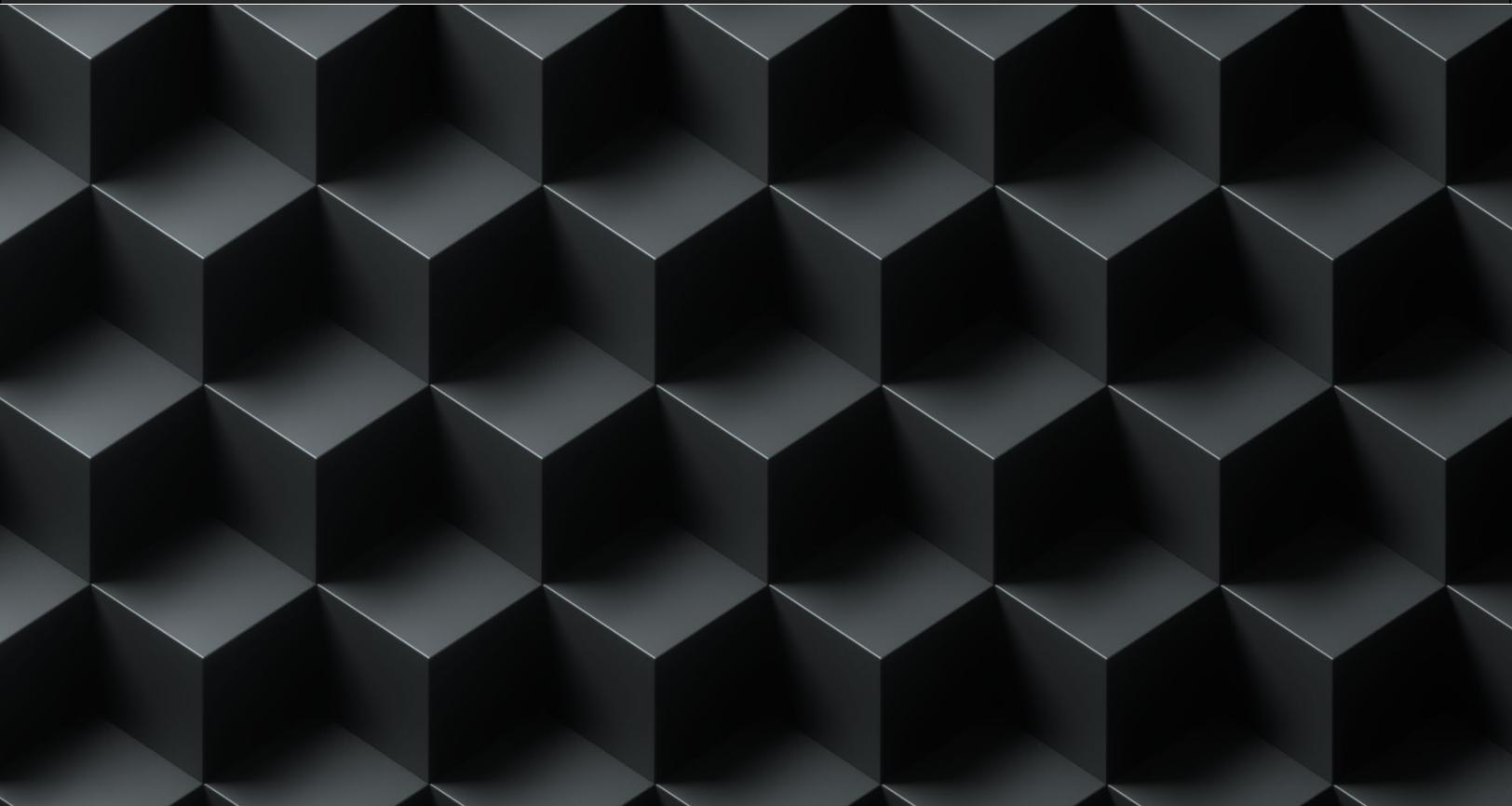




**November 5, 2025**

# **Third quarter 2025 earnings call**



# GXO Logistics Q3 2025 Earnings Call

## Presenters

**Patrick Kelleher** – Chief Executive Officer

**Baris Oran** – Chief Financial Officer

**Kristine Kubacki** – Chief Strategy Officer

## Q&A Participants

**Stephanie Moore** – Jefferies

**Scott Schneeberger** – Oppenheimer

**Chris Wetherbee** – Wells Fargo

**Brian Ossenbeck** – J.P. Morgan

**Ravi Shanker** – Morgan Stanley

**Jason Seidl** – TD Cowan

**Ari Rosa** – Citi

**Richa Harnain** – Deutsche Bank

**Bruce Chan** – Stifel

**Bascome Majors** – Susquehanna

**Patrick Creuset** – Goldman Sachs

## Operator

Welcome to the GXO third 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, Patrick Kelleher. Mr. Kelleher, you may begin.

**Patrick Kelleher – GXO Chief Executive Officer**

Thank you and good morning, everyone. Welcome to the call. Also joining me on our call today are Baris Oran, Chief Financial Officer, and Kristine Kubacki, Chief Strategy Officer.

This is my first opportunity to speak with you as the CEO of GXO. I am looking forward to discussing our third-quarter results and sharing some early reflections from my first 90 days with the company.

I'd like to begin by thanking my predecessor, Malcolm Wilson. Our transition has been very smooth, enabling me to hit the ground running. I've visited many sites across the U.S., U.K. and Continental Europe. Malcolm played a pivotal role in establishing GXO as a global leader, and I am so energized to build on the strong foundation he set.

That strong foundation is evident in our third quarter results. GXO drove record quarterly revenue of \$3.4 billion dollars, with organic revenue growth across every region. Adjusted EBITDA grew 13% from last year to \$251 million. New business wins of \$280 million dollars were up 24% year over year, including a fully automated win in the U.S. with one of the fastest growing global sportswear brands, alongside significant wallet share expansion with existing customers. Our visibility to growth continues to improve, with nearly \$700 million of revenue already secured for 2026, an increase of nearly 50% compared to this time last year.

I want to recognize and thank our GXO teammates for these results. Our people make the difference with attention to detail and a passion for providing the very best customer service. And I want to welcome the Wincanton teammates to the GXO family.

The Wincanton integration is underway and primed to unlock growth opportunities for us across Europe, most notably in the industrial and aerospace and defense sectors. The Wincanton and GXO business units were integrated in October, with back-office functions following this month. We are actively collaborating on a range

of strategic customer tenders and have already realized our first win as a combined team. Synergy realization remains on track.

Looking ahead to next year, further growth in new business wins, coupled with the Wincanton integration now underway, gives us confidence that we'll see growth and margin expansion in 2026.

Baris and Kristine will discuss our results and the new business wins in more detail later in the call.

Since I joined GXO in August, I've been on the road getting under the hood of our operations and culture. I've connected with our leaders and operational teams, engaged with investors, customers, and prospects, and done a lot of listening to understand what's working and where our opportunities exist.

As many of you know, logistics is in my blood. Over the past 32 plus years, I've held operational, commercial and management roles across every facet of the supply chain, which has given me a unique view of the operational and commercial landscape and the opportunities within it. I kept a close eye on GXO since the spin. We are a category-defining company that put contract logistics on the map and one I am honored to lead.

A personal motto that has fueled me and the teams I have led is "even more, even better." And it exemplifies the opportunity that I see at GXO – an impressive track record of growth, nearly doubling the size of the business since the spin, and with the attitude of a high-performing team, a clear opportunity to achieve even more.

Profitable growth is the priority. Organic growth is a critical element of this, and every decision and action will be taken with any eye to accelerating this engine. I see clear opportunities to expand margins as we focus on profitable market verticals and geographies, leverage technology to drive productivity, and share in the value we generate for our customers.

I'd now like to take a moment to share more detailed views on these two key areas:

- First, where I see opportunity to drive even more organic growth.
- And second, ensure even better execution behind it, because the two go hand-in-hand.

Despite our global scale, we hold less than 3% of the global TAM, so there is a long runway of growth ahead. With a sharp commercial strategy on 'where to play and how to win,' there are clear near-term opportunities to accelerate in North America, especially and across high-growth customer segments and verticals.

First, North America. GXO has a strong and well-established position in the UK and Europe, with meaningful opportunities for continued growth. North America represents a similar opportunity. One of the largest and fastest-growing logistics markets globally, with a total addressable market in excess of \$250 billion dollars.

We are energizing our approach to meet its dynamics and opportunities.

Michael Jacobs joined us this week as the new President of the Americas and Asia Pacific region. Michael is a 30-year industry veteran whom I have known for more than two decades. He brings terrific experience from Ferguson Enterprises and Keurig. He has a proven track record of managing complex supply chains, increasing productivity through automation and robotics and improving cost and service.

To further capitalize on the North America opportunity, we are strategically reallocating resources towards sales, solutioning and digital marketing, all to accelerate organic growth.

Second, regarding customer segments, technological innovation continues to redefine what's possible within the warehouse. As I visited our sites, I have seen firsthand use cases of AI in large retail operations, including volume forecasting and proactive replenishment. These highlight the opportunity to further improve our cost-to-serve. This is already a differentiator for GXO, but greater focus in this area will also enable us to grow our market share with mid-size companies, a market opportunity in excess of \$100 billion TAM.

Lastly, within our verticals, we are leaders in retail, luxury, technology and CPG, to name a few. In recent years, we have made strategic inroads into high-growth sectors, like aerospace and defense, data centers, industrials and life sciences.

- In aerospace and defense, as an example, we have a deep competency in North America, and following our acquisition of Wincanton, we are one of the leading supply chain providers to the UK defense industry. We can leverage our relationships and expertise to export this capability to other markets.

- In life sciences, our landmark \$2.5 billion, ten-year deal with the UK's NHS Supply Chain went live flawlessly last month, and we are already exploring opportunities to expand that relationship, as well as our overall growth in the life sciences space.

In short, we have all the ingredients for growth. You'll see us doubling down on what differentiates us and being disciplined about where we play and how to win.

Turning to operations, execution is one of our greatest strengths. As I have visited our sites, I have seen countless lighthouse examples of operational excellence. And as we accelerate growth, our operating model must keep pace with our growth ambitions. I see significant opportunities to benefit from sharing solutioning best practices globally, increased site level productivity through our technological leadership, and a clear, rational and global approach to customer relationships and pricing. That's why we introduced the Chief Operating Officer role, to take the very best of what we already do so well and scale it consistently across our global operations.

We believe operational discipline will not only drive margin expansion but also accelerate profitable growth by making GXO even more competitive.

In closing, we're embarking on a new era of growth. GXO is a fantastic company operating in a fast-growing, highly fragmented industry with a path toward higher organic growth, structurally higher margins, and strong free cash flow.

There is a fantastic opportunity to generate strong shareholder returns, and with this in mind I will be focused on allocating capital to generate the highest possible returns, with organic growth as the priority

Under my leadership, you can expect a sharp commercial focus, strong operational discipline, and clear, consistent communication about our progress.

I look forward to sharing our strategic plan to deliver long-term value for our shareholders in future quarters and at an Investor Day in 2026.

With that, I will hand the call to Baris...

**Baris Oran – GXO Chief Financial Officer**

Thanks, Patrick.

Building on the strong momentum year-to-date, GXO's third quarter performance reflects the power of our resilient business model. With record revenue, higher margins, and robust free cash flow, we are delivering on our commitment to drive profitable growth.

In the third quarter of 2025, GXO delivered record revenue of \$3.4 billion dollars, up 8% year over year, of which 4% was organic. Every region delivered organic revenue growth, highlighting the value of our contractual business model throughout a dynamic trade and macro environment.

We now have about \$800 million dollars of incremental revenue secured for 2025, which, in combination with a retention rate in the mid-90s, puts us in excellent shape to achieve our full-year organic growth target.

We delivered adjusted EBITDA of \$251 million dollars, up 13% from last year. Our margins expanded by 100 basis points sequentially and were up 30 basis points year over year. The margin increase was driven by improved site-level productivity and the sizeable, automated start-ups we discussed last quarter, which matured faster than expected.

We recorded net income of \$60 million dollars, and adjusted net income of \$91 million dollars. Our diluted earnings per share was 51 cents, and our adjusted diluted earnings per share was 79 cents.

Our free cash flow in the third quarter was \$187 million dollars and we're on track to deliver our target adjusted EBITDA to free cash flow conversion for the full year. We remain disciplined in our capital expenditures and working capital management, which allows us to continue to invest in our business with high returns.

Our operating return on invested capital improved further and remains well above our target, driven by improved operating performance.

Our leverage levels improved to 2.7x net debt to adjusted EBITDA, even after executing \$200 million share buyback in the first half of the year.

As Patrick mentioned, the integration of Wincanton is moving at pace, and we are on track to deliver the run-rate cost synergies of \$60 million dollars by the end of 2026. We also expect to gain significant revenue synergies over the coming years.

We remain laser focused on disciplined capital allocation. We continue to prioritize investments that accelerate our organic growth and drive the greatest returns. Our focus for the remainder of the year will be to deliver strong free cash flow, further de-leverage our balance sheet and set the foundation for 2026.

Given our excellent operating performance year-to-date, we are reaffirming our full-year guidance. As a reminder, for 2025, we expect to deliver:

- Organic revenue growth of 3.5% to 6.5%
- Adjusted EBITDA of \$865 million dollars to \$885 million dollars
- Adjusted diluted earnings per share of \$2.43 to \$2.63, and
- Adjusted EBITDA to free cash flow conversion of 25% to 35%.

With strong operating performance, a solid financial foundation, and a robust sales pipeline, GXO's resilient and predictable business model continues to deliver exceptional value to both our customers and 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. The third quarter demonstrates the strength of our business.

The priorities Patrick outlined, accelerating the organic growth agenda and enhancing our operating model, will drive real value creation for customers and shareholders.

On growth, we are making significant progress building our global relationships with blue-chip customers and expanding across geographies and into high-growth verticals. During the third quarter, we won \$280 million dollars in new contracts, up 24% year over year. This brings year-to-date wins to over \$800 million dollars, with a clear line of sight to exceed \$1 billion dollars in 2025.

We continue to grow with top brands like Boeing, BMW, L'Oréal, Sephora and Unilever.

Last quarter, we highlighted the significant opportunities we see in fast-growing verticals such as life sciences, aerospace and defense, and data center infrastructure. These areas remain a strategic focus for us, and I'm excited to share the meaningful progress we've made this quarter.

First, in life sciences, we reached a major milestone with the launch of our landmark operation with the UK's NHS Supply Chain in early October. We're gaining good traction in the \$34 billion-dollar life sciences vertical with another notable win expected to close in Q4, and a robust pipeline of strategic opportunities expected to close before year-end.

Second, we're seeing increased activity in industrial, aerospace and defense across all of our regions. During the quarter, we further expanded our partnership with Boeing, and with a significant percentage of Wincanton's pipeline concentrated in the industrial and aerospace and defense verticals, we are well-positioned to capitalize on high-value opportunities and drive sustained growth in these sectors.

Third, we continue to build momentum in the fast-growing data center market, a critical part of the rapidly expanding AI and cloud infrastructure ecosystem. As a key logistics partner in this complex supply chain, we are well-positioned to capture share in the \$28 billion technology vertical. During the quarter, we secured three new contracts with a leading hyper-scaler, and expanded our strategic partnership with NetApp, demonstrating our ability to scale with high-growth customers.

Turning to our pipeline, our \$2.3 billion sales pipeline is robust and well-diversified across regions and verticals, with accelerated activity in strategic sectors. Opportunities in life sciences and aerospace and defense each increased 30% quarter-over-quarter, while technology tripled. These trends reflect our ability to scale with high-growth customers across critical industries.

All together, our recent wins translate to approximately \$700 million in incremental revenue already for 2026. This gives us confidence in reaffirming our full-year guidance and provides visibility into our long-term growth trajectory.

The second priority Patrick outlined was strengthening our operating model for growth. Core to driving operational excellence is our leadership in automation,

technology, and AI. As of the third quarter of 2025, we have over 15,000 automated units and co-bots deployed at customer sites, rolled out eight proprietary AI modules to numerous sites, and secured two large-scale highly automated contracts during the period, building on the more than 40% of revenues from automated operations. With this strong foundation we are poised to scale these capabilities further, enhancing execution and serving as a powerful lever for accelerated growth.

As we continue expanding our customer base, deepening expertise across high-growth verticals, and advancing our technology capabilities, we are well positioned to deliver even greater value. Through seamless digital solutions and sharper customer insights, we see significant opportunities to win new business and grow with existing customers. Looking ahead, we have a strong foundation to drive organic growth, margin expansion, and compelling returns in 2026 and beyond

And with that, I'll pass the mic back to the operator for Q&A.

## **Question & Answer 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 the handset before pressing the star key. One moment please, while we poll for questions. Our first question comes from the line of Stephanie Moore with Jeffries. Please proceed with your question.

### **Stephanie Moore - Jefferies**

Great. Good morning. Thank you. First Patrick, welcome. Looking forward to working with you as well. I wanted to -- I appreciated the commentary in terms of the opportunity that you outlined in North America in particular as a growth area. You know, if you could maybe give us some perspective based on what you've observed over the last 90 days or so, you know, where do you view the biggest opportunities

within North America? And then maybe let us, you know, kind of highlight to us what you believe will be done differently from a go-to-market and execution strategy within North America specifically? Thanks.

**Patrick Kelleher – GXO Chief Executive Officer**

Yeah, thank you Stephanie. As you point out, I think the North American market is a tremendous opportunity for us. Total market opportunity there is over \$250 billion.

The introduction of Michael Jacobs to the business I think is a big catalyst. Michael is a seasoned supply chain veteran, and I think he'll have a big impact on operational execution and organic growth in the region.

I see big opportunity for us as we shift focus to add aerospace and defense, to continue to build on the great foundation that we have in industrial and particularly with data centers, as Kristine talked about, and life sciences.

Our historic business in North America has been very oriented to omnichannel, retail, CPG and those historic market verticals that we have focused on globally. I think the addition of the market vertical focus in aerospace and defense, industrial and life sciences is a big catalyst for growth in the region.

I think additionally, the addition of our Chief Operating Officer and Chief Commercial Officer will go a long way globally to sharpening commercial execution and driving organic growth as well as, from an operating perspective, making sure that we're really well positioned to execute against increased organic growth going forward.

**Stephanie Moore - Jefferies**

Great, thank you. And then just a follow up, I wanted to ask on the 2025 guidance and really the implied 4Q organic growth guidance. If you could just maybe give us what the underlying assumptions are as it relates to this holiday season as well as just underlying demand trends you know compared to the third quarter? Thanks.

**Patrick Kelleher – GXO Chief Executive Officer**

I'll pass that to Baris.

**Baris Oran – GXO Chief Financial Officer**

Hi Stephanie. In Q3 there was an acceleration on organic growth which was driven by higher new business wins and slightly improved volumes. And on a sequential basis compared to Q2, the volumes were the main drivers. They are higher than last year but lower than Q2 in Q3. As we switch to Q4, we expect more contributions from new business wins, including the ramp up of the huge NHS contract we won. We expect the softer trends in volumes to continue, and we fully expect to be within the full year guidance range.

**Stephanie Moore – Jefferies**

Thank you, everybody.

**Patrick Kelleher – GXO Chief Executive Officer**

Thank you, Stephanie.

**Operator**

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

**Scott Schneeberger – Oppenheimer**

Thanks very much. Good morning and welcome Patrick. I'm going to follow up on Stephanie's first question. It sounds like you're looking to branch out in North America into a lot of areas, and kind of maybe, you mentioned non-consumer areas. Doesn't sound like you're moving away from consumer but want to get a lot more diverse. How should we think about the business mix in a few years? If you're prepared to answer that at this point.

**Patrick Kelleher – GXO Chief Executive Officer**

Sure. We are absolutely going to continue to focus on the core of our business that has been in the past with omnichannel, retail, CPG and those other various market verticals. We do want to focus in on the ones that I talked about in terms of aerospace and defense, industrial, life sciences and there are tailwinds in terms of growth opportunities there, particularly in North America that we want to capitalize

on. I don't want to predict yet the mix a couple years out, but that is something that we can speak to in our investor event in early 2026.

**Scott Schneeberger – Oppenheimer**

Thanks. Looking forward to that event. I guess, Baris for you, could you speak to what went well in the third quarter with regard to your EBITDA -- outperformed our expectations. Could you just speak a little bit more to the success of what drove profitability and maybe some thoughts on EBITDA specifically looking out? Thanks.

**Baris Oran – GXO Chief Financial Officer**

Sure. As forecasted, we have improved our margin sequentially by 100 basis points in Q3. This reflects our usual seasonality and positive contributions from our productivity initiatives at both site level and central level. As you will recall, we have highly automated contracts mature more rapidly than budgeted as it was the case in Q2. And in looking into Q4, we have harder comparisons in the fourth quarter and we expect a more muted year over year margin performance. This is mainly down to phasing of prior effects. We have delivered ahead of our EBITDA plans three times this year. As Patrick mentioned, we expect margins to rise in 2026 as Wincanton synergies become more material.

**Scott Schneeberge – Oppenheimer**

Thanks.

**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**

Thanks. Good morning and welcome Patrick. I guess maybe I wanted to pick up on the margin commentary. So, you noted in your prepared remarks some of the opportunity for margin expansion. That has been one thing that has been a little bit more difficult to achieve. The top-line growth has been pretty solid, but we haven't necessarily seen consistent margin expansion. So, I guess, I get the Wincanton

synergies as we think about 2026. But can you talk a little bit bigger picture about what you think you can do to drive margin expansion across the portfolio?

**Patrick Kelleher – GXO Chief Executive Officer**

Absolutely, and thanks Chris. I believe there is a structural margin opportunity for us here. Margins have been diluted, as you say, to the delays, you know, by the delays of the Wincanton integration. That will correct itself in 2026 as we focus on delivering the 60 million run rate synergies that are available there.

I see a number of other levers that we can be leveraging to improve margin performance. Number one, the verticals that we're looking to expand faster will bring in higher margins and we're committed to making that happen. There is an opportunity to share best practices across the group globally. From an operations perspective, I'm particularly focused in on driving greater labor productivity through technology and AI. There's great work already started by the team on that front.

Additionally, I see an opportunity for ongoing cost discipline and leveraging our existing SG&A as we are driving more organic growth into the business going forward.

**Chris Wetherbee – Wells Fargo**

Okay, that's helpful. I guess we'll get more details on that as well on the investor day next year. And then maybe a little bit more specific for the fourth quarter. When you think about organic revenue growth, you've given kind of a wide range for the full year still that gives some variability into the fourth quarter, but there should be an acceleration I'm guessing. You have NHS, which started up, so that's a fourth quarter contributor. I think you also mentioned another new opportunity that's starting in the fourth quarter. So, can you give us maybe a little bit of sense of expectations around organic revenue growth for 4Q?

**Patrick Kelleher – GXO Chief Executive Officer**

Yeah, sure. I'm going to pass that to Baris, who will comment.

**Baris Oran – GXO Chief Financial Officer**

Yes. For Q4 we expect more contribution from new business wins as I highlighted, and softer trends to continue. And we fully expect to be within our full year guidance range. The shape of the peak and volumes will drive the magnitude of the growth in Q4.

**Chris Wetherbee – Wells Fargo**

Okay, great. Thanks for the time. Appreciate it.

**Operator**

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

**Brian Ossenbeck – JP Morgan**

Hey, good morning. Thanks for taking the question, and welcome Patrick. Just wanted to ask you, I guess bigger picture question first about deploying technology and how it's implemented across the suite of services. You mentioned a little bit on that earlier, but is there anything different that you're looking at implementing in terms of either sourcing the new technologies, how you're pricing it into some of these contracts and redeploying them and then ultimately you know, with a look at getting the returns from that? So maybe you can give a little bit more thoughts on how you see that with GXO initially here.

**Patrick Kelleher – GXO Chief Executive Officer**

Sure. I've been really impressed by GXO's capabilities, our capabilities, around robotics, automation and AI and there really is deep expertise within the organization. I think as there are even more, even better opportunities there.

Focusing in on the technologies that really create the most value for customers and a strong return on investment is an opportunity for us in working with a few strategic partners to really advance and accelerate the rollout of those technologies. I also think that global alignment around the development of these technology solutions, and how our people are partnering with our strategic partners to develop

and co-develop new technologies going into the future. That will be really important on the AI front especially.

I'm really passionate that we continue to build consistent expertise with our people. We have great people focused on these solutions and we want to extend the breadth and the number of people that we have focused on that.

I think a great platform for this is GXO IQ. We went live in the third quarter and we're going to report back at a later date in terms of the progress on that. But that is our platform for rolling out especially AI solutions across our business. We've got eight AI modules which we've deployed at a number of sites already, and we have further work with GXO IQ making that happen.

The other dimension on IQ, which is not lost and should not be lost, is we see opportunity to improve overhead efficiency, where we can improve our own business through use of AI focused on corporate functions like HR, IT and finance. And those agendas are progressing as well.

### **Brian Ossenbeck – JP Morgan**

Thanks for that. Quick follow up on the NHS contract. Sounds like it's off to a good start, but it's a fairly big one, obviously. So, what are some of the biggest early impressions of that? Is it going faster than expected? And if this is going to have, sounds like it's going to have, a decent mix impact, at least here in the fourth quarter?

### **Patrick Kelleher – GXO Chief Executive Officer**

Yeah, that business has started. The start up there, as I said, has been flawless and is going to lead, we believe, to additional opportunities. And I'll ask Kristine maybe to comment on what we see there.

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

Sure, Patrick. Hi, Brian, it's Kristine here. Yeah, we're very excited. This was a critical milestone, really on track as we expected. We started that contract up in the first of October, certainly, so the teams are doing a great job.

Again, this is just the beginning here. As I noted in my prepared comments, we're seeing already a lot of momentum in the pipeline and it's up 30% quarter over quarter. And this is just a huge addressable market for us globally. So over \$34 billion opportunity that we're really just getting started at. So, we're very excited. More to come here.

**Brian Ossenbeck – JP Morgan**

Okay, thank you for the time.

**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. Morning, everyone. Patrick, in your initial kind of introduction, meet and greet, conversations with customers, I bet you also got a little bit of a sense of what they're thinking about the current environment. So hopefully in a world of some level of tariff normalization, post de minimis, et cetera, what are they telling you how they're going into 2026 and what they're thinking here, and how GXO can play a part?

**Patrick Kelleher – GXO Chief Executive Officer**

Yeah, I would say, well, for us, while there's still uncertainty around current tariffs and trade discussions, there hasn't been a material impact on our business. I think our customers, as you point out, are working to solve the complexities and challenges that come with that. And we're a big part of helping them do that.

I would emphasize that two-thirds of our business is outside North America. We also have no direct exposure to China. We operate long-term contracts with our customers, which protects us on volume volatility.

The big thing is the macroeconomic is driving supply chain change. That is happening, and we win when there is change because we are so well-positioned to help our customers make those changes. As I emphasized on the focus on aerospace and defense, the industrial sector and life sciences, all of those market

verticals are seeing additional activity. Manufacturing coming back to the US in many cases in those verticals or additional volume and new infrastructure being implemented in the US, and that is an opportunity that we're standing in front of with our strategic focus there.

Kristine, anything to add to that?

**Kristine Kubacki – GXO Chief Strategy Officer**

Patrick, I think you summed it up nicely. I think we also have an opportunity with that complexity, with the long-value-added services that we can offer our customers. That would be everything from re-stickering, re-bagging and tagging, and also with free trade zones. So that definitely, obviously, is an inbound that our customers are looking for to help solve those complex operations. And so that's another opportunity of growth, accelerated growth, for GXO.

**Ravi Shanker – Morgan Stanley**

That's really helpful. And as a follow up, maybe for you, Kristine, the AI hyperscaler opportunity sounds really interesting. Can you expand on that a little bit? How different is this business versus your, if I would use the word regular industrial or consumer-based customer, in terms of margin, complexity, automation? And if you can kind of maybe size the TAM there.

**Kristine Kubacki – GXO Chief Strategy Officer**

Thanks Ravi, it's Kristine here. So, you hit on all of it. It is obviously a high-value strategic vertical for us, not only in the US but globally. The TAM is \$28 billion today, but as you know, it is booming and growing very rapidly.

This is a complicated and complex supply chain. We're not necessarily supporting the construction of these data centers, but really what we're providing is the, as I said, complicated lifetime logistical services to support those data centers and really grow and scale with our customers. And you need a partner like GXO with our global reach in order to scale.

So, this is again, a very critical part of our pipeline. And again, quarter over quarter, just to contextualize it, we saw the pipeline in this area grow. It tripled quarter over quarter and we just see the opportunity to continue to grow globally.

## **Ravi Shanker – Morgan Stanley**

Very helpful. Thank You.

## **Operator**

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

## **Jason Seidl – TD Cowan**

Thank you, operator. Patrick, Baris, Kristine, good morning. Patrick, you know, I wanted to go back to your comments about expanding the long-term margins. You spoke about pushing into some higher-margin verticals. I was wondering if you could talk about the difference in terms of these new verticals and your legacy business in terms of the margins. And then also can you maybe expand on what are the things GXO needs to do to penetrate these verticals going forward? And then I have a follow up on 4Q.

## **Patrick Kelleher – GXO Chief Executive Officer**

Sure. I can say in the first hundred days here, I've been in a number of operations and was very, very excited about what I saw in terms of our capabilities and competencies, especially in aerospace and defense and industrial, where I feel like we're just getting started, but we have lighthouse examples of operations that we've already implemented and can build on. The complexity of those operations and the value-added services associated with the services out of those operations really lends itself to being profitable market verticals for us.

We see, from a total business perspective, the margin expansion opportunity from our participation in those verticals going forward. And it really is about continuing the great execution that we have demonstrated already there. And that is why the focus for the Chief Operating Officer is so important. To make sure that we're sizing our operations, our capacities there, to meet the organic growth that we're going to generate in those market verticals going forward, so that we can ensure we capture the margin expansion opportunities associated with that growth.

**Jason Seidl – TD Cowan**

And in terms of trying to size the difference in the margins between those verticals in the legacy business?

**Patrick Kelleher – GXO Chief Executive Officer**

Yeah, I would say just from a portfolio perspective, marginally higher than what we see in our current business.

**Jason Seidl – TD Cowan**

Fair enough. Wanted to jump back to the 4Q outlook. I guess I was a little surprised you guys didn't raise the bottom of the guide given what you did in 3Q, which, you know, you exceeded our estimates pretty easily. You called out a little bit of softness, I think. As we head into 4Q here, I was wondering if your views on peak season have really changed any, or is this just you being a little cautious given what you're seeing?

**Patrick Kelleher – GXO Chief Executive Officer**

Yeah, I'll start and then maybe Baris can comment. We're experiencing a normal peak season going right to that. It's not strong, but not weak. And right now, in line with our full year expectations of flat customer volumes. We've done a lot of work early in this year to position customer inventory in the right place for peak. A lot of that activity happened earlier than in years past. Customer inventories right now are at a level where our customers' peak season expectations can be fulfilled. We need to see the demand come through for that. In line with that, we've got the labor in place in order to deliver against that. And as you point out, the impact of the ramp up of the NHS contract and the pace of that will have an impact as well.

**Baris Oran – GXO Chief Financial Officer**

From a numbers perspective, for Q4, as I highlighted, NHS is coming online and that's going to improve our new business contributions in Q4. We do expect softer trends in volumes to continue, but we are confident on achieving our full year EBITDA guidance of \$865 million to \$885 million despite FX weakening marginally in the recent weeks and the volume environment being dynamic as we head into peak.

**Jason Seidl – TD Cowan**

Thank you guys. Appreciate the time.

**Patrick Kelleher – GXO Chief Executive Officer**

Thank you.

**Baris Oran – GXO Chief Financial Officer**

Thank you.

**Operator**

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

**Ari Rosa – Citi**

Yeah, hi, good morning. And Patrick, let me echo others in congratulating you on the new role. So, I'm curious, Patrick, you've held a number of roles across the supply chain. As you said you have extensive experience in this area. I was hoping you could speak to what attracted you to GXO. How do you think about GXO's place in the market? What does GXO do differently or better than its competitors or anyone else in the industry?

**Patrick Kelleher – GXO Chief Executive Officer**

Sure, I've shared with many I watched GXO for a long time with a lot of admiration, maybe even a little bit of envy. Especially since the spin out in 2021.

GXO has continued to be a leader in the technology space, particularly around automation, robotics and AI. The people and the culture at GXO is really what differentiates the organization. This is a performance-oriented culture and stepping in has been really exciting just to be around the people at GXO and the attitude that people bring to work every day around creating amazing customer experiences, delivering great customer service and a passion for growth and performance.

I would say from an operational execution perspective, I've seen so many great examples and I talked about a few in aerospace and defense. I would add the capabilities that we have in GXO Direct, in our multi-customer network, presents a great opportunity for us to service mid-sized customers who I think can really benefit from our value proposition, the investments that we're making in technology, automation, AI and especially our people in a way that mid-sized companies can't invest at that level for themselves. I think we've got a great value proposition for that marketplace.

The geographic breadth that we bring as a business, 27 countries that we're operating in today, allows us to truly be a global partner for customers. We have 50% of our customers who are doing business with us in two regions, and a handful that are in all three.

So, for me, the excitement is that the foundation is there, we've got great operational execution, we have the very best people. And for me, the organic growth opportunity here is something that has really excited me coming in and that's been a big part of my career in the past and something that I really thrive on and looking forward to driving forward.

### **Ari Rosa – Citi**

That's great. We're definitely excited to see you execute on that. If I could just, for my follow up, I'm curious. You've mentioned a desire to hire a COO, and that's obviously a big focus area. What is it that you are hoping a COO brings to the organization? If you could talk a bit about the extent to which best practices have or have not been kind of shared between regions or between customers and what the kind of margin opportunity that could be created from that might look like.

### **Patrick Kelleher – GXO Chief Executive Officer**

Sure. We have a way of operating today, that is the GXO way. We want to continue to increase the level of maturity, operational maturity, that we have in executing the GXO way. That includes how we incorporate technology, automation, AI into our operations, and how we create the best operational environment for our people, and how the GXO way delivers the best service for customers.

The Chief Operating Officer is going to focus on how we're driving forward continued increased productivity and operations, continued improvements on

quality, making sure that we're seamlessly sharing best practices around the world, and then especially making sure that we're positioning our operational capacity in a way that we can meet the demands of the organic growth that we are going to deliver. And, doing that in a consistent way around the world. And so, this is very much about making sure from an operational perspective we are well positioned as we're embarking on our new era of growth going forward.

**Ari Rosa – Citi**

Do you have a sense on what the margin uplift could look like from that? I mean, we're talking like 100 bps. Are we talking more or less? Or is it too early to say?

**Patrick Kelleher – GXO Chief Executive Officer**

As I'm in early, I think that will be something I'll be well positioned to talk to when we get to the Investor Day in 2026.

**Ari Rosa – Citi**

Okay, very helpful. Thanks for the time.

**Patrick Kelleher – GXO Chief Executive Officer**

Thanks.

**Operator**

Thank you. Our next question comes from the line of Richa Harnain with Deutsche Bank. Please proceed with your question.

**Richa Harnain – Deutsche Bank**

Hey gentlemen and Kristine, thanks, thanks for the time. So, Patrick, first off, congrats to you and looking forward to working with you. You just went through some of GXO's biggest competitive advantages, be it the tech, the people, the global reach, and those allowing you to win, you know, strong business. I mean we've heard on these calls consistently the strong TAMs across a number of verticals and that being multiples above GXO's annual top line. So obviously a lot of exciting room for growth. But can you also talk to if there's a key benefit to being a standalone entity?

And on the flip side, what are some of the benefits your competitors naturally enjoy that you might have to overcome? Is it overhead scalability, or do you not necessarily see that?

**Patrick Kelleher – GXO Chief Executive Officer**

We are the largest pure-play contract logistics provider in the world. As you point out, we have the scale to successfully win in the marketplace. Our biggest competitor isn't the competitive set, it is our customers' decision to insource or outsource. And we are positioned to make that decision easy for our customers. And the things that we bring forward, like I talked about on technology, automation, AI and especially our people and the focused solutions that we have to meet the needs of companies that are competing in the target market verticals that we are pursuing.

It is really about making sure that we continue to execute really well. And we're putting more effort, as I talked about, into building out our pipeline through things like digital marketing, a focus on our sales teams, and making sure that we're positioning from an operations perspective, the capacity to deliver our organic growth aspirations. So, I feel really great about the position that we're in to win going forward.

**Richa Harnain – Deutsche Bank**

That's great. And then just a quick one. You guys reiterated your Wincanton synergies today. Baris, I think you mentioned significant revenue synergies potentially down the line as well. Patrick, you talked about securing your first win in collaboration with Wincanton. So, any early thoughts on potential revenue synergies? If they could be similar to the cost synergies or how to think about those.

**Baris Oran – GXO Chief Financial Officer**

Wincanton has been trading solidly so far as a good contributor on a year over year on the, especially, EBITDA results. We began the integration in third quarter. We have realigned the organization structure and beginning to combine the support functions. Procurement benefits will become more obvious in 2026 and onwards.

We expect integration benefits to be about GBP 10 million in this year and \$60 million by the end of 2026 is the full run rate. These are mainly cost, and we do

expect sizable revenue synergies. You can see clearly how we were able to grow other enterprises they acquired. We got a lot of NHS business through the acquisitions. We're growing our health care business quite robustly. We have grown different geographies through acquisitions as well. It's too early to call the numbers out. I think we would better wait for the Investor Day in 2026 where we can highlight the details and go over the numbers with you.

### **Richa Harnain – Deutsche Bank**

Okay, thank you.

### **Operator**

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

### **Bruce Chan – Stifel**

Hey, thanks and good morning, everyone. Nice to have you on the call here, Patrick. You know, just another follow up on Wincanton, especially now that you've had a quarter or so of it fully under your belt. Maybe first, just to clarify, I'm assuming that any legacy pipeline in Wincanton has been kind of included in the numbers that you're quoting today? And then, Patrick, you know you talked about sharing with best practices a couple of times, just specific to Wincanton, can you remind us what the margin differential looks like between those two businesses and maybe also comment on the level of automation in that acquired portfolio and what opportunities you see going forward to maybe deploy some of your capabilities into those legacy contracts?

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

Hi, Bruce, it's Kristine. I just want to contextualize a little bit about the pipeline. As we stated, our pipeline as a consolidated company is at \$2.3 billion. Very robust even in terms of the wins that we had in the quarter of \$280 million. Looking at Wincanton, a majority of what they're bringing in terms of the pipeline, a significant portion of their pipeline is coming over via aerospace and defense. So, we're very excited about those opportunities. And again, as Baris just touched on, we're just at the starting gate. If we look at the broader global aerospace and defense, and industrial total addressable market, it's hundreds of billions of dollars of opportunity. And for us,

again, that aerospace and defense pipeline has already started to move up and we're seeing good momentum. So, quarter over quarter it was up 30%.

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

And from a margins perspective, as I highlighted before, Wincanton margins are lower than GXO as they lack scale and they are extremely capital light. Their return on investment capital has been very high. They're almost working capital neutral. As we get more and more synergies, cost synergy benefits, we do expect a margin uplift in 2026 and onwards from Wincanton and the revenue contributions will follow that.

### **Bruce Chan – Stifel**

Okay, thank you.

### **Operator**

Thank you. Our next question comes from the Line of Bascome Majors with Susquehanna International Group. Please proceed with your question.

### **Bascome Majors – Susquehanna**

Thanks for the questions. Patrick, we've heard organic growth come up in the vast majority of your answers today and that clearly seems to be something you intend to lead with in your tenure here. But if we take a step back, next two, three years, high level, can you rank order the key drivers of what you think will drive bottom-line growth for GXO between organic optimization, efficiency and maybe even absorption. And lastly, if M&A is part of your plan. Thank you.

### **Patrick Kelleher – GXO Chief Executive Officer**

Sure. Without specifics, which we'll talk to in Investor Day 2026, in terms of advancing the bottom line, as you point out, that is a blend of a focus on organic top-line growth, being cost-disciplined around SG&A, and we absolutely see productivity improvement opportunities in our current operations. On top of that, as we've talked about the Wincanton contributions that come as we continue to integrate that business going forward.

From an M&A perspective, and you highlighted it, organic growth is a primary area of focus. M&A is not in our short-term agenda. We will be doing M&A in the future. We're going to be very disciplined about M&A. We've done a fantastic job as GXO over the last four years in assembling the combination of companies through M&A that have given us the platform that we deserve organic growth now and we can deliver against that and we want to capitalize on the M&A that has been done. Our M&A strategy will be focused on especially North America and the key verticals that we want to participate in. But again, not in our short-term agenda as we look forward. I really want to emphasize the organic growth engine and driving for performance there.

### **Bascome Majors – Susquehanna**

Thank you for that broad answer. And just as we think about the Investor Day, do you have a sense of what the right timing is? Or maybe a better way to ask that is what sort of operational learnings and key personnel you need in place before you can have that discussion with the investment community?

### **Patrick Kelleher – GXO Chief Executive Officer**

Yes, I think you just pointed it out there. The key is getting the executive leadership team assembled in filling the recruiting efforts that are currently underway for CFO, COO and the Chief Commercial Officer. I expect those to be completed late this year, by the end of this year or January of next year at the latest. And then from there we'll identify the best timing for Investor Day in 2026.

### **Bascome Majors – Susquehanna**

Thank you.

### **Operator**

Thank you. Our next question comes from the line of Patrick Creuset with Goldman Sachs. Please proceed with your question.

### **Patrick Creuset – Goldman Sachs**

Good morning, Patrick, Baris, Kristine, thanks for taking my questions. Patrick, you set out your focus on accelerating organic growth in the US and raising margins. We

start with the US growth initiatives. What do you think is achievable in terms of scaling the US business perhaps relative to the business you have in Europe? I mean, you know, looking at your US business about half the size of your UK business right now, looking at relative market size for any reason, it couldn't be substantially bigger than the UK business in the medium-term? And then on margins, you're looking at some of your peers in Europe, they've been operating, albeit with different vertical mix, at least a couple of percentage points higher EBIT margins through the cycle. So, would you see that as a useful benchmark for us to start thinking about your margin potential? And if not, why not? Thank you.

**Patrick Kelleher – GXO Chief Executive Officer**

Sure. In terms of the North America market, again, I see substantial opportunity here. I don't want to predict in the future what percentage North America will make of the total portfolio. And it's really important to point out we're going to be growing in all regions that we participate in. So, the denominator will change there as we move forward. But I will emphasize \$250 billion market in North America. We are really well positioned to capitalize on that opportunity through organic growth and we're positioning the resources and teams in place to make that happen. From a margin perspective as it relates to our peers and so forth, we have line of sight to be high-performing, and we'll share more in the Investor Day 2026 in terms of our specific aspirations there and what we're targeting. So more to come on that.

**Patrick Creuset – Goldman Sachs**

Thank you.

**Operator**

Thank you. Ladies and gentlemen, that is all the time we have for questions today. I'd like to hand the call back to CEO Patrick Kelleher for any closing remarks.

**Patrick Kelleher – GXO Chief Executive Officer**

Great. Thank you, operator. Before we close, I want to leave you with a few key takeaways from me.

First, we delivered a solid quarter. It was a record quarterly revenue delivered. Our sales pipeline is strong, it's diversified, and scaling in high-growth sectors. The

Wincanton integration is on track. And, thanks to solid revenue visibility and our resilient model, we are reaffirming our full-year guidance.

Second, in my first 30 days, I've seen first-hand the depth of talent and potential across GXO. And I've talked a lot about that today. This company is so well positioned to grow going forward with that strong foundation, and now the opportunity is to activate our full potential.

We are entering a new era of growth. This is one where we realize GXO's promise to be even more, even better. That means even more growth, driven by commercial focus and customer intensity, and even better execution, powered by the innovation and operational excellence that has defined us.

I really appreciate your questions today. I'm looking forward to meeting many of you in person in the weeks ahead. I'm confident in the path and I look forward to sharing our continued progress in the quarters to come.

Thank you.

**Operator**

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.