

Benefit to free cash flow from trade receivables programs

Principle: When the company sells receivables, it accelerates cash receipts, thereby increasing reported free cash flow.

Examples:

On 03/1, company generates an accounts receivable invoice of \$100. If the receivable is outstanding at end of quarter (customer has not paid) and the company sells the receivable for cash consideration on 03/31, operating cash flows (and free cash flow) during the quarter have benefitted from the receivable sale.

By way of contrast, if the company sells the receivable on 03/1 and the customer remits payment on or before 03/31, the sale of the receivable has not benefitted free cash flow during the quarter because, absent the sale, operating cash flows would have reflected the cash receipt.
(Note, XPO has visibility to customer remittances post-sale as it functions as a servicer on behalf of receivable purchasers)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Benefit (reduction) to free cash flow from trade receivables programs	3	(45)	11	(8)	4	(7)	44	6	(15)
Securitization Programs									-
A Receivables sold in period	372	281	355	369	347	408	504	467	447
B Cash consideration	372	281	355	369	347	408	504	467	447
C Less: cash collected as servicer on sold receivables	(367)	(331)	(338)	(379)	(341)	(412)	(464)	(466)	(464)
D Total cash impact of securitization programs (B + C)	5	(51)	17	(9)	6	(4)	40	1	(17)
Factoring Programs									-
E Receivables sold in period	18	23	17	18	16	13	17	26	27
F Cash Consideration	18	23	16	18	16	13	17	26	27
G Cash consideration from prior sequential quarter or cash collected as a servicer	(20)	(18)	(23)	(16)	(18)	(16)	(13)	(21)	(25)
H Total cash impact of factoring programs (F + G)	(2)	5	(7)	1	(2)	(3)	4	5	2
Benefit (reduction) to free cash flow from trade receivables programs (D + H)	3	(45)	11	(8)	4	(7)	44	6	(15)
Year-to-date benefit (reduction) to free cash flow from trade receivables programs					(40)			47	(15)

- A Represents gross amount of trade receivables sold in the period indicated
- B With respect to trade receivables sold in the period indicated, represents portion of purchase price received in cash on day of sale
- C Represents cash collected in servicing capacity on sold receivables during the referenced period
- E Represents trade receivables sold during the period indicated
- F With respect to trade receivables sold during the period indicated, represents cash received on sold receivables
Any difference between cash purchase price and gross amount of receivables sold represents the discount on sale of receivables and is recorded within interest expense
- G/H For most factoring programs, we do not function as the servicer and thus calculate the cash impact in a particular quarter as the difference between the consideration received in the current quarter and the cash consideration from the prior sequential quarter. Effective in Q4 2021, we initiated a new program where we do function as the servicer. For this one program, the cash impact is calculated as the difference between the cash consideration in the current quarter and the cash collected as a servicer (similar to the calculation above with respect to the securitization).

The examples above are for illustrative purposes only. Neither the Company's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the examples, nor have they expressed any opinion or any other form of assurance on such examples.