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First quarter 2026 earnings call



GXO Logistics Q1 2026 Earnings Call

Presenters

Patrick Kelleher – GXO Chief Executive Officer

Mark Suchinski – GXO Chief Financial Officer

Kristine Kubacki – GXO Chief Strategy Officer

Q&A Participants

Stephanie Moore – Jefferies

Ravi Shanker – Morgan Stanley

Chris Wetherbee – Wells Fargo

Scott Schneeberger – Oppenheimer

Ari Rosa – Citi

Bruce Chan – Stifel

Brian Ossenbeck – J.P. Morgan

Jeff Kauffman – Vertical Research Partners

Uday Khanapurkar – TD Cowen

Harrison Bauer – Susquehanna

Kevin Gainey – Thompson Davis & Co.

Operator

Welcome to the GXO first quarter 2026 Earnings Conference Call and Webcast. My name is Sachi and I'll be your operator for today's call.

At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. If anyone should require operator assistance during the conference, please press star-zero on your telephone keypad.

Please note that this conference is being recorded.

Before the call begins, let me read a brief statement on behalf of the Company regarding forward-looking statements, the use of non-GAAP financial measures, and the Company's guidance:

- During this call, the Company will be making certain forward-looking statements within the meaning of applicable securities law, which, by their nature, involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those projected in the forward-looking statements.
- A discussion of factors that could cause actual results to differ materially is contained in the Company's SEC filings. The forward-looking statements in the Company's earnings release or made on this call are made only as of today, and the Company has no obligation to update any of these forward-looking statements, except to extent required by law.
- The Company also may refer to certain non-GAAP financial measures as defined under applicable SEC rules during this call. Reconciliations of such non-GAAP financial measures to the most comparable GAAP measures are contained in the Company's earnings release, and the related financial tables are on its website.
- Unless otherwise stated, all results reported on this call are reported in United States dollars.
- The Company will also remind you that its guidance incorporates business trends to date and what it believes today to be appropriate assumptions. The Company's results are inherently unpredictable and may be materially affected by many factors, including fluctuations in foreign exchange rates, changes in global economic conditions and consumer demand and spending, labor market and global supply chain constraints, inflationary pressures, and the various factors detailed in its filings with the SEC.
- It is not possible for the Company to actually predict demand for its services, and, therefore, actual results could differ materially from guidance. You can find a copy of the Company's earnings release, which contains additional important information regarding forward-looking statements and non-GAAP financial measures, in the Investors section on the Company's website.

I will now turn the call over to GXO's Chief Executive Officer, Patrick Kelleher. Mr. Kelleher, you may begin.

Patrick Kelleher – GXO Chief Executive Officer

Good morning and thank you for joining our first quarter 2026 results call. Joining me today are Mark Suchinski, our Chief Financial Officer, and Kristine Kubacki, our Chief Strategy Officer.

GXO delivered a strong finish to 2025, setting a solid foundation to accelerate organic growth and profitability in 2026 and beyond.

Before we get into the quarter, I want to take a moment to welcome Mark, who is joining us for his first earnings call as our Chief Financial Officer.

Mark's decades of experience driving enterprise performance through labor productivity, contracting, and pricing improvements as well as deep expertise in aerospace and defense, one of our most important growth verticals, is exactly what we need as we accelerate growth and expand margins. His track record of driving value creation aligns directly with where we're headed in this new era of growth. With Mark on board, we have the right team in place to deliver on our strategic priorities. A big welcome Mark!

Mark Suchinski – GXO Chief Financial Officer

Thank you, Patrick. I'm truly excited to be part of the GXO team.

Patrick Kelleher – GXO Chief Executive Officer

And we are thrilled to have you. Now, turning to the quarter.

In the first quarter, we delivered revenue of \$3.3 billion dollars, up 11% versus prior year, and adjusted EBITDA of \$200 million dollars, up 23%. Adjusted diluted EPS increased 72% to \$0.50. Organic revenue growth was 4% in the quarter — with every region contributing — demonstrating the resilience and global strength of our business model in a dynamic geopolitical environment. We entered 2026 with strong revenue visibility, and we have continued to build on that momentum.

In the first quarter, we added \$227 million dollars in new business wins across key verticals — including notable contracts in aerospace and defense, several technology wins, including further growth in AI cloud infrastructure with hyperscalers, and an expansion with the NHS in the UK.

In Consumer, we secured a meaningful new partnership with L'Oréal in Europe. We're also seeing encouraging momentum in North America with our largest win in the quarter coming from our rapidly expanding aerospace and defense business. These wins demonstrate strong commercial momentum and give us confidence in our ability to accelerate organic growth in 2026. We now have \$870 million dollars of expected incremental new business revenue already secured for 2026 — up 19% compared to this time last year — giving us a strong line-of-sight into the balance of the year. And we're already beginning to build visibility into 2027.

Mark and Kristine will discuss our financial outlook and new business wins in more detail shortly. But I'm pleased to announce that after a strong start to the year, we are raising our full-year guidance for adjusted EBITDA and adjusted EPS. We now expect a 22% increase in adjusted EPS at the midpoint of the range.

Now let me walk you through what's driving that confidence. We're focused on three strategic priorities: sharpening commercial execution, strengthening operational discipline, and leading in AI and next-generation automation. These are the levers that will accelerate growth and expand margins.

To execute on these priorities, we brought in new leadership across Commercial, Operations, and our Americas and Asia Pacific region. That team is now in place and delivering results.

First, on Commercial — we're diversifying into strategic growth verticals. Karen Bomber joined in January and is focused on three key areas: bringing a unified global approach to account management that mirrors how our customers operate, pricing that reflects the value we deliver, and faster, more consistent commercial processes. And we are already seeing momentum.

Our total pipeline now stands at the highest level in GXO's history. And, in the quarter, 40% of wins were in our strategic growth verticals — aerospace and defense, industrial, life sciences and technology, particularly data centers. Our sales

pipeline is accelerating, up 20% from the fourth quarter, of which more than half a billion dollars is in our strategic growth verticals. We also saw positive year-over-year volume growth in these verticals, helping to offset softer volumes in retail and consumer.

And we have seen the momentum building specifically in North America — one of the largest and fastest-growing logistics markets globally. Our new management team and targeted marketing investments are gaining traction. In the first quarter, win rates notably increased and the pipeline grew 35% sequentially, giving us increased confidence in the opportunity ahead.

In the region, we continue to benefit from our leadership position in B2B verticals — particularly aerospace and defense and data centers — while also seeing broader momentum emerging in consumer verticals, including consumer staples.

During the quarter, we launched the Defense Advisory Board in the U.S. and established the Torus Defense Supply Chain in the UK, a significant alliance that positions GXO as the leading supply chain provider to the UK defense industry, building on the expertise and relationships Wincanton brings to our platform.

Second, in Operations, we have begun to implement the GXO Way — our new global framework for standardizing and scaling excellence across the full operational lifecycle. This gives us the platform to drive more consistent, repeatable execution at scale which will make GXO even more competitive as a growth partner for customers and drive margin expansion.

Third, in Technology, we are making clear progress on our automation and AI strategies. GXO IQ reached an important milestone this quarter as we began scaling the platform — launching several new sites, with the rollout expected to accelerate through the year. We are targeting more than 50 sites by year-end.

The deployment of automated solutions continued to advance as well, including a fleet of Autonomous-Mobile-Robots in the Netherlands and our first Autoload solution in Europe. This not only enhances how we deliver — driving greater efficiency and productivity for our customers — it creates ongoing value and strengthens the durability of our partnerships. On humanoids — we will launch more pilots across the U.S. and Europe later this year. Our first-mover advantage is real — and we're building on it.

In closing, GXO is off to a strong start in 2026. The underlying business is showing positive momentum, our strategic priorities are beginning to gain traction, and our team is fully focused on driving long-term value creation. I look forward to sharing more on our long-term strategy and progress at our Investor Day to be scheduled after third quarter earnings.

With that, I will hand the call to Mark.

Mark Suchinski – GXO Chief Financial Officer

Thank you, Patrick — and good morning, everyone. Again, it's a pleasure to join you for my first earnings call as CFO of GXO. In my first five weeks, I've had the opportunity to meet with our site teams, our customers, and colleagues across the business. My initial takeaways are very clear: we have a strong foundation and a significant growth opportunity ahead of us.

GXO has built a formidable enterprise — one with significant global scale, a competitive advantage in automation and AI, and a caliber of customer base that very few companies in the world can match.

My priorities are fully aligned with Patrick's — to operate as a single, connected global firm — powering our commercial growth strategy, leveraging the GXO Way to drive consistent global execution and optimizing our cost structure. We will also ensure disciplined capital allocation that drives long-term shareholder value. I look forward to sharing more on each of these areas in the quarters ahead.

In the first quarter, GXO delivered revenue of \$3.3 billion dollars, up 10.8% year over year, of which 4.1% was organic. Every region contributed — a clear demonstration of the breadth and resilience of our contractual business model in a dynamic macro environment.

We delivered adjusted EBITDA of \$200 million dollars, up 22.7% from this time last year. This resulted in an adjusted EBITDA margin of 6.1%, up 60 basis points year-over-year.

We delivered net income of \$5 million dollars and adjusted net income attributable to GXO of \$58 million dollars — up 70.6% year over year. Adjusted diluted EPS was \$0.50, up 72.4% from the first quarter a year ago.

We generated \$31 million dollars of operating cash flow in the quarter, while free cash flow was an outflow of \$31 million dollars — in line with typical seasonality. We are managing working capital efficiently and investing in the business at high returns.

Turning to our balance sheet, we ended the quarter with \$794 million dollars in cash on hand and a strong liquidity position of \$1.6 billion dollars. Our leverage levels held steady at 2.5x. Our investment grade balance sheet is strong and positions GXO for profitable growth. We remain focused on disciplined allocation of capital to enhance long-term value for our shareholders.

The integration of Wincanton is progressing at pace. We remain on track to deliver run-rate cost synergies of \$60 million dollars by year-end 2026. We also expect to capture significant revenue synergies in the years ahead.

Turning to the outlook for the full year, we over delivered versus our guidance for the first quarter. We saw strong underlying performance from our core business, as well as benefiting from certain contract termination costs that had been anticipated in the first quarter and are now expected to be incurred over the remainder of the year. As a result, for our full-year 2026 guidance, we are:

- Maintaining organic revenue growth of 4% to 5%
- Raising adjusted EBITDA to a range of \$935 million dollars to \$975 million dollars;
- Raising adjusted diluted earnings per share to a range of \$2.90 to \$3.20 — up 22% at the midpoint; and
- Maintaining free cash flow conversion of 30% to 40%.

With strong operating performance, a record sales pipeline, and a solid financial foundation, we're well-positioned to accelerate growth and expand margins in 2026 and beyond.

With that, over to you Kristine.

Kristine Kubacki – GXO Chief Strategy Officer

Thanks, Mark. Good morning, everyone.

The first quarter results again demonstrate the strength and resilience of our business model. I'd like to provide more context on the drivers of that growth, the durability we see across our business, and how we are positioning GXO for the next phase of value creation.

Patrick has been clear about our strategic priorities — sharpening our commercial strategy, strengthening our execution and leading the deployment of AI and next-generation automation. Together, these priorities will drive long-term profitable growth.

Commercially, we are making significant progress deepening our global relationships with blue-chip customers and expanding across geographies and into high-growth verticals. In the first quarter, we won \$227 million dollars in new contracts, and our pipeline grew to \$2.7 billion dollars — a record for GXO, and a clear reflection of the momentum that has built since Patrick joined in August of last year.

As Patrick and Mark have both noted, we are deliberately leveraging our strong positions in aerospace and defense and technology, including data center infrastructure, to capture the rapidly growing opportunities in these verticals. We are also continuing to build on our strong foundations in life sciences and the broader industrial vertical.

In the first quarter, approximately 40% of our wins and a quarter of our pipeline came from these strategic growth verticals — a direct result of our deep capabilities, technical expertise and strong competitive positioning. With supply chains continuing to grow in complexity and reshore, we have increasing confidence in the durability and resilience of our growth outlook. And with a combined TAM of over \$200 billion across these verticals, the runway ahead remains substantial.

Taken together, our recent wins translate to \$870 million dollars in incremental revenue already secured for 2026 — up 19% from where we stood at this point last year. This gives us confidence in our full-year guidance and provides clear visibility into our long-term growth trajectory.

The second priority Patrick outlined was strengthening our execution — leveraging our position as the leading pure-play contract logistics provider to drive better outcomes for our customers and improved profitability for GXO. Central to that is our leadership in automation, technology, and AI.

In the first quarter, we made meaningful strategic progress on this front, as we began expanding GXO IQ into a scaled platform.

We have moved from pilot to global rollout, launching GXO IQ at a large consumer products site — with a seamless implementation. We are now accelerating deployment across North America and Europe, with UK sites set to follow later in the year.

As a reminder, GXO IQ is an AI-powered warehouse technology platform that improves start-up efficiency, accelerates productivity, and enhances data security. GXO IQ simplifies implementations and makes our proprietary AI modules and automation capabilities truly scalable. We are targeting to expand GXO IQ to more than 50 sites by year-end.

In combination with strengthening our operating model, in the quarter, we have begun to reshape our organization to drive sharper execution. Our new COO Bart Beeks, who joined in January, is overseeing the launch of the GXO Way — our operating framework designed to turn proven excellence into repeatable advantage. This means standardizing implementation best practices, accelerating front-line automation deployment, and leveraging our global procurement capabilities to drive scale and expertise benefits for our customers.

Overall, these strategic priorities are serving to diversify GXO's revenue base, making our growth even more durable and driving our profitability and cash flow. We look forward to sharing more at our Investor Day after third quarter earnings, where we'll provide more detail on our long-term strategy and financial framework.

With that, I'll hand it back to the operator for Q&A.

Q&A Transcript

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 to remove your question from the queue.

For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key. One moment please, while we poll for questions. Our first question is from Stephanie Moore from Jefferies. Please go ahead.

Stephanie Moore – Jefferies

Hi, good morning. Thank you everybody. Congrats on the strong quarter and obviously a really good start to the year. I was hoping that you could address a topic that is probably clearly top of mind with investors this past week.

So, I think most have probably seen this, but I'm obviously talking about the announcement from Amazon of its expanded supply-chain services. I think it would be helpful if you could just maybe speak to your competitive moat and differentiated service proposition, and how that differs from other players such as Amazon, or really any other well-backed company that would look to expand fulfillment or warehousing services. I think that would be a helpful place to start. Thank you.

Patrick Kelleher – GXO Chief Executive Officer

Absolutely, Stephanie, and thanks for the question, and good morning to you. I've been in this industry for 32 years, and I really viewed Amazon's announcement this week as a fantastic validation of the opportunity that's in front of GXO and of the contract logistics industry.

This is a massive market. It's approximately half a trillion dollars and growing — very exciting. Today, roughly 70% of the market, that being contract logistics, is in-sourced, which is a huge opportunity. So, we don't view this as really changing the overall competitive dynamic.

I would point out that we provide a fundamentally different offering. Amazon is selling access to its supply chain, whereas GXO — we build custom solutions for our customers. That distinction means everything to our blue-chip customers. We're not a one-size-fits-all provider. What we do is bespoke, operationally complex, and relationship driven. The more complex the supply chain, the more bespoke really matters.

There are a couple of differences to our model that I really want to point out. First is control. For enterprise customers, protecting their data is a top priority. Many companies are going to be reluctant to give a competitor deeper visibility into their inventory, demand patterns, sales channels, financials.

Number two, we offer a flexible tech stack that is vendor-agnostic, so we're not beholden to a single technology solution.

And number three, our capabilities extend way beyond retail into sectors like aerospace and defense and industrial, just to name a few.

We see our moat as really the combination of factors. Our client aligned, customized solutions, feature long-term contracts, cutting-edge technology, deep vertical know-how, high-quality execution. And I think those are all key differentiators.

We're really focused on delivering value for our customers, shareholders and teammates, with a focus on discipline in executing our strategic plans and executing for our customers. So, we really feel great about how GXO is positioned as a leader in the contract logistics industry to continue to win and grow this year and into 2027 and beyond.

Stephanie Moore – Jefferies

Thanks, Patrick. That's helpful. I guess one question on just the quarter itself. Maybe if you could just speak to, I think the EBITDA performance was better than we had initially expected. So, as you think about that underlying performance, do you think that this is a testament of some of the cost actions that your team has kind of implemented more recently?

Maybe talk through what this could mean in terms of the momentum of those cost actions as the year progresses. Just wanted to get a sense of your underlying confidence in the ability to really look for some of the productivity savings that you've called out before. Thanks, guys.

Patrick Kelleher – GXO Chief Executive Officer

Absolutely. I'll ask Mark to answer that question.

Mark Suchinski – GXO Chief Financial Officer

Good morning, Stephanie. Thanks for the question. As you indicated, we had a really strong performance in the first quarter in our core business. We feel good about that. The initiatives that are in place are starting to take hold here. And so it's a clear indication that what we're doing, we're on the right track here.

And so I think as we move throughout the year, we continue to win new business and focus on very disciplined execution for our customers, along with the initiatives that Bart Beeks, our new COO, is driving. We feel good about our ability to drive margins in the long term. And you're seeing it show up in the first quarter. And that's one of the reasons why we felt confident but prudent in our approach to raising guidance.

Stephanie Moore – Jefferies

Great. Thanks, everybody. Appreciate it.

Mark Suchinski – GXO Chief Financial Officer

Thank you.

Operator

The next question is from Ravi Shanker from Morgan Stanley. Please go ahead.

Ravi Shanker – Morgan Stanley

Great, thanks. Morning, everyone. Just on the current environment, can you just clarify if you've seen any blips in customer activity or planning at all because of the conflict in the Middle East, and what the outlook looks like for the rest of the year?

Patrick Kelleher – GXO Chief Executive Officer

Yes. First, I would say that for GXO, we have virtually no direct exposure to the region, and we are not seeing any material impact from the conflict.

Our volumes for the first quarter overall were relatively flat, which is something that we had actually forecasted and saw coming into the quarter. B2B volumes in our aerospace and defense, industrial, technology, and life sciences sectors were slightly up, and B2C volumes in retail and CPG slightly down, but netting out to being flat. We continue to see great energy from customers around the exploration of outsourcing and through our new business development in the first quarter. Clearly, customers are continuing to commit to solutions going forward.

I think a great testament to the health of the industry and the opportunities out there is the increase that we saw in our pipeline in the first quarter. So, record pipeline, now up to \$2.7 billion. We're seeing great conversion on that pipeline. And based on the flow of projects coming in week by week, we see that continuing in the medium term, long term as we look towards the end of the year.

Ravi Shanker – Morgan Stanley

Great, that's helpful. And maybe as a follow-up on the Amazon topic. Thanks for the clarification on what you see as your moat there, particularly the point on custom solutions.

Is there any part of your business, do you think, where you do not have the level of complexity or customization that you would like to have — or any end markets or geographies where you think as a result of this development, you would maybe want to pivot away from and maybe towards others?

Patrick Kelleher – GXO Chief Executive Officer

Sure. So, the area of the business where I do see us competing with Amazon going forward — and we have been in the past for a while — is with Amazon's FBA product, which is very similar to our GXO Direct product offering, which is our shared use e-commerce offering.

That business for GXO Direct grew in 2025. It grew 5% in the first quarter of this year, but it does represent just under 6% of our total business, so relatively small in the overall scheme of GXO's business in total.

I think where we do competitively differentiate as GXO Direct is that we are servicing high-value brands that leverage our value-added services in packaging, etching and really white-glove type services for those very high-end brands. It's a high-touch customer experience, and I think we're well positioned to continue to compete as GXO Direct in that space.

Ravi Shanker – Morgan Stanley

Very helpful. Thank you, Patrick.

Operator

The next question is from Chris Wetherbee from Wells Fargo. Please go ahead.

Chris Wetherbee – Wells Fargo

Hey. Thanks, guys. Good morning. Maybe one sort of shorter-term question and then maybe a little bit bigger. I guess as you think about demand and maybe what the second quarter could look like, kind of curious to get a sense of what you think organic revenue trends look like as you go through the year. So, you came in a little bit better than what we thought in the first quarter.

I don't know if you see an acceleration as you move into Q2 — I know we're kind of in the range that you guys gave for the full year, but any thoughts on the second quarter and kind of what you're seeing from demand in the month of April?

Mark Suchinski – GXO Chief Financial Officer

Hi, Chris. It's Mark. Let me just respond to that. As he indicated, we had solid revenue organic growth in the first quarter of 4.1%. We expect the second quarter to be about the same that we saw in the first quarter. And with the pipeline and the wins that we've achieved and the line of sight that we have here in the second quarter, we're seeing the organic growth then accelerate in the back half of the year.

So, I think the first half of the year, it's going to be at the lower end of the range, whereas in the back half of the year it's going to be at the higher end of the range, based on the visibility that we have today.

Patrick Kelleher – GXO Chief Executive Officer

And that visibility is really reinforced by the fact that we're seeing the signings happening today, and it's really about the timing of the implementation of the business that we have sold, and when that revenue is coming on in 2026.

And then I think based on the signings we're seeing, and particularly the acceleration of the pipeline and the good conversion rates that we're seeing, we have a lot of confidence going into 2027 around the continuation of accelerating organic growth.

Chris Wetherbee – Wells Fargo

That's super helpful and a great segue. I wanted to ask a little bit about building that incremental revenue wins for 2027. So, at \$168 million, I think you're a little lower than what you've been the last couple of years there. Is it just sort of a timing dynamic, I guess, as you guys have sort of reconstituted, some of the management team has not lost enough that there could be some transition dynamics that play out here. But how do you think that builds as we go through the rest of the year?

Patrick Kelleher – GXO Chief Executive Officer

Yes, I see that solely as a timing dynamic around when ink hit paper in the first quarter versus actually signing contracts in the second quarter and beyond. And I think it'll really come down to timing of implementation in terms of how much lands this year versus how much carries into 2027. As I said, we're very confident in our direction there, and maybe Kristine, if you want to comment on the pipeline.

Kristine Kubacki – GXO Chief Strategy Officer

Yes. Hi, Chris. I would just simply state that we feel very good, of course, about the record pipeline that we have and the underlying trends that we're seeing in the business. I think simply, we plan to sign more this year as we move forward, and a large part of that will simply fall into 2027 — we'll see that layering on.

So, we feel very good and have every bit of confidence that we'll see accelerating growth through the back half of this year and into 2027.

Chris Wetherbee – Wells Fargo

Great. Thanks very much for the time. Appreciate it.

Operator

The next question is from Scott Schneeberger from Oppenheimer & Co. Please go ahead.

Scott Schneeberger – Oppenheimer

Thanks very much. Good morning. Patrick, I'd like to touch again on the sales pipeline — an all-time high — and you certainly highlighted the 25% from the strategic growth sectors, and it sounds like a lot of progress is being made there. And congratulations. I'm curious to hear on the other 75% of the pipeline, what are the primary verticals that are building, and where you're seeing conversion. Thanks.

Kristine Kubacki – GXO Chief Strategy Officer

Hi, Scott. It's Kristine. I think we're very encouraged about what we saw in terms of the wins that we had in the first quarter. So, it was \$227 million, and 40% of those were in our new verticals.

So, we had good signings from across our technology. We signed four more contracts, including one internationally, for data centers. Aerospace and defense was actually our largest contract win in the quarter. So, despite that, we still have a great representation of the pipeline as we move into the second quarter.

But I think obviously, 75% of the pipeline is in our core business, and that just shows that we're continuing to see momentum in the core of geographies and our core verticals, omnichannel, retail and the like, and consumer. Very strong. Our value proposition is resonating with customers, and certainly in a dynamic environment, our value proposition only grows.

Scott Schneeberger – Oppenheimer

Great, thanks for that. And then considering it was first quarter and often a time of year where reverse logistics is quite meaningful on returns post the holiday season. Any update on that area of your business — what percent of revenue it represents, what that mix may be going to, and maybe some of the profitability attributes of that business? Thanks.

Kristine Kubacki – GXO Chief Strategy Officer

Hi, Scott, it's Kristine again. Great question. As you know, returns are an extremely complex operation for us, and one of our skilled expertise that GXO does.

And, in fact, we've seen very encouraging trends across our reverse logistics business. It remains probably around about 10% of our pipeline and of our business today, but we did see high-single-digit growth for us in the quarter. And obviously because of the complexity of the operations, it remains a very value-added service for us from a profitability standpoint.

Scott Schneeberger – Oppenheimer

Great. Thanks very much.

Operator

The next question is from Ari Rosa from Citi. Please go ahead.

Ari Rosa – Citi

Yes, hi. Good morning. Patrick, I was hoping you could comment just for some context, because obviously the market feels confused, and we saw the stock get a bit hit obviously on the Amazon threat.

Just help us understand — when companies leave GXO, or when they make the decision to, kind of, not renew the contract, what are the typical reasons that happens?

And then if you could also comment on how often you see Amazon in a competitive bidding process. And do you have any concern that their, kind of, stepping up their presence in this space could lead to something of an erosion of pricing power or greater pricing competition in the industry? Thanks.

Patrick Kelleher – GXO Chief Executive Officer

Yes. So, to take the first question, our churn rate is less than 5%. That trend is continuing. When customers leave, it is typically rarely because of, rarely, a bankruptcy, but we do see those. Typically, it's a restructuring of supply chain. It is closing one warehouse node in order to open up a new node somewhere else. And then a very, very small part, of course, in a competitive bid to competitors.

But our churn rate continues to be very healthy. And we see that going forward, even improving, as we focus on even more account management. You would have seen that with the introduction of Ajit Kara into the strategic account management role that we announced a little while ago.

In terms of Amazon's presence in the market, I think they've been very clear around selling into existing infrastructure. Providing standalone bespoke solutions is very different from selling into existing capacity in standard solutions. Outside their platform, in selling a standalone bespoke solution, the game is very different. The market is populated with very formidable competitors in that space — GXO leading in my mind, in that regard in the contract logistics industry.

When I look at our customers, they are the chief supply chain officers. We have many former chief supply chain officers on our board, within our organization, running our business. When you look at their job and the things that are most important to them, cost matters. Service is critical. They can differentiate between transactional supply chain activity like air freight and parcel in establishing short-term contracts for freight rates and buying capacity. The strategic decision associated with outsourcing in contract logistics requires an approach to a long-term relationship of purpose-built supply-chain warehouse operation, a focus on continuous improvement over what is a long term — typically, our average contract is five years.

So, the business is very different. The engagement with the customer is very different. The way in which our organization supports the delivery of those solutions for our customers is very different than if we were selling into a standardized solution, as Amazon is putting forth.

So, I feel really confident that at the most senior levels within our customers' organization, we are the right answer for the strategic outsourcing aspect of their supply chain. And certainly there is a role to play for air freight, parcel and so forth. And the competitive dynamics are very different from the competitive dynamics in contract logistics. And that's why I'm really confident that we're so well positioned to succeed in what is a very big market.

And as I said in the beginning, I think it was really a great thing that Amazon called out what an incredible opportunity there is in supply chain, and what a great industry this is to invest in.

Ari Rosa – Citi

That's helpful, thank you. It certainly seems like there's a lot of confusion out there.

I was excited to see that you guys have loosely set a date now for the Investor Day, obviously still a while away, and I'm sure there's going to be a lot of work in terms of refining long-term targets. But at a high level, maybe help us understand how you think of the objectives for the Investor Day, and what is it that you'd really like to get across, or what is it that you feel perhaps the market is misunderstanding or investors are misunderstanding about GXO.

Patrick Kelleher – GXO Chief Executive Officer

Sure. You can expect, on Investor Day, GXO will lay out our three-year strategy. We will go in substantially more depth on organic growth, where to play, how to win, and how we see ourselves delivering organic growth over the next three years. We will go deeper on the operational levers in terms of productivity improvement, the glide path on SG&A, insight into the investments that we will be making and continue to make, and driving performance of the business, both on top line and bottom line

We want to do that with transparency. The reason for the timing after the third quarter is to give this management team an opportunity to pull those plans together, to make sure that we can articulate those at a level of depth that everybody can embrace, and that we set the stage for our path forward and sharing how we are performing against our plan. We want to be aligned externally and internally around those key metrics and those key KPIs that underpin an assessment of our performance, so we move with even more transparency going into 2026.

Ari Rosa – Citi

Very helpful. Thank you for the time.

Operator

The next question is from Bruce Chan from Stifel. Please go ahead.

Bruce Chan – Stifel

Hey. Good morning, everyone. Great to have you on the call, Mark.

Maybe just want to follow up on the demand comments in terms of what you're seeing in the various geographies and end markets. I know we've been in a pretty soft environment for a while now, you mentioned some sluggishness in retail and consumer. So just any broad color on recovery rate in Europe or, for example, by industry. And then maybe also some comments on what's embedded in guidance in terms of volume from existing customers, just in case I may have missed that.

Patrick Kelleher – GXO Chief Executive Officer

Mark, do you want to talk about what's embedded in the current forecast from a volume perspective?

Mark Suchinski – GXO Chief Financial Officer

Sure, Bruce. As we've indicated, our guidance reflects organic growth that we're targeting between 4% and 5% for the year. From an existing customer standpoint, from a volume standpoint, we're assuming about break-even on the year. So, we're looking at that organic growth clearly coming from new contract wins that we achieved in 2025 and the early part of 2026, so that's what's reflected in the guidance.

Patrick Kelleher – GXO Chief Executive Officer

Yes. I would just comment across the three geographies, North America, UK and Europe, where the majority of our business lies — the consumer appears to continue to be very strong. So, while volume is a bit softer, it's only low-single-digit, very low-single-digit, in terms of year-on-year volume changes. As we've shared on the B2B side, certainly higher volume increase there, but that represents a smaller percentage of our business where that is netting out to being relatively flat.

So, we're encouraged as we look towards the end of the year, in terms of at least volumes being flat year on year. And as communicated, I think on our last call, we still maintain that that is a prudent position right now. We're hopeful for better, but no reason to think that right now that would materialize any differently.

Bruce Chan – Stifel

Great, thank you.

Mark Suchinski – GXO Chief Financial Officer

Thanks, Bruce.

Operator

The next question is from Brian Ossenbeck from J.P. Morgan. Please go ahead.

Brian Ossenbeck – J.P. Morgan

Hi, good morning. Thanks for taking the question. Maybe, Patrick, can you give us a little bit more detail around the new aerospace and defense wins, especially the bigger one, it sounds like, in North America. How long was that in the pipeline? Is there anything different than what you've seen in terms of the conditions, the contract length, anything along those lines? And to the extent you can give us a little clarity in the confidence behind the ramp, anything that you've signed or have really good visibility into signing here in April?

Patrick Kelleher – GXO Chief Executive Officer

Yes, sure. I can't go into any details on what's forthcoming in terms of specific deals in April and beyond. The opportunity that we signed in the last quarter is focused on parts distribution, which is a very strong capability of ours, not only in aerospace and defense, but in data centers and life sciences as well. So that really plays to our core. That was a relatively quick-term project in terms of design to decision-making, which is encouraging in terms of how customers are able to move at speed in that space.

We're seeing great traction in the pipeline build, particularly through the engagement of our Defense Advisory Board. That team has met on a number of occasions already, and the individuals on that board are great advocates in terms of helping us build the pipeline there, getting our name known out in the space, and being able to look at real projects there.

So, I'm super excited about the traction we're seeing there — that goes for the Defense Advisory Board in North America, as well as the opportunities that we're planning for in the UK through the alliance that we've established there.

Brian Ossenbeck – J.P. Morgan

Thanks for that. And then it sounds like we're going to hear more about the operational improvement and possibilities at the Investor Day. But can we get some context in terms of the GXO Way, which seems like it's just rolling out right now? How quickly can you see benefits from that? I mean, you've got a lot of different sites, long-term contracts. Can you make smaller incremental change that just adds up? Or do you feel like this can actually have some bigger impacts without having to deal with changing the contract terms or maybe the operating footprint?

So, I realize we'll hear more in the back half of this year, but I'd love to hear just how to think about that until then. Thanks.

Patrick Kelleher – GXO Chief Executive Officer

Yes, sure. So, it's early, early days there, as you say. We'll share a lot more on Investor Day in terms of dimensioning the potential there, as Kristine said, a great success in rolling out GXO IQ. That is really foundational to the GXO Way, and GXO IQ is the platform for us to enable AI deployment at scale in our sites.

We have good success on the AI front. We have eight AI modules, which we've deployed at a number of sites. We've gone live with those first instances of GXO IQ, which really provides a more standardized distribution of AI across all of our sites. And we're building towards 50 sites being on GXO IQ by the end of the year, so we're excited about that progress.

When you look at the productivity improvement opportunities that we have, even just from an AI perspective, we're focused on two dimensions. One is driving innovation in our customer warehouse and transport operations. And we're already seeing benefits from the modules that we've rolled out there, and more to come. The second is leveraging AI for overhead and functional efficiency. And we've got great initiatives in flight there in functions like HR, IT and finance and so forth. So, we're coming at it from both perspectives and very, very excited about Investor Day, where we can dimension that in even more detail.

Brian Ossenbeck – J.P. Morgan

Thanks very much, Patrick.

Operator

The next question is from Jeff Kauffman with Vertical Research Partners. Please go ahead.

Jeff Kauffman – Vertical Research Partners

Thank you very much. And Mark, congratulations. Look forward to working with you. One quick detail question for Mark and then a bigger picture for Patrick. Mark, as you expand into North America, how does that change your tax rate?

Mark Suchinski – GXO Chief Financial Officer

I would say this, Jeff. I don't think it changes in a meaningful way. Obviously, the North American rate is a touch higher than the rates across the globe here. But I think it won't be meaningful year on year. Over time, I think we'll see a small tick up in that, but at this point in time, I wouldn't anticipate anything significant.

Jeff Kauffman – Vertical Research Partners

Okay. And then for Patrick, bigger picture. I'm just curious on your perspective over the last three to five years. We've had COVID, we've had this AI boom, we've had tariffs. It's really changed how companies are thinking structurally about their supply chains. What are some of the big changes you've seen, and how the business is shifting?

Patrick Kelleher – GXO Chief Executive Officer

Yes, I've talked about the contract logistics industry and the evolution there. And I've been in the industry for 32 years. The industry has grown every single year over those 32 years. Events such as the financial crisis of 2008, maybe even the European bond crisis in 2015, COVID, various wars and conflicts that have happened throughout the years, the evolution of tariffs, which we should all be reminded started to be a big deal in the 80s, not four years ago. These headwinds, these changes, have always resulted in fueling additional growth for contract logistics and outsourcing.

Our industry is a great lever for our customers. Our solutions are a great lever for our customers to take cost out, improve service, to drive change at a faster pace within the supply chain. The time and attention being put into that as a lever only continues to increase.

I've talked about, over the last couple of months at a number of conferences, tariffs being a catalyst to supply-chain efficiency. So as additional costs are introduced to the supply chain, that creates opportunities for return on investment that maybe didn't exist before.

And a great example of that is the free trade zone. So, there's significant demand now for free trade zones. That's a great way to at least mitigate or delay the impact of tariffs. We have 67 free trade zones around the world. We're seeing great growth in that space. As these headwinds come, supply-chain efficiency becomes more important, and outsourcing becomes a very easy lever for our customers to pull in order to drive those supply-chain efficiencies more quickly in their business.

And I think, if you look at the evolution of the contract logistics industry, it started in the 90s around labor arbitrage and really has evolved to an arbitrage of expertise. The thing that differentiates us the most is the people that we have in our organization who bring the supply-chain expertise and the technology expertise. They understand how to stitch technologies together to deliver unique solutions. They know how to implement change in warehouse operations quickly and efficiently and deliver solutions. And I think the arbitrage of expertise now is going to be a very big differentiator going forward.

So, I think that all sets up well for the contract logistics industry to be healthy, and it all sets up for the market we're participating in to be healthy. And as a market leader, we are capitalizing on that.

Jeff Kauffman – Vertical Research Partners

Thank you very much.

Operator

The next question is from Jason Seidl from TD Cowen. Please go ahead.

Uday Khanapurkar – TD Cowen

Hi, thanks. This is Uday on for Jason Seidl. Patrick, on this competitive subject, could you expand on the data security and governance that you mentioned as a differentiator in winning those RFPs? Would you say that being a pure play offers prospective customers a degree of comfort, maybe, that their data is not at risk from leaking to other business lines? I'm just wondering how big of an enabling factor that might be, just given a lot of your competitors are conglomerates.

Patrick Kelleher – GXO Chief Executive Officer

Yes, I think it is an enabling factor. It is certainly something important to us, something we're very respectful of with our customers. And so that is something that we'll continue to feature as part of our solutions going forward. I would say in terms of competitive differentiation, that's just one of many things that differentiates us and I think really is important from an outsourced supply-chain provider and customer relationship perspective. Remind me of the second part of your question there?

Uday Khanapurkar – TD Cowen

No, that's helpful. That's clear, thanks. Maybe just a follow-up on the volume outlook. Are the tariff changes and refund dynamics creating any kind of new variability in customer volume forecasts? And if so, is that influencing your approach to planning and capacity management? Like do facilities need more slack in the coming months or quarters, in case there's stimulus effectively that drives some volume?

Patrick Kelleher – GXO Chief Executive Officer

Yes. So, I think it is resulting in changes in volume flows. And so that, I think, is completely acceptable. I think what we are seeing is from a volume perspective, those shift in flows are coming from acceleration of onshoring, particularly around manufacturing. I think that is very real. I think that plays very well to our focus on the B2B, more industrial verticals in the support of that activity.

And so, I think net-net, volume's increasing, and that I speak in the context of North America. When you look at the UK and Europe business, we're seeing increasing flows directly from China and Southeast Asia, trade lanes being impacted there in terms of where product is flowing. And I think we're so well positioned, given our position in the countries that we operate in Europe and, of course, UK and Ireland, to capitalize on those changes in flow.

Just to close out, the other part of your first question was, do we feel advantaged as a pure play in contract logistics? And I think that is one of our biggest advantages. We are making directed investments in being the best contract logistics provider. We're not encumbered by investment decisions that have to be made across a conglomerate and multiple service lines. So we intend to go deep in terms of our investment and provide the very best services around those solutions that we're bringing forward to customers. And so, we think that is a strategic advantage.

Uday Khanapurkar – TD Cowen

Right, got it. Very helpful detail. Thank you for the time.

Operator

The next question is from Harrison Bauer from SIG. Please go ahead.

Harrison Bauer – Susquehanna

Great. Thanks for taking my question. Following up on something earlier on GXO Way and executing a repeatable operating framework, implementing best practices — is there a way to frame a range of gross profit margins across the portfolio at a site level, maybe what might be on the lower end, even at a mature site or underperforming site? Or at the very least, what's driving operational underperformance at a site level?

And then as you push deeper into aerospace and defense, industrial, high-tech in North America, are you encountering heightened start-up costs or implementation friction standing up those new verticals? Thanks.

Patrick Kelleher – GXO Chief Executive Officer

So, to the latter question on implementation costs or friction, the answer is no. We are already deep in those verticals in terms of our operational expertise. And that expertise has come both through a number of acquisitions that have been made over the years as GXO, and with competencies that have come, especially most recently, with the acquisition of Wincanton.

And so, we have been executing solutions in aerospace and defense, technology, industrial and life sciences for more than a decade. And so, we have great people operating those businesses, and the implementations that we're seeing there have been very successful. We have a lot of confidence in our ability to execute in that space.

On the first part of your question, I'm maybe more anxious than you to give the answer to that question, but we're going to defer that to Investor Day.

Harrison Bauer – Susquehanna

Understood. And then just a follow-up. Pricing has come up a couple times from opening remarks, as well as Patrick, your call out on Mark's contracting experience.

Mark, this one's for you, I guess. Drawing on your experience from your prior seat at Spirit, how is that shaping the way that you're thinking about pricing and contract structure for GXO, particularly in aerospace and defense in North America? And are you pricing these new verticals differently than the legacy book? Thank you.

Mark Suchinski – GXO Chief Financial Officer

Yes, Harrison. It's interesting when we look at the types of contract pricing mechanisms that we have here at GXO — open book versus fixed, combination of fixed and variable. And what I would tell you is there's a lot of similarities when we think about aerospace and defense, in particular, with the defense primes, around what we call in aerospace and defense, cost plus, cost-plus incentive, fixed price.

And so when we think about tackling some of these new verticals and moving up the food chain, I think there's a lot that we can think about as it relates to the services that provide, the value that we bring, and the terms and conditions, and how we can create a pricing proposal that creates a win-win for us and our customers. And I've got a lot of experience doing that, both with the big defense primes and the commercial folks.

So, I'm excited to really roll up my sleeves and get into that. As I said before, I think there's some similarities on how we do that. I found it very interesting as I came on board here, but I think there's some sharpening that we can do and some real focus that we can provide that I think will create a win-win for us and our customers.

Harrison Bauer – Susquehanna

Great, thank you.

Operator

The next question is from Kevin Gainey from Thompson Davis & Co. Please go ahead.

Kevin Gainey – Thompson Davis & Co.

Good morning, Patrick, Kristine, and welcome, Mark.

Mark Suchinski – GXO Chief Financial Officer

Thank you.

Kevin Gainey – Thompson Davis & Co.

Maybe we can just touch on Wincanton real quick, as you guys have got layered in completely. I know one of the bigger things with it was synergy opportunities. I was curious if you've run across any more of those.

Mark Suchinski – GXO Chief Financial Officer

Kevin, I would say this. GXO outlined a target of \$60 million worth of synergies to be achieved by the end of 2026. I've personally reviewed the plan — we're tracking well, we've made significant progress against those targets. And we're comfortable that we can achieve those by the end of the year.

I would just tell you this — we're not stopping there. We continue to look and stretch ourselves. But first and foremost, our goal is to achieve the \$60 million that we committed to.

But with any acquisition, there are opportunities and risks that come associated with it. And I do think that, on balance, there are some further opportunities as we look at integrating that business into the bigger GXO and for us to take advantage of that. So, things are on track. Can't give you a specific quantification at this point in time, but we're working very hard at that.

Kevin Gainey – Thompson Davis & Co.

Thanks, Mark. That was a good color. And then as you guys hit a sales pipeline record, how are you thinking about the team's capability in converting that? And then how should we think about GXO's investment that may be required with that conversion?

Patrick Kelleher – GXO Chief Executive Officer

Yes. So, obviously feeling great about the pipeline development, particularly over the past couple of months. That development is the result of the amazing team that we have focused on marketing and sales, especially, in building that pipeline. And we're seeing very good conversion on that pipeline, especially in the first quarter of this year. So, I feel very good about the trajectory that we're on moving forward there.

Kevin Gainey – Thompson Davis & Co.

Thank you, Patrick.

Operator

Ladies and gentlemen, that is all the time we have for questions today. I'd like to hand the call back over to management for any closing remarks.

Patrick Kelleher – GXO Chief Executive Officer

Great. Thank you, operator. So to close, we are very encouraged by the strong start that we've had this year and, even more importantly, by the momentum that's building across the business.

As I talked about, the market dynamics are increasingly favorable, outsourcing continues to accelerate, and the addressable market for advanced logistics solutions is expanding. Our unique value proposition is resonating with blue-chip customers, our pipeline is strong, and our teams are executing with discipline.

With the foundation of strength and leadership we've put in place, we're moving with greater clarity, alignment and speed. The decision to raise our guidance really reflects our confidence in both the strength of demand that we're seeing and the predictability of our operating model.

We're very excited as we move towards the middle of 2026. Thank you for joining us today.

Operator

Ladies and gentlemen, this concludes today's teleconference. Thank you for your participation. You may disconnect your lines at this time. Have a wonderful day.