

REFINITIV

DELTA REPORT

10-Q

RXO - RXO, INC.

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 556

█ CHANGES 172

█ DELETIONS 62

█ ADDITIONS 322

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, 2023** **September 30, 2023**
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



RXO, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

88-2183384

(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 type="radio"/> | Accelerated filer | <input type="radio"/> |
| Non-accelerated filer | <input checked="" type="radio"/> | Smaller reporting company | <input type="radio"/> |
| | | Emerging growth company | <input type="radio"/> |

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 **July 31, 2023** **November 3, 2023**, there were **116,982,388** **117,001,037** shares of the registrant's common stock, par value \$0.01 per share, outstanding.

RXO, Inc.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended **June 30, 2023 **September 30, 2023****
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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

| <i>(Dollars in millions, shares in thousands, except per share amounts)</i> | RXO, Inc. Condensed Consolidated Balance Sheets (Unaudited) | | | | <i>(Dollars in millions, shares in thousands, except per share amounts)</i> | |
|---|--|------|---------------------|------|---|--|
| | <u>June 30,</u> | | <u>December 31,</u> | | | |
| | 2023 | 2022 | 2023 | 2022 | | |

| ASSETS | | ASSETS | | ASSETS | |
|--|---|--|-----------------|--|-----------------|
| Current assets | | Current assets | | Current assets | |
| Cash and cash equivalents | | Cash and cash equivalents | \$ 124 | Cash and cash equivalents | \$ 104 |
| Accounts receivable, net of allowances of \$10 and \$13, respectively | | Accounts receivable, net of allowances of \$10 and \$13, respectively | 743 | Accounts receivable, net of allowances of \$10 and \$13, respectively | 787 |
| Other current assets | | Other current assets | 49 | Other current assets | 45 |
| Total current assets | | Total current assets | <u>916</u> | Total current assets | <u>936</u> |
| Long-term assets | | Long-term assets | | Long-term assets | |
| Property and equipment, net of \$270 and \$241 in accumulated depreciation, respectively | | Property and equipment, net of \$281 and \$241 in accumulated depreciation, respectively | 116 | Property and equipment, net of \$281 and \$241 in accumulated depreciation, respectively | 122 |
| Property and equipment, net of \$281 and \$241 in accumulated depreciation, respectively | | Property and equipment, net of \$281 and \$241 in accumulated depreciation, respectively | 119 | Property and equipment, net of \$281 and \$241 in accumulated depreciation, respectively | 119 |
| Operating lease assets | Operating lease assets | Operating lease assets | 164 | Operating lease assets | 173 |
| Goodwill | Goodwill | Goodwill | 630 | Goodwill | 630 |
| Identifiable intangible assets, net of \$113 and \$106 in accumulated amortization, respectively | | Identifiable intangible assets, net of \$116 and \$106 in accumulated amortization, respectively | 73 | Identifiable intangible assets, net of \$116 and \$106 in accumulated amortization, respectively | 79 |
| Identifiable intangible assets, net of \$116 and \$106 in accumulated amortization, respectively | | Identifiable intangible assets, net of \$116 and \$106 in accumulated amortization, respectively | | Identifiable intangible assets, net of \$116 and \$106 in accumulated amortization, respectively | 72 |
| Other long-term assets | Other long-term assets | Other long-term assets | 13 | Other long-term assets | 13 |
| Total long-term assets | | Total long-term assets | <u>996</u> | Total long-term assets | <u>1,010</u> |
| Total assets | | Total assets | <u>\$ 1,912</u> | Total assets | <u>\$ 1,946</u> |
| LIABILITIES AND EQUITY | | LIABILITIES AND EQUITY | | LIABILITIES AND EQUITY | |
| Current liabilities | | Current liabilities | | Current liabilities | |
| Accounts payable | Accounts payable | Accounts payable | \$ 432 | Accounts payable | \$ 448 |
| Accrued expenses | Accrued expenses | Accrued expenses | 210 | Accrued expenses | 221 |
| Current maturities of long-term debt | Current maturities of long-term debt | Current maturities of long-term debt | 4 | Current maturities of long-term debt | 3 |
| Short-term operating lease liabilities | Short-term operating lease liabilities | Short-term operating lease liabilities | 48 | Short-term operating lease liabilities | 50 |
| Other current liabilities | Other current liabilities | Other current liabilities | 5 | Other current liabilities | 6 |
| Total current liabilities | | Total current liabilities | <u>699</u> | Total current liabilities | <u>728</u> |
| Long-term liabilities | | Long-term liabilities | | Long-term liabilities | |
| Long-term debt and obligations under finance leases | Long-term debt and obligations under finance leases | Long-term debt and obligations under finance leases | 451 | Long-term debt and obligations under finance leases | 451 |
| Deferred tax liability | Deferred tax liability | Deferred tax liability | 17 | Deferred tax liability | 15 |
| Long-term operating lease liabilities | Long-term operating lease liabilities | Long-term operating lease liabilities | 118 | Long-term operating lease liabilities | 125 |
| Other long-term liabilities | Other long-term liabilities | Other long-term liabilities | 38 | Other long-term liabilities | 37 |
| Total long-term liabilities | | Total long-term liabilities | <u>624</u> | Total long-term liabilities | <u>628</u> |
| Commitments and Contingencies (Note 9) | | Commitments and Contingencies (Note 9) | | Commitments and Contingencies (Note 9) | |
| Equity | | Equity | | Equity | |
| Preferred stock, \$0.01 par value; 10,000 shares authorized; 0 shares issued and outstanding as of June 30, 2023 and December 31, 2022 | | — | — | — | — |

Common stock, \$0.01 par value; 300,000 shares authorized; 116,954 and 116,400 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively

1

1

Preferred stock, \$0.01 par value; 10,000 shares authorized; 0 shares issued and outstanding as of September 30, 2023 and December 31, 2022

Common stock, \$0.01 par value; 300,000 shares authorized; 117,002 and 116,400 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively

Additional paid-in capital

Retained earnings

Accumulated other comprehensive loss

Total equity

Total liabilities and equity

Additional paid-in capital

Retained earnings

Accumulated other comprehensive loss

Total equity

Total liabilities and equity

587

588

5

2

(4)

(4)

589

587

\$ 1,912

\$ 2,031

Preferred stock, \$0.01 par value; 10,000 shares authorized; 0 shares issued and outstanding as of September 30, 2023 and December 31, 2022

Common stock, \$0.01 par value; 300,000 shares authorized; 117,002 and 116,400 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively

1

1

Additional paid-in capital

Retained earnings

Accumulated other comprehensive loss

Total equity

Total liabilities and equity

589

588

4

2

(4)

(4)

590

587

\$ 1,946

\$ 2,031

See accompanying notes to condensed consolidated financial statements.

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

| (Dollars in millions, shares in thousands, except per share amounts) | (Dollars in millions, shares in thousands, except per share amounts) | Three Months Ended June 30, | | Six Months Ended June 30, | | (Dollars in millions, shares in thousands, except per share amounts) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|--|-----------------------------|----------|---------------------------|----------|--|----------------------------------|----------|---------------------------------|----------|
| | | 2023 | 2022 | 2023 | 2022 | | 2023 | 2022 | 2023 | 2022 |
| Revenue | Revenue | \$ 963 | \$ 1,226 | \$ 1,973 | \$ 2,538 | Revenue | \$ 976 | \$ 1,138 | \$ 2,949 | \$ 3,676 |
| Cost of transportation and services (exclusive of depreciation and amortization) | Cost of transportation and services (exclusive of depreciation and amortization) | 723 | 904 | 1,482 | 1,925 | Cost of transportation and services (exclusive of depreciation and amortization) | 742 | 857 | 2,224 | 2,782 |
| Direct operating expense (exclusive of depreciation and amortization) | Direct operating expense (exclusive of depreciation and amortization) | 59 | 56 | 120 | 111 | Direct operating expense (exclusive of depreciation and amortization) | 59 | 56 | 179 | 167 |
| Sales, general and administrative expense | Sales, general and administrative expense | 144 | 166 | 297 | 327 | Sales, general and administrative expense | 148 | 158 | 445 | 485 |

| | | | | | | | | | | |
|--|--|---------|---------|---------|---------|--|-----------|---------|---------|---------|
| Depreciation and amortization expense | Depreciation and amortization expense | 18 | 21 | 36 | 42 | Depreciation and amortization expense | 16 | 23 | 52 | 65 |
| Transaction and integration costs | Transaction and integration costs | 4 | 18 | 10 | 21 | Transaction and integration costs | 2 | 23 | 12 | 44 |
| Restructuring costs | Restructuring costs | 1 | 3 | 9 | 3 | Restructuring costs | 3 | 6 | 12 | 9 |
| Operating income | Operating income | \$ 14 | \$ 58 | \$ 19 | \$ 109 | Operating income | \$ 6 | \$ 15 | \$ 25 | \$ 124 |
| Other income | | — | (1) | — | (1) | Other expense | 1 | 1 | 1 | — |
| Other expense | | | | | | Other expense | 1 | 1 | 1 | — |
| Interest expense, net | | 8 | — | 16 | — | Interest expense (income), net | 8 | (1) | 24 | (1) |
| Income before income taxes | | \$ 6 | \$ 59 | \$ 3 | \$ 110 | Income (loss) before income taxes | \$ (3) | \$ 15 | \$ — | \$ 125 |
| Income tax provision | | 3 | 15 | — | 27 | Income tax provision (benefit) | (2) | 2 | (2) | 29 |
| Net income | | \$ 3 | \$ 44 | \$ 3 | \$ 83 | Net income (loss) | \$ (1) | \$ 13 | \$ 2 | \$ 96 |
| Interest expense (income), net | | | | | | Interest expense (income), net | 8 | (1) | 24 | (1) |
| Income (loss) before income taxes | | | | | | Income (loss) before income taxes | \$ (3) | \$ 15 | \$ — | \$ 125 |
| Income tax provision (benefit) | | | | | | Income tax provision (benefit) | (2) | 2 | (2) | 29 |
| Net income (loss) | | | | | | Net income (loss) | \$ (1) | \$ 13 | \$ 2 | \$ 96 |
| Earnings per share data | | | | | | | | | | |
| Basic earnings per share | | \$ 0.03 | \$ 0.38 | \$ 0.03 | \$ 0.72 | Basic earnings (loss) per share | \$ (0.01) | \$ 0.11 | \$ 0.02 | \$ 0.83 |
| Diluted earnings per share | | \$ 0.03 | \$ 0.38 | \$ 0.03 | \$ 0.72 | Diluted earnings (loss) per share | \$ (0.01) | \$ 0.11 | \$ 0.02 | \$ 0.83 |
| Earnings (loss) per share data | | | | | | Earnings (loss) per share data | | | | |
| Basic earnings (loss) per share | | | | | | Basic earnings (loss) per share | \$ (0.01) | \$ 0.11 | \$ 0.02 | \$ 0.83 |
| Diluted earnings (loss) per share | | | | | | Diluted earnings (loss) per share | \$ (0.01) | \$ 0.11 | \$ 0.02 | \$ 0.83 |
| Weighted-average common shares outstanding | Weighted-average common shares outstanding | | | | | Weighted-average common shares outstanding | | | | |
| Basic weighted-average common shares outstanding | Basic weighted-average common shares outstanding | 116,894 | 115,163 | 116,748 | 115,163 | Basic weighted-average common shares outstanding | 116,970 | 115,163 | 116,823 | 115,163 |
| Diluted weighted-average common shares outstanding | Diluted weighted-average common shares outstanding | 119,457 | 115,163 | 119,414 | 115,163 | Diluted weighted-average common shares outstanding | 116,970 | 115,163 | 119,415 | 115,163 |

See accompanying notes to condensed consolidated financial statements.

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

| (Unaudited) | | | | | | | | | | |
|---|---------------|-----------------------------|--------|---------------|-------|---|--------|---------------|---------------|--------|
| | | Three Months Ended June 30, | | | | Nine Months Ended September 30, | | | | |
| | | (In millions) | | (In millions) | | (In millions) | | (In millions) | | |
| (In millions) | (In millions) | 2023 | 2022 | 2023 | 2022 | (In millions) | 2023 | 2022 | (In millions) | |
| Net income | | \$ 3 | \$ 44 | \$ 3 | \$ 83 | Net income (loss) | \$ (1) | \$ 13 | \$ 2 | \$ 96 |
| Net income (loss) | | | | | | Other comprehensive loss, net of tax | | | | |
| Other comprehensive loss, net of tax | | | | | | Foreign currency translation loss, net of tax effect of \$—, \$—, \$— and \$— | \$ — | \$ (2) | \$ — | \$ (2) |
| Foreign currency translation loss, net of tax effect of \$—, \$—, \$— and \$— | | \$ — | \$ (2) | \$ — | \$ — | Other comprehensive loss | — | (2) | — | (2) |
| Other comprehensive loss | | — | (2) | — | — | Comprehensive income (loss) | \$ (1) | \$ 11 | \$ 2 | \$ 94 |
| Comprehensive income | | \$ 3 | \$ 42 | \$ 3 | \$ 83 | | | | | |
| Comprehensive income (loss) | | | | | | | | | | |

See accompanying notes to condensed consolidated financial statements.

| RXO, Inc. Condensed Consolidated Statements of Cash Flows (Unaudited) | | | | | | | | | |
|--|--|---------------------------|-------|--|------|--|------|--|-------|
| | | Six Months Ended June 30, | | | | Nine Months Ended September 30, | | | |
| | | (In millions) | | (In millions) | | (In millions) | | (In millions) | |
| (In millions) | (In millions) | 2023 | 2022 | (In millions) | 2023 | (In millions) | 2023 | (In millions) | 2022 |
| Operating activities | Operating activities | | | Operating activities | | Operating activities | | Operating activities | |
| Net income | Net income | \$ 3 | \$ 83 | Net income | \$ 2 | Net income | \$ 2 | Net income | \$ 96 |
| Adjustments to reconcile net income to net cash from operating activities | Adjustments to reconcile net income to net cash from operating activities | | | Adjustments to reconcile net income to net cash from operating activities | | Adjustments to reconcile net income to net cash from operating activities | | Adjustments to reconcile net income to net cash from operating activities | |
| Depreciation and amortization expense | Depreciation and amortization expense | 36 | 42 | Depreciation and amortization expense | 52 | Depreciation and amortization expense | 52 | Depreciation and amortization expense | 65 |
| Stock compensation expense | Stock compensation expense | 11 | 6 | Stock compensation expense | 16 | Stock compensation expense | 16 | Stock compensation expense | 9 |
| Deferred tax expense (benefit) | | 2 | (1) | Deferred tax benefit | | Deferred tax benefit | | Deferred tax benefit | |
| Deferred tax benefit | | | | Deferred tax benefit | (1) | Deferred tax benefit | (1) | Deferred tax benefit | (8) |
| Other | Other | 1 | 5 | Other | 4 | Other | 4 | Other | 6 |
| Changes in assets and liabilities | Changes in assets and liabilities | | | Changes in assets and liabilities | | Changes in assets and liabilities | | Changes in assets and liabilities | |
| Accounts receivable | Accounts receivable | 162 | (102) | Accounts receivable | 114 | Accounts receivable | 114 | Accounts receivable | (10) |
| Other assets | Other assets | (17) | 11 | Other assets | (13) | Other assets | (13) | Other assets | 12 |
| Accounts payable | Accounts payable | (73) | 95 | Accounts payable | (56) | Accounts payable | (56) | Accounts payable | 25 |
| Accrued expenses and other liabilities | Accrued expenses and other liabilities | (59) | 38 | Accrued expenses and other liabilities | (48) | Accrued expenses and other liabilities | (48) | Accrued expenses and other liabilities | 39 |

| | | | | | | |
|--|--|--------|--------|--|--------|--------|
| Net cash provided by operating activities | Net cash provided by operating activities | 66 | 177 | Net cash provided by operating activities | 70 | 234 |
| Investing activities | Investing activities | | | Investing activities | | |
| Payment for purchases of property and equipment | Payment for purchases of property and equipment | (28) | (24) | Payment for purchases of property and equipment | (46) | (39) |
| Proceeds from sale of property and equipment | | | | Proceeds from sale of property and equipment | — | 1 |
| Other | | | | Other | (1) | — |
| Net cash used in investing activities | Net cash used in investing activities | (28) | (24) | Net cash used in investing activities | (47) | (38) |
| Financing activities | Financing activities | | | Financing activities | | |
| Payment for tax withholdings related to vesting of stock compensation awards | Payment for tax withholdings related to vesting of stock compensation awards | (9) | — | Payment for tax withholdings related to vesting of stock compensation awards | (12) | — |
| Repurchase of common stock | Repurchase of common stock | (2) | — | Repurchase of common stock | (2) | — |
| Net transfers from XPO | | — | 30 | Net transfers to XPO | — | (39) |
| Net transfers to XPO | | | | Net transfers to XPO | — | (39) |
| Repayment of debt and finance leases | Repayment of debt and finance leases | (1) | — | Repayment of debt and finance leases | (3) | — |
| Other | Other | (1) | — | Other | — | 1 |
| Net cash (used in) provided by financing activities | | (13) | 30 | Net cash used in financing activities | (17) | (38) |
| Net cash used in financing activities | | | | Net cash used in financing activities | | |
| Effect of exchange rates on cash, cash equivalents and restricted cash | Effect of exchange rates on cash, cash equivalents and restricted cash | 1 | — | Effect of exchange rates on cash, cash equivalents and restricted cash | — | — |
| Net increase in cash, cash equivalents and restricted cash | Net increase in cash, cash equivalents and restricted cash | 26 | 183 | Net increase in cash, cash equivalents and restricted cash | 6 | 158 |
| Cash, cash equivalents, and restricted cash, beginning of period | Cash, cash equivalents, and restricted cash, beginning of period | 98 | 29 | Cash, cash equivalents, and restricted cash, beginning of period | 98 | 29 |
| Cash, cash equivalents, and restricted cash, end of period | Cash, cash equivalents, and restricted cash, end of period | \$ 124 | \$ 212 | Cash, cash equivalents, and restricted cash, end of period | \$ 104 | \$ 187 |
| Supplemental disclosure of cash flow information: | Supplemental disclosure of cash flow information: | | | Supplemental disclosure of cash flow information: | | |
| Leased assets obtained in exchange for new operating lease liabilities | Leased assets obtained in exchange for new operating lease liabilities | \$ 36 | \$ 40 | Leased assets obtained in exchange for new operating lease liabilities | \$ 60 | \$ 46 |

| | | | | |
|--|---------------------------------|--|---|---|
| Leased assets obtained in exchange for new finance lease liabilities | | Leased assets obtained in exchange for new finance lease liabilities | 1 | 8 |
| Cash paid for income taxes, net | Cash paid for income taxes, net | 21 | 3 | |
| Cash paid for interest, net | Cash paid for interest, net | 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 | | | | | | (Dollars in millions, shares in thousands) | Common Stock | | | | | |
|--|----------------------------|-------------|-------------------------|-------------|--------------------------------|---------------|--|----------------------------|--------|-------------------------|----------|--------------------------------|--------------|
| | Additional Paid-in Capital | | Other Retained Earnings | | Accumulated Comprehensive Loss | | | Additional Paid-in Capital | | Other Retained Earnings | | Accumulated Comprehensive Loss | |
| | Shares | Amount | Capital | Earnings | Loss | Total Equity | | Shares | Amount | Capital | Earnings | Loss | Total Equity |
| Balance as of March 31, | | | | | | | | | | | | | |
| 2023 | 116,853 | \$ 1 | \$ 586 | \$ 2 | \$ (4) | \$ 585 | | | | | | | |
| Net income | — | — | — | 3 | — | 3 | | | | | | | |
| Balance as of June 30, | | | | | | | | | | | | | |
| 2023 | 116,954 | \$ 1 | \$ 587 | \$ 5 | \$ (4) | \$ 589 | | | | | | | |
| Net loss | — | — | — | — | (1) | — | | | | | | | |
| Stock compensation expense | — | — | 6 | — | — | 6 | Stock compensation expense | — | — | 5 | — | — | 5 |
| Vesting of stock compensation awards | 201 | — | — | — | — | — | Vesting of stock compensation awards | 48 | — | — | — | — | — |
| Tax withholdings related to vesting of stock compensation awards | — | — | (3) | — | — | (3) | Tax withholdings related to vesting of stock compensation awards | — | — | (3) | — | — | (3) |
| Repurchase of common stock | (100) | — | (2) | — | — | (2) | Repurchase of common stock | — | — | — | — | — | — |
| Balance as of June 30, 2023 | 116,954 | \$ 1 | \$ 587 | \$ 5 | \$ (4) | \$ 589 | | | | | | | |
| Balance as of September 30, 2023 | | | | | | | | | | | | | |
| 30, 2023 | 117,002 | \$ 1 | \$ 589 | \$ 4 | \$ (4) | \$ 590 | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |

| Balance as of December 31, 2022 | | Balance as of December 31, 2022 | | Balance as of December 31, 2022 | | | | | | |
|--|--|---------------------------------|-------------------|---------------------------------|-----------------------------|--|---|-------------------|--------------------------|----------------|
| Net income | Net income | — | — | — | 3 | | | | | |
| Stock compensation expense | Stock compensation expense | — | — | 11 | — | | | | | |
| Vesting of stock compensation awards | Vesting of stock compensation awards | 654 | — | — | — | | | | | |
| Tax withholdings related to vesting of stock compensation awards | Tax withholdings related to vesting of stock compensation awards | — | — | (10) | — | | | | | |
| Repurchase of common stock | Repurchase of common stock | (100) | — | (2) | — | | | | | |
| Balance as of June 30, 2023 | | 116,954 | \$ 1 | \$ 587 | \$ 5 | | | | | |
| Balance as of September 30, 2023 | | | | | | | | | | |
| Common Stock | | Accumulated | | Common Stock | | | | | | |
| (Dollars in millions, shares in thousands) | (Dollars in millions, shares in thousands) | Additional Paid-in Capital | Retained Earnings | Other Comprehensive Loss | XPO Investment Total Equity | (Dollars in millions, shares in thousands) | Additional Paid-in Capital | Retained Earnings | Other Comprehensive Loss | XPO Investment |
| Balance as of March 31, 2022 | | — \$ — | \$ — | — \$ | — \$ 1,043 | \$ 1,043 | | | | |
| Balance as of June 30, 2022 | | | | | | | Balance as of June 30, 2022 | | | |
| Net income | Net income | — | — | — | — | 44 | 44 | — | — | — |
| Other comprehensive loss | Other comprehensive loss | — | — | — | (2) | — | (2) | — | — | (2) |
| Stock compensation expense | Stock compensation expense | — | — | — | — | 4 | 4 | — | — | — |
| Net transfers from XPO | Net transfers from XPO | — | — | — | — | 110 | 110 | | | |
| Balance as of June 30, 2022 | | — \$ — | \$ — | — \$ | (2) \$ | 1,201 | \$ 1,199 | | | |
| Net transfers to XPO | Net transfers to XPO | — | — | — | — | — | — | — | — | (69) |
| Balance as of September 30, 2022 | | | | | | | Balance as of September 30, 2022 | | | |
| Net transfers to XPO | Net transfers to XPO | — | — | — | — | — | — | — | — | (69) |

| Balance as of December 31, December 2021 | | Balance as of December 31, December 2021 | | Balance as of December 31, December 2021 | |
|--|----------------------------|--|---------------------|--|-----------------|
| Net income | Net income | — | — | — | — |
| Other comprehensive loss | | | | Other comprehensive loss | |
| Stock compensation expense | Stock compensation expense | — | — | — | 6 |
| Net transfers from XPO | | — | — | — | 40 |
| Balance as of June 30, 2022 | | — \$ — \$ — \$ | (2) \$ 1,201 | — \$ — \$ — \$ | \$ 1,199 |
| Net transfers to XPO | | | | Net transfers to XPO | |
| Balance as of September 30, 2022 | | — \$ — \$ — \$ | (4) \$ 1,148 | — \$ — \$ — \$ | \$ 1,148 |

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 three asset-light, brokered transportation services, all of which complement our truck brokerage business: managed transportation, last mile and freight forwarding. 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. **The year-end condensed consolidated balance sheet data was derived from our audited financial statements, but does not include all disclosures required by GAAP.** 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, 2022 (the "2022 Form 10-K"). The accompanying unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the 2022 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, operating results and cash flows for the interim periods presented. Operating results for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

On November 1, 2022, the Company completed the separation (the "Separation") from XPO, Inc. (formerly known as XPO Logistics, Inc.) ("XPO"). The Separation was accomplished by the distribution of 100 percent of the outstanding common stock of RXO to XPO stockholders as of the close of business on October 20, 2022, the record date for the distribution. XPO stockholders received one share of RXO common stock for every share of XPO common stock held at the close of business on the record date. The Separation was completed under a Separation and Distribution Agreement and various other agreements that govern aspects of the Company's relationship with XPO.

On November 1, 2022, the Company became a standalone publicly traded company, and its financial statements post-Separation are prepared on a consolidated basis. Prior to the Separation, the Company's financial statements were prepared on a standalone combined basis and were derived from the consolidated financial statements and accounting records of XPO. The combined financial statements for all periods presented prior to the Separation are now also referred to as "condensed consolidated financial statements," and have been prepared in accordance with GAAP.

In connection with the Separation, the Company's assets and liabilities were transferred to the Company on a carry-over basis. Prior to the Separation, the historical results of operations included allocations of XPO costs and expenses, including XPO's corporate function which incurred a variety of expenses including, but not limited to, information technology, human resources, accounting, sales and sales operations, procurement, executive services, legal, corporate finance and communications. An allocation of these expenses is included to burden all business units comprising XPO's historical results of operations, including RXO. The charges reflected have either been specifically identified or allocated using drivers including proportionally adjusted earnings before interest, taxes, depreciation and amortization, which includes adjustments for transaction and integration costs, as well as restructuring costs and other adjustments, or headcount. The Company believes the assumptions regarding allocations of XPO corporate expenses are reasonable. Nevertheless, the condensed consolidated financial statements may not reflect the results of operations, financial position and cash flows had the Company been a standalone entity during the prior periods presented. The majority of these allocated costs are recorded within Sales, general and administrative expense; Depreciation and amortization expense; Restructuring costs; and Transaction and integration costs in the Condensed Consolidated Statements of Operations. All charges and allocations for facilities, functions and services performed by XPO organizations have been deemed settled in cash by RXO to XPO in the year in which the cost was recorded in the Condensed Consolidated Statements of Operations.

For the periods ended before the Separation, XPO investment represents XPO's historical investment in RXO and includes the net effects of transactions with and allocations from XPO as well as RXO's accumulated earnings. Certain transactions between RXO and XPO, including XPO's non-RXO subsidiaries, have been included in these condensed consolidated financial statements, and are considered to be effectively settled at the time the transaction is recorded. The total net effect of the cash settlement of these transactions is reflected in the Condensed Consolidated Statements of Cash Flows as a financing activity and in the Condensed Consolidated Statements of Changes in Equity as XPO investment. The components of the net transfers to and from XPO include certain costs allocated from XPO's corporate functions, income tax expense, certain cash receipts and payments made on behalf of RXO and general financing activities.

For the periods ended before the Separation, the Company was a member of the XPO consolidated group, and its U.S. taxable income was included in XPO's consolidated U.S. federal income tax return as well as in the tax returns filed by XPO with certain state and local taxing jurisdictions. For the periods ended after the Separation, the Company will file a consolidated U.S. federal income tax return as well as state and local income tax returns. The Company's foreign income tax returns are filed on a full-year basis.

Significant Accounting Policies

Our significant accounting policies are disclosed in Note 2 to the 2022 Form 10-K. There have been no material changes to the Company's significant accounting policies as of **June 30, 2023** **September 30, 2023**.

Adoption of New Accounting Standards

In September 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-04, "Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations." The ASU increases the transparency surrounding supplier finance programs by requiring the buyer to disclose information on an annual basis about the key terms of the program, the outstanding obligation amounts as of the end of the period, a roll-forward of such amounts, and the balance sheet presentation of the related amounts. Additionally, the obligation amount outstanding at the end of the period must be disclosed in interim periods. The amendments are effective for fiscal years beginning after December 15, 2022 except for the requirement to disclose the roll-forward information, which is effective for fiscal years beginning after December 15, 2023. We adopted this standard on January 1, 2023, on a prospective basis. The adoption did not have an impact on our financial statement disclosures.

Accounting Pronouncements Issued but Not Yet Effective

In March 2023, the FASB issued ASU 2023-01, "Leases (Topic 842) - Common Control Arrangements." The amendments in this update improve current GAAP by clarifying the accounting treatment for leasehold improvements associated with common control leases in order to create uniformity in practice. The ASU seeks to provide guidance to more accurately match the amortization expense of leasehold improvements under common control arrangements with the useful life of the improvements to the consolidated entity as a whole. The amendments are effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. We are currently evaluating the impact of the new guidance.

3. 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 7% and **10%** **9%** of our revenues were generated outside the U.S. (primarily in North America, excluding the U.S., and Asia) for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. Approximately 7% and 9% of our revenues were generated outside the U.S. (primarily in North America, excluding the U.S., and Asia) for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively.

Our revenue disaggregated by service offering is as follows:

| (In millions) | (In millions) | Three Months Ended June 30, | | Six Months Ended June 30, | | (In millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------|---------------|-----------------------------|-----------------|---------------------------|--------|---------------|----------------------------------|----------|---------------------------------|----------|
| | | 2023 | 2022 | 2023 | 2022 | | 2023 | 2022 | 2023 | 2022 |
| | | Truck brokerage | Truck brokerage | \$ 557 | \$ 755 | | \$ 1,157 | \$ 1,579 | \$ 1,748 | \$ 2,265 |
| Last mile | Last mile | 261 | 274 | 501 | 520 | Last mile | 256 | 264 | 757 | 784 |

| | | | | | | | | | | |
|------------------------|------------------------|--------|----------|----------|----------|------------------------|--------|----------|----------|----------|
| Managed transportation | Managed transportation | 112 | 133 | 229 | 272 | Managed transportation | 107 | 122 | 336 | 394 |
| Freight forwarding | Freight forwarding | 64 | 100 | 144 | 239 | Freight forwarding | 56 | 101 | 200 | 340 |
| Eliminations | Eliminations | (31) | (36) | (58) | (72) | Eliminations | (34) | (35) | (92) | (107) |
| Total | Total | \$ 963 | \$ 1,226 | \$ 1,973 | \$ 2,538 | Total | \$ 976 | \$ 1,138 | \$ 2,949 | \$ 3,676 |

Our revenue disaggregated by industry sector is as follows:

| (In millions) | (In millions) | Three Months Ended June 30, | | Six Months Ended June 30, | | (In millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------|------------------------------|-----------------------------|--------------------------|---------------------------|------------|------------------------------|----------------------------------|----------|---------------------------------|----------|
| | | 2023 | 2022 | 2023 | 2022 | | 2023 | 2022 | 2023 | 2022 |
| | | Retail/e-commerce | Industrial/manufacturing | Food and beverage | Automotive | Logistics and transportation | Other | Total | Total | Total |
| Retail/e-commerce | Retail/e-commerce | \$ 373 | \$ 451 | \$ 759 | \$ 932 | Retail/e-commerce | \$ 380 | \$ 408 | \$ 1,139 | \$ 1,340 |
| Industrial/manufacturing | Industrial/manufacturing | 193 | 213 | 374 | 442 | Industrial/manufacturing | 188 | 207 | 562 | 650 |
| Food and beverage | Food and beverage | 107 | 155 | 212 | 305 | Food and beverage | 117 | 129 | 329 | 433 |
| Automotive | Automotive | 105 | 100 | 207 | 189 | Automotive | 103 | 88 | 310 | 276 |
| Logistics and transportation | Logistics and transportation | 42 | 67 | 94 | 154 | Logistics and transportation | 52 | 46 | 146 | 196 |
| Other | Other | 143 | 240 | 327 | 516 | Other | 136 | 260 | 463 | 781 |
| Total | Total | \$ 963 | \$ 1,226 | \$ 1,973 | \$ 2,538 | Total | \$ 976 | \$ 1,138 | \$ 2,949 | \$ 3,676 |

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, 2023** **September 30, 2023**, the fixed consideration component of our remaining performance obligation was approximately **\$136 million** **\$120 million**, and we expect approximately 99% of that amount to be recognized over the next 3 years and the remainder thereafter. We estimate remaining performance obligations at a point in time and actual amounts may differ from these estimates due to changes in foreign currency exchange rates and contract revisions or terminations.

4. 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 roll-forward of the Company's restructuring liability, which is included in Accrued expenses in the Condensed Consolidated Balance Sheets:

| (In millions) | (In millions) | Six Months Ended June 30, 2023 | | | | (In millions) | Nine Months Ended September 30, 2023 | | | | (In millions) | | |
|---------------|---------------|---|----------|-------------------------------------|----------|---------------|---|----------|-------------------------------------|----------|---------------|--|--|
| | | Reserve Balance as of December 31, 2022 | | Reserve Balance as of June 30, 2023 | | | Reserve Balance as of December 31, 2022 | | Reserve Balance as of June 30, 2023 | | | | |
| | | Charges Incurred | Payments | Charges Incurred | Payments | | Charges Incurred | Payments | Charges Incurred | Payments | | | |
| Severance | Severance | \$ 2 | \$ 9 | \$ (6) | \$ 5 | Severance | \$ 2 | \$ 11 | \$ (8) | \$ 5 | | | |
| Facilities | Facilities | 1 | — | (1) | — | Facilities | 1 | 1 | (1) | 1 | | | |
| Total | Total | \$ 3 | \$ 9 | \$ (7) | \$ 5 | Total | \$ 3 | \$ 12 | \$ (9) | \$ 6 | | | |

We expect the majority of the cash outlays related to the remaining restructuring liability at **June 30, 2023** **September 30, 2023** to be complete within twelve months.

5. Debt

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

| (In millions) | (In millions) | June 30, 2023 | | December 31, 2022 | | September 30, 2023 | | December 31, 2022 | |
|---------------|---------------|-------------------|----------------|-------------------|----------------|--------------------|----------------|-------------------|----------------|
| | | Principal Balance | Carrying Value | Principal Balance | Carrying Value | Principal Balance | Carrying Value | Principal Balance | Carrying Value |
| Term Loan | Term Loan | \$ 100 | \$ 100 | \$ 100 | \$ 100 | \$ 100 | \$ 100 | \$ 100 | \$ 100 |

| | | | | | | | | | | |
|---|---|--------|--------|--------|--------|---|--------|--------|--------|--------|
| 7.50% Notes due 2027 ⁽¹⁾ | 7.50% Notes due 2027 ⁽¹⁾ | 355 | 347 | 355 | 346 | 7.50% Notes due 2027 ⁽¹⁾ | 355 | 347 | 355 | 346 |
| Finance leases, asset financing and other | Finance leases, asset financing and other | 8 | 8 | 9 | 9 | Finance leases, asset financing and other | 7 | 7 | 9 | 9 |
| Total debt and obligations under finance leases | Total debt and obligations under finance leases | 463 | 455 | 464 | 455 | Total debt and obligations under finance leases | 462 | 454 | 464 | 455 |
| Less: Current maturities of long-term debt | Less: Current maturities of long-term debt | 4 | 4 | 4 | 4 | Less: Current maturities of long-term debt | 3 | 3 | 4 | 4 |
| Total long-term debt and obligations under finance leases | Total long-term debt and obligations under finance leases | \$ 459 | \$ 451 | \$ 460 | \$ 451 | Leases | \$ 459 | \$ 451 | \$ 460 | \$ 451 |

⁽¹⁾ The carrying value of the 7.50% Notes due 2027 is presented net of unamortized debt issuance cost and discount of \$8 million and \$9 million as of **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively.

Revolving Credit Agreement

On October 18, 2022, we entered into a five-year, unsecured multi-currency revolving credit facility (the "Revolver"). The Revolver borrowing capacity is up to \$500 million, of which \$50 million is 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. 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 and minimum interest coverage ratio. At **June 30, 2023** **September 30, 2023**, the Company was in compliance with the covenants of the Revolver. There were no amounts outstanding under the Revolver as of **June 30, 2023** **September 30, 2023** or December 31, 2022.

Term Loan Credit Agreement

On October 18, 2022, we entered into a five-year \$100 million unsecured term loan facility (the "Term Loan"). The Term Loan bears interest at a fluctuating rate plus an applicable margin calculated based on the Company's credit ratings, payable at least quarterly. Beginning with the fiscal quarter ending March 31, 2025, the Term Loan will amortize on a quarterly basis in an amount equal to (i) 5% per annum for the first eight fiscal quarters ending on or after such date and (ii) 10% per annum for each fiscal quarter ending thereafter. The Term Loan matures on November 1, 2027. The effective interest rate on the Term Loan was **6.58%** **6.79%** as of **June 30, 2023** **September 30, 2023**.

The covenants in the Term Loan are customary for financings of this type. In addition, the Term Loan requires the Company to maintain a maximum consolidated leverage ratio and minimum interest coverage ratio. At **June 30, 2023** **September 30, 2023**, the Company was in compliance with the covenants of the credit agreement governing the Term Loan.

On November 2, 2023, the Company exercised a feature to increase the total commitments under its Revolver, among the Company, the guarantors from time to time party thereto, the lenders and other parties from time to time party thereto and Citibank, N.A., as administrative agent, from \$500 million to \$600 million.

In connection with the Revolver commitment increase, the Company repaid all of the outstanding obligations in respect of the \$100 million principal amount, interest and fees under its Term Loan, among the Company, the guarantors from time to time party thereto, the lenders and other parties from time to time party thereto and Citibank, N.A., as administrative agent, and terminated the Term Loan.

Notes

On October 25, 2022, we completed an offering of \$355 million in 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 8.14% as of **June 30, 2023** **September 30, 2023**.

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) 100.0% 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, 2023 September 30, 2023, the Company was in compliance with the covenants of the Notes.

6. 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 current maturities of long-term debt approximated their fair values as of June 30, 2023 September 30, 2023 and December 31, 2022, 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) | (In millions) | Level | June 30, 2023 | December 31, 2022 | (In millions) | Level | September 30, 2023 | December 31, 2022 |
|---------------|---------------|-------|---------------|-------------------|---------------|-------|--------------------|-------------------|
| Term Loan | Term Loan | 2 | \$ 95 | \$ 95 | Term Loan | 2 | \$ 95 | \$ 95 |
| 7.50% | 7.50% | | | | 7.50% | | | |
| Notes due | Notes due | | | | Notes due | | | |
| 2027 | 2027 | 1 | 367 | 358 | 2027 | 1 | 359 | 358 |

We valued Level 1 debt using quoted prices in active markets. We valued Level 2 debt using bid evaluation pricing models or quoted prices of securities with similar characteristics.

7. 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"). In During the second quarter first nine months of 2023, the Company repurchased 100,000 shares of its common stock for \$2 million \$2 million at an average price of \$20.53 per share. There were no share repurchases in the third quarter of 2023. The share purchases were funded by available cash. As of June 30, 2023 September 30, 2023, \$123 million remained available 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.

8. Earnings per Share

On November 1, 2022, the date of the Separation, 115,162,555 shares of common stock of the Company were distributed to XPO stockholders of record as of the record date and began regular-way trading. This share amount is utilized for the calculation of basic and diluted earnings per share for the three and six nine months ended June 30, 2022 September 30, 2022.

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, | | (Dollars in millions, shares in thousands, except per share data) | Three Months Ended September 30, | | Nine Months Ended September 30, | | |
|---|---|---------|---------------------------|---------|---|---|---------|---------------------------------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 | | 2023 | 2022 | 2023 | 2022 | |
| Net income | \$ 3 | \$ 44 | \$ 3 | \$ 83 | | | | | | |
| Net income (loss) | | | | | Net income (loss) | \$ (1) | \$ 13 | \$ 2 | \$ 96 | |
| Basic weighted-average common shares | Basic weighted-average common shares | 116,894 | 115,163 | 116,748 | 115,163 | Basic weighted-average common shares | 116,970 | 115,163 | 116,823 | 115,163 |
| Dilutive effect of stock-based awards | Dilutive effect of stock-based awards | 2,563 | — | 2,666 | — | Dilutive effect of stock-based awards | — | — | 2,593 | — |
| Diluted weighted-average common shares(1) | Diluted weighted-average common shares(1) | 119,457 | 115,163 | 119,414 | 115,163 | Diluted weighted-average common shares(1) | 116,970 | 115,163 | 119,415 | 115,163 |
| Basic earnings per share | \$ 0.03 | \$ 0.38 | \$ 0.03 | \$ 0.72 | | | | | | |
| Diluted earnings per share | \$ 0.03 | \$ 0.38 | \$ 0.03 | \$ 0.72 | | | | | | |
| Basic earnings (loss) per share | | | | | Basic earnings (loss) per share | \$ (0.01) | \$ 0.11 | \$ 0.02 | \$ 0.83 | |
| Diluted earnings (loss) per share | | | | | Diluted earnings (loss) per share | \$ (0.01) | \$ 0.11 | \$ 0.02 | \$ 0.83 | |

(1) Amounts may not be additive due to rounding.

For the three and **six** nine months ended **June 30, 2023** **September 30, 2023**, approximately **0.3** **2.8** million and **0.6** **0.5** million shares are excluded from the calculation of diluted earnings per share, respectively, because their inclusion would have been anti-dilutive.

9. 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, financial condition or cash flows. 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 financial condition, results of operations or cash flows. Legal costs incurred related to these matters are expensed as incurred.

We carry liability and excess umbrella insurance policies that are deemed 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 financial condition, results of operations or cash flows could be negatively impacted.

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.

As of November 1, 2022, 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. 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.*, the court has granted plaintiffs partial summary judgment and determined our last mile subsidiary misclassified the plaintiff owner/operators as independent contractors when they should have been deemed employees. We are vigorously defending ourselves in this matter and believe we have a number of meritorious defenses, and there are unresolved questions of law and fact that could be important to the ultimate resolution of this matter.

We believe ~~these suits~~ the misclassification claims, including *Muniz v. RXO Last Mile, Inc.*, are without merit and we intend to defend the Company vigorously. 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 these matters.

10. Related Party

Prior to the Separation, the Company did not operate as a standalone business and the condensed consolidated financial statements were derived from the consolidated financial statements and accounting records of XPO. Transactions between the Company and XPO, and other non-RXO subsidiaries of XPO, that occurred prior to the Separation have been classified as related-party transactions. Transactions that originated with XPO prior to the Separation were cash settled or forgiven as of November 1, 2022. For amounts that were forgiven, the amounts have been recorded as an adjustment to XPO Investment.

Allocation of General Corporate Expenses

Post-Separation, general shared costs from XPO were no longer allocated from XPO to the Company; therefore, no related amounts were reflected on the Company's financial statements for the three and ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023.

Prior to the Separation, certain shared costs were allocated to the Company from XPO's corporate overhead. The Condensed Consolidated Statements of Operations include expenses for certain centralized functions and other programs provided and/or administered by XPO that were charged directly to the Company. In addition, for purposes of preparing these condensed consolidated financial statements, a portion of XPO's total corporate expenses have been allocated to the Company. See [Note 2 - Basis of Presentation and Significant Accounting Policies](#) for a discussion of the methodology used to allocate such costs for purposes of preparing these condensed consolidated financial statements.

Costs included in our Condensed Consolidated Statements of Operations for our allocated share of XPO's corporate overhead are as follows:

| (In millions) | (In millions) | Three Months Ended June 30, | | Six Months Ended June 30, | | (In millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|-----------------------------|-------|---|-------|---------------|----------------------------------|------|---------------------------------|------|
| | | 2022 | 2022 | 2022 | 2022 | | 2022 | 2022 | 2022 | 2022 |
| Sales, general and administrative expense | Sales, general and administrative expense | \$ 18 | \$ 36 | Sales, general and administrative expense | \$ 11 | \$ 47 | | | | |
| Depreciation and amortization expense | Depreciation and amortization expense | 3 | 5 | Depreciation and amortization expense | 3 | 8 | | | | |
| Transaction and integration costs | Transaction and integration costs | 18 | 21 | Transaction and integration costs | 20 | 41 | | | | |
| Restructuring costs | | | | | | | Restructuring costs | 5 | 5 | |
| Total | Total | \$ 39 | \$ 62 | Total | \$ 39 | \$ 101 | | | | |

Transactions with XPO and its non-RXO Subsidiaries

Revenue and costs generated from related parties are as follows:

| (In millions) | (In millions) | Three Months Ended June 30, | | (In millions) | Three Months Ended September 30, | | (In millions) | Nine Months Ended September 30, | |
|---------------|---------------|-----------------------------|-------|---------------|----------------------------------|--------|---------------|---------------------------------|------|
| | | 2022 | 2022 | | 2022 | 2022 | | 2022 | 2022 |
| Revenue | Revenue | \$ 26 | \$ 75 | Revenue | \$ 26 | \$ 101 | | | |
| Costs | Costs | 15 | 32 | Costs | 15 | 47 | | | |

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 2022 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 three asset-light, brokered transportation services, all of which complement our truck brokerage business: managed transportation, last mile and freight forwarding.

Our truck brokerage business has a variable cost structure with robust free cash flow conversion and a long track record of generating 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 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, 2023 September 30, 2023, we had approximately 121,000 122,000 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, last mile and freight forwarding also utilize our digital brokerage technology.

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, last mile and freight forwarding. 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.

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 United States, 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.

Our freight forwarding service is a scalable, asset-light offering managed with advanced technology that facilitates ocean, road and air transportation and assists with customs brokerage. We are a U.S.-based freight forwarder with a global network of company-owned and partner-owned locations and coverage of key trade lanes that reach approximately 150 countries and territories.

Notable External Conditions

As a leading provider of freight transportation services, our business can be impacted to varying degrees by factors beyond our control. The COVID-19 pandemic may continue to impact overall economic activity, customer sectors served by our industry, supply chains and labor markets. We cannot predict how long these dynamics will last, or whether any future resurgences will adversely affect our results of operations.

Additionally, 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

On November 1, 2022, the Company completed the separation from XPO, Inc. (formerly known as "XPO Logistics, Inc.") ("XPO") (the "Separation"). Prior to the Separation, the Company's financial statements were prepared on a standalone combined basis and were derived from the consolidated financial statements and accounting records of XPO. On November 1, 2022, the Company became a standalone publicly traded company, and its financial statements post-Separation are prepared on a consolidated basis. The combined financial statements for all periods presented prior to the Separation are now also referred to as "condensed consolidated financial statements" and have been prepared in accordance with GAAP. 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 as related to the Separation.

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

Direct operating expenses (exclusive of depreciation and amortization) are both fixed and variable expenses and consist 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"), including the allocated costs of XPO prior to the Separation, 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 a single reportable segment.

Results of Operations

| (In millions) | (In millions) | Three Months Ended June 30, | | | | (In millions) | Three Months Ended September 30, | | | | Percentage of Revenue | | | | |
|--|--|-----------------------------|----------|-----------------------|------|---------------|----------------------------------|--|-----------------------|----------|-----------------------|------|-----------------------|------|--|
| | | | | Percentage of Revenue | | | | | Percentage of Revenue | | Percentage of Revenue | | Percentage of Revenue | | |
| | | 2023 | 2022 | 2023 | 2022 | | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Revenue | Revenue | \$ 963 | \$ 1,226 | 100.0 | % | 100.0 | % | Revenue | \$ 976 | \$ 1,138 | 100.0 | % | 100.0 | % | |
| Cost of transportation and services (exclusive of depreciation and amortization) | Cost of transportation and services (exclusive of depreciation and amortization) | 723 | 904 | 75.1 | % | 73.7 | % | Cost of transportation and services (exclusive of depreciation and amortization) | 742 | 857 | 76.0 | % | 75.3 | % | |
| Direct operating expense (exclusive of depreciation and amortization) | Direct operating expense (exclusive of depreciation and amortization) | 59 | 56 | 6.1 | % | 4.6 | % | Direct operating expense (exclusive of depreciation and amortization) | 59 | 56 | 6.0 | % | 4.9 | % | |

| | | | | | | | | | | |
|---|---|--------------|--------------|--------------|--------------------------------|---|---------------|--------------|----------------|--------------|
| Sales, general and administrative expense | Sales, general and administrative expense | 144 | 166 | 15.0 % | 13.5 % | Sales, general and administrative expense | 148 | 158 | 15.2 % | 13.9 % |
| Depreciation and amortization expense | Depreciation and amortization expense | 18 | 21 | 1.9 % | 1.7 % | Depreciation and amortization expense | 16 | 23 | 1.6 % | 2.0 % |
| Transaction and integration costs | Transaction and integration costs | 4 | 18 | 0.4 % | 1.5 % | Transaction and integration costs | 2 | 23 | 0.2 % | 2.0 % |
| Restructuring costs | Restructuring costs | 1 | 3 | 0.1 % | 0.2 % | Restructuring costs | 3 | 6 | 0.3 % | 0.5 % |
| Operating income | Operating income | \$ 14 | \$ 58 | 1.5 % | 4.7 % | Operating income | \$ 6 | \$ 15 | 0.6 % | 1.3 % |
| Other income | — | (1) | — | — % | (0.1) % | Other expense | 1 | 1 | 0.1 % | 0.1 % |
| Interest expense, net | 8 | — | 0.8 | 0.8 % | — % | Interest expense (income), net | 8 | (1) | 0.8 % | (0.1) % |
| Income before income taxes | Income before income taxes | \$ 6 | \$ 59 | 0.6 % | 4.8 % | Income (loss) before income taxes | \$ (3) | \$ 15 | (0.3) % | 1.3 % |
| Income tax provision | 3 | 15 | 0.3 | 1.2 % | Income tax provision (benefit) | (2) | 2 | (0.2) % | 0.2 % | |
| Net income | Net income | \$ 3 | \$ 44 | 0.3 % | 3.6 % | Net income (loss) | \$ (1) | \$ 13 | (0.1) % | 1.1 % |

Three Months Ended June 30, 2023 September 30, 2023 Compared with Three Months Ended June 30, 2022 September 30, 2022

Revenue decreased 21.5% 14.2% to \$963 million \$976 million in the second third quarter of 2023, compared with \$1,226 million \$1,138 million for the same quarter in 2022. The year-over-year decrease in revenue in the second third quarter of 2023 was driven primarily by (i) a \$198 million \$95 million decrease in revenue generated from our truck brokerage business, as a result of a 33% 26% 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 a 10% 18% increase in load volume and (ii) a \$36 million \$45 million decrease in revenue generated from our freight forwarding business, driven primarily by a decrease in ocean rates and volume.

Cost of transportation and services (exclusive of depreciation and amortization) for the second third quarter of 2023 was \$723 million \$742 million, or 75.1% 76.0% of revenue, compared with \$904 million \$857 million, or 73.7% 75.3% of revenue, for the same quarter in 2022. The year-over-year increase in cost of transportation and services as a percentage of revenue during the second third quarter of 2023 was driven primarily by a 5.4 3.7 percentage point increase in truck brokerage cost of transportation and services as a percentage of revenue, as a result lower freight rates were not offset by corresponding reductions in cost of tightened capacity purchased transportation in the second third quarter of 2023. This was partially offset by (i) lower transportation costs as a percentage of revenue in last mile and (ii) an improvement in mix in our freight forwarding business.

Direct operating expense (exclusive of depreciation and amortization) for the second third quarter of 2023 was \$59 million, or 6.1% 6.0% of revenue, compared with \$56 million, or 4.6% 4.9% of revenue, for the same quarter in 2022. The year-over-year increase as a percentage of revenue in the second third quarter of 2023 was primarily a result of deleverage on lower revenue.

SG&A for the second third quarter of 2023 was \$144 million \$148 million, or 15.0% 15.2% of revenue, compared with \$166 million \$158 million, or 13.5% 13.9% of revenue, for the same quarter in 2022. The year-over-year increase in SG&A as a percentage of revenue was primarily a result of higher compensation-related costs of 1.8 0.9 percentage points for the second third quarter of 2023 compared with the same quarter of 2022, reflecting deleverage on lower revenue and incremental corporate costs of operating RXO as a standalone public company.

Depreciation and amortization expense for the second third quarter of 2023 was \$18 million \$16 million, compared with \$21 million \$23 million for the same quarter in 2022. The year-over-year reduction was driven primarily by (i) a decrease in intangible asset amortization expense as a result of a customer relationship intangible asset being fully amortized in December 2022, 2022 and (ii) a decrease in depreciation for our allocated share of XPO's corporate overhead.

Transaction and integration costs for the **second** **third** quarter of 2023 and 2022 were **\$4 million** **\$2 million** and **\$18 million** **\$23 million**, respectively, and primarily comprised spin-off related costs.

Restructuring costs for the **second** **third** quarter of 2023 were **\$1 million** and primarily comprised severance costs. Restructuring costs for the second quarter of 2022 were **\$3 million** and **\$6 million**, respectively, and primarily comprised severance facilities and contract termination costs.

Our effective income tax rates were **44.0%** **50.5%** and **24.3%** **18.5%** for the **second** **third** quarter of 2023 and 2022, respectively. The effective tax rates for the **second** **third** quarter of 2023 and 2022 were based on forecasted full-year effective tax rates, adjusted for discrete items that occurred within the periods presented. Our effective tax rate for the **second** **third** quarter of 2023 differs from the U.S. corporate income tax rate of 21% due primarily to state income taxes within the U.S. and non-deductible expenses. The impact of these drivers was magnified due a discrete tax benefit associated with return to our low pre-tax income in the second quarter of 2023 provision true-up. Our effective tax rate for the **second** **third** quarter of 2022 differs from the U.S. corporate income tax rate of 21% due primarily to a tax benefit of \$1 million from changes in reserves for uncertain tax positions partially offset by state income taxes within the U.S.

| (In millions) | (In millions) | Six Months Ended June 30, | | | | Percentage of Revenue | | Nine Months Ended September 30, | | | | Percentage of Revenue | | | |
|--|--|---------------------------|---------------|--------------|--------------|--|--|---------------------------------|---------------|--------------|--------------|--|--|--------------|---------------|
| | | 2023 | | 2022 | | 2023 | 2022 | (In millions) | | 2023 | 2022 | 2023 | | 2022 | |
| | | Revenue | Revenue | \$ 1,973 | \$ 2,538 | 100.0 % | 100.0 % | Revenue | Revenue | \$ 2,949 | \$ 3,676 | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Cost of transportation and services (exclusive of depreciation and amortization) | Cost of transportation and services (exclusive of depreciation and amortization) | 1,482 | 1,925 | 75.1 % | 75.8 % | Cost of transportation and services (exclusive of depreciation and amortization) | Cost of transportation and services (exclusive of depreciation and amortization) | 2,224 | 2,782 | 75.4 % | 75.7 % | Cost of transportation and services (exclusive of depreciation and amortization) | Cost of transportation and services (exclusive of depreciation and amortization) | 2,224 | 2,782 |
| Direct operating expense (exclusive of depreciation and amortization) | Direct operating expense (exclusive of depreciation and amortization) | 120 | 111 | 6.1 % | 4.4 % | Direct operating expense (exclusive of depreciation and amortization) | Direct operating expense (exclusive of depreciation and amortization) | 179 | 167 | 6.1 % | 4.5 % | Direct operating expense (exclusive of depreciation and amortization) | Direct operating expense (exclusive of depreciation and amortization) | 179 | 167 |
| Sales, general and administrative expense | Sales, general and administrative expense | 297 | 327 | 15.1 % | 12.9 % | Sales, general and administrative expense | Sales, general and administrative expense | 445 | 485 | 15.1 % | 13.2 % | Sales, general and administrative expense | Sales, general and administrative expense | 445 | 485 |
| Depreciation and amortization expense | Depreciation and amortization expense | 36 | 42 | 1.8 % | 1.7 % | Depreciation and amortization expense | Depreciation and amortization expense | 52 | 65 | 1.8 % | 1.8 % | Depreciation and amortization expense | Depreciation and amortization expense | 52 | 65 |
| Transaction and integration costs | Transaction and integration costs | 10 | 21 | 0.5 % | 0.8 % | Transaction and integration costs | Transaction and integration costs | 12 | 44 | 0.4 % | 1.2 % | Transaction and integration costs | Transaction and integration costs | 12 | 44 |
| Restructuring costs | Restructuring costs | 9 | 3 | 0.5 % | 0.1 % | Restructuring costs | Restructuring costs | 12 | 9 | 0.4 % | 0.2 % | Restructuring costs | Restructuring costs | 12 | 9 |
| Operating income | Operating income | \$ 19 | \$ 109 | 1.0 % | 4.3 % | Operating income | Operating income | \$ 25 | \$ 124 | 0.8 % | 3.4 % | Operating income | Operating income | \$ 25 | \$ 124 |
| Other income | Other income | — | (1) | — % | — % | Other income | Other income | 1 | — | — % | — % | Other income | Other income | 1 | — |
| Interest expense, net | Interest expense, net | 16 | — | 0.8 % | — % | Interest expense, net | Interest expense, net | 24 | (1) | 0.8 % | — % | Interest expense, net | Interest expense, net | 24 | (1) |
| Other expense | Other expense | — | — | — % | — % | Other expense | Other expense | 1 | — | — % | — % | Other expense | Other expense | 1 | — |
| Interest expense (income), net | Interest expense (income), net | — | — | — % | — % | Interest expense (income), net | Interest expense (income), net | 24 | (1) | 0.8 % | — % | Interest expense (income), net | Interest expense (income), net | 24 | (1) |
| Income before income taxes | Income before income taxes | \$ 3 | \$ 110 | 0.2 % | 4.3 % | Income before income taxes | Income before income taxes | \$ — | \$ 125 | — % | 3.4 % | Income before income taxes | Income before income taxes | \$ — | \$ 125 |
| Income tax provision | Income tax provision | — | 27 | — % | 1.1 % | Income tax provision | Income tax provision | (2) | 29 | (0.1) % | 0.8 % | Income tax provision | Income tax provision | (2) | 29 |
| Income tax provision (benefit) | Income tax provision (benefit) | — | 27 | — % | 1.1 % | Income tax provision (benefit) | Income tax provision (benefit) | (2) | 29 | (0.1) % | 0.8 % | Income tax provision (benefit) | Income tax provision (benefit) | (2) | 29 |
| Net income | Net income | \$ 3 | \$ 83 | 0.2 % | 3.3 % | Net income | Net income | \$ 2 | \$ 96 | 0.1 % | 2.6 % | Net income | Net income | \$ 2 | \$ 96 |

Six Nine Months Ended June 30, 2023 September 30, 2023 Compared with Six Nine Months Ended June 30, 2022 September 30, 2022

Revenue decreased 22.3% 19.8% to \$2.0 billion \$2.9 billion in the first six nine months of 2023, compared with \$2.5 billion \$3.7 billion for the same period in 2022. The year-over-year decrease in revenue in the first six nine months of 2023 was driven primarily by (i) a \$422 million \$517 million decrease in revenue generated from our truck brokerage business, as a result of a 33% 31% 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% 11% increase in load volume and (ii) a \$95 million \$140 million decrease in revenue generated from our freight forwarding business, driven primarily by a decrease in ocean rates and volume.

Cost of transportation and services (exclusive of depreciation and amortization) for the first six nine months of 2023 was \$1.5 billion \$2.2 billion, or 75.1% 75.4% of revenue, compared with \$1.9 billion \$2.8 billion, or 75.8% 75.7% of revenue, for the same period in 2022. The year-over-year decrease as a percentage of revenue in the first six nine months of 2023 was driven primarily by (i) lower transportation costs as a percentage of revenue in last mile and a (ii) an improvement in mix in our freight forwarding business. This was partially offset by a 2.5 2.9 percentage point increase in truck brokerage cost of transportation and services as a percentage of revenue, as a result lower freight rates were not offset by corresponding reductions in cost of tightened capacity purchased transportation in the second quarter first nine months of 2023.

Direct operating expense (exclusive of depreciation and amortization) for the first six nine months of 2023 was \$120 million \$179 million, or 6.1% of revenue, compared with \$111 million \$167 million, or 4.4% 4.5% of revenue, for the same period in 2022. The year-over-year increase as a percentage of revenue in the first six nine months of 2023 was primarily a result of deleverage on lower revenue.

SG&A for the first six nine months of 2023 was \$297 million \$445 million, or 15.1% of revenue, compared with \$327 million \$485 million, or 12.9% 13.2% of revenue, for the same period in 2022. The year-over-year increase in SG&A as a percentage of revenue primarily resulted from higher compensation-related costs of 2.2 1.8 percentage points for the first six nine months of 2023 as compared to the first six nine months of 2022, reflecting deleverage on lower revenue and incremental corporate costs of operating RXO as a standalone public company. This was partially offset by cost savings from restructuring actions executed in the first nine months of 2023, which primarily comprised employee severance. We anticipate the restructuring actions will result in cumulative annualized net cost savings of approximately \$31 million.

Depreciation and amortization expense for the first six nine months of 2023 was \$36 million \$52 million, compared with \$42 million \$65 million for the same period in 2022. The year-over-year reduction was driven by (i) a decrease in intangible asset amortization expense as a result of a customer relationship intangible asset being fully amortized in December 2022, 2022 and (ii) a decrease in depreciation for our allocated share of XPO's corporate overhead.

Transaction and integration costs for the first six nine months of 2023 and 2022 were \$10 million \$12 million and \$21 million \$44 million, respectively, and primarily comprised spin-off related costs.

Restructuring costs for the first six nine months of 2023 and 2022 were \$12 million and \$9 million, respectively, and primarily comprised severance costs. Restructuring costs for the first six months of 2022 were \$3 million and comprised severance, facilities and contract termination costs.

Our effective income tax rates were (11.0) (574.3)% and 24.3% 23.6% for the first six nine months of 2023 and 2022, respectively. The effective tax rates for the first six nine months of 2023 and 2022 were 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 nine months of 2023 differs from the U.S. corporate income tax rate of 21% due primarily 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. The impact of these drivers was magnified due to our low pre-tax income in the first six months of 2023. Our effective tax rate for the first six nine months of 2022 differs from the U.S. corporate income tax rate of 21% due primarily to state income taxes within the U.S.

Liquidity and Capital Resources

Overview

Our ability to fund our operations and anticipated capital needs are reliant upon the generation of cash from operations, supplemented as necessary by periodic utilization of our revolving credit facility, 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, share repurchases and strategic business development transactions. 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 2023 capital expenditures include capital associated with strategic investments in technology, equipment and real estate. The level and the timing of the Company's capital expenditures within these categories can vary as a result of a variety of factors outside of our control, such as the timing of new contracts and availability of labor and materials. 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

There have been no material changes to our outstanding debt and financing arrangements in the first **six** **nine** months of 2023 and we were in compliance with all covenants and other provisions of these arrangements as of **June 30, 2023** **September 30, 2023**. 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 5—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, 2023** **September 30, 2023**.

Financial Condition

The following table summarizes our asset and liability balances as of **June 30, 2023** **September 30, 2023** and December 31, 2022:

| (In millions) | (In millions) | As of December 31, | | | | % Change | (In millions) | As of September 30, | | As of December 31, | | | |
|-----------------------------|-----------------------------|---------------------|----------|-----------|--------|-----------------------------|---------------|---------------------|---------|--------------------|------|------|----------|
| | | As of June 30, 2023 | 2022 | \$ Change | 2023 | | | 2023 | 2022 | \$ Change | 2023 | 2022 | % Change |
| Total current assets | Total current assets | \$ 916 | \$ 1,029 | \$ (113) | (11.0) | Total current assets | \$ 936 | \$ 1,029 | \$ (93) | (9.0) | | | |
| Total long-term assets | Total long-term assets | 996 | 1,002 | (6) | (0.6) | Total long-term assets | 1,010 | 1,002 | 8 | 0.8 | | | |
| Total current liabilities | Total current liabilities | 699 | 823 | (124) | (15.1) | Total current liabilities | 728 | 823 | (95) | (11.5) | | | |
| Total long-term liabilities | Total long-term liabilities | 624 | 621 | 3 | 0.5 | Total long-term liabilities | 628 | 621 | 7 | 1.1 | | | |

Total assets decreased by **\$119** **\$85** million from December 31, 2022 to **June 30, 2023** **September 30, 2023**, driven primarily by a **\$157** million **\$113** million decrease in accounts receivable as a result of a decrease in revenue, offset partially by a **\$26** million **\$14** million increase in cash operating lease assets and cash equivalents due to net cash provided by operating activities, a **\$14** million increase in other current assets. Total liabilities decreased by **\$121** **\$88** million from December 31, 2022 to **June 30, 2023** **September 30, 2023**, driven primarily by a **\$69** million decrease in accounts payable and a **\$46** million decrease in accrued expenses, both resulting from 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) | (In millions) | Six Months Ended June 30, | | | | % Change | (In millions) | Nine Months Ended September 30, | | | | % Change |
|--|--|---------------------------|--------|-----------|---------|--|---------------------------------------|---------------------------------|----------|-----------|------|----------|
| | | 2023 | 2022 | \$ Change | 2023 | | | 2023 | 2022 | \$ Change | 2023 | |
| Net cash provided by operating activities | Net cash provided by operating activities | \$ 66 | \$ 177 | \$ (111) | (62.7) | Net cash provided by operating activities | \$ 70 | \$ 234 | \$ (164) | (70.1) | | |
| Net cash used in investing activities | Net cash used in investing activities | (28) | (24) | (4) | 16.7 | Net cash used in investing activities | (47) | (38) | (9) | (23.7) | | |
| Net cash (used in) provided by financing activities | | (13) | 30 | (43) | (143.3) | % | | | | | | |
| Effect of exchange rates on cash, cash equivalents and restricted cash | | 1 | — | 1 | 100.0 | % | | | | | | |
| Net cash used in financing activities | | | | | | | Net cash used in financing activities | (17) | (38) | 21 | 55.3 | % |
| Net increase in cash, cash equivalents and restricted cash | Net increase in cash, cash equivalents and restricted cash | \$ 26 | \$ 183 | \$ (157) | (85.8) | Net increase in cash, cash equivalents and restricted cash | \$ 6 | \$ 158 | \$ (152) | (96.2) | | |

During the first **six** **nine** months of 2023, we generated cash from operating activities of **\$66** **\$70** million, which was used primarily to fund (i) the purchase of **\$28** million **\$46** million of property and equipment, (ii) **\$9** million **\$12** million of tax withholdings related to vesting of stock compensation awards, (iii) **\$3** million in debt and (iv) **\$2** million of common stock repurchases.

During the first **six** **nine** months of 2022, we: (i) generated cash from operating activities of **\$177** **\$234** million, and (ii) received **\$30** which was used to fund (i) **\$39** million of net transfers from XPO. We used cash during this period primarily to XPO and (ii) the purchase of **\$24** of **\$39** million of property and equipment.

Net cash provided by operating activities for the first **six** **nine** months of 2023 decreased by **\$111** **\$164** million, compared with the first **six** **nine** months of 2022. The decrease in cash provided by operating activities reflects the impact of a **\$80** **\$94** million decrease in net income between periods and changes in working capital. The change in working capital was primarily driven by the balance sheet impact of decreased revenues and cost of third party transportation between periods.

Investing activities used **\$28** **\$47** million of cash for the first **six** **nine** months of 2023, compared with using **\$24** **\$38** million of cash for the same period in 2022. The primary use of cash in both periods was to purchase property and equipment.

Financing activities used **\$13** **\$17** million of cash for the first **six** **nine** months of 2023 compared with generating **\$30** using **\$38** million of cash for the same period in 2022. The primary use of cash from financing activities in the first **six** **nine** months of 2023 was (i) **\$9 million** **\$12 million** for payments of tax withholdings related to vesting of stock compensation awards, (ii) **\$3 million** for debt and (iii) **\$2 million** for the repurchase of common stock. The primary source of cash from financing activities in the first **six** **nine** months of 2022 was net transfers from to XPO.

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, 2022 included in the Annual Report on 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 **Est** **Estimates** section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Annual Report on Form 10-K. There have been no significant changes in the Company's critical accounting estimates since December 31, 2022.

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, and interest rates. 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, 2023** **September 30, 2023**, as compared with the quantitative and qualitative disclosures about market risk described in our Annual Report on Form 10-K for the year ended December 31, 2022.

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, as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of **June 30, 2023** **September 30, 2023**. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of **June 30, 2023** **September 30, 2023**, such that the information required to be included in our Securities and Exchange Commission reports is: (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to the Company, 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, 2023** **September 30, 2023** 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 9—9—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 Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes with respect to these risk factors.

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

There were no issuances of unregistered securities during the three or **six** **nine** months ended **June 30, 2023** **September 30, 2023**.

Issuer Purchases of Equity Securities

| (Dollars in millions, shares in thousands, except per share amounts) | Total Number of Shares Purchased ⁽¹⁾ | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs ⁽²⁾ |
|--|---|------------------------------|--|--|---|
| | | | Programs | Part of Publicly Announced Plans or Programs | |
| April 1, 2023 through April 30, 2023 | — | \$ — | — | — | \$ 125 |
| May 1, 2023 through May 31, 2023 | 100 | 20.53 | 100 | — | 123 |
| June 1, 2023 through June 30, 2023 | — | \$ — | — | — | 123 |
| Total | 100 | \$ 20.53 | 100 | — | 123 |

| (Dollars in millions, shares in thousands, except per share amounts) | Total Number of Shares Purchased ⁽¹⁾ | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs ⁽²⁾ |
|--|---|------------------------------|--|--|---|
| | | | Programs | Part of Publicly Announced Plans or Programs | |
| July 1, 2023 through July 31, 2023 | — | \$ — | — | — | \$ 123 |
| August 1, 2023 through August 31, 2023 | — | \$ — | — | — | 123 |
| September 1, 2023 through September 30, 2023 | — | \$ — | — | — | 123 |
| Total | — | \$ — | — | — | — |

⁽¹⁾ Based on trade date.

⁽²⁾ On May 2, 2023, the Company's Board of Directors authorized the repurchase of up to \$125 million of the Company's common stock. We are not obligated to repurchase any specific number of shares and may suspend or discontinue the program at any time. Also, the program does not have an expiration date. For further details, refer to [Note 7—Stockholders' 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. On November 2, 2023, we exercised a feature to increase the total commitments under our Revolver from \$500 million to \$600 million.

In connection with the Revolver commitment increase, we repaid all of the outstanding obligations in respect of the \$100 million principal amount, interest and fees under our Term Loan Credit Agreement, dated as of October 18, 2022 (the "Term Loan"), among the Company, the guarantors from time to time party thereto, the lenders and other parties from time to time party thereto and Citibank, N.A., as administrative agent, and terminated the Term Loan.

ITEM 6. EXHIBITS

| | |
|-----------|---|
| 10.1 * | Incremental Amendment and Lender Joinder Agreement, dated as of November 2, 2023, by and among RXO, Inc. and the incremental lenders party thereto and agreed to and accepted by Citibank, N.A., as Administrative Agent. |
| 31.1 * | 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, 2023 September 30, 2023. |
| 31.2 * | 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, 2023 September 30, 2023. |
| 32.1 ** | 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, 2023 September 30, 2023. |
| 32.2 ** | 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, 2023 September 30, 2023. |
| 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.

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 2, 2023 November 7, 2023

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)

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Exhibit 10.1

Execution Version

INCREMENTAL AMENDMENT AND LENDER JOINDER AGREEMENT

INCREMENTAL AMENDMENT AND LENDER JOINDER AGREEMENT, dated as of November 2, 2023 (this "Agreement"), by and among RXO, Inc., a Delaware corporation (the "Company"), and the incremental lenders party hereto (in such capacity, collectively, the "Incremental Lenders" and each, individually, an "Incremental Lender") and agreed to, with respect to the New Lender (as defined below), and accepted by Citibank, N.A., as administrative agent (the "Agent") for the Lenders party to the Credit Agreement referred to below.

WITNESSETH:

WHEREAS, the Company, each lender from time to time party thereto (the "Lenders"), the Guarantors from time to time party thereto and the Agent are parties to that certain Credit Agreement dated as of October 18, 2022 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Credit Agreement") (capitalized terms not otherwise defined in this Agreement have the same meanings assigned thereto in the Credit Agreement); and

WHEREAS, the Company has, by written notice to the Agent delivered pursuant to Section 2.22 of the Credit Agreement, requested incremental commitments (the "Incremental Revolving Credit Commitments") in an aggregate principal amount of \$100,000,000.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Incremental Lenders and the Incremental Revolving Credit Commitments. Pursuant to Section 2.22 of the Credit Agreement and subject to the satisfaction or waiver of the conditions to effectiveness of this Agreement set forth in Section 4 of this Agreement:

(a) Each Incremental Lender severally agrees to provide Incremental Revolving Credit Commitments in the principal amount for such Incremental Lender set forth on Schedule A hereto. The aggregate principal amount of the Incremental Revolving Credit Commitments being provided by all of the Incremental Lenders pursuant to this Agreement is \$100,000,000.

(b) The Incremental Revolving Credit Commitments set forth on Schedule A hereto shall have terms identical to the terms of the Commitments outstanding under the Credit Agreement on the Effective Date (including, without limitation, with respect to the maturity date, pricing, mandatory prepayments and voluntary prepayments) and shall otherwise be subject to the provisions of the Credit Agreement and the other Loan Documents. On and after the Effective Date, each reference to (x) a "Commitment" or "Commitments" or (y) a "Advance", "Advances", "Revolving Loan" or "Revolving Loans" in the Credit Agreement or herein shall be deemed to include the Incremental Revolving Credit Commitments and any Advances made in respect of the Incremental Revolving Credit Commitments established pursuant to this Agreement and all other related terms will have correlative meanings.

(c) Each of the parties hereto hereby agrees that the Agent may take any and all action as may be reasonably necessary, including the effecting of notional assignments between the Incremental Lenders and the other Lenders of outstanding Advances to ensure that, after giving effect to this Agreement,

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all Advances from the Incremental Lenders, when originally made, are included in each Revolving Borrowing under the Credit Facility on a pro rata basis.

SECTION 2. Amendment to the Credit Agreement.

(a) From and after the Effective Date, the Commitment Schedule to the Credit Agreement is hereby replaced in its entirety with Schedule B hereto.

SECTION 3. Representations and Warranties. By its execution of this Agreement, the Company hereby represents and warrants to the Incremental Lenders that:

(a) the representations and warranties set forth in Article 5 of the Credit Agreement are true and correct in all material respects, except to the extent any such representation and warranty is qualified by materiality or reference to Material Adverse Effect, in which case, such representation and warranty shall be true and correct in all respects, on the Effective Date with the same effect as if made on and as of such date (except for any such representation and warranty that by its terms is made only as of an earlier date, which representation and warranty shall be true and correct in all material

respects (except to the extent any such representation and warranty is qualified by materiality or reference to Material Adverse Effect, in which case, such representation and warranty shall be true and correct in all respects) as of such earlier date); and

(b) on and as of the Effective Date, no Unmatured Default or Default shall have occurred and be continuing or would result from the effectiveness of the Incremental Revolving Credit Commitments.

SECTION 4. Conditions of Effectiveness of the Incremental Revolving Credit Commitments. This Agreement shall become effective on the date (the "Effective Date") subject to the satisfaction (or waiver) of only the following conditions precedent:

(a) the Agent (or its counsel) shall have received from (I) all Incremental Lenders hereunder as of the Effective Date, (II) the Agent, and (III) the Company an executed counterpart of this Agreement;

(b) the Agent shall have received a written notice from the Company requesting the Incremental Revolving Credit Commitments and satisfying the requirements set forth in Section 2.22 of the Credit Agreement;

(c) the Company shall have delivered to the Agent a certificate of an authorized officer of the Company, dated the Effective Date, stating that the representations and warranties of the Company contained in Section 3 of this Agreement are correct;

(d) the Company shall have delivered to the Agent copies of the certificate of incorporation or formation, as applicable, of each Credit Party, together with all amendments thereto, and a certificate of good standing or like certificate in its jurisdiction of incorporation or formation (to the extent that such concept exists in such jurisdiction), as applicable, for such Credit Party, each certified by the appropriate governmental officer in its jurisdiction of incorporation or formation, as applicable;

(e) the Company shall have delivered to the Agent a favorable written opinion (addressed to the Agent and the Incremental Lenders and dated the Effective Date) of Alston & Bird LLP reasonably acceptable to the Agent;

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(f) prior to or substantially concurrently with the Effective Date, the Company shall have delivered to the Agent a copy of the executed payoff letter for the repayment of all existing Indebtedness under that certain Term Loan Credit Agreement, dated as of October 18, 2022, between the Company, the Agent and the other parties from time to time thereto;

(g) at least three (3) days prior to the Effective Date, the Company shall have provided the documentation and other information about the Company that is required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the U.S. Patriot Act and the Beneficial Ownership Regulation, to the extent such information was reasonably requested by the Incremental Lenders in writing at least five (5) Business Days prior to the Effective Date; and

(h) the Company shall have paid all fees, costs and expenses due and payable to the Agent, for itself and on behalf of the Lenders, or its counsel on the Effective Date and (in the case of expenses) for which the Company has received an invoice at least three (3) Business Days prior to the Effective Date (provided that such invoice may reflect an estimate and/or only costs processed to date and shall not thereafter preclude a final settling of accounts between the Company and the Agent, including with respect to fees, costs or expenses incurred prior to the Effective Date).

SECTION 5. Acknowledgment of New Lender. JPMorgan Chase Bank, National Association, (the "New Lender") (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Agreement and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of its Incremental Revolving Credit Commitments, shall have the obligations of a Lender thereunder, (iii) it is sophisticated with respect to decisions to acquire assets of the type represented by its Incremental Revolving Credit Commitments and either it, or the Person exercising discretion in making its decision to provide its Incremental Revolving Credit Commitments, is experienced in acquiring assets of such type, (iv) it has received a copy of the Credit Agreement, and has received, or has been accorded the opportunity to receive, copies of the most recent financial statements delivered pursuant to Section 6.01 thereof and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Agreement and to provide its Incremental Revolving Credit Commitments, (v) the representations and warranties in Section 9.11 and Section 10.10 of the Credit Agreement are true and (vi) it has, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and to provide its Incremental Revolving Credit Commitments; and (b) agrees that (i) it will, independently and without reliance on the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in

taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

SECTION 6. Reference to and Effect on the Credit Agreement and the other Loan Documents.

(a) On and after the Effective Date, each reference in the Credit Agreement to (i) "this Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement, and each reference in any other Loan Document to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Agreement and (ii) each Incremental Lender (x) shall become a "Lender" for all purposes

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of the Credit Agreement and the other Loan Documents and (y) shall have a "Commitment" under the Credit Agreement.

(b) The Credit Agreement and each of the other Loan Documents, as specifically amended by this Agreement, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

(d) On and after the Effective Date, this Agreement is subject to the provisions of Section 9.01 of the Credit Agreement and constitutes a Loan Document.

SECTION 7. Costs and Expenses. The Company agrees to pay promptly on demand all reasonable costs and out-of-pocket expenses of the Agent (in its capacity as such) in connection with the preparation, execution, delivery and administration, modification and amendment of this Agreement (including, without limitation, the reasonable fees and out-of-pocket expenses of a single counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities hereunder) in accordance with the terms of Section 9.06 of the Credit Agreement.

SECTION 8. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 10. Headings. Section headings herein are included for convenience of reference only and shall not affect the interpretation of this Agreement.

[Remainder of Page Intentionally Left Blank]

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IN WITNESS WHEREOF, each of the undersigned has caused its duly authorized officer to execute and deliver this Agreement as of the date first written above.

RXO, INC., as the Company

By: /s/ David Murray
Name: David Murray
Title: Vice President

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

BANK OF AMERICA, N.A., as an

Incremental Lender

By: /s/ Mukesh Singh
Name: Mukesh Singh
Title: Director

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

BARCLAYS BANK PLC, as an Incremental

Lender

By: /s/ Charlene Saldanha
Name: Charlene Saldanha
Title: Authorized Signatory

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

GOLDMAN SACHS BANK USA, as an

Incremental Lender

By: /s/ Rebecca Kratz

Name: Rebecca Kratz

Title: Authorized Signatory

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

KeyBank National Association, as an

Incremental Lender

By: /s/ Brian P. Fox

Name: Brian P. Fox

Title: Senior Vice President

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

MORGAN STANLEY BANK, N.A., as an Incremental Lender

By: /s/ Michael King

Name: Michael King

Title: Authorized Signatory

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

The Bank of Nova Scotia, as an Incremental Lender

Lender

By: /s/ Kevin D. McCarthy
Name: Kevin McCarthy
Title: Director

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

Wells Fargo, as an Incremental Lender

By: /s/ Mylissa Merten
Name: Mylissa Merten
Title: Vice President

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

REGIONS BANK, as an Incremental Lender

By: /s/ Holli Balzer
Name: Holli Balzer
Title: Director

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

Truist Bank, as an Incremental Lender

By: /s/ Chris Hursey

Name: Chris Hursey

Title: Director

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

U.S. BANK NATIONAL ASSOCIATION, as

an Incremental Lender

By: /s/ Eric. M. Herm

Name: Eric M. Herm

Title: Vice President

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

JPMORGAN CHASE BANK, N.A., as an

Incremental Lender and the New Lender

By: /s/ Ryan P. Viaclovsky

Name: Ryan P. Viaclovsky

Title: Authorized Officer

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

CITIBANK, N.A., as Administrative Agent and an Incremental Lender

By: /s/ Paul L. Colon

Name: Paul L. Colon

Title: SVP

Agreed to (with respect to the New Lender only) and accepted by:

[Signature Page to RXO Incremental Amendment and Lender Joinder Agreement]

SCHEDULE A

Incremental Revolving Credit Commitments

| Name of Incremental Lender | Incremental Revolving Credit Commitments |
|--|---|
| Citibank, N.A. | \$6,000,000.00 |
| Bank of America, N.A. | \$6,000,000.00 |
| Barclays Bank PLC | \$3,750,000.00 |
| Goldman Sachs Bank USA | \$3,750,000.00 |
| Morgan Stanley Bank, N.A. | \$3,750,000.00 |
| The Bank of Nova Scotia | \$3,750,000.00 |
| Wells Fargo Bank, National Association | \$3,750,000.00 |
| Regions Bank | \$2,000,000.00 |
| Truist Bank | \$2,000,000.00 |
| U.S. Bank National Association | \$15,250,000.00 |
| JPMorgan Chase Bank, N.A. | \$50,000,000.00 |
| TOTAL: | \$100,000,000 |

Schedule B

COMMITMENT SCHEDULE

COMMITMENTS AND PRO RATA SHARES

| Lender | Commitment | Pro Rata Share of Aggregate Commitment |
|----------------|-------------------|---|
| Citibank, N.A. | \$72,250,000.00 | 12.0417% |

| | | |
|--|-------------------------|------------------|
| Bank of America, N.A. | \$72,250,000.00 | 12.0417% |
| Barclays Bank PLC | \$50,000,000.00 | 8.3333% |
| Goldman Sachs Bank USA | \$50,000,000.00 | 8.3333% |
| KeyBank National Association | \$46,250,000.00 | 7.7083% |
| Morgan Stanley Bank, N.A. | \$50,000,000.00 | 8.3333% |
| The Bank of Nova Scotia | \$50,000,000.00 | 8.3333% |
| Wells Fargo Bank, National Association | \$50,000,000.00 | 8.3333% |
| JPMorgan Chase Bank, N.A. | \$50,000,000.00 | 8.3333% |
| U.S. Bank National Association | \$45,250,000.00 | 7.5417% |
| Regions Bank | \$32,000,000.00 | 5.3333% |
| Truist Bank | \$32,000,000.00 | 5.3333% |
| TOTAL: | \$600,000,000.00 | 100.0000% |

Exhibit 31.1

CERTIFICATION

I, Drew M. Wilkerson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended **June 30, 2023** **September 30, 2023** 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)) 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) 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
 - (c) 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 2, 2023** **November 7, 2023**

Exhibit 31.2

CERTIFICATION

I, James E. Harris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended **June 30, 2023** **September 30, 2023** 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)) 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) 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
 - (c) 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 2, 2023** **November 7, 2023**

Exhibit 32.1

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, 2023** September 30, 2023 (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 2, 2023** November 7, 2023

Exhibit 32.2

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, 2023** September 30, 2023 (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
James E. Harris
Chief Financial Officer
(Principal Financial Officer)

Date: **August 2, 2023** November 7, 2023

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