

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2024  
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 001-41514



(Exact name of registrant as specified in its charter)

Delaware

88-2183384

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

11215 North Community House Road  
Charlotte, NC

28277

(Address of principal executive offices)

(Zip Code)

(980) 308-6058

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	RXO	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 5, 2024, there were 117,626,483 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

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**RXO, Inc.**  
**Quarterly Report on Form 10-Q**  
**For the Quarterly Period Ended June 30, 2024**  
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**PART I—FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

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**RXO, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

(Dollars in millions, shares in thousands, except per share amounts)	June 30, 2024	December 31, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 7	\$ 5
Accounts receivable, net of \$ 9 and \$ 12 in allowances, respectively	725	743
Other current assets	44	48
<b>Total current assets</b>	776	796
<b>Long-term assets</b>		
Property and equipment, net of \$ 319 and \$ 293 in accumulated depreciation, respectively	118	124
Operating lease assets	210	195
Goodwill	630	630
Identifiable intangible assets, net of \$ 124 and \$ 118 in accumulated amortization, respectively	62	68
Other long-term assets	17	12
<b>Total long-term assets</b>	1,037	1,029
<b>Total assets</b>	\$ 1,813	\$ 1,825
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 382	\$ 414
Accrued expenses	197	199
Short-term debt and current maturities of long-term debt	16	3
Short-term operating lease liabilities	54	53
Other current liabilities	13	13
<b>Total current liabilities</b>	662	682
<b>Long-term liabilities</b>		
Long-term debt and obligations under finance leases	370	356
Deferred tax liabilities	—	7
Long-term operating lease liabilities	160	146
Other long-term liabilities	42	40
<b>Total long-term liabilities</b>	572	549
<b>Commitments and Contingencies (Note 10)</b>		
<b>Equity</b>		
Preferred stock, \$ 0.01 par value; 10,000 shares authorized; 0 shares issued and outstanding as of June 30, 2024 and December 31, 2023	—	—
Common stock, \$ 0.01 par value; 300,000 shares authorized; 117,607 and 117,026 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	1	1
Additional paid-in capital	599	590
Retained earnings (Accumulated deficit)	( 16 )	6
Accumulated other comprehensive loss	( 5 )	( 3 )
<b>Total equity</b>	579	594
<b>Total liabilities and equity</b>	\$ 1,813	\$ 1,825

See accompanying notes to condensed consolidated financial statements.

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**RXO, Inc.**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

<i>(Dollars in millions, shares in thousands, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Revenue</b>	\$ 930	\$ 963	\$ 1,843	\$ 1,973
Cost of transportation and services (exclusive of depreciation and amortization)	700	723	1,399	1,482
Direct operating expense (exclusive of depreciation and amortization)	50	59	103	120
Sales, general and administrative expense	154	144	299	297
Depreciation and amortization expense	17	18	33	36
Transaction and integration costs	7	4	8	10
Restructuring costs	2	1	13	9
<b>Operating income (loss)</b>	\$ —	\$ 14	\$ ( 12 )	\$ 19
Other expense	—	—	1	—
Interest expense, net	8	8	16	16
<b>Income (loss) before income taxes</b>	\$ ( 8 )	\$ 6	\$ ( 29 )	\$ 3
Income tax provision (benefit)	( 1 )	3	( 7 )	—
<b>Net income (loss)</b>	<b>\$ ( 7 )</b>	<b>\$ 3</b>	<b>\$ ( 22 )</b>	<b>\$ 3</b>
<b>Earnings (loss) per share data</b>				
Basic earnings (loss) per share	\$ ( 0.06 )	\$ 0.03	\$ ( 0.19 )	\$ 0.03
Diluted earnings (loss) per share	\$ ( 0.06 )	\$ 0.03	\$ ( 0.19 )	\$ 0.03
<b>Weighted-average common shares outstanding</b>				
Basic weighted-average common shares outstanding	117,579	116,894	117,398	116,748
Diluted weighted-average common shares outstanding	117,579	119,457	117,398	119,414

See accompanying notes to condensed consolidated financial statements.

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**RXO, Inc.**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
**(Unaudited)**

<i>(In millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Net income (loss)</b>	\$ (7)	\$ 3	\$ (22)	\$ 3
<b>Other comprehensive income (loss), net of tax</b>				
Foreign currency translation, net of tax effect of \$—, \$—, \$— and \$—	\$ (2)	\$ —	\$ (2)	\$ —
<b>Other comprehensive income (loss)</b>	<b>(2)</b>	<b>—</b>	<b>(2)</b>	<b>—</b>
<b>Comprehensive income (loss)</b>	<b>\$ (9)</b>	<b>\$ 3</b>	<b>\$ (24)</b>	<b>\$ 3</b>

See accompanying notes to condensed consolidated financial statements.

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**RXO, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

(In millions)	Six Months Ended June 30,	
	2024	2023
<b>Operating activities</b>		
Net income (loss)	\$ (22)	\$ 3
<b>Adjustments to reconcile net income (loss) to net cash from operating activities</b>		
Depreciation and amortization expense	33	36
Stock compensation expense	11	11
Deferred tax expense (benefit)	(9)	2
Other	2	1
<b>Changes in assets and liabilities</b>		
Accounts receivable	13	162
Other assets	1	(17)
Accounts payable	(27)	(73)
Accrued expenses and other liabilities	—	(59)
<b>Net cash provided by operating activities</b>	2	66
<b>Investing activities</b>		
Payment for purchases of property and equipment	(22)	(28)
<b>Net cash used in investing activities</b>	(22)	(28)
<b>Financing activities</b>		
Proceeds from borrowings on revolving credit facilities	119	—
Repayment of borrowings on revolving credit facilities	(92)	—
Payment for tax withholdings related to vesting of stock compensation awards	(3)	(9)
Repurchase of common stock	—	(2)
Repayment of debt and finance leases	(1)	(1)
Other	(1)	(1)
<b>Net cash provided by (used in) financing activities</b>	22	(13)
Effect of exchange rates on cash, cash equivalents and restricted cash	—	1
<b>Net increase in cash, cash equivalents and restricted cash</b>	2	26
<b>Cash, cash equivalents, and restricted cash, beginning of period</b>	5	98
<b>Cash, cash equivalents, and restricted cash, end of period</b>	\$ 7	\$ 124
<b>Supplemental disclosure of cash flow information:</b>		
Leased assets obtained in exchange for new operating lease liabilities	\$ 49	\$ 36
Cash paid for income taxes, net	2	21
Cash paid for interest, net	15	17

See accompanying notes to condensed consolidated financial statements.

**RXO, Inc.**  
**Condensed Consolidated Statements of Changes in Equity**  
**(Unaudited)**

(Dollars in millions, shares in thousands)	Common Stock						Total Equity
	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Other Comprehensive Loss		
<b>Balance as of March 31, 2024</b>	<b>117,544</b>	<b>\$ 1</b>	<b>\$ 593</b>	<b>\$ (9)</b>	<b>\$ (3)</b>	<b>\$ 582</b>	
Net loss	—	—	—	(7)	—	—	(7)
Other comprehensive loss	—	—	—	—	—	(2)	(2)
Stock compensation expense	—	—	6	—	—	—	6
Vesting of stock compensation awards	63	—	—	—	—	—	—
<b>Balance as of June 30, 2024</b>	<b>117,607</b>	<b>\$ 1</b>	<b>\$ 599</b>	<b>\$ (16)</b>	<b>\$ (5)</b>	<b>\$ 579</b>	

(Dollars in millions, shares in thousands)	Common Stock						Total Equity
	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Other Comprehensive Loss		
<b>Balance as of December 31, 2023</b>	<b>117,026</b>	<b>\$ 1</b>	<b>\$ 590</b>	<b>\$ 6</b>	<b>\$ (3)</b>	<b>\$ 594</b>	
Net loss	—	—	—	(22)	—	—	(22)
Other comprehensive loss	—	—	—	—	—	(2)	(2)
Stock compensation expense	—	—	11	—	—	—	11
Vesting of stock compensation awards	581	—	—	—	—	—	—
Tax withholdings related to vesting of stock compensation awards	—	—	(2)	—	—	—	(2)
<b>Balance as of June 30, 2024</b>	<b>117,607</b>	<b>\$ 1</b>	<b>\$ 599</b>	<b>\$ (16)</b>	<b>\$ (5)</b>	<b>\$ 579</b>	

(Dollars in millions, shares in thousands)	Common Stock						Total Equity
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Loss		
<b>Balance as of March 31, 2023</b>	<b>116,853</b>	<b>\$ 1</b>	<b>\$ 586</b>	<b>\$ 2</b>	<b>\$ (4)</b>	<b>\$ 585</b>	
Net income	—	—	—	3	—	—	3
Stock compensation expense	—	—	6	—	—	—	6
Vesting of stock compensation awards	201	—	—	—	—	—	—
Tax withholdings related to vesting of stock compensation awards	—	—	(3)	—	—	—	(3)
Repurchase of common stock	(100)	—	(2)	—	—	—	(2)
<b>Balance as of June 30, 2023</b>	<b>116,954</b>	<b>\$ 1</b>	<b>\$ 587</b>	<b>\$ 5</b>	<b>\$ (4)</b>	<b>\$ 589</b>	

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(Dollars in millions, shares in thousands)	Common Stock				Accumulated Other Comprehensive			Total Equity	
	Shares	Amount	Additional	Retained	Loss				
			Paid-in Capital	Earnings					
<b>Balance as of December 31, 2022</b>	116,400	\$ 1	\$ 588	\$ 2	\$ (4)	\$ 587			
Net income	—	—	—	3	—	—	3		
Stock compensation expense	—	—	11	—	—	—	11		
Vesting of stock compensation awards	654	—	—	—	—	—	—		
Tax withholdings related to vesting of stock compensation awards	—	—	(10)	—	—	—	(10)		
Repurchase of common stock	(100)	—	(2)	—	—	—	(2)		
<b>Balance as of June 30, 2023</b>	<b>116,954</b>	<b>\$ 1</b>	<b>\$ 587</b>	<b>\$ 5</b>	<b>\$ (4)</b>	<b>\$ 589</b>			

See accompanying notes to condensed consolidated financial statements.

**RXO, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**1. Organization**

RXO, Inc. ("RXO", the "Company" or "we") is a brokered transportation platform defined by cutting-edge technology and an asset-light business model. The largest component is our core truck brokerage business. Our operations also include asset-light managed transportation and last mile services, which complement our truck brokerage business. We present our operations in the condensed consolidated financial statements as one reportable segment.

**2. Basis of Presentation and Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the rules of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements have been prepared on a basis that is substantially consistent with the accounting principles applied in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K"). The accompanying unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the 2023 Form 10-K.

The Company's condensed consolidated financial statements include the accounts of RXO, Inc. and its majority-owned subsidiaries. All intercompany accounts and transactions have been eliminated. In management's opinion, the condensed consolidated financial statements reflect all adjustments that are of a normal recurring nature and are necessary for a fair presentation of financial condition, results of operations and cash flows for the interim periods presented. Operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

***Significant Accounting Policies***

Our significant accounting policies are disclosed in Note 2 to the 2023 Form 10-K. There have been no material changes to the Company's significant accounting policies as of June 30, 2024.

***Accounting Pronouncements Issued but Not Yet Effective***

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, "Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures." The amendments in this update improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items and interim disclosures of a reportable segment's profit or loss and assets. All disclosure requirements of the ASU are required for entities with a single reportable segment. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods for our fiscal years beginning after December 15, 2024, and should be applied on a retrospective basis to all periods presented. Early adoption is permitted. We are currently evaluating the impact of the new guidance.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740) - Improvements to Income Tax Disclosure." The ASU seeks to enhance income tax information primarily through changes in the rate reconciliation and income taxes paid information. The amendments are effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. We are currently evaluating the impact of the new guidance.

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In March 2024, the SEC issued the final rules under SEC Release No. 33-11275, The Enhancement and Standardization of Climate-Related Disclosures for Investors. In April 2024, the SEC voluntarily stayed implementation of the final rules as a result of pending judicial review. These rules, if adopted, will require registrants to disclose certain climate-related information, including Scope 1 and Scope 2 greenhouse gas emissions and other climate-related topics, in registration statements and annual reports, when material. Disclosure requirements, absent the results of pending judicial review, will begin phasing in with the Company's annual reporting for the year ending December 31, 2025. We are currently evaluating the impact the rules will have on our disclosures.

### **3. Pending Acquisition**

On June 21, 2024, the Company, United Parcel Service of America, Inc. ("UPS") and certain subsidiaries of UPS entered into a Purchase Agreement (the "Purchase Agreement"), pursuant to which, following the satisfaction or waiver of certain conditions, the Company will purchase (the "Coyote Acquisition") UPS' technology-driven, asset-light based truckload freight brokerage services business, as well as certain assets used to conduct haulage, dedicated transport and warehousing services in the United Kingdom for \$ 1.025 billion in cash, subject to certain customary adjustments.

### **4. Revenue Recognition**

#### ***Disaggregation of Revenues***

We disaggregate our revenue by geographic area, service offering and industry sector. The majority of our revenue, based on sales office location, is generated in the U.S. Approximately 8 % and 7 % of our revenues were generated outside the U.S. (primarily in Canada, Mexico and Asia) for the three months ended June 30, 2024 and 2023, respectively. Approximately 8 % and 7 % of our revenues were generated outside the U.S. (primarily in Canada, Mexico and Asia) for the six months ended June 30, 2024 and 2023, respectively.

Our revenue disaggregated by service offering is as follows:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Truck brokerage	\$ 543	\$ 557	\$ 1,107	\$ 1,157
Last mile	265	261	497	501
Managed transportation	156	176	308	373
Eliminations	( 34 )	( 31 )	( 69 )	( 58 )
Total	\$ 930	\$ 963	\$ 1,843	\$ 1,973

Our revenue disaggregated by industry sector is as follows:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Retail/e-commerce	\$ 366	\$ 373	\$ 713	\$ 759
Industrial/manufacturing	184	193	377	374
Automotive	103	105	204	207
Food and beverage	96	107	199	212
Logistics and transportation	41	42	83	94
Other	140	143	267	327
Total	\$ 930	\$ 963	\$ 1,843	\$ 1,973

**Performance Obligations**

Remaining performance obligations represent firm contracts for which services have not been performed and future revenue recognition is expected. As permitted in determining the remaining performance obligation, we omit obligations that: (i) have original expected durations of one year or less or (ii) contain variable consideration. As of June 30, 2024, the fixed consideration component of our remaining performance obligation was approximately \$ 48 million, and we expect approximately 100 % of that amount to be recognized over the next 3 years. We estimate remaining performance obligations at a point in time and actual amounts may differ from these estimates due to contract revisions or terminations.

**5. Restructuring Charges**

We engage in restructuring actions as part of our ongoing efforts to best use our resources and infrastructure. These actions generally include severance and facility-related costs, including impairment of operating lease assets, and are intended to improve our efficiency and profitability going forward.

The following is a rollforward of the Company's restructuring liability, which is included in Accrued expenses in the Condensed Consolidated Balance Sheets:

(In millions)	Six Months Ended June 30, 2024					Reserve Balance as of June 30, 2024
	Reserve Balance as of December 31, 2023		Charges Incurred		Payments	
Severance	\$ 4	\$ 9	\$ (9)	\$ 4		
Facilities	2	3	(3)	2		
Contract termination	—	1	—	1		
Total	<u>\$ 6</u>	<u>\$ 13</u>	<u>\$ (12)</u>	<u>\$ 7</u>		

We expect the majority of the cash outlays related to the remaining restructuring liability at June 30, 2024 to be complete within twelve months.

**6. Debt**

The following table summarizes the principal balance and carrying value of our debt:

(In millions)	June 30, 2024		December 31, 2023	
	Principal Balance	Carrying Value	Principal Balance	Carrying Value
Revolver	\$ 18	\$ 18	\$ 5	\$ 5
7.50 % Notes due 2027 <sup>(1)</sup>	355	348	355	347
Finance leases, asset financing and short-term debt	20	20	7	7
Total debt and obligations under finance leases	393	386	367	359
Less: Short-term debt and current maturities of long-term debt	16	16	3	3
Total long-term debt and obligations under finance leases	<u>\$ 377</u>	<u>\$ 370</u>	<u>\$ 364</u>	<u>\$ 356</u>

<sup>(1)</sup> The carrying value of the 7.50 % Notes due 2027 is presented net of unamortized debt issuance cost and discount of \$ 7 million and \$ 8 million as of June 30, 2024 and December 31, 2023, respectively.

### **Revolving Credit Facilities**

On October 18, 2022, we entered into a five-year, \$ 500 million unsecured multi-currency revolving credit facility (the "Revolver"), with \$ 50 million available for the issuance of letters of credit. Loans under the Revolver bear interest at a fluctuating rate plus an applicable margin based on the Company's credit ratings, with interest payable quarterly. The Company is required to pay a commitment fee on any unused commitment, based on pricing levels set forth in the agreement. The covenants in the Revolver are customary for financings of this type. The Revolver requires the Company to maintain a maximum consolidated leverage ratio not greater than 3.50 :1.00 and minimum interest coverage ratio of not less than 3.00 :1.00. At June 30, 2024, the Company was in compliance with the covenants of the Revolver. There were no letters of credit outstanding on the Revolver at June 30, 2024.

On November 2, 2023, the Company exercised a feature to increase the total commitments under the Revolver from \$ 500 million to \$ 600 million.

On April 11, 2024, the Company and lenders entered into an amendment to increase the consolidated leverage ratio financial covenant level applicable under the Revolver from the fiscal quarter ending June 30, 2024 through the fiscal quarter ending March 31, 2025 (the "Covenant Relief Period"), as follows: (i) to 4.25 :1.00 for the fiscal quarters ending June 30, 2024 and September 30, 2024; (ii) to 4.00 :1.00 for the fiscal quarter ending December 31, 2024; (iii) to 3.75 :1.00 for the fiscal quarter ending March 31, 2025; and (iv) returns to 3.50 :1.00 beginning with the fiscal quarter ending June 30, 2025. In addition, during the Covenant Relief Period, the Company and its subsidiaries are subject to restrictions with respect to paying dividends or other distributions on equity interests, share repurchases, and other restricted payments, as well as certain material acquisitions, in each case subject to certain exceptions. The Company can elect to terminate the Covenant Relief Period and the restrictions thereunder if the consolidated leverage ratio financial covenant as of any fiscal quarter end is not greater than 3.50 :1.00.

We also have a non-U.S. revolving credit facility with a maximum commitment of approximately \$ 16 million. This facility has a one-year term and we had \$ 13 million outstanding as of June 30, 2024 classified as short-term debt.

### **Notes**

On October 25, 2022, we completed an offering of \$ 355 million in aggregate principal amount of unsecured notes (the "Notes" or the " 7.50 % Notes due 2027"). The Notes bear interest at a rate of 7.50 % per annum payable semiannually in cash in arrears on May 15 and November 15 of each year, beginning May 15, 2023, and mature on November 15, 2027, unless earlier repurchased or redeemed, if applicable. The Notes were issued at an issue price of 98.962 % of par. The effective interest rate on the Notes was 8.13 % as of June 30, 2024.

We may redeem the Notes, in whole or in part, at any time on or after November 15, 2024 at a redemption price equal to (i) 103.750 % of the principal amount to be redeemed if the redemption occurs during the 12-month period beginning on November 15, 2024, (ii) 101.875 % of the principal amount to be redeemed if the redemption occurs during the 12-month period beginning on November 15, 2025 and (iii) 100 % of the principal amount to be redeemed if the redemption occurs on or after November 15, 2026, in each case plus accrued and unpaid interest, if any, to, but excluding, the redemption date. At any time prior to November 15, 2024, we may also redeem up to 40 % of the Notes with the net cash proceeds of certain equity offerings at a redemption price equal to 107.500 % of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, at any time prior to November 15, 2024, we may redeem the Notes, in whole or in part, at a redemption price equal to 100 % of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date plus an applicable "make-whole" premium.

The Notes are guaranteed by each of our direct and indirect wholly-owned domestic subsidiaries (other than certain excluded subsidiaries). The Notes and its guarantees are unsecured, senior indebtedness for us and our guarantors. The Notes contain covenants customary for debt securities of this nature. At June 30, 2024, the Company was in compliance with the covenants of the Notes.

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### **7. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The levels of inputs used to measure fair value are:

- Level 1—Quoted prices for identical instruments in active markets;
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets; and
- Level 3—Valuations based on inputs that are unobservable, generally utilizing pricing models or other valuation techniques that reflect management's judgment and estimates.

#### **Assets and Liabilities**

The Company bases its fair value estimates on market assumptions and available information. The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and short-term debt and current maturities of long-term debt approximated their fair values as of June 30, 2024 and December 31, 2023, due to their short-term nature and/or being receivable or payable on demand.

#### **Debt**

The fair value of our debt and classification in the fair value hierarchy is as follows:

(In millions)	Level	June 30, 2024	December 31, 2023
Revolver	3	\$ 18	\$ 5
7.50 % Notes due 2027	1	364	366

We valued Level 1 debt using quoted prices in active markets. We valued Level 3 debt using unobservable inputs which reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

### **8. Stockholders' Equity**

On May 2, 2023, the Company's Board of Directors authorized the repurchase of up to \$ 125 million of the Company's common stock (the "2023 Share Repurchase Program"). During 2023, the Company repurchased 100,000 shares of its common stock for \$ 2 million at an average price of \$ 20.53 per share, funded by available cash. There were no share repurchases under the 2023 Share Repurchase Program in the six months ended June 30, 2024. As of June 30, 2024, \$ 123 million remained approved to be used for share repurchases under the 2023 Share Repurchase Program. The 2023 Share Repurchase Program does not have an expiration date and may be suspended or discontinued at any time at the discretion of the Company's Board of Directors. We are not obligated to repurchase any specific number of shares or use a specific dollar amount of the approved and remaining \$ 123 million.

## 9. Earnings per Share

The computations of basic and diluted earnings per share are as follows:

(Dollars in millions, shares in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss)	\$ (7)	\$ 3	\$ (22)	\$ 3
Basic weighted-average common shares	117,579	116,894	117,398	116,748
Dilutive effect of stock-based awards	—	2,563	—	2,666
Diluted weighted-average common shares <sup>(1)</sup>	117,579	119,457	117,398	119,414
Basic earnings (loss) per share	\$ (0.06)	\$ 0.03	\$ (0.19)	\$ 0.03
Diluted earnings (loss) per share	\$ (0.06)	\$ 0.03	\$ (0.19)	\$ 0.03
Antidilutive shares excluded from diluted weighted-average common shares	2,638	333	2,576	629

<sup>(1)</sup> Amounts may not be additive due to rounding.

## 10. Commitments and Contingencies

We are involved, and will continue to be involved, in numerous proceedings arising out of the conduct of our business. These proceedings may include claims for property damage or personal injury incurred in connection with the transportation of freight, environmental liability, commercial disputes, and employment-related claims, including claims involving asserted breaches of employee restrictive covenants. These matters also include several class action and collective action cases involving claims that the contract carriers with which we contract for performance of delivery services, or their delivery workers, should be treated as employees, rather than independent contractors ("misclassification claims") and may seek substantial monetary damages (including claims for unpaid wages, overtime, unreimbursed business expenses, deductions from wages, penalties and other items), injunctive relief, or both.

We establish accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. If a loss is not both probable and reasonably estimable, or if an exposure to loss exists in excess of the amount accrued, we assess whether there is at least a reasonable possibility that a loss, or additional loss, may have been incurred. If there is a reasonable possibility that a loss, or additional loss, may have been incurred, we disclose the estimate of the possible loss or range of loss if it is material and an estimate can be made, or disclose that such an estimate cannot be made. The determination as to whether a loss can reasonably be considered to be possible or probable is based on our assessment, together with legal counsel, regarding the ultimate outcome of the matter.

We believe that we have adequately accrued for the potential impact of loss contingencies that are probable and reasonably estimable. We do not believe that the ultimate resolution of any matters to which we are presently a party will have a material adverse effect on our results of operations, cash flows or financial condition. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our results of operations, cash flows or financial condition. Legal costs incurred related to these matters are expensed as incurred.

We carry liability and excess umbrella insurance policies that we deem sufficient to cover potential legal claims arising in the normal course of conducting our operations as a transportation company. The liability and excess umbrella insurance policies generally do not cover the misclassification claims described in this note. In the event we are required to satisfy a legal claim outside the scope of the coverage provided by insurance, our results of operations, cash flows or financial condition could be negatively impacted.

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Our last mile subsidiary is involved in several class action and collective action cases involving misclassification claims. The misclassification claims related solely to our last mile business, which operated as a wholly owned subsidiary of XPO until the spin-off of RXO was completed.

Pursuant to the Separation and Distribution Agreement between XPO and RXO, the liabilities of XPO's last mile subsidiary, including legal liabilities, if any, related to the misclassification claims, were spun-off as part of RXO as of November 1, 2022. Pursuant to the Separation and Distribution Agreement, RXO has agreed to indemnify XPO for certain matters relating to RXO, including indemnifying XPO from and against any liabilities, damages, costs, or expenses incurred by XPO arising out of or resulting from the misclassification claims.

In one of the misclassification claims, *Muniz v. RXO Last Mile, Inc.*, we recently reached an agreement to settle the matter without admitting any liability. We have accrued the full amount of the settlement which still requires court approval. Despite this settlement, we continue to believe the other misclassification claims are without merit and we intend to defend the Company vigorously against these matters. We are unable at this time to determine the amount of the possible loss or range of loss, if any, that we may incur as a result of the other misclassification claims.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **Cautionary Statement Regarding Forward-Looking Statements**

*This Quarterly Report on Form 10-Q and other written reports and oral statements we make from time to time contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target," "trajectory" or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include those discussed below and the risks discussed in the Company's other filings with the Securities and Exchange Commission (the "SEC"). All forward-looking statements set forth in this Quarterly Report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The following discussion should be read in conjunction with the Company's unaudited condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report, and with the audited consolidated financial statements and related notes thereto included in the 2023 Annual Report on Form 10-K. Forward-looking statements set forth in this Quarterly Report speak only as of the date hereof, and we do not undertake any obligation to update forward-looking statements to reflect subsequent events or circumstances, changes in expectations or the occurrence of unanticipated events, except to the extent required by law.*

### **Business Overview**

RXO, Inc. ("RXO", the "Company" or "we") is a brokered transportation platform defined by cutting-edge technology and an asset-light business model. The largest component is our core truck brokerage business. Our operations also include asset-light managed transportation and last mile services, which complement our truck brokerage business.

Our truck brokerage business has a history of generating robust free cash flow conversion and a high return on invested capital. Shippers create demand for our service, and we place their freight with qualified independent carriers using our technology. We price our service on either a contract or a spot basis.

Notable factors driving volume growth in our business include our ability to access massive truckload capacity for shippers through our carrier relationships; our proprietary, cutting-edge technology; our strong management expertise; and favorable long-term industry tailwinds. As of June 30, 2024, we had approximately 118,000 carriers in our North American truck brokerage network, and access to more than 1.5 million trucks.

We provide our customers with highly efficient access to capacity through our digital brokerage technology. This proprietary platform is a major differentiator for our truck brokerage business, and together with our pricing technology, we believe it can unlock incremental profitable growth well beyond our current levels. Our complementary services for managed transportation and last mile also utilize our digital brokerage technology.

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Our managed transportation service provides asset-light solutions for shippers who outsource their freight transportation to gain reliability, visibility and cost savings. The service uses proprietary technology to enhance our revenue synergy, with cross-selling to truck brokerage and last mile. Our managed transportation offering includes bespoke load planning and procurement, complex solutions tailored to specific challenges, performance monitoring, engineering and data analytics, among other services. Our control tower solution leverages the expertise of a dedicated team focused on continuous improvement, and digital, door-to-door visibility into order status and freight in transit. In addition, we offer technology-enabled managed expedite services that automate transportation procurement for time-critical freight moved by road and air charter carriers. We also offer freight forwarding services, including facilitation of ocean and air transportation, customs brokerage and additional domestic services.

Our last mile offering is an asset-light service that facilitates consumer deliveries performed by highly qualified third-party contractors. We are the largest provider of outsourced last mile transportation for heavy goods in the U.S., positioned within 125 miles of the vast majority of the U.S. population and serving a customer base of omnichannel and e-commerce retailers and direct-to-consumer manufacturers.

### **Pending Acquisition**

On June 21, 2024, the Company, United Parcel Service of America, Inc. ("UPS") and certain subsidiaries of UPS entered into a Purchase Agreement (the "Purchase Agreement"), pursuant to which, following the satisfaction or waiver of certain conditions, the Company will purchase (the "Coyote Acquisition") UPS' technology-driven, asset-light based truckload freight brokerage services business, as well as certain assets used to conduct haulage, dedicated transport and warehousing services in the United Kingdom (the "Acquired Business") for \$1.025 billion in cash, subject to certain customary adjustments.

### **Impact of Inflation**

Economic inflation can have a negative impact on our operating costs, and any economic recession could depress activity levels and adversely affect our results of operations. A prolonged period of inflation could cause interest rates, fuel, wages and other costs to continue to increase, which would adversely affect our results of operations unless our pricing to our customers correspondingly increases. Generally, inflationary increases in labor and operating costs related to our operations have historically been offset through price increases. However, the pricing environment generally becomes more competitive during economic downturns, which may, as it has in the past, affect our ability to obtain price increases from customers both during and following such periods.

### **Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the rules of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements have been prepared on a basis that is substantially consistent with the accounting principles applied in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K"). The accompanying unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the 2023 Form 10-K.

The Company's condensed consolidated financial statements include the accounts of RXO, Inc. and its majority-owned subsidiaries. All intercompany accounts and transactions have been eliminated. In management's opinion, the condensed consolidated financial statements reflect all adjustments that are of a normal recurring nature and are necessary for a fair presentation of financial condition, results of operations and cash flows for the interim periods presented. Operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. Refer to [Note 2—Basis of Presentation and Significant Accounting Policies](#) for additional details regarding the basis of presentation used for the Company's condensed consolidated financial statements.

Cost of transportation and services (exclusive of depreciation and amortization) primarily includes the cost of providing or procuring freight transportation for RXO customers.

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Direct operating expenses (exclusive of depreciation and amortization) includes both fixed and variable expenses and consists mainly of personnel costs; facility and equipment expenses, such as rent, utilities, equipment maintenance and repair; costs of materials and supplies; information technology expenses; and gains and losses on sales of property and equipment.

Sales, general and administrative expense ("SG&A") primarily consists of salaries and commissions for the sales function; salary and benefit costs for executive and certain administration functions; third-party professional fees; facility costs; bad debt expense; and legal costs.

RXO has one reportable segment.

**Results of Operations**

(In millions)	Three Months Ended June 30,		Percentage of Revenue	
	2024	2023	2024	2023
<b>Revenue</b>	\$ 930	\$ 963	100.0 %	100.0 %
Cost of transportation and services (exclusive of depreciation and amortization)	700	723	75.3 %	75.1 %
Direct operating expense (exclusive of depreciation and amortization)	50	59	5.4 %	6.1 %
Sales, general and administrative expense	154	144	16.6 %	15.0 %
Depreciation and amortization expense	17	18	1.8 %	1.9 %
Transaction and integration costs	7	4	0.8 %	0.4 %
Restructuring costs	2	1	0.2 %	0.1 %
<b>Operating income</b>	\$ —	\$ 14	— %	1.5 %
Other expense	—	—	— %	— %
Interest expense, net	8	8	0.9 %	0.8 %
<b>Income (loss) before income taxes</b>	\$ (8)	\$ 6	(0.9)%	0.6 %
Income tax provision (benefit)	(1)	3	(0.1)%	0.3 %
<b>Net income (loss)</b>	<b>\$ (7)</b>	<b>\$ 3</b>	<b>(0.8)%</b>	<b>0.3 %</b>

**Three Months Ended June 30, 2024 Compared with Three Months Ended June 30, 2023**

Revenue decreased by 3.4% to \$930 million in the second quarter of 2024, compared with \$963 million for the same quarter in 2023. The year-over-year decrease in revenue in the second quarter of 2024 was driven primarily by (i) a \$20 million decrease in revenue generated from our managed transportation business, driven primarily by a decrease in ocean and expedite air rates and volume and (ii) a \$14 million decrease in revenue generated from our truck brokerage business, as a result of a 7% reduction in revenue per load, which was impacted by a combination of transportation market rates, fuel prices and freight mix, partially offset by a 4% increase in load volume.

Cost of transportation and services (exclusive of depreciation and amortization) in the second quarter of 2024 was \$700 million, or 75.3% of revenue, compared with \$723 million, or 75.1% of revenue in the same quarter of 2023. The year-over-year increase as a percentage of revenue during the second quarter of 2024 was driven primarily by a 0.5 percentage point increase in truck brokerage cost of transportation and services as a percentage of revenue, as lower freight rates were not fully offset by corresponding reductions in cost of purchased transportation during the quarter.

Direct operating expense (exclusive of depreciation and amortization) of \$50 million in the second quarter of 2024 decreased \$9 million, or 15.3%, from \$59 million in the same quarter of 2023. As a percentage of revenue, direct operating expense (exclusive of depreciation and amortization) decreased to 5.4% in the second quarter of 2024 compared with 6.1% in the same quarter of 2023 due to cost reduction initiatives.

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SG&A of \$154 million in the second quarter of 2024 increased \$10 million, or 6.9%, from \$144 million in the second quarter of 2023. As a percentage of revenue, SG&A increased to 16.6% in the second quarter of 2024 compared with 15.0% for the same quarter of 2023 due to a 1.0 percentage point increase in professional and consulting expense. This was partially offset by cost savings from restructuring actions executed in 2023 and the first six months of 2024. We anticipate the restructuring actions executed in 2023 and the first six months of 2024 will result in combined cost savings of more than \$65 million annually.

Depreciation and amortization expense for the second quarter of 2024 was \$17 million, compared with \$18 million for the same quarter in 2023.

Transaction and integration costs for the second quarter of 2024 and 2023 were \$7 million and \$4 million, respectively, and primarily comprised acquisition and spin-off related costs.

Restructuring costs for the second quarter of 2024 and 2023 were \$2 million and \$1 million, respectively, and primarily comprised severance costs.

Our effective income tax rates were 11.3% and 44.0% for the second quarter of 2024 and 2023, respectively. The effective tax rate for the second quarter of 2024 was calculated using the discrete method. The effective tax rate for the second quarter of 2023 was based on forecasted full-year effective tax rates, adjusted for discrete items that occurred within the period presented. Our effective tax rate for the second quarter of 2024 differs from the U.S. corporate income tax rate of 21% primarily due to the effect of discrete tax items when experiencing a pre-tax loss. Our effective tax rate for the second quarter of 2023 differs from the U.S. corporate income tax rate of 21% primarily due to state income taxes within the U.S. and non-deductible expenses. The impact of this driver was enhanced due to our low pre-tax income in the second quarter of 2023.

(In millions)	Six Months Ended June 30,		Percentage of Revenue	
	2024	2023	2024	2023
<b>Revenue</b>	\$ 1,843	\$ 1,973	100.0 %	100.0 %
Cost of transportation and services (exclusive of depreciation and amortization)	1,399	1,482	75.9 %	75.1 %
Direct operating expense (exclusive of depreciation and amortization)	103	120	5.6 %	6.1 %
Sales, general and administrative expense	299	297	16.2 %	15.1 %
Depreciation and amortization expense	33	36	1.8 %	1.8 %
Transaction and integration costs	8	10	0.4 %	0.5 %
Restructuring costs	13	9	0.7 %	0.5 %
<b>Operating income (loss)</b>	<b>\$ (12)</b>	<b>\$ 19</b>	<b>(0.7)%</b>	<b>1.0 %</b>
Other expense	1	—	0.1 %	— %
Interest expense, net	16	16	0.9 %	0.8 %
<b>Income (loss) before income taxes</b>	<b>\$ (29)</b>	<b>\$ 3</b>	<b>(1.6)%</b>	<b>0.2 %</b>
Income tax provision (benefit)	(7)	—	(0.4)%	— %
<b>Net income (loss)</b>	<b>\$ (22)</b>	<b>\$ 3</b>	<b>(1.2)%</b>	<b>0.2 %</b>

***Six Months Ended June 30, 2024 Compared with Six Months Ended June 30, 2023***

Revenue decreased by 6.6% to \$1.8 billion in the first six months of 2024, compared with \$2.0 billion for the same period in 2023. The year-over-year decrease in revenue in the first six months of 2024 was driven primarily by (i) a \$65 million decrease in revenue generated from our managed transportation business, driven primarily by a decrease in ocean and expedite air rates and volume and (ii) a \$50 million decrease in revenue generated from our truck brokerage business, as a result of an 11% reduction in revenue per load, which was impacted by a combination of transportation market rates, fuel prices, length of haul and freight mix, partially offset by an 8% increase in load volume.

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Cost of transportation and services (exclusive of depreciation and amortization) in the first six months of 2024 was \$1.4 billion, or 75.9% of revenue, compared with \$1.5 billion, or 75.1% of revenue, for the same period in 2023. The year-over year increase as a percentage of revenue in the first six months of 2024 was driven primarily by a 1.4 percentage point increase in truck brokerage cost of transportation and services as a percentage of revenue, as lower freight rates were not fully offset by corresponding reductions in cost of purchased transportation.

Direct operating expense (exclusive of depreciation and amortization) of \$103 million in the first six months of 2024 decreased \$17 million, or 14.2%, from \$120 million in the same period in 2023. As a percentage of revenue, direct operating expense (exclusive of depreciation and amortization) decreased to 5.6% in the first six months of 2024 compared with 6.1% in the same quarter of 2023 due to cost reduction initiatives.

SG&A of \$299 million in the first six months of 2024 increased \$2 million, or 0.7%, from \$297 million in the first six months of 2023. As a percentage of revenue, SG&A increased to 16.2% in the first six months of 2024 compared with 15.1% for the same period of 2023 due to a 0.7 percentage point increase in professional and consulting expense. This was partially offset by cost savings from restructuring actions executed in the first six months of 2024. We anticipate the restructuring actions executed in 2023 and the first six months of 2024 will result in combined cost savings of more than \$65 million annually.

Depreciation and amortization expense for the first six months of 2024 was \$33 million, compared with \$36 million for the same period in 2023, flat year-over-year as a percentage of revenue.

Transaction and integration costs for the first six months of 2024 and 2023 were \$8 million and \$10 million, respectively, and primarily comprised acquisition and spin-off related costs.

Restructuring costs for the first six months of 2024 and 2023 were \$13 million and \$9 million, respectively, and primarily comprised severance costs.

Our effective income tax rates were 22.9% and (11.0)% for the first six months of 2024 and 2023, respectively. The effective tax rate for the first six months of 2024 was calculated using the discrete method. The effective tax rate for the first six months of 2023 was based on forecasted full-year effective tax rates, adjusted for discrete items that occurred within the periods presented. Our effective tax rate for the first six months of 2024 differs from the U.S. corporate income tax rate of 21% primarily due to state income taxes. Our effective tax rate for the first six months of 2023 differs from the U.S. corporate income tax rate of 21% primarily due to a discrete tax benefit of \$2 million from changes in reserves for uncertain tax positions, partially offset by state income taxes within the U.S. and non-deductible expenses.

## **Liquidity and Capital Resources**

### **Overview**

Our ability to fund our operations and anticipated capital needs is reliant upon the generation of cash from operations, supplemented as necessary by utilization of our revolving credit facility (the "Revolver"). Our principal uses of cash in the future will be primarily to fund our operations, working capital needs, capital expenditures, repayment of borrowings, strategic business development transactions and share repurchases. The timing and magnitude of our growth and working capital needs can vary and may positively or negatively impact our cash flows.

We continually evaluate our liquidity requirements and capital structure in light of our operating needs, growth initiatives and capital resources. We believe that our existing liquidity and sources of capital are sufficient to support our operations over the next 12 months.

### **Capital Expenditures**

Our 2024 capital expenditures include capital allocations associated with strategic investments in technology, equipment and real estate. We believe that we have significant discretion over the amount and timing of our capital expenditures as we are not subject to any agreement that would require significant capital expenditures on a designated schedule or upon the occurrence of designated events.

## Debt and Financing Arrangements

We were in compliance with all covenants and other provisions of our outstanding debt and financing arrangements as of June 30, 2024. Any failure to comply with any material provision or covenant of these agreements could have a material adverse effect on our liquidity and operations. Refer to [Note 6—Debt](#) to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q for disclosures regarding the Company's debt and financing arrangements as of June 30, 2024.

As discussed further in [Note 6—Debt](#), on April 11, 2024, we amended the Revolver (the "Amendment"). Among other things, the Amendment increases the consolidated leverage ratio financial covenant level applicable under the Revolver from the fiscal quarter ending June 30, 2024 through the fiscal quarter ending March 31, 2025, as follows: (i) to 4.25:1.00 for the fiscal quarters ending June 30, 2024 and September 30, 2024; (ii) to 4.00:1.00 for the fiscal quarter ending December 31, 2024; (iii) to 3.75:1.00 for the fiscal quarter ending March 31, 2025; and (iv) returns to 3.50:1.00 beginning with the fiscal quarter ending June 30, 2025.

## Financial Condition

Our asset and liability balances are summarized as follows:

(In millions)	June 30,		December 31,		\$ Change	% Change
	2024	2023	2024	2023		
Total current assets	\$ 776	\$ 796	\$ (20)	(2.5)%		
Total long-term assets	1,037	1,029	8	0.8 %		
Total current liabilities	662	682	(20)	(2.9)%		
Total long-term liabilities	572	549	23	4.2 %		

Total assets decreased by \$12 million from December 31, 2023 to June 30, 2024, driven primarily by a \$18 million decrease in accounts receivable as a result of a decrease in revenue. Total liabilities increased by \$3 million from December 31, 2023 to June 30, 2024, driven primarily by an increase in debt and operating lease liabilities, partially offset by a decrease in third party transportation costs.

## Cash Flow Activity

Our cash flows from operating, investing and financing activities are summarized as follows:

(In millions)	Six Months Ended June 30,		\$ Change	% Change
	2024	2023		
Net cash provided by operating activities	\$ 2	\$ 66	\$ (64)	(97.0)%
Net cash used in investing activities	(22)	(28)	6	21.4 %
Net cash provided by (used in) financing activities	22	(13)	35	269.2 %
Effect of exchange rates on cash, cash equivalents and restricted cash	—	1	(1)	(100.0)%
Net increase in cash, cash equivalents and restricted cash	\$ 2	\$ 26	\$ (24)	(92.3)%

Net cash provided by operating activities for the first six months of 2024 decreased by \$64 million compared with the same period in 2023. The decrease in cash provided by operating activities reflects the impact of (i) a \$25 million decrease in net income between periods and (ii) changes in working capital.

Investing activities used \$22 million of cash for the first six months of 2024, compared with using \$28 million of cash for the same period in 2023. The use of cash in both periods was to purchase property and equipment.

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Financing activities provided \$22 million of cash for the first six months of 2024, compared with using \$13 million of cash for the same period in 2023. The primary source of cash in the first six months of 2024 was \$27 million in net proceeds from borrowings on revolving credit facilities. The primary uses of cash in the first six months of 2023 were (i) \$9 million for payments of tax withholdings related to vesting of stock compensation awards and (ii) \$2 million for the repurchase of common stock.

### **Critical Accounting Policies**

Our significant accounting policies, which include management's most subjective and complex estimates and judgments, are included in Note 2—Basis of Presentation and Significant Accounting Policies to the Consolidated Financial Statements for the year ended December 31, 2023 included in the 2023 Form 10-K. A discussion of accounting estimates, considered critical because of the potential for a significant impact on the financial statements due to the inherent uncertainty in such estimates, are disclosed in the Critical Accounting Policies and Estimates section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2023 Form 10-K. There have been no significant changes in the Company's critical accounting estimates since December 31, 2023.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk related to changes in foreign currency exchange rates, commodity prices, interest rates and the price of diesel fuel purchased by third-party carriers who perform the physical freight movements we arrange. There have been no material changes to our quantitative and qualitative disclosures about market risk related to our continuing operations during the quarter ended June 30, 2024, as compared with the quantitative and qualitative disclosures about market risk described in the 2023 Form 10-K.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of June 30, 2024. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2024, such that the information required to be included in our SEC reports is: (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to RXO, including our consolidated subsidiaries; and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control Over Financial Reporting**

There have not been any changes in our internal control over financial reporting during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

See [Note 10—Commitments and Contingencies](#) to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of our legal proceedings.

### ITEM 1A. RISK FACTORS

For a discussion of our potential risks and uncertainties, see the information under the heading "Risk Factors" in the 2023 Form 10-K. There have been no material changes with respect to these risk factors, except as set forth below.

#### Risks Related to Pending Acquisition of Coyote Logistics

***We may be unable to integrate the Acquired Business successfully and realize the anticipated benefits of the Coyote Acquisition.***

On June 21, 2024, we entered into a Purchase Agreement to purchase the Acquired Business for \$1.025 billion in cash, subject to certain customary adjustments. If the Coyote Acquisition is completed, the successful integration of the Acquired Business and operations into those of our own and our ability to realize the expected synergies and benefits of the transaction are subject to a number of risks and uncertainties, many of which are outside of our control. We will also be required to devote significant management attention and resources to integrating business practices, cultures and operations of each business. The risks and uncertainties relating to integrating the two businesses include, among other things:

- the challenge of integrating complex organizations, systems, operating procedures, compliance programs, technology, networks and other assets of the Acquired Business;
- the difficulties harmonizing differences in the business cultures of our company and the Acquired Business;
- the inability to successfully integrate our respective businesses in a manner that permits us to achieve the cost savings, synergies and other anticipated benefits from the Coyote Acquisition;
- the inability to minimize the diversion of management attention from ongoing business concerns during the process of integrating the Acquired Business into our businesses;
- the inability to resolve potential conflicts that may arise relating to customer, supplier and other important relationships of our business and the Acquired Business;
- difficulties in retaining key management and other key employees; and
- the challenge of managing the expanded operations of a significantly larger and more complex company and coordinating geographically separate organizations.

We will incur substantial expenses to consummate the proposed Coyote Acquisition but may not realize the anticipated cost synergies and other benefits. In addition, even if we are able to integrate the Acquired Business successfully, the anticipated benefits of the pending Coyote Acquisition may not be realized fully, or at all, or may take longer to realize than expected. Given the size and significance of the Coyote Acquisition, we may encounter difficulties in the integration of the operations of the Acquired Business and may fail to realize the full benefits and synergies of the Coyote Acquisition, which could adversely impact our business, results of operation and financial condition.

***The Acquired Business may have liabilities that are not known to us.***

The Acquired Business may have liabilities that we failed, or were unable, to discover in the course of performing our due diligence investigations of the Acquired Business. We cannot assure you that the indemnification available to us under the Purchase Agreement in respect of the Coyote Acquisition in connection with such agreement will be sufficient in amount, scope or duration to fully offset the possible liabilities associated with the business of the Acquired Business or property that we will assume upon consummation of the Coyote Acquisition. We may learn additional information about the Acquired Business that materially adversely affects us, such as unknown or contingent liabilities and liabilities related to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations.

***Acquisition accounting adjustments could adversely affect our financial results.***

We will account for the completion of the Coyote Acquisition using the acquisition method of accounting. We will allocate the total estimated purchase price to net tangible assets, amortizable intangible assets and indefinite-lived intangible assets, and based on their fair values as of the date of completion of the Coyote Acquisition record the excess, if any, of the purchase price over those fair values as goodwill. Differences between preliminary estimates and the final acquisition accounting may occur, and these differences could have a material impact on the consolidated financial statements and the combined company's future results of operations and financial position.

***The Coyote Acquisition may not be completed within the expected timeframe, or at all, and the failure to complete the Coyote Acquisition could impact our stock price and our future business and financial results.***

There can be no assurance that the Coyote Acquisition will be completed in the expected timeframe, or at all. The Purchase Agreement contains a number of conditions that must be satisfied or waived prior to the completion of the Coyote Acquisition. We can provide no assurance that all closing conditions will be satisfied (or waived, if applicable). Many of the conditions to completion of the Coyote Acquisition are not within our control, and we cannot predict when or if these conditions will be satisfied (or waived, as applicable).

If the Coyote Acquisition is not completed, our ongoing business and financial results may be adversely affected and we will be subject to a number of risks, including the following:

- depending on the reasons for the failure to complete the Coyote Acquisition, we could be liable to UPS for monetary or other damages in connection with the termination or breach of the Purchase Agreement;
- we have dedicated significant time and resources, financial and otherwise, in planning for the Coyote Acquisition and the associated integration, of which we would lose the benefit if the Coyote Acquisition is not completed;
- we are responsible for certain transaction costs relating to the Coyote Acquisition, whether or not the Coyote Acquisition is completed;
- while the Purchase Agreement is in force, we are subject to certain restrictions on the conduct of our business, including taking any action that would reasonably be expected to have a material negative impact on or materially delay the satisfaction of the conditions in the Purchase Agreement required to consummate the Coyote Acquisition, which restrictions may adversely affect our ability to execute certain of our business strategies; and
- matters relating to the Coyote Acquisition (including integration planning) may require substantial commitments of time and resources by our management, whether or not the Coyote Acquisition is completed, which could otherwise have been devoted to other opportunities that may have been beneficial to us.

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In addition, if the Coyote Acquisition is not completed, we may experience negative reactions from the financial markets and from our customers and employees. We also may be subject to litigation related to any failure to complete the Coyote Acquisition or to enforcement proceedings commenced against us to perform our obligations under the Purchase Agreement. If the Coyote Acquisition is not completed, these risks may materialize and may adversely affect our business, financial results and financial condition, as well as the price of our common stock.

***While the Coyote Acquisition is pending, we and Coyote Logistics will be subject to business uncertainties that could adversely affect our respective businesses.***

Our success following the Coyote Acquisition will depend in part upon the ability of us and Coyote Logistics to maintain our respective business relationships. Uncertainty about the effect of the Coyote Acquisition on customers, suppliers, employees and other constituencies may have a material adverse effect on us and the Acquired Business. Customers, suppliers and others who deal with us or Coyote Logistics may delay or defer business decisions, decide to terminate, modify or renegotiate their relationships or take other actions as a result of the Coyote Acquisition that could negatively affect the revenues, earnings and cash flows of our company or the Acquired Business. If we are unable to maintain these business and operational relationships, our financial position, results of operations or cash flows could be materially affected.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

There were no issuances of unregistered securities during the three or six months ended June 30, 2024.

On May 2, 2023, the Company's Board of Directors authorized the repurchase of up to \$125 million of the Company's common stock. As of June 30, 2024, \$123 million remained available under the program for future share repurchases. We are not obligated to repurchase any specific number of shares or use a specific dollar amount of the approved amount. The program does not have an expiration date and may be suspended or discontinued at any time at the discretion of the Company's Board of Directors. There were no share repurchases under the program or otherwise during the three or six months ended June 30, 2024. For further details, refer to [Note 8—Stockholders' Equity](#) to the condensed consolidated financial statements.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

None.

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**ITEM 6. EXHIBITS**

Exhibit Number	Description
2.1	<a href="#"><u>Purchase Agreement, dated as of June 21, 2024, by and among RXO, Inc., United Parcel Service of America, Inc., UPS Corporate Finance S.À R.L. and UPS SCS (UK) LTD. (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the SEC on June 24, 2024).</u></a>
10.1	<a href="#"><u>Amendment No. 2 to the Revolving Credit Agreement, dated as of April 11, 2024, entered into by and among RXO, Inc., each lender party thereto and Citibank, N.A., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on April 11, 2024).</u></a>
31.1 *	<a href="#"><u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2024.</u></a>
31.2 *	<a href="#"><u>Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2024.</u></a>
32.1 **	<a href="#"><u>Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2024.</u></a>
32.2 **	<a href="#"><u>Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2024.</u></a>
101.INS *	<i>XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.</i>
101.SCH *	<i>XBRL Taxonomy Extension Schema.</i>
101.CAL *	<i>XBRL Taxonomy Extension Calculation Linkbase.</i>
101.DEF *	<i>XBRL Taxonomy Extension Definition Linkbase.</i>
101.LAB *	<i>XBRL Taxonomy Extension Label Linkbase.</i>
101.PRE *	<i>XBRL Taxonomy Extension Presentation Linkbase.</i>
104 *	<i>Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).</i>

\* Filed herewith.

\*\* Furnished herewith.

+ This exhibit is a management contract or compensatory plan or arrangement.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 7, 2024

RXO, INC.

By: /s/ Drew M. Wilkerson  
Drew M. Wilkerson  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ James E. Harris  
James E. Harris  
Chief Financial Officer  
(Principal Financial Officer)

CERTIFICATION

I, Drew M. Wilkerson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 of RXO, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*/s/* Drew M. Wilkerson

Drew M. Wilkerson

Chief Executive Officer

(Principal Executive Officer)

Date: August 7, 2024

**CERTIFICATION**

I, James E. Harris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 of RXO, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*/s/* James E. Harris

James E. Harris

Chief Financial Officer

(Principal Financial Officer)

Date: August 7, 2024

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**

**Pursuant to 18 U.S.C. Section 1350**  
**As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Solely for the purposes of complying with 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned Chief Executive Officer of RXO, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/* Drew M. Wilkerson

Drew M. Wilkerson

Chief Executive Officer

(Principal Executive Officer)

Date: August 7, 2024

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**

**Pursuant to 18 U.S.C. Section 1350**  
**As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Solely for the purposes of complying with 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned Chief Financial Officer of RXO, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/* James E. Harris

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James E. Harris  
Chief Financial Officer  
(Principal Financial Officer)

Date: August 7, 2024