

GXO Logistics, Inc.: Benefit to free cash flow from trade receivables programs

GXO Factoring & Securitization

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

Examples:

On 6/1, company generates an accounts receivable invoice of \$100. If the receivable is outstanding at end of quarter (customer has not paid) and the company sells the receivable for cash consideration on 6/30, operating cash flows (and free cash flow) during the quarter have benefitted from the receivable sale.

By way of contrast, if the company sells the receivable on 6/1 and the customer remits payment on or before 6/30, the sale of the receivable has not benefitted free cash flow during the quarter because, absent the sale, operating cash flows would have reflected the cash receipt.

(Note, GXO has visibility to customer remittances post-sale as it functions as a servicer on behalf of receivable purchasers)

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
\$m					
Benefit (reduction) to free cash flow from trade receivables programs	3	(12)	(1)	6	(8)
Securitization Programs *					
A Receivables sold in period	474	418	530	-	-
B Cash consideration	474	418	530	-	-
C Less: cash collected as servicer on sold receivables	(471)	(425)	(537)	(118)	-
D Total cash impact of securitization programs (B + C)	3	(7)	(7)	(118)	-
Factoring Programs					
E Receivables sold in period	100	132	118	229	229
F Cash Consideration	100	132	117	228	228
G Less: sold receivables due or collected within period		(37)	(16)	(3)	(11)
H Cash consideration from prior sequential quarter	(100)	(100)	(95)	(101)	(225)
I Total cash impact of factoring programs (F + G + H)	0	(5)	6	124	(8)
Benefit (reduction) to free cash flow from trade receivables programs (D + I)	3	(12)	(1)	6	(8)
Year-to-date benefit (reduction) to free cash flow from trade receivables programs			(5)		(2)

*** Securitization initiated Q4 '18 and terminated Q1 '22**

- B With respect to trade receivables sold in the period indicated, represents portion of purchase price received in cash on day of sale
- C Represents cash collected in servicing capacity on sold receivables during the referenced period
- F With respect to trade receivables sold during the period indicated, represents cash received on sold receivables
Any difference between cash purchase price and gross amount of receivables sold represents the discount on sale of receivables and is recorded within interest expense
- G Receivables sold with a due date intra quarter are excluded from cash impact

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