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# QXO Inc: Examining the Jacobs Playbook, Value Uplift through Serial M&A

**February 25th, 2025**

"The study of a company is not the study of a dead body. It is the study of relationships and the study of things. And they are very much alive."

Georges Doriot, Manufacturing Class Notes, Harvard Business School[1]

"My approach to business is really simple. You get great people. People people people people. The entire focus is people – recruit superlative people.

People are the most important thing – but followed by that, technology"

Brad Jacobs, speaking to Goldman Sachs, February 2024, and writing in 2024[2]

"Brad Jacobs has the financial sophistication of a great capital allocator, yet combined with someone who's also a true operator."

Orbis Investment Management, as quoted by Forbes Magazine, 2018[3]

"Since 1989, I have done about 500 acquisitions, I have done a lot of M&A, I love M&A. I love M&A as a way to create value for shareholders. Organically takes a long time. I have had very good organic growth, and the companies I have led have been well performing companies that have had good market share and growing market share, and we have taken customers away from our competitors who are not managed as well.

But I do not know of another way, on a risk adjusted basis, on a certainty level, that is more likely to create massive shareholder value than doing sensible M&A. If we want to get big rapidly, as I want to, and as I have in the past and as I will do in QXO, I have to do M&A. There is no faster way that I know of, to grow grow grow, to scale a business up to something that is tens of billions of dollars in size, other than M&A.

If it is done sensibly and well, M&A is the cheat code."

Brad Jacobs, public comments, February 2024[4]

# Introduction

This white paper targets a comprehensive examination of the investment opportunity provided by QXO Inc, a vehicle recently established by Brad Jacobs[5], an entrepreneur with a strong track record in value creation.

Prior to QXO, Jacobs built five multi-billion dollar, publicly traded companies using a strategy we refer to as *value uplift through serial M&A*. Using a consistent playbook Jacobs has delivered well above average returns to shareholders. An investor backing Jacobs across his ventures from 1992 to 2024, in our calculation, would have realised an annualised return approaching 20% over the 30-year period[6].

**Figure 1: Using a consistent playbook Jacobs has consistently delivered well above average returns to shareholders, with an investor backing Jacobs across his ventures from 1992 to 2024, in our calculation, realising an annualised return approaching 20% over the 30-year period.**

The Jacobs playbook involves strategic planning, repeated acquisitions, and consistently successful integration and optimisation. Using this approach, Jacobs built XPO Logistics, one of the largest providers of less-than-truckload services in North America; GXO Logistics, the largest pure-play contract logistics provider globally; RXO, a leading tech-enabled freight brokerage platform; United Rentals, the world's largest equipment rental company; and United Waste Systems, which became the fifth largest US waste management company before its sale[7].

In December 2023, Jacobs established QXO by investing $900 million (alongside $100 million from Sequoia Heritage) to recapitalise the publicly listed shell company SilverSun Technologies[8]. Following this initial investment, QXO raised an additional $4.4 billion through private placements, attracting capital from investors including Orbis Investment Management, MFN Partners, Finepoint Capital, Balyasny Asset Management, Madrone Capital Partners, and Affinity Partners. These investors, and Jacobs himself, have allocated substantial portions of their publically disclosed portfolios to QXO, signalling strong conviction in this latest venture.

QXO plans to deploy its capital in the $800 billion building products distribution industry, an atomised sector that presents the form of opportunity that Jacobs' consolidation strategy targets. As a fragmented market, with thousands of sub-scale distributors lacking national footprints, building products distribution offers a long runway for acquisitions before reaching antitrust thresholds. Additionally, the industry's relatively low digital penetration provides opportunities for operational improvements through technological innovation, a characteristic also present at each of Jacobs' prior ventures.

The white paper reviews in detail the success factors that have driven Jacobs' previous achievements and how these may apply to QXO. We examine his approach to recruiting and retaining high-performance individuals, creating efficient communication feedback loops, leveraging technology to accelerate both work-rate and alignment, and fostering a competitive ideology focused outward rather than inward. Through case studies of his previous companies, we demonstrate how these principles have translated into well above average shareholder returns.

The paper also analyses the key drivers most likely to determine whether QXO delivers over the coming decade annualised returns comparable to Jacobs' previous ventures, and alongside presents fair value scenarios for QXO today. In our assessment and as laid out in our review, at its current trading price, QXO equity most likely represents an attractive opportunity for investors to participate in Jacobs' sixth multi-billion dollar corporate entity. The combination of Jacobs' proven track record, significant personal capital commitment, and the favourable characteristics of the target industry, point to the potential for substantial value creation over the next decade.

## Brad Jacobs, an entrepreneur with a strong track record in value creation, establishes QXO with an "all in" investment allocation

### <u>The track record of Brad Jacobs: an annualised return approaching 20% per annum over 30 years</u>

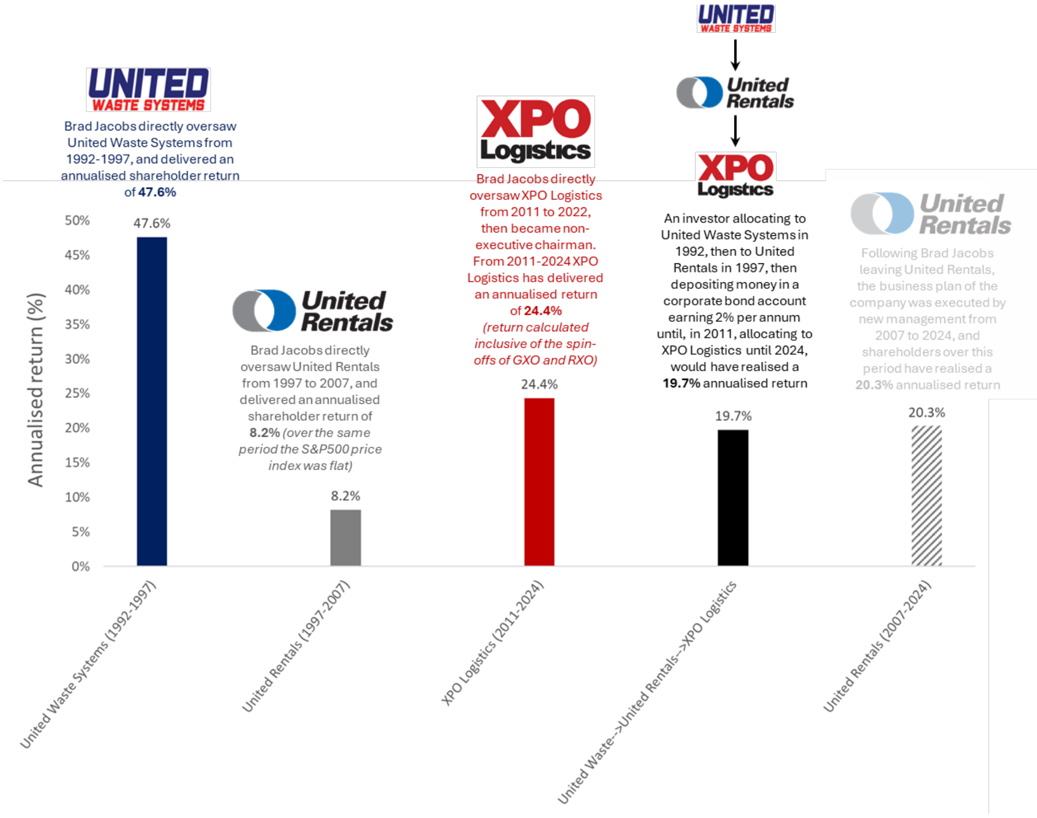
This white paper examines the investment opportunity in QXO Inc, established in 2023 by Brad Jacobs, an entrepreneur with a strong track record in value creation. Before QXO, Jacobs built five multi-billion dollar public companies using a strategy we refer to as *value uplift through serial M&A*.

**Figure 2: From 1992 to 1997 Jacobs founded and was CEO of United Waste Systems. From 1997 to 2007 Jacobs founded and was CEO of United Rentals. From 2011 to 2022 Jacobs founded and led XPO Logistics, thereon with Jacobs as non-exec chairman, XPO spun-off GXO in 2021 and RXO in 2022**[9]

The playbook used by Brad Jacobs consists of strategic planning, followed by repeated acquisitions, alongside successful execution and integration. A consistent use of this approach built XPO (a leading less-than-truckload provider in North America), GXO Logistics (the world's largest pure-play contract logistics provider), RXO (a prominent tech-enabled freight brokerage), United Rentals (the world's largest equipment rental company), and United Waste Systems (the fifth largest US waste management company when sold).

From the perspective of measuring shareholder returns, Brad Jacobs' track record began with United Waste Systems' IPO in 1992, which generated a 47.6% annualised return through 1997. At United Rentals (1997-2007), Jacobs delivered an 8.2% annualised return while the S&P 500 remained flat. From 2011-2024, XPO Logistics (where Jacobs moved from CEO to non-executive chairman from 2022) produced a 24.4% annualised return, including the GXO and RXO spin-offs[10].

**Figure 3: An investor who sequentially backed Jacobs—investing in United Waste Systems in 1992, then United Rentals in 1997, then from October 2007 holding funds in a 2% corporate bond until reinvesting in XPO Logistics from 2011 to 2024 – would have achieved a c. 20% annualised return[11]**




As Figure 3 illustrates, an investor who sequentially backed Jacobs—investing in United Waste Systems in 1992, then United Rentals in 1997, then from October 2007 holding funds in a 2% corporate bond until reinvesting in XPO Logistics from 2011 to 2024 – would have realised a c. 20% annualised return.

## December 2023: Brad Jacobs establishes QXO, Inc

In August 2022, Brad Jacobs stepped down as CEO of XPO, Inc and its spin-offs (GXO and RXO), while remaining non-executive chairman[12]. In December 2023, Jacobs and minority partner Sequoia Heritage announced a $1bn investment agreement to recapitalise the publicly listed shell company SilverSun Technologies, Inc[13].

*"I'm excited to start building another multibillion-dollar company from scratch. Soon, I'll be proving more information about my new venture and industry, and the strategy we plan to execute."*

Brad Jacobs, SilverSun press release, December 4th 2023[14]


Jacobs invested $900m and Sequoia Heritage $100m, making Jacobs the majority stockholder, CEO, and chairman of SilverSun. The agreement stipulated that SilverSun's existing business assets would be spun off to shareholders, creating a pure-play cash shell for Jacobs to pursue acquisitions in the fragmented building products distribution industry[15].

The transaction structure also granted Jacobs and Sequoia convertible preferred voting stock (convertible into 219m common shares at $4.57 per share) and warrants for an additional 219m shares at tiered prices: $4.57 (50% of warrants), $6.85 (25%), and $13.70 (25%). Upon completion, Jacobs and Sequoia controlled 99.85% of SilverSun stock on a fully diluted basis[16].

On March 14th 2024, SilverSun renamed to QXO[17]. On June 13th, QXO announced a $3.5bn private placement to further build its cash reserves, selling shares at $9.14 each – a 40% premium to the post-deal fully diluted per-share net cash position[18].

The June 13th placement issued 341m new shares, with Orbis becoming a significant investor by purchasing 109m shares, making QXO nearly 7% of their Global Equity Strategy portfolio and their largest individual holding[19]. Other major investors included MFN Partners and Finepoint Capital (both managers founded by former Baupost Company executives), subscribing for 55m and 27m shares respectively, representing scaled positions at 22% and 40% of their publicly disclosed equity portfolios. Balyasny Asset Management also subscribed for 13m shares and Madrone Capital Partners (led by WalMart's controlling shareholder Rob Walton) subscribed for 10.9m shares[20].

On July 22nd, 2024, QXO completed an additional equity placement of 68m shares at $9.14 per share, raising $620m. Notable among the subscribers was Affinity Partners, led by Jared Kushner, which purchased 16m shares[21].

Following these capital raises, as per Figure 6, QXO had raised $5.1bn in cash with an undiluted share count of 451.4m shares (including a further 42m in pre-funded warrants)[22]. This represents an undiluted market capitalisation of $5.4bn, trading at a 6% premium to its undiluted net cash position.

The fully diluted valuation – that investors actually pay for QXO stock today – includes an additional $2.6bn subscription by Brad Jacobs and Sequoia but diluted by further 438.3m share issuance at strikes below the current share price. This brings QXO's fully diluted market capitalisation to $10.6bn against a net cash balance of $7.7bn, meaning QXO investors today are paying a 38% premium to net cash[23].

Notably, QXO charges no performance fees. Compared to a typical private equity vehicle with 20% performance fees, QXO's structure can be viewed therefore as the synthetic equivalent to front-loading performance fees but limited to the first 1.9x gain (i.e. 38% / 20%), after which point investors pay no further performance fees.

**Figure 4: Subscribers to the equity placings of QXO, Inc have included Orbis (QXO became their largest individual holding), MFN Partners and Finepoint Capital (both firms overseen by executives previously at Seth Klarman's Baupost Company), Affinity Partners (led by Jared Kushner) and Madrone Capital Partners (led by Rob Walton, the controlling shareholder of WalMart)[24].**

| Name of Selling Securityholder | Shares | % |
|---|---|---|
| Jacobs Private Equity II, LLC[(3)] | 394,218,132 | 49.1% |
| Entities affiliated with Orbis Investment Management Limited and Orbis Investment Management (U.S.), L.P.[(4)] | 109,409,191 | 26.7% |
| MFN Partners, LP[(5)] | 54,704,595 | 13.4% |
| Entities affiliated with Finepoint Capital LP[(6)] | 27,352,298 | 6.7% |
| Entities affiliated with Affinity Partners[(7)] | 16,411,379 | 4.0% |
| SCHF (M) PV, L.P.[(8)] | 15,326,869 | 3.6% |
| Atlas Diversified Master Fund, Ltd.[(9)] | 12,735,334 | 3.1% |
| Madrone Opportunity Fund, LP[(10)] | 10,940,920 | 2.7% |
| Maniro Limited[(11)] | 10,940,919 | 2.7% |
| MTCO Ltd.[(12)] | 10,940,919 | 2.7% |
| Blue Investment Group[(13)] | 10,563,457 | 2.6% |

**Figure 5: The June 13th equity placing of QXO, Inc also provided greater disclosure on its business plan – to become a tech-forward leader in the $800bn building products distribution industry, targeting tens of billions of dollars of annual revenue through accretive acquisitions and organic growth**


*"QXO plans to become a tech-forward leader in the $800bn building products distribution industry. The company is targeting tens of billions of dollars of annual revenue in the next decade through accretive acquisitions and organic growth."*

QXO press release June 13th 2024[25]

**Figure 6: At the fully diluted share count the market capitalisation of QXO rises to $10.7bn, and the net cash balance rises to $7.7bn, implying investors today are paying a 38% premium to net cash balances[26]**

| Date | Issuance security | Status | Capital raised ($m) | Stock: subscription price per share Warrants: strike price per share | Shares issued (m) | Subscribers |
|---|---|---|---|---|---|---|
| | Common stock preceding | | | | 0.7 | |
| Dec 04, 2023 | Deal agreement consideration | Completed | 1,000 | | | 90% Brad Jacobs, 10% Sequoia Heritage |
| Jun 13, 2024 | Common stock | Completed | 3,116 | 9.14 | 340.9 | Orbis, MFN, Finepoint, Affinity, Madrone |
| Jul 22, 2024 | Common stock | Completed | 620 | 9.14 | 68 | Institutions including Affinity Partners |
| Jul 22, 2024 | Pre-funded warrants | Completed | 384 | 9.14 | 42 | Other investors (non disclosed) |
| | | | 5,120 | 9.14 | 451.4 | |
| Dec 04, 2023 | Convertible preferred stock | If executed | 1,000 | 4.57 | 219 | 90% Brad Jacobs, 10% Sequoia Heritage |
| Dec 04, 2023 | Warrants | If executed | 500 | 4.57 | 109 | 90% Brad Jacobs, 10% Sequoia Heritage |
| Dec 04, 2023 | Warrants | If executed | 375 | 6.85 | 55 | 90% Brad Jacobs, 10% Sequoia Heritage |
| Dec 04, 2023 | Warrants | If executed | 749 | 13.70 | 55 | 90% Brad Jacobs, 10% Sequoia Heritage |
| | | | 2,624 | 5.99 | 438.3 | |
| | | | 7,744 | 8.71 | 889.4 | |

| Date | Market cap ($m) | Share price | Total diluted share count (m) |
|---|---|---|---|
| Feb 25, 2025 | 10,682 | 12.01 | 889.4 |
| Therefore, premium to net cash position | 38% | | |

## The allocation by Brad Jacobs to QXO: a high conviction, "all in" bet

For Brad Jacobs, QXO's capital-raising transactions have created highly asymmetrical outcomes in his favour. Assuming full dilution, Jacobs will have committed $3.3bn of capital to QXO at $5.99 per share, yet the current liquidation value of the company is $8.71 per share as a result of its additional $4.4bn of capital raising having taken place at $9.14 per share[27]. As such, on asymmetry merits alone, it is justifiable that Jacobs has made a scaled capital allocation to QXO. A liquidation of the company would deliver Jacobs a 45% gross return relative to his capital commitment basis cost.

However, scaled capital allocation is most rational only when both forecast accuracy for high-profit outcomes and asymmetry are assessed as maximised. While the potential 45% upside from liquidation appears favourable, it represents merely two years of Jacobs' historical annualised returns (effectively his cost of equity). Moreover, the rigidity of asymmetry dissipates once QXO deploys its cash – a process currently underway.

Therefore, while the asymmetry aspect remains favourable, logic suggests that forecast accuracy regarding the higher-profit scenario of Jacobs' QXO business plan succeeding will have remained the predominant factor in his investment allocation decision.

As Figure 7 shows, QXO represents by far the largest public holding of Brad Jacobs, his $5.2bn fully diluted stake at spot pricing constituting 92% of his publicly traded securities portfolio[28]. Key subscribers to the company's equity placings – Orbis, MFN Partners, Finepoint Capital, and Affinity Partners – demonstrate similar conviction, with their QXO allocations substantially exceeding their holdings in Jacobs' other companies (XPO, GXO, or RXO), despite not benefiting from the same degree of information asymmetry as Jacobs himself[29].

This pattern of position sizing by both the controlling insider (Jacobs) and well-informed minority investors suggests their respective high information resolution and deep study of the situation has resulted in strong conviction regarding the likelihood of rewarding profit outcomes.

**Figure 7: QXO represents Brad Jacobs' most significant public investment, with a $5.2bn stake at spot pricing constituting 92% of his publicly traded securities portfolio. Other key subscribers – Orbis, MFN Partners, Finepoint Capital, and Affinity Partners—demonstrate similar conviction[30]**

**Value ($m) of shares owned**

| | Brad Jacobs | % | Orbis | % | MFN | % | Finepoint | % | Affinity | % | Madrone | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **XPO** | 341.6 | 6% | 435.6 | 14% | 1,663.9 | 58% | 0.0 | 0% | 0.0 | 0% | 0.0 | 0% |
| **GXO** | 51.3 | 1% | 545.1 | 18% | 0.0 | 0% | 0.0 | 0% | 0.0 | 0% | 0.0 | 0% |
| **RXO** | 28.1 | 0% | 652.4 | 21% | 594.8 | 21% | 0.0 | 0% | 0.0 | 0% | 0.0 | 0% |
| **QXO** | 5,191.2 | 92% | 1,439.8 | 47% | 617.3 | 21% | 328.1 | 100% | 216.0 | 100% | 1,593.3 | 100% |
| Total | 5,612.1 | 100% | 3,072.9 | 100% | 2,876.1 | 100% | 328.1 | 100% | 216.0 | 100% | 1,593.3 | 100% |

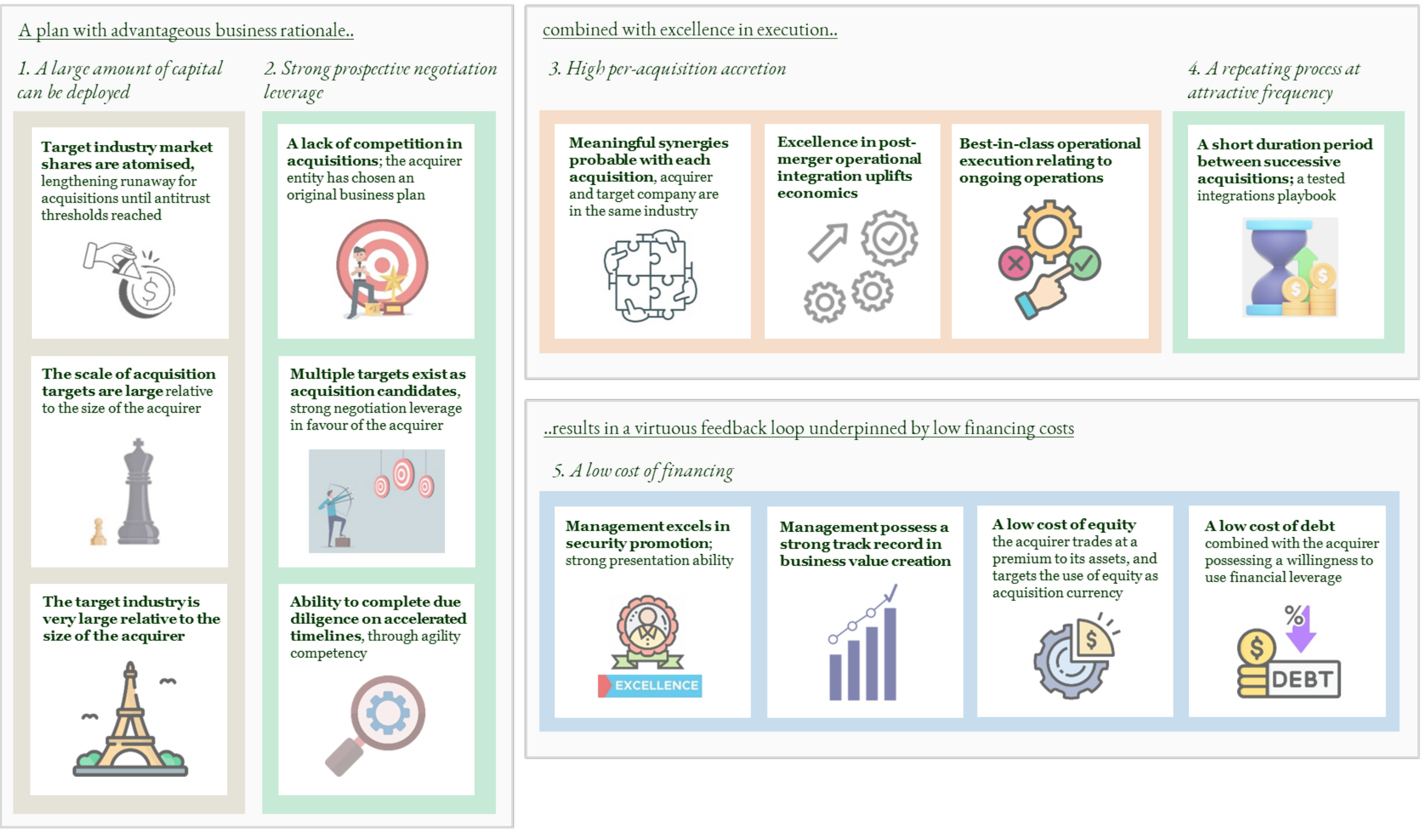
# Successful delivery of the value uplift by serial M&A strategy requires an acquisitions plan with advantageous rationale, and excellence in execution, resulting in a repeating virtuous feedback loop sustaining low financing costs

## An acquisitions plan with advantageous rationale, combined with excellence in execution

The value uplift by serial M&A strategy succeeds when a large amount of capital can be deployed into acquisitions at high annualised returns. From a practical standpoint, the necessary criteria driving positive outcomes fall into three categories. First, there must be an advantageous business plan enabling substantial capital deployment with strong negotiating leverage. Second, execution excellence is essential – including favourable per-acquisition accretion and sufficient transaction frequency to drive attractive annualised (not just gross) returns.

Finally, a virtuous feedback loop should emerge where both the business plan and its successful execution are recognised by capital markets, resulting in sustained low financing costs and a repeatable acquisition process.

**Figure 8: Delivering value uplift through serial M&A – an acquisitions plan with advantageous rationale, combined with excellence in execution, resulting in a virtuous feedback loop with low financing costs**[31]

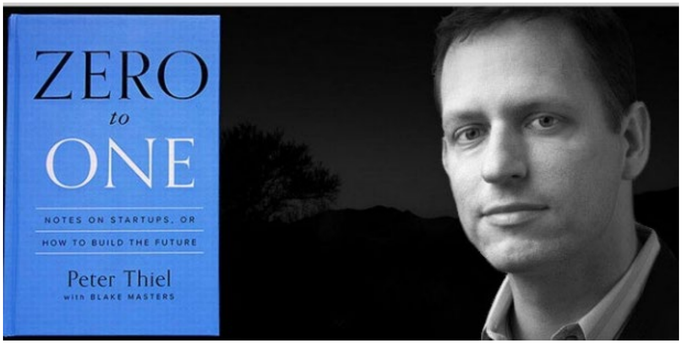



## *Achieving advantageous rationale*

The first pillar of advantageous rationale – deploying substantial capital into acquisitions – requires several conditions. The target industry should have fragmented market shares, extending the runway for acquisitions before reaching antitrust limits. Capital deployment is also enhanced when acquisition targets are large relative to the acquirer, and further advantaged when the target industry itself is also significantly larger than the acquirer.

The second pillar – strong negotiating leverage favouring the acquirer – is more likely when the acquirer has chosen an original and bold business plan. This originality should result in reduced competition from other potential acquirers targeting the same companies.

**Figure 9: Businesses achieving extraordinary success in our experience share the common characteristic of an original and bold business plan which is both calibrated to the reality of the opportunity set and delivers the opportunity to operate free from meaningful competition**




*"Making small changes to things that already exist might lead you to a local maximum, but it won't help you find the global maximum. Iteration without a bold plan won't take you from Zero to One.*

*Why should you expect your business to succeed without your own bold plan to make it happen?"*

Peter Thiel, Zero to One, Notes on Start Ups[32]

The acquirer gains additional negotiating leverage when multiple acquisition candidates exist, preventing any single target from demanding excessive prices – the transaction must be accretive, or the acquirer can simply pursue one of many alternatives.

*Achieving excellence in execution*

Excellence in M&A execution and high per-acquisition accretion depends on several factors. First, the acquirer's management team must demonstrate both a proven track record and ongoing competency in post-merger operational integration and which enhances target company economics – such as implementing the acquirer's more efficient technological platform.

Second, meaningful synergies should be achievable with each acquisition, typically more meaningful when the acquirer and targets operate in the same industry. And finally, the acquirer must excel at managing its existing business assets to prevent its own internal issues from diverting management attention away from efficiently integrating new acquisitions.

While these criteria – excellence in post-merger integration, meaningful synergies, and strong operational management – enhance the gross return from each acquisition, optimising annualized returns requires completing acquisitions at an attractive frequency.

More accretive acquisitions per time period unit yields higher annualised returns. Shorter intervals between acquisitions are achieved when the acquirer has optimised a standardised integration playbook with well-trained management personnel to execute it, turning each acquisition into a repeatable process that quickly readies the company for its next target.

Ideally, this thereon creates a virtuous feedback loop where both the business plan and its successful execution gain recognition from capital market participants, resulting in sustained low financing costs and as such invigorating a repeatable acquisition process.

**Figure 10: Shorter intervals between acquisitions are achieved when the acquirer optimises a standardised integration playbook with well-trained and energised management to execute it; the shorter the duration between acquisitions the higher annualised (not just gross) returns can be realised**


*"When I created XPO in 2011, we did 'only' 17 acquisitions in the first four years, but we looked at about 2,000 prospects. We passed on abysmal delas, as well as "ok, but not great" deals, and sometimes that meant waiting when we would have preferred to be signing. The deals I've avoided have contributed more to my success than the deals I've done.*

*Between 2014 and 2015, I signed agreements for XPOs three largest acquisitions, and we put more than $7bn of M&A capital on the line in the span of 13 months. All three acquisitions were foundational building blocks for XPO services: Norbert Dentressangle in Europe and New Breed and Con-way in North America. We completed those three deals in rapid succession, and the integration process for each business started the next day after closing. By late 2015, we were intentionally managing all three integrations in harmony."*

Brad Jacobs, writing in December 2024[33]

**<u>The use of equity leveraging to drive a repeating feedback loop sustaining low financing costs</u>**

For the acquirer to optimise financing cost, and on a sustained basis, the management of the acquirer of the company should excel in security promotion, backed up by the possession of a strong track record readily ascertainable from public information. These two attributes in combination should deliver for the acquirer both the ability to raise equity at accretive pricing and a low cost of debt.

These criteria might normally be associated with private equity operations. There are however advantages that public market companies have – particularly those that conduct headline-grabbing activities such as M&A – over their private equity peers.

One advantage is propagation of brand. Assuming the trajectory of QXO plays out in line with the thesis presented by this white paper, the company will conduct multiple, multi-billion dollar acquisitions in the building products distribution sector over the coming years and the QXO brand will become widely recognised. Carrying out the same plan under a private equity banner would result in a considerably lower level of brand goodwill associated to the actual company or companies whose operations were merged with the acquired companies.

An additional advantage unique to a publically listed company carrying serial acquisitions is the ability to finance acquisitions, partially or in whole, using *equity leveraging*.

When an acquirer's equity trades at a *premium* valuation, and acquirer equity is used to fund acquisitions at *average* valuations, this creates mathematically equivalent accretion to acquiring assets at *discounted* valuations.

For example, if a company issues equity at 3.0x EV/Sales and deploys the proceeds to acquire assets at 1.5x EV/Sales, and the equity issued is equal to 50% of the pre-issuance equity of the acquirer, then the cheapness of the valuation of the acquirer is accreted by 33% (i.e. 2x increase in revenue / 1.5x increase in equity).

This way, companies funding serial M&A wholly or in part through equity issuance can experience share price appreciation while maintaining stable valuations, as each acquisition reduces the overall valuation multiple, offsetting the increase that would otherwise result from a rising share price. Rather than being a temporary event that reverts to mean, the rising share price becomes self-sustaining by resetting equity valuation to the new equilibrium.

For the equity leveraging strategy to be sustained, two criteria from Figure 8 are critical. First is that management should excel in a promoter role with strong public market presentation skills, ensuring new securities are issued at favourable pricing from the issuer's perspective.

**Figure 11: Accreting acquisition economics by equity leveraging requires strong public presentation skills, ensuring new securities are issued at favourable pricing from the issuer's perspective**


*"Acquisitions are the best way I know of to scale up fast and gain the advantages that come from a large number of locations and greater market share.*

*With scale, and professionalise the operations by integrating best practices, spread my cost base over a larger revenue base, and attract desirable customers and management talent."*

Brad Jacobs, writing in 2024[34]

The second requirement is that the management team must be competent to deliver operational excellence, both in terms of post-merger integration and ongoing asset management. Without this, equity leveraging becomes purely an optics game that fails when markets reject premium valuations. However, genuine operational excellence will overcome temporary market skepticism and re-open windows for accretive equity issuance again at a future stage.

These two criteria – effective promotion of security issuance and operational excellence – distinguish successful serial acquirers from those who merely control large capital pools, and empower only the former to consistently deliver the higher form of performance outcomes which benefit from the equity leveraging tailwind.

In previous white papers, we examined how growth businesses with monopolistic innovations and exceptional management can undergo rapid scaling through positive feedback: as they displace competitors, they generate capital which is thereon invested in further innovation, creating an accelerating cycle with a square law relationship—the force of change amplifies as change occurs[35]. This positive feedback produces rapid business growth and equity value increases with minimal interference from countervailing factors, especially in businesses sectors with instantaneous growth potential such as software with network effects.

Our white papers have also examined positive feedback in macro markets, which requires its own form of square law relationship where change amplifies the force causing change. An example is freely floating commodity markets with negligible variable production costs and discretionary production timing, such as oil. A linear price decline encourages producers to linearly increase volume to maintain revenue. However, since volume changes also affect price, these linear relationships multiply, creating a square law effect and triggering positive feedback[36].

**Figure 12: An emergent business monopolising a new innovation, can grow by a process of positive feedback which displaces incumbents[37]**

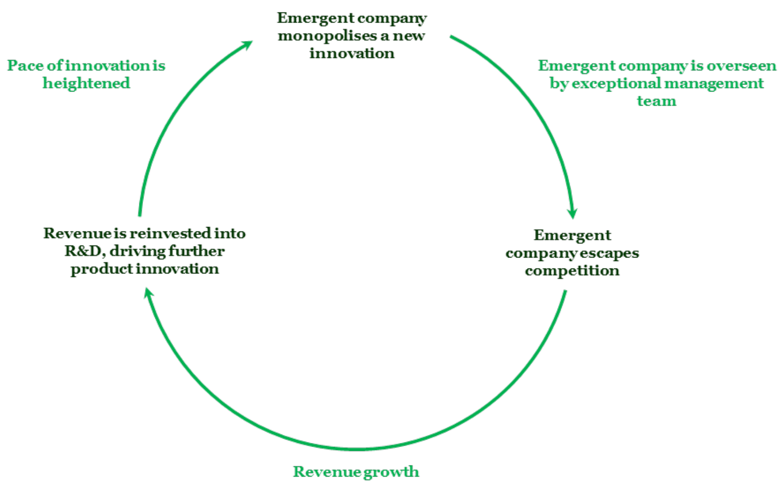
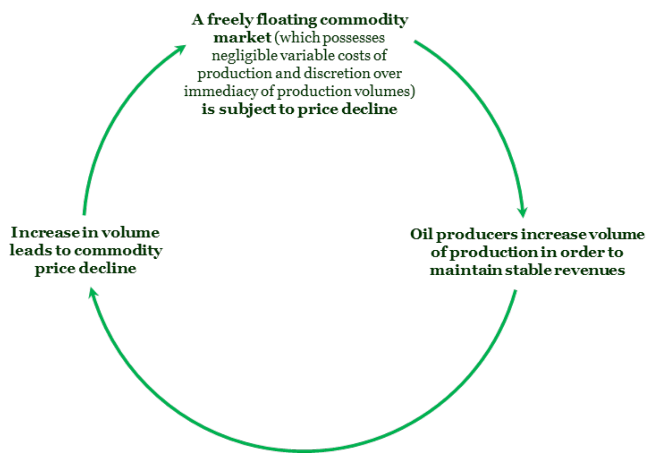



**Figure 13: In macro markets, an initial linear price decline can incentivise a linear increase in production volume, resulting in positive feedback[38]**

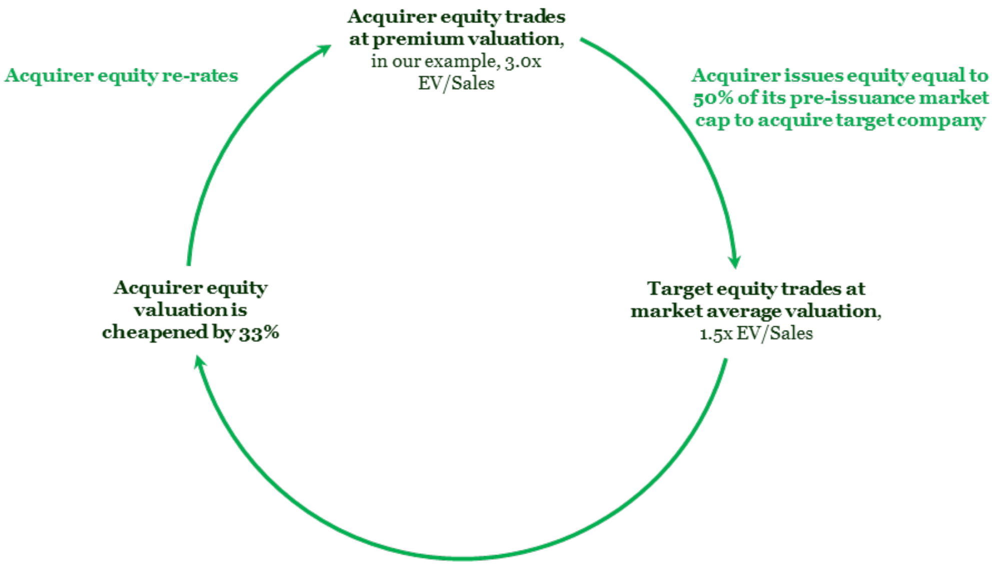



At the stock-specific level, *equity leveraging* results in a third square law relationship consistent with positive feedback. In this case the square law relationship emerges because the acquirer's premium valuation amplifies the accretion from acquisitions (when shares are used wholly or in part as payment), creating a feedback loop where change amplifies the forces causing change. The resulting accretion and upward stock movement enable the company to fund additional acquisitions through equity issuance, enhancing both the accretion from each deal and the pace of acquisitions – and these two linear factors multiply to produce the square law outcome.

The positive feedback process can continue until the company reaches size limits, typically when antitrust laws prevent further acquisitions. However, by Brad Jacobs strategically targeting industries that are both atomised (fragmented ownership) and large, the runway duration lengthens.

For atomised industries with no existing dominant players, current regulatory guidelines allow growth until reaching approximately 27% market share before breaching the Herfindahl-Hirschman Index concentration thresholds[39]. For the building products distribution industry targeted by QXO, the estimated $800bn total addressable market size suggests a company targeting serial acquisitions could theoretically grow to over $200bn in revenue before current antitrust limitations would restrict further expansion.

**Figure 14: At the stock specific level, equity leveraging, an outcome of the premium valuation of the acquirer being used to amplify the accretion of acquisitions results in a square law relationship that is consistent with positive feedback[40]**




## A review of the prior businesses built through acquisition by Brad Jacobs, their planning, execution, and financing

In delivering strong shareholder returns from United Waste Systems, United Rentals, and XPO Logistics, Brad Jacobs consistently implemented the same playbook – the *value creation through serial M&A strategy* which this white paper explores.

Each venture targeted an atomised industry ripe for consolidation while improving profitability by upgrading technology systems and workplace practices to best-in-class standards. Additionally, each business aligned with positive technological or regulatory market trends, providing further tailwinds to performance.

### Brad Jacobs delivers annualised per share EBIT growth of 34.6% at United Waste Systems, 1992 to 1997

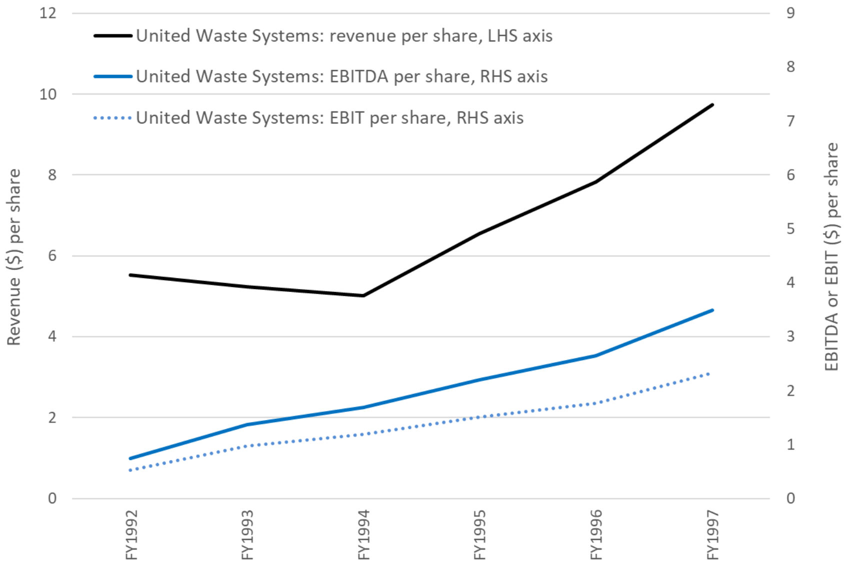
The success by Brad Jacobs in growing United Waste Systems (1992-1997, in 1997 sold to USA Waste[41], now Waste Management) exemplifies his consolidation approach in atomised industries.

United Waste Systems targeted the fragmented waste industry dominated by "mom and pop" operations with limited technological sophistication. Few competitors were using methodical route planning, creating an opportunity to improve margins by implementing best-in-class technology systems and workplace practices.

Two significant industry trends also created tailwinds: diminishing landfill capacity due to tightening regulations closing small dumps, and growing vertical integration between hauling and disposal services[42]. These conditions enabled United Waste Systems to execute numerous acquisitions, often purchasing struggling businesses at discounted valuations, then optimising them through vertical integration and technology implementation.

**Figure 15: From 1992-1997 United Waste Systems delivered annualised per share revenue growth of 12.0%, annualised per share EBITDA growth of 36.3% and annualised per share EBIT growth of 34.6%[43]**

> *"Instead of sending, say, 50 trucks out over five days to pick up X tons of waste, 20 trucks could now perform the same service in three days by making more stops per hour.*
>
> *As our cost kept coming down as our processes improved, our margins grew significantly.*
>
> *And when I moved on from the waste industry in 1997, some of those competitors were still using pencil and paper and pushpins to do what we had computerised."*
>
> Brad Jacobs, writing in 2024[44]




## Brad Jacobs delivers annualised per share EBIT growth of 15.9% at United Rentals, 1997 to 2007

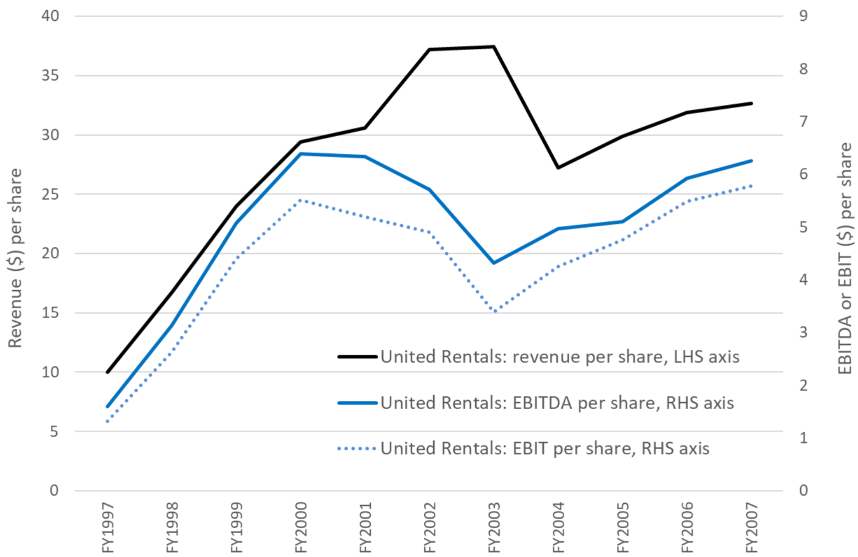
For United Rentals, Jacobs targeted the equipment rental industry which was growing organically but remained highly fragmented with only one national provider (a Hertz subsidiary) and thousands of potential acquisitions in an atomised market lacking computerisation and standardisation.

The industry also offered significant tailwinds: only 15% rental penetration meant abundant idle equipment on worksites, while the sector had been slow to adopt advanced data science despite the importance of sophisticated methods for reliable customer commitments, pricing optimisation, and asset utilisation across locations.

A strategic advantage also came from Jacobs' acquisition of Wynne Systems, the software provider used by most rental companies including market leader Hertz. This gave United Rentals both an industry-best platform for managing hundreds of thousands of equipment pieces and access to anonymised industry data revealing macro-trends[45].

This intelligence also allowed United Rentals to proactively adjust pricing and asset management – for example, lowering rates and targeting longer-term rentals when detecting regional equipment surpluses – while competitors remained reactive.

**Figure 16: From 1997 to 2007 United Rentals delivered annualised per share revenue growth of 12.6% and annualised per share EBIT growth of 15.9%[46]**



## Brad Jacobs delivers annualised per share EBIT growth of 35.4% at XPO Logistics from 2011 to 2024 (returns calculated inclusive of the spin-offs of GXO and RXO)

In 2011, Brad Jacobs created XPO Logistics to capture the truck brokerage opportunity through scale, data science, and automation, with early prioritisation of technology investment[47].

While most truck brokers were still conducting business by phone, XPO's plan anticipated the industry-wide shift to digital service – a trend that would benefit all stakeholders including truck owners, drivers, dispatchers, retailers, and manufacturers. XPO envisioned automating virtually all shipper-carrier connections, ultimately enabling machine-to-machine transactions and generating valuable customer data[48].

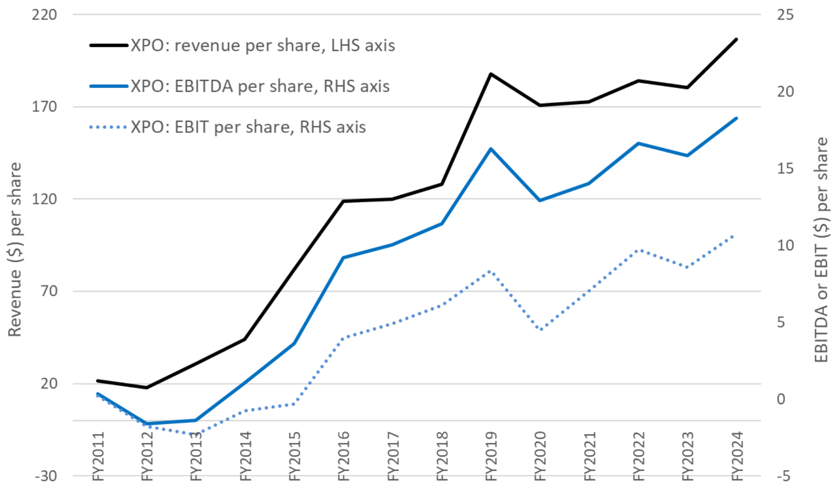
XPO's technology team built a fully automated, digital transportation network—a virtual freight marketplace with centralised information in a private cloud. This platform provided real-time data and equal visibility to sales and carrier procurement teams. The system continues today as RXO Connect in North America and XPO Connect in Europe[49].

The transformation has been dramatic: from close to zero digital load processing ten years ago to 97% of RXO's loads having a digital component today, with many as touchless transactions through direct customer system connections[50].

Within four years, XPO became a global leader in warehouse robotics, machine-learning workforce productivity, and automated freight brokerage.

Today, the original business has separated into three specialised entities—XPO (trucking), GXO (logistics warehousing), and RXO (logistics brokering)[51] – all continuing to leverage the automation trend Jacobs identified in 2011, now further enhanced by AI.

**Figure 16: From 2011-2024 XPO Logistics delivered annualised per share revenue growth of 19.0%, annualised per share EBITDA growth of 35.3% and annualised per share EBIT growth of 35.4% (returns calculated inclusive of the spin-offs of GXO and RXO)**[52]

## Financing at United Waste, United Rentals, and XPO Logistics

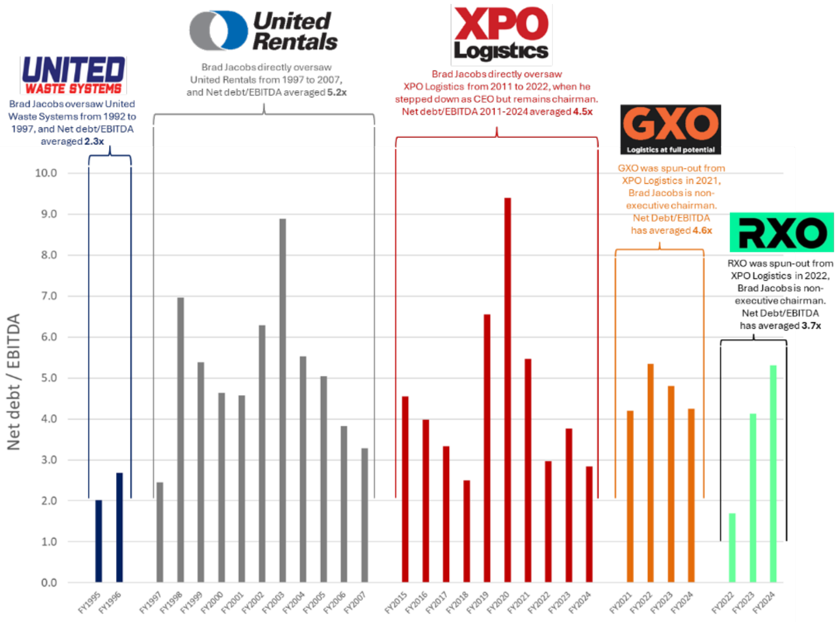
*Modest usage of financial debt*

The growth in EBIT per share achieved by Brad Jacobs across his ventures does not appear to result from excessive leverage, although leverage has contributed to enhanced returns.

In our assessment the average leverage level of 4.5x EBITDA[53] has been reasonable, and lower than the average 5.9x debt-to-EBITDA reported by private equity firms[54]. It is notable that the Jacobs-led business models have also been asset-backed: waste equipment and contracts, rental equipment, logistics infrastructure and warehouse real estate.

**Figure 17: Whilst the companies overseen by Brad Jacobs have used leverage, averaging at 4.5x EBITDA, this remains a reasonable leverage level when the business models are also asset-backed**

> *"I don't like too much leverage, I think the world right now has an inherent amount of geopolitical risk all around the world, so overall I have a Zen Buddhist approach to debt – not too much, not too little.*
>
> *I don't think it is an optimal balance sheet if you have no debt, because you can improve the returns by using debt to reduce your equity base."*
>
> Brad Jacobs, public comments, March 2024[55]

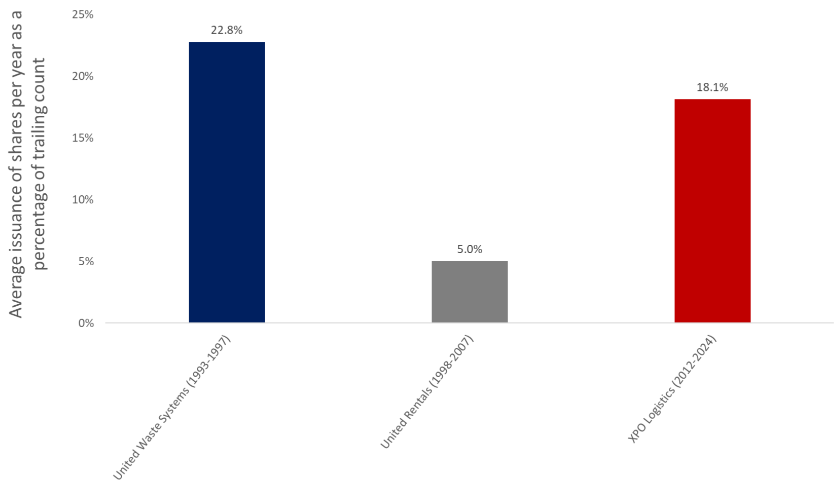



*Jacobs also used equity leveraging at between 5% to 20% of trailing share counts on an annualised basis*

Brad Jacobs has also employed equity leveraging as a central component of his companies' growth strategies.

As shown in Figure 18, beyond initial capital raises, his companies issued shares at meaningful annual rates relative to their trailing share counts: United Waste Systems at 22.8%, United Rentals at 5.0%, and XPO Logistics at 18.1% during his tenure.

**Figure 18: Under Brad Jacobs, United Waste Systems, United Rentals, and XPO Logistics issued shares at 22.8%, 5.0% and 18.1% on an annualised basis of trailing share counts[56]**



# The Jacobs plan for QXO, Inc

## Plan commencement: a wide net is cast to determine target industry and target companies

For QXO the planning process has been commenced by Brad Jacobs and his team casting a wide net across multiple business sectors, thoroughly evaluating each before narrowing his focus. As Jacobs notes in Figure 19 below, before selecting building products distribution, numerous alternative industries were also considered. Then, within the chosen sector, Jacobs systematically reduced potential acquisition targets from an initial 1,000 companies to 40, and finally to 12 priority candidates for dedicated pursuit. As per the figure, Jacobs also prioritises a specific set of questions to evaluate both target industries and specific companies.

**Figure 19: Brad Jacobs advocates casting a wide net before selecting targeted industry and target companies for acquisition, and thereon prioritising a broad yet specific set of questions to evaluate industry and company**[57]

*"We want to find opportunities we really love – so we cast a wide net.*

*I looked at 55 different industries to see, which one does my playbook fit. And I hired two consulting firms who have expertise on this. And part of the mission was to educate us about the business, fast. And part of the mission was – give us a list of, who would we buy, give us a one or two pager.*

*So we put together about 1,000 names to look at and Matt Fassler and Austin Landow worked with me very closely on that project, and then we pared it down, we filtered it to about 40 names, that have about $300bn in aggregate revenue, and then we paired it even more to the top 12 and those are the ones that we are really focusing on.*

*We're not looking at tiny little companies. We are going to build a $50 plus billion dollar company over the next decade. So, we're going to have to chop some big wood here. So, we're looking at some larger acquisitions.*

*We find it much easier to succeed at M&A when our acquisition process is aligned with our business plan and high-level strategy for creating value. With United Rentals, for example, I could clearly envision what companies I wanted to buy and why – the list was right there, hundreds of small companies doing the things we intended to do on a grand scale. I could also see the synergy of managing hundreds of these branches as geographic routes on a single.*

*In addition, I knew that I'd be able to relate to the people I'd be negotiating with in these deals, because rental business owners on the whole are entrepreneurial, and so am I. The tenor of negotiations has a major influence on controlling the transactional outcomes."*

Brad Jacob, Bloomberg Radio, February 2024[58]

***Assessment as to whether scaling accretes economics***
- *It is an industry where companies have advantages of size and scale?*

***Identifying where technology is tailwind, not headwind***
- *Is there a technology threat or opportunity or both?*

***Understanding of key variables driving business growth***
- *What will be the big drivers of profitable growth in this business over the next five to ten years?*
- *What do we have to believe in order to be confident we're going to achieve that growth?*
- *Are there any trends in government regulations or political policies that could help or hurt the business?*

***Consideration of fragility or antifragility of investment thesis***
- *Are the assumptions underlying these beliefs reasonable or easily derailed?*
- *Are there big hockey sticks to the growth of revenue and margin without credible explanations for them?*

***Synergies potential***
- *What are the synergies we can expect from the integration?*
- *Is there an opportunity for cross-selling to the rest of our company?*

***Ability to impose excellence operationally***
- *If the operational execution isn't up to par, is this something we have the capability to rectify through training and/or our technology?*
- *What are the redundant positions, overhead, and real estate costs?*
- *What procurement savings can we realised from the added scale?*
- *What's the level of morale in the organisation?*

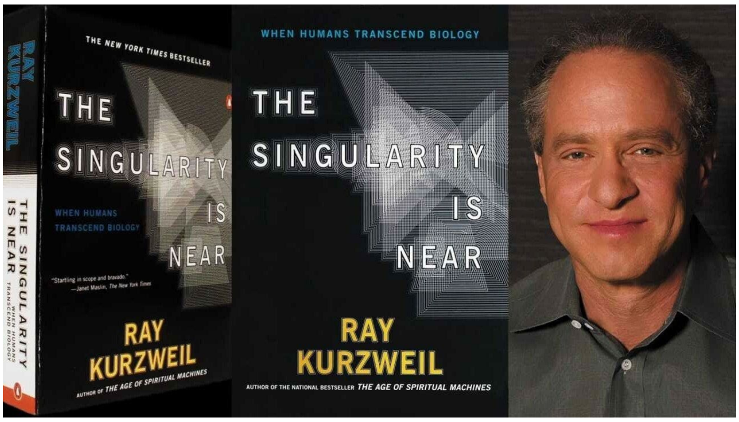
***Judging the people employed by the acquisition target(s)***
- *Are the right people in place, with an effective organisational chart?*
- *Where might they be overstaffed or understaffed? Is the salesforce top-notch, or is there an opportunity to train them to be more effective?*
- *The same question holds for the human resources and financial planning and analysis staff*
- *Are the compensation plans properly structured to motivate people to contribute to the business plan, or is that another opportunity to improve?*

***Assessment of relationship between target and its customers***
- *Externally, how do customers regard this business?*
- *Is pricing too high or too low to be optimal for the market?*

Additional to the set of questions laid out in the figure, Brad Jacobs has noted that whilst he does not consider himself per se a technologist, he does seek companies where greater use of technology, and current technological trends, will or are resulting in tailwinds rather than headwinds. As such, technology considerations also remain central to his strategic planning, even when targeting non-tech sectors.

Jacobs subscribes to Ray Kurzweil's view that human lives will become increasingly integrated with silicon-based computing, with developed nations continuing to move toward more silicon and less carbon. The business sector he is targeting should be a beneficiary of this trend as a tailwind not headwind[59].

**Figure 20: In terms of general technological trends, Brad Jacobs subscribes to Ray Kurzweil's view that human lives will become increasingly integrated with silicon-based computing, and with developed nations continuing to move toward more silicon and less carbon**




*"The world is going to more and more silicon and less and less carbon"*

Brad Jacobs, speaking in 2004[60]

The output of wide search, the broad set of questions used by Jacobs to assess opportunities, and his requirement for the target industry to be a beneficiary of technological trends is that QXO is focused on the building products distribution sector. The industry is also atomised, large and with growth potential, and this is particularly due to historical under-investment in technological infrastructure.

Jacobs notes that scale advantages are additionally significant in building products distribution, delivering benefits in procurement, technology investment, standardisation of best practices, and talent acquisition[61]. Furthermore, the highly fragmented nature of the building products industry, with thousands of sub-scale distributors lacking national presence, offers a long runway for M&A growth before antitrust concerns would limit further expansion.

## Preparedness for accelerated due diligence

*The ability to tolerate a fair price for acquisitions, rather than requiring a deeply discounted price, modestly lowers the requirement for the highest resolution of due diligence, as well as raising the prospective frequency of acquisitions*

By leveraging equity in his acquisition funding, Brad Jacobs can execute accretive deals while paying fair prices rather than requiring deep discounts.

This also modestly lowers the requirement for the highest resolution form of due diligence – mistakes in assessment that result in minor downgrades incrementally raise the price of the acquisition. However, this is an outcome which the Jacobs approach can tolerate.

> *"We do not overpay, we do not underpay.*
>
> *We pay a fair price, we do not pay these trophy prices. Because sometimes you see in many industries, they are not really professional M&A machines, they once in a while do a big deal. And, they overpay. And when you overpay it takes years and years to create shareholder value. You need to pay a reasonable price in order to get good returns."*
>
> Brad Jacobs, speaking to Goldman Sachs, February 2024[62]

The tolerance for paying fair prices, rather than requiring discounted prices, thereon enables Jacobs to complete more acquisitions, as significantly more companies will be willing to sell at fair market value than would be at heavily discounted prices.

*Deep knowledge of the target company prior to approaching its owners, combined with the recognition that accelerated due diligence can deliver strong advantage leading to completed acquisitions before competing acquirers emerge*

The Jacobs approach targets the gain of incremental negotiation leverage by shortening the due diligence period compared to competitors. This requires comprehensive pre-approach research, shifting a greater proportion of due diligence work to the pre-data room period than traditional acquirers do.

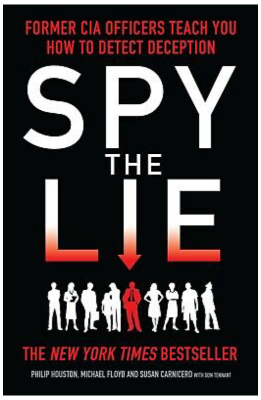
Post-approach, due diligence then focuses on direct meetings with the target company's top 15 or so executives. These conversations serve to understand company dynamics, assess leadership trustworthiness, and begin integration planning – creating advantages that can be realised immediately after acquisition.

> *"We can typically cut the due diligence and negotiation period from two or three months to a matter of weeks. To achieve this, we do a lot of research before we make our initial contact with the target business.*
>
> *I've been asked how we avoid getting bogged down in data murk when analysing a target, particularly when it's a large complex acquisition. It helps to be clear up front about what the rationale is for buying the business, and then focus on whether that holds up during analysis.*
>
> *Our first or second meeting with a seller often goes something like this 'This is what we're prepared to pay for your business, on these terms. If this is acceptable, we can be signing a definitive agreement in two weeks.' That is going to get their attention. Speed has been one of our sharpest edges in winning competitive deals."*
>
> Brad Jacobs, writing in 2024[63]

> *"One of the best uses of my time in the due diligence process is to do face-to-face talks with the top 15 or so people in the company we're in the process of buying. I give these interviews an extra-high priority. They take about 90 minutes each, and I get the gist of what's going on inside the company, the positive and the negative. I also get a sense of whether these are straightforward people I can trust.*
>
> *As a bonus, some of the information shared during these talks can help my team anticipate the improvement initiatives that will be needed for the integration playbook and start executing on them right away."*
>
> Brad Jacobs, writing in 2024[64]

For one-on-one interviews, Jacobs both diverges from convention and targets raising the accuracy of his conclusions by including Philip Houston, a former CIA expert and author. Houston's methodology appears reasonable, focusing on recognising potential dishonesty signals – not as definitive proof of lying, but as indicators that statements warrant independent verification.

**Figure 21: For one-on-one interviews, Jacobs both diverges from convention and targets raising the accuracy of his conclusions by including Philip Houston, a former CIA expert and author**[65]





*"Philip was a 25 year investigator and polygraph examiner with the CIA. He's been a friend of mine for many years, and he's screened nearly every senior employee I've hired since I met him. He's also been involved in most, maybe all, of the M&A deals I've done in the last decade and a half.*

*At one point, when we were looking at buying a publically traded freight transportation company, Philip pulled me aside after some of the due diligence meetings with management. He said there were neon-red flags all over their behaviour when they talked about their accounting, so we didn't do the deal. Later, the company ended up being charged with criminal accounting irregularities."*

Brad Jacobs, Bloomberg Radio, February 2024[66]

## Public reveal of two businesses targeted by Jacobs in the building products distribution sector, both lowly valued relative to peers and with significant margin upside

Since establishing QXO, Brad Jacobs has publicly targeted two building products distribution companies – Rexel and Beacon Roofing Supply – revealing the type of opportunities QXO is initially prioritising.

Both companies have market capitalisations of approximately $8 billion[67], which QXO could fund through its cash reserves supplemented by modest either debt or equity funding. Both targets also trade at low valuations relative to peers. As per Figure 22, Rexel and Beacon Roofing Supply are among the lowest-valued companies relative to their direct peers, trading at 0.5-1.0x EV/Sales, while the peer group average is 2.8x EV/Sales[68].

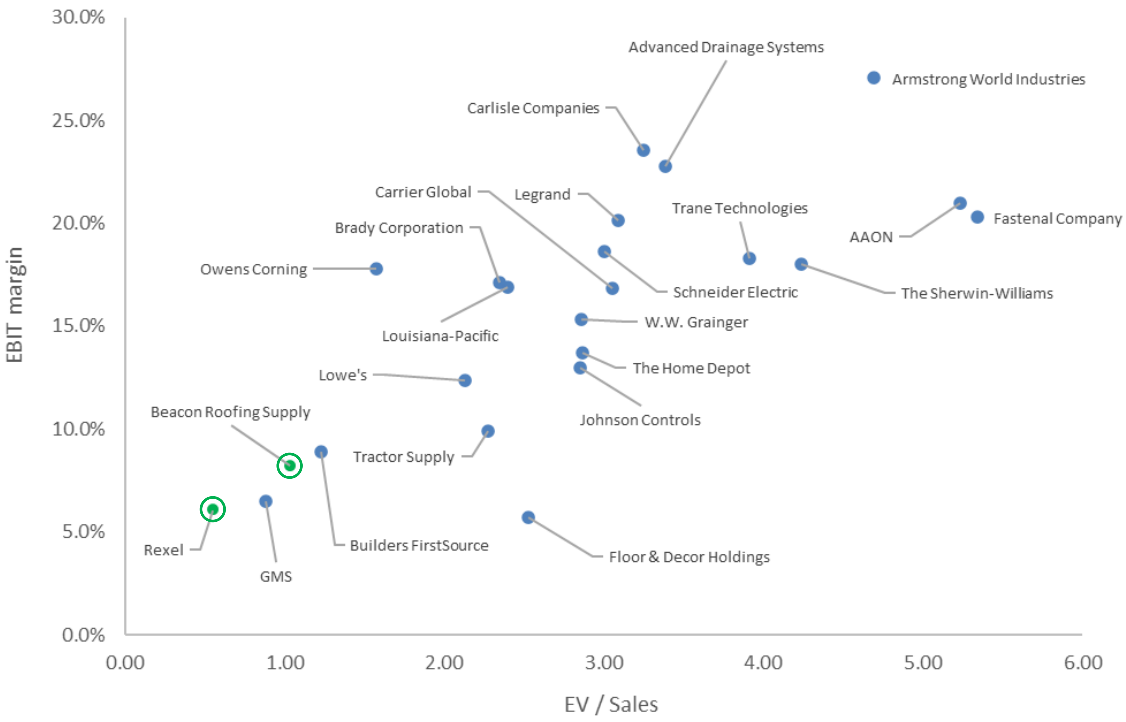
A clear correlation also exists between EBIT margins and EV/Sales valuations in the peer group, with low-margin companies trading at correspondingly low revenue multiples. As such, QXO is revealed as targeting companies with substantial revaluation potential, provided it can elevate their single-digit margins to meet or exceed the peer group average of 16%.

The potential rerating is significant—from Rexel and Beacon Roofing Supply's current 0.5-1.0x EV/Sales to potentially the peer group average of 2.8x. Moreover, both target companies carry net debt of approximately 50% of their market capitalisation[69], which would amplify equity returns in an Enterprise Value re-rating scenario.

**Figure 22: Brad Jacobs has publicly targeted two building products distribution companies – Rexel and Beacon Roofing Supply, amongst the lowest valued companies relative to their direct peers, trading at 0.5-1.0x EV/Sales, while the peer group average is 2.8x EV/Sales[70].**

| | EV/Sales | EBIT margin | Market cap ($m) | Net debt / Mcap | 2024 revenue growth |
|---|---|---|---|---|---|
| Fastenal Company | 5.34 | 20.3% | 42,724.0 | 0.6% | 2.7% |
| AAON | 5.23 | 21.0% | 8,139.1 | 0.9% | 4.7% |
| Armstrong World Industries | 4.69 | 27.0% | 6,853.4 | 8.1% | 10.4% |
| The Sherwin-Williams | 4.24 | 18.0% | 88,610.5 | 13.5% | 0.2% |
| Trane Technologies | 3.92 | 18.3% | 78,894.0 | 4.5% | 12.2% |
| Advanced Drainage Systems | 3.39 | 22.8% | 9,078.0 | 10.0% | -6.4% |
| Carlisle Companies | 3.25 | 23.5% | 15,777.5 | 7.3% | 9.1% |
| Legrand | 3.09 | 20.1% | 27,402.7 | 12.1% | 2.8% |
| Carrier Global | 3.06 | 16.9% | 60,359.0 | 14.3% | 18.7% |
| Schneider Electric | 3.00 | 18.6% | 129,352.4 | 6.5% | 15.0% |
| The Home Depot | 2.86 | 13.7% | 392,896.7 | 12.7% | -3.0% |
| W.W. Grainger | 2.86 | 15.3% | 49,074.1 | 4.2% | 4.2% |
| Johnson Controls | 2.85 | 13.0% | 56,531.8 | 18.9% | 2.8% |
| Floor & Decor Holdings | 2.53 | 5.7% | 10,738.6 | 13.9% | 0.9% |
| Louisiana-Pacific | 2.40 | 16.9% | 7,160.4 | 0.5% | 13.9% |
| Brady Corporation | 2.35 | 17.1% | 3,553.6 | -3.4% | 0.7% |
| Tractor Supply | 2.27 | 9.9% | 30,611.5 | 18.1% | 2.2% |
| Lowe's | 2.13 | 12.4% | 141,071.0 | 27.3% | -11.0% |
| Owens Corning | 1.58 | 17.8% | 14,325.9 | 38.1% | 13.6% |
| Builders FirstSource | 1.23 | 8.9% | 16,617.4 | 24.6% | -4.1% |
| Beacon Roofing Supply | 1.04 | 8.2% | 7,393.7 | 48.7% | 7.4% |
| GMS | 0.88 | 6.5% | 3,263.4 | 39.3% | 3.2% |
| Rexel | 0.55 | 6.1% | 7,747.1 | 52.1% | 0.7% |
| | | | | | |
| Average | 2.81 | 15.6% | 52,529.38 | 16.2% | 4.4% |
| Median | 2.86 | 16.9% | 16,617.39 | 12.7% | 2.8% |

**Figure 23: Within the publically traded building products distribution peer group identified, there is a proportionality between EBIT margins and EV/Sales valuation; it is the low margin companies (in green) that Jacobs has targeted, trading at low multiples of their revenues[71]**



It is instructive to note additionally that cost saving synergies between companies in the building products distribution sector are typically large. As per Figure 24, the annualised cost savings synergies often exceed 5% of the target company's revenue.

**Figure 24: For prior acquisitions made by peer companies of Rexel and Beacon Roofing Supply, cost saving synergies have reached 5% of the target company's revenue, or higher[72]**

| Acquirer | Target company | Date | EV | EV/Sales | EV/EBITDA | Synergies / revenue | Target co EBITDA margin (pre-synergies) |
|---|---|---|---|---|---|---|---|
| The Sherwin-Williams Company | Brazilian decorative paints business of BASF SE | 17 Feb, 25 | 1,150 | 2.19 | 13.0 | | 16.8% |
| Schneider Electric S.E. | Motivair Corporation | 19 Oct, 24 | 1,133 | | | | |
| Bosch | HVAC business of Johnson Controls | 23 Jul, 24 | 4,600 | 1.02 | | | |
| The Home Depot, Inc. | SRS Distribution Inc. | 18 Jun, 24 | 22,100 | 2.21 | 20.1 | | 11.0% |
| Honeywell | Global Access Solutions | 03 Jun, 24 | 4,913 | | | 9.0% | |
| Amphenol Corporation | Carlisle Interconnect Technologies Inc. | 21 May, 24 | 2,025 | 0.00 | | | |
| Owens Corning | Masonite International Corporation | 15 May, 24 | 4,252 | 1.50 | 8.5 | 4.4% | 17.6% |
| Schneider Electric S.E. | AVEVA Group Plc | 18 Jan, 23 | 10,447 | 8.32 | 78.7 | | 10.6% |
| Carlisle Companies Incorporated | Henry Company LLC | 01 Sep, 21 | 1,575 | 3.08 | 13.2 | 5.9% | 23.3% |
| The Home Depot, Inc. | HD Supply Holdings, Inc. | 24 Dec, 20 | 8,000 | 1.34 | 8.8 | | 15.2% |
| Tractor Supply Company | Industrial Segment Business of Ingersoll-Rand | 29 Feb, 20 | 8,736 | 2.58 | | | |
| Advanced Drainage Systems, Inc. | Infiltrator Water Technologies, LLC | 31 Jul, 19 | 1,080 | 3.93 | 12.1 | 8.2% | 32.4% |
| Ingersoll Rand | Precision Flow Systems Management of Accudyne | 15 May, 19 | 1,450 | 3.63 | | | |
| The Sherwin-Williams Company | The Valspar Corporation | 01 Jun, 17 | 11,303 | 2.65 | 16.2 | 5.4% | 16.4% |
| The Home Depot, Inc. | Interline Brands Inc. | 24 Aug, 15 | 1,625 | 0.95 | 12.4 | | 7.6% |
| Lowe's Companies, Inc. | Eagle Hardware & Garden | 02 Apr, 99 | 1,237 | 1.17 | 15.6 | | 7.5% |

## Following planning, the Jacobs playbook targets operational excellence: high per-acquisition accretion and the repeating of each subsequent acquisition at a sufficient frequency to drive rewarding annualised returns

Once the planning stages are complete, success then demands that the value uplift by serial M&A plan is followed by action: multiple acquisitions and combined with the imposition of operational excellence, including high per-acquisition accretion in favour of the acquirer and the repeating of each subsequent acquisition at a sufficient frequency to drive attractive annualised returns.

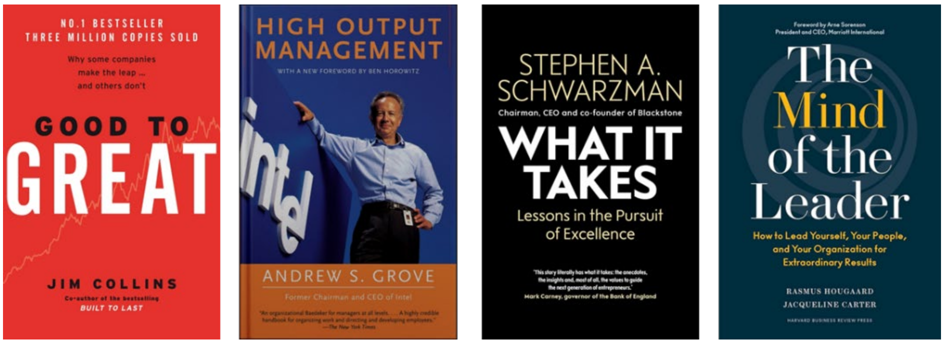
### Operational excellence requires management to drive a high work-rate by each employee, workforce alignment, acceleration through tools and technology, and an outward-facing competitive ideology

*An objective measure of the optimal criteria for operational excellence may not be readily ascertainable..*

Literature on the management approach that delivers operational excellence is abundant but often biased. Corporate CEOs may withhold valuable insights to maintain competitive advantage. Academics lack practical experience and may prioritise career advancement. Even management consultants have conflicting interests, including promoting continuing use of their high-fee services.

Without scientific methodology to validate management approaches, the criteria for operational excellence remains opaque, and furthermore, may require revision as technology trends develop. This raises a critical question: when objective evaluation criteria remain elusive, how can minority investors evaluate the management approach of serial M&A specialists such as Brad Jacobs to assess the likelihood of future operational excellence?

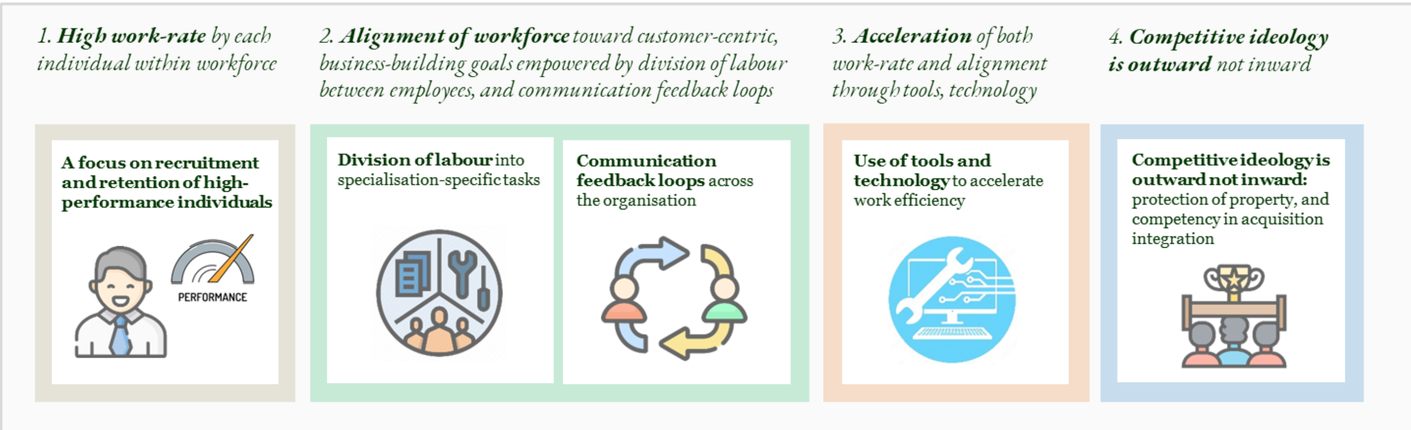
**Figure 25: Without a scientific route (including a control) to assess the validity of a particular management approach, the actual set of criteria necessary for operational excellence remains opaque[73]**




*..however, logic dictates operational excellence requires management to drive a high work-rate by each employee, workforce alignment, acceleration through tools and technology, and an outward-facing competitive ideology*

Our answer is that logic dictates that the fundamentals of operational excellence will depend on several enduring factors: high per-employee productivity, a workforce unified around customer-focused growth objectives, effective division of labour with strong communication feedback loops, proficiency in performance-enhancing tools and technology, and a competitive mindset directed externally rather than internally.

**Figure 26: The drivers of operational excellence – high individual work-rate by each employee, alignment of workforce, acceleration through tools and technology, competitive ideology is outward[74]**




*For an objective validation of our operational excellence criteria, whilst unorthodox, we look to the characteristics of highly effective social organisation within the animal kingdom*

One of the few non-human animals with social structures capable of building significant, and highly successful, organisational architectures whose output is orders of magnitude above that of their individual unit, are ants.

Ant colonies can also be judged as providing a form of objective validation of our criteria: the colonies demonstrate remarkable efficiency through selection/elimination processes[75, 76] and as such outputting high individual work rate, they align work force through sophisticated division of labour (queens, workers, nurses, soldiers)[77], and are organised using complex communication feedback loops utilising pheromones, movement, touch, sound, and in complex, sequential patterns[78].

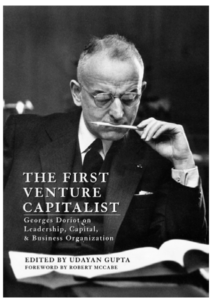
Thereon, these colonies optimise productivity through specialised tool adaptations linked to phenotypic expression by caste – varying in size, mandible shape, wings, movement, defensive capabilities, and lifespan[79]. Ants also orientate their competitive ideology outwards, displaying territorial behaviour through colony-specific chemical signatures that trigger aggression toward foreign ants[80].

**Figure 27: Amazonian ants construct vast colonies tens of meters wide and deep, containing thousands of chambers, perhaps the best example of an animal-derived architecture achieving a comparator in magnitude, relative to the individual, to the in best human organisation. The output is a significant rise in combined productivity: ant biomass in the Amazon rainforest outweighs all land vertebrates by 4 to 1[81]**


Biologist Edward O. Wilson, who dedicated his career to studying ant societies, found that in the Amazon rainforest, colony efficiency has become so high that ants today constitute 75% of insect biomass despite representing only 2% of the species count[82]. Remarkably, Wilson also determined that ants outweigh all land vertebrates combined (i.e. mammals, birds, reptiles, amphibians) by a ratio of 4:1[83].

His research has furthermore shown that it is the size of the ant colonies that is the proportionate factor outputting greater energy efficiency per individual[84]. In business terms, this represents an optimisation of return on workforce equity – and it is precisely this form of operational excellence that the value uplift by serial M&A strategy must also strive for.

> *"The study of a company is not the study of a dead body. It is the study of relationships and the study of things.*
>
> *And they are very much alive."*
>
> Georges Doriot, Manufacturing Class Notes, Harvard Business School, 1955[85]



## The focus by Brad Jacobs on driving high work-rate per employee

*Brad Jacobs recognises that the most important aspect of his role as CEO is the recruitment and retention of ambitious, superlative people who want to accomplish large goals*

Brad Jacobs can be observed as closely following an approach that delivers a high individual work-rate by each employee, first by focusing on recruiting and retaining high performance individuals, aligned and accountable, as critical to the achievement of operational excellence.

**Figure 28: Brad Jacobs "My approach to business is really simple. You get great people. People people people people. The entire focus is people. The most important thing is – recruit superlative people."[86]**

*"The biggest obstacle to achieving big goals, are people. The people that you associate with, the people that you surround yourself with, the people you deal with all day long. The people whose exhales you inhale, and vice versa. That is the key thing. If you can get fantastic people, smart, honest, hardworking people, who get along with each other, and get the right culture of how you interact with each other, you can accomplish enormous things."*

Brad Jacobs, speaking to Capital Allocators podcast, February 2024[87]

*"CEOs tend to get credit for the accomplishments of the teams they lead, but in reality, the most important thing a CEO does is recruit superlative people who have a combination of impressive traits. Talent is a must of course, but it's equally important to hire quality people who are capable of constructive interactions with others.*

*Aiming for perfection can be counter-productive; good is usually good enough. But if you're going to break that rule for one thing in business, break it for people. Make your hiring choices as perfect as they can be because hiring the wrong person is expensive on every front: money, time, energy and the well-being of your employees.*

*Even if you hire the right people 90 percent of the time, one in ten people is too much misalignment – especially at the senior level – and it can be disastrous.*

*The biggest obstacle to achieving big goals, are people. The people that you associate with, the people that you surround yourself with, the people you deal with all day long.*

*You can accomplish almost nothing by yourself. Teamwork makes the dreamwork."*

Brad Jacobs, writing in 2024[88]

*"Intelligence is a must have – especially as I operate in industries that are multi-dimensional and evolving. There's just no substitute for smarts.*

*The second quality I seek in every candidate is hunger. Hungry people have tenancy and want to work hard. They get motivated by big projects and work nights and weekends, whatever it takes to succeed. They're resilient and don't give up when problems emerge.*

*I hire people who have a burning desire to win, and who play fairly.*

*On the one hand, I want go-getters with big egos on my team – self confident winners who are out to conquer the market and make a bundle. At the same time, they need to genuinely respect others. Even a hint of arrogance can be a red flag. To guard against it, I ask myself two questions when assessing a candidate in my one-on-one interviews. First, 'can this person think dialectically?' that is, are they capable of thinking from multiple perspectives, and reconciling streams of information that seem to flow in different directions.*

*Also, I only hire CEOs who are motivated to make a lot of money. Hire ambitious people who want to accomplish big things and make a lot of money.*

*My companies have always looked to hire people who actively enjoy an intense, results-orientated workplace culture, and aren't merely resigned to working hard. They want to work for us because we're giving them the chance to run hard at ambitious goals and reap significant rewards.*

*The success of any company depends on its people fulfilling their obligations. Everyone must do what they say they'll do. It is management's job to provide oversight by setting the strategic direction and removing any road blocks, but the whole machine works better when the culture is defined by teamwork, and that takes trust.*

*Apart from the obvious benefits of integrity, hiring trustworthy people makes it easier for others around them to focus on their jobs. It only takes one integrity-impaired person to disrupt a workplace, so it's far more efficient to filter that person out in the hiring process. Otherwise, the other employees will be wasting time looking over their shoulders to protect themselves, the company, or its customers from their unscrupulous colleague.*

*Sooner or later, liars get caught. That's why I believe honest people are more successful in the long term than dishonest people. I am chasing success on a massive scale, so I can't afford to have liars on the team. They pose an existential threat to the entire company, and the team can sense that, even if they don't know anything specific.*

*I don't think cutthroat people help an organisation in the long run. Collegial teammates are usually more successful than nasty ones. So collegiality is partly good business, because I believe it's essential to achieving big goals, and it is partly selfish. An organisation is like a party. You only want to invite people who bring up the vibe.*

*The connection between colleagues who work together is intimate, both literally and metaphorically. It's psychological, emotional, even physical. Science has discovered many ways that people in close contact influence each other's physiological processes. I want to make sure that people around me are healthy influences in every sense of the word.*

*The office is a creative nerve centre, and a fun place to be – although not the kind of fund that inexperienced leaders use to distract their employees from the realities of hard work. There are no pool tables nor bean bags nor beer kegs.*

*There's a feeling of quiet intensity as people go about their work and there's also an emotional warmth. People admire and trust one another and enjoy spending time together.*

*So fill your leadership team with good-natured people. No one wants to work with a jerk, even a very talented jerk."*

Brad Jacobs, writing in 2024[89]

*Jacobs personally interviewed every new head office hire at XPO logistics, aiming to select only those prospective workforce members with intelligence, hunger, integrity and collegiality*

Brad Jacobs characterises the values he is looking for in members of his team as – intelligence, hunger, integrity and collegiality[90]. These can also be framed as high work rate potential, high work rate actuality, honest communication, and orientation toward the success of the whole.

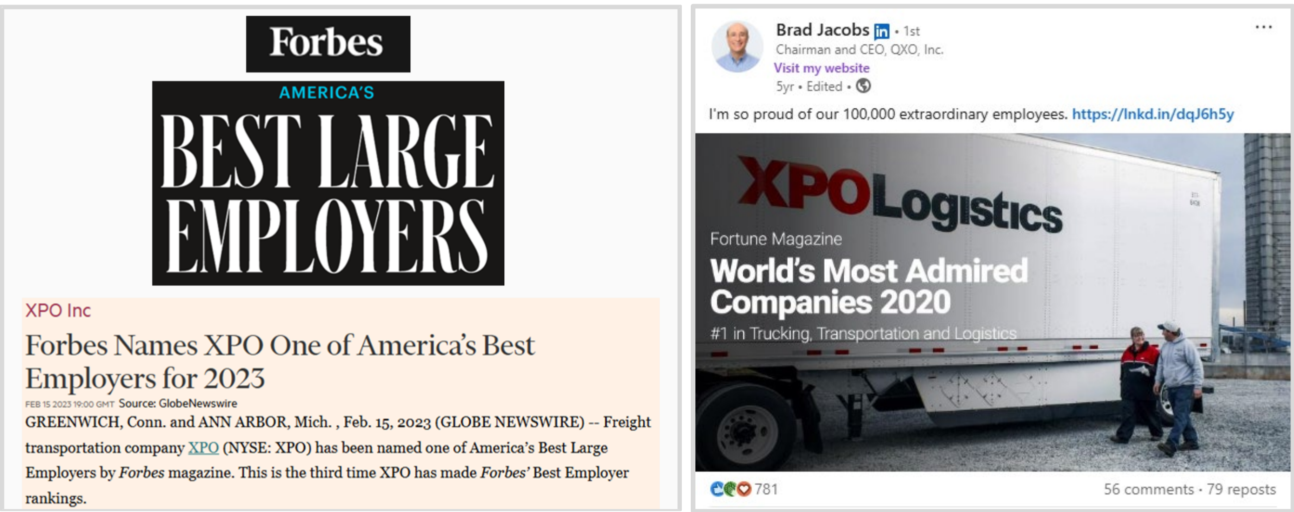
> *"My companies interview management candidates with more-than-typical rigour as a matter of policy. A prospective executive will go through seven or eight interviews, sometimes more, before joining the team. We'll take all the time we need to find the right person, and we'll leave a position open rather than hire someone we're unsure about. An empty seat is less damaging than a poor fit.*
>
> *When I was running XPO, I interviewed every one of the people who worked at our headquarters, from the front desk to the C-suite. I wanted to know what it felt like to be the office with someone who might be working with me for years to come."*
>
> Brad Jacobs, writing in 2024[91]

In terms of the process used by Jacobs for identifying high performance individuals, rigorous interviews are prioritised, and in combination with a willingness to leave positions vacant rather than continue with a hire that lacks the optimal set of qualities targeted. Jacobs notes that XPO Logistics was highly unusual in the logistics sector because it focused on recruiting from high performance and high paying enterprises such as Alphabet, Amazon, and Goldman Sachs[92]. However, when we understand the Jacobs playbook as focused on value uplift by serial M&A, it is not counter-intuitive that new hires would be selected from, for example, an investment bank with M&A specialism.

*Independent verification of Jacobs achieving a workplace culture sufficient to attract and retain superlative talent*

Beyond Brad Jacobs' impressive leadership results, external validation provides evidence of his success in creating a culture that attracts and retains top talent. Forbes magazine recognised XPO Logistics as one of America's best large employers in 2017, 2023, and 2024[93], and Fortune magazine has recognised XPO Logistics as the number one most admired company, globally, in trucking, transportation and logistics in multiple years since 2018[94].

**Figure 29: Awards by Forbes and Fortune provide verification of Jacobs achieving a workplace culture sufficient to attract and retain superlative talent**



*In assessing prospective acquisitions, Brad Jacobs prioritises the corporation whose workplace has cultural compatibility, and immediately post-closing the takeover reaches out to the best employees to express his commitment to retaining them*

Brad Jacobs emphasises that assessment of workforce culture is an important consideration that he makes when considering acquisitions. He notes alongside that he considers a fundamental mistake he made earlier in his career was not attaching enough priority to understanding the workplace culture of prospective acquisitions[95].

However, Jacobs also embraces a flexible mindset in assessing cultural compatibility, noting that two cultures can be dissimilar and still be compatible. Ultimately, it is the performance culture, and the communication and openness culture, that is necessary, rather than over-weighting other specifics which may be less relevant.

Jacobs also recognises how important it is immediately after the acquisition to reach out to the "A-players" within the acquired company. Post acquisition, uncertainty is raised, and turnover rate otherwise rises.

*"It's hard, if not impossible, to make wholesale changes to a business culture. The goal is to buy companies with cultures compatible with yours so that change can happen naturally, and for the benefit of everyone, as the integration proceeds.*

*Cultural incompatibility can suck all the energy out of the integration process and generate push-back from employees for years. If you're a fast-moving company and you buy a sleepy company, you might be able to get them pumped up over time, assuming you can figure out what made them snooze – but why invite that extra effort? Or if your culture is results-orientated with a high level of accountability, and you buy a company that stops answering emails at 4:49pm, it's going to be an uneasy fit. Similarly, an operation with a dishonest culture will not turn honest just because you give them a link to your code of business ethics.*

*We reach out to the high calibre A-players in the prospect organisation as soon as we're permitted to do so and express our commitment to retraining them.*

*When XPO bought New Breed and Norbert Dentressangle, these companies had different cultures driving their success, but both cultures were compatible with our own. The combination of our organisations created a new and more dynamic culture at XPO."*

Brad Jacobs, writing in 2024[96]

*In driving high work-rate per employee, Brad Jacobs also leads by example with a maximum work ethic ethos*

Brad Jacobs also leads by example in fostering an intense work culture at his companies, pointing to periods where his team operates on minimal sleep during demanding stretches.

The maximium work ethic ethos likely drives Jacobs' remarkable results. With the possible exception of Elon Musk, we know of no other entrepreneur who has built five companies from scratch into multi-billion dollar enterprises (and in Jacobs' case, who is now building the sixth)[97].

XPO Logistics' achievement of executing two multi-billion dollar spin-offs – GXO in 2021 and RXO in 2022 – in less than 15 months also stands unparalleled in business[98]. Successfully managing these significant transactions while maintaining strong underlying business performance demonstrates the possession of high work rate capacity, determination, and ability to effectively leverage their collective expertise, by the Jacobs teams.

**Figure 30: Brad Jacobs leads by example with a work ethic comparable to selected other high performing business leaders who have delivered extraordinary shareholder returns**

*"Work like hell.*

*These experiences exemplify the intense work ethic we instilled at the heart of XPO's culture in its first decade. Josephine Berisha our chief human resources officer at the time of the two spin-offs, slept just a few hours a night during the most demanding stretches, and told me she still thoroughly enjoyed the ride.*

*This is the kind of culture you need to achieve big things, you'll likely find that sleep is overrated – and that it's actually more fun to be awake."*

Brad Jacobs, writing in 2024[99]

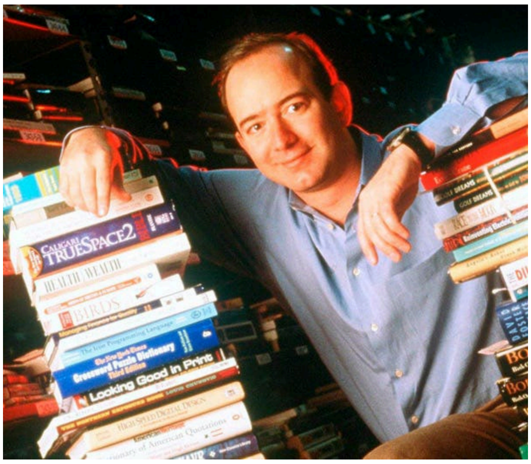
*"Be extremely tenacious, and just work like hell – this is the way to improve our odds of our success. I mean we just have to put in 80 to 100 hour weeks, every week. If other firms are putting in 40 hour work weeks, and we are putting in 100 hour work weeks, then we will achieve in four months what it takes them a year to achieve."*

Elon Musk, speaking in 2013[100]

*"When I interview people I tell them, 'you can work long, hard, or smart, but at Amazon.com you can't choose two out of three.'*

*It's not easy to work here. But we are working to build something important, something that matters to our customers, something that we can all tell our grandchildren about. Such things aren't meant to be easy. We are incredibly fortunate to have this group of dedicated employees whose sacrifices and passion build Amazon.com."*

Jeff Bezos, Amazon 1997 letter to shareholders[101]



## The focus by Brad Jacobs on empowering intra-organisation communication feedback loops

### *Authentic communication from workforce to management empowers advantaged decision making*

> *"There is a problem of the person who keeps information to themselves. The information hoarder.*
>
> *Information has no meaning unless it leads to competitive action."*
>
> Georges Doriot, Harvard Business School, 1955[102]

When employees communicate authentically to management and without hierarchical constraints, organisations can gain a significant competitive edge. A decentralised feedback loop should aim to capture the distributed intelligence of the entire workforce, including valuable insights from customer-facing roles that management might otherwise miss.

When information is gathered in this manner across the workforce, and responses aggregated, information accuracy is also raised: contradictory errors tend to cancel each other out while consistent truths become amplified. This 'wisdom of the crowd' effect can produce more accurate insights relating to organisational and customer realities than even expert analysis[103].

Significant competitive advantage can thereon can be captured, particularly when rival organisations with ossified hierarchies discourage critical feedback about existing practices[104], resulting blind spots in their comparative decision-making. By contrast, companies that systematically gather authentic feedback from all levels have the opportunity to respond more dynamically to challenges and opportunities, outperforming competitors lacking the equivalent intelligence network.

### *Brad Jacobs prioritises the establishment of communication feedback loops immediately following an acquisition, targeting identification of key employees for retention, and optimisation in cultural integration*

Brad Jacobs prioritises gathering information through feedback loops established deep within newly acquired businesses immediately after acquisition.

Whilst Jacobs targets the retention of key team members, the early feedback loops that manage this are also used to demonstrate more generally that employees are valued, which enhances morale. These feedback mechanisms also help his management team quickly identify underperformers, who can then be offered exit packages to maintain a high-calibre workforce.

Additionally, Jacobs leverages information gathering to optimise cultural integration. While it is unclear if he favours anonymous surveys, the introduction of the new Jacobs management team also removes prior hierarchical constraints, potentially increasing information flow even without anonymised feedback channels.

**Figure 31: Jacobs prioritises communication feedback loops immediately following an acquisition**

*"Another important benefit of early feedback loops in that they give us a good look at the talent pool injected into our organisation by the deal. Sometimes, the talent is the major coup of the acquisition. It is important to keep the key talent in an acquisition. Also, be bold about identifying people who aren't moving the company forward and offer them a generous exit package.*

*Often, when we buy a company, we discover that the frontline employees, middle managers, even some senior executives have never been asked, "What would you do to improve the company?" You'd think the owners would want to know that!*

*If body language was audible, we'd hear the people at these gatherings saying, "Okay, they value me. I'm going to give it a shot. I want to be part of this, because it sounds like there's some real momentum here and this could be a good company to work for."*

Brad Jacobs, writing in 2024[105]

*"Through multiple feedback loops we hold surveys, town halls, one-on-one interviews, group meetings, internal social media – whatever best fits the size of the acquired employee base and the time frame. Asking for input is a way to show respect, and we find it pays dividends on both sides.*

*Feedback loops are also powerful tools for cultural integration. They give us an opportunity to communicate in the clear terms what we're a results-focused company. Everyone is accountable, we all succeed or fail together.*

*Typically, we start with a series of questions that go to the heart of their own observations: "What's the business doing well, that we'd be crazy to change? What's the business doing not so well, that we'd be crazy not to change? What's your best idea to improve the business? What's something that could be made more profitable. Or more customer friendly? Or improve the workplace environment?"*

Brad Jacobs, public comments, March 2024[106]


*Jacobs also uses communication feedback loops to set the agendas of management meetings, and to reinforce a division of labour culture, and a performance culture, downward into the organisations acquired*

Jacobs additionally operates on the principle that asking for input from employees not only builds trust and respect on both sides, but also provides the acquiring team with a means to affirm both a division of labour culture and a performance culture, and that they will succeed or fail together, as one team.

Jacobs states that the corporate target should be '*overcommunication*', and that he wants his management to be '*shameless about asking everyone their opinions*.'[107] This requires a management culture of likeability, trust, and frank conversations.

To reinforce the focus on communication, Jacobs even goes as far as crowd sourcing the agenda for senior management meetings from the workplace. He then encourages in the meetings to be highly active and collaborative, and encourages the mindset – '*this group of people may never meet again, let's make the most of it*'[108].

Software systems at Jacobs companies also are designed to continually seek feedback from employees and customers, and as such, provide a valuable and enduring tool for information flow to management in order to optimise decision making.

> *"The cognitive abilities of humans, notably communication, gave us an extraordinary ability to collaborate, innovate, imagine, and improvise. Our aim should be a to achieve a division of labour that is sophisticated enough to elevate each member to a higher level of performance.*
>
> *I don't believe there is such a thing as over-communicating."*
>
> Brad Jacobs, writing in 2024[109]

As such, the emphatic use of communication feedback loops not only funnels up to management the critical information necessary to operate the business optimally, it sets agendas, and yet also pushes a division of labour culture, and a performance culture, downward into the organisations acquired.

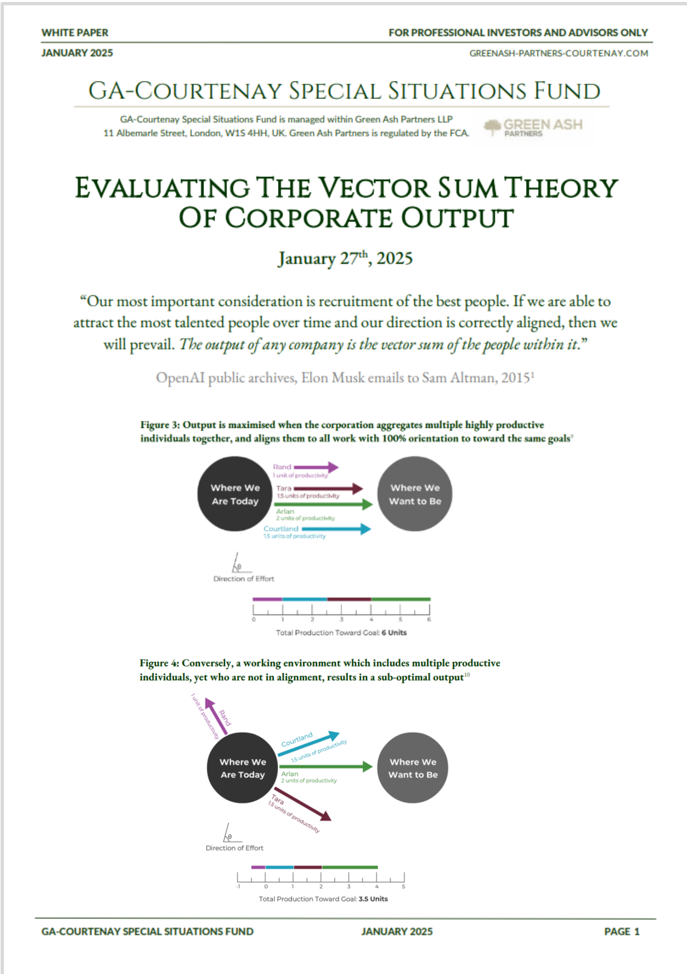
## The focus by Brad Jacobs on driving alignment of workforce

After maximising employee productivity, workforce alignment becomes the crucial next step. Brad Jacobs' perspective on alignment is comparable to Elon Musk's physics-based framework, viewing company output as a vector sum of employee contributions – representing a combination of work rate (magnitude) and alignment (direction)[110].

Jacobs highlights that misaligned employees can significantly undermine collective progress, emphasising that it is essential for high work rate to also be aligned with organisational objectives.

**Figure 32: Jacobs' perspective aligns with Elon Musk's physics-based framework, company output is the vector sum of employee contributions, and necessitating alignment as a critical variable[111]**

> *"Your top 25 people, you cannot have 15 are hard working, and yet 10 who do not. You cant have 15 honest ones and 10 dishonest. It has to be all, in this example, 25 out of 25, 100%. If you can concentrate on the quality of the people and the rules of engagement between that constellation of people, you can move mountains.*
>
> *The workplace vibe I've sought to replicate across all the companies I've founded prioritises collaboration – in my opinion, the most effective lever for furthering any company's strategy and vision. Self-motivation is a valuable trait in an employee, but it should help the team succeed, as well as the individual. CEOs can't physically be in front of their employees every day, urging them to perform at their best together. The proxy for this is aligned corporate culture."*
>
> Brad Jacobs, speaking in February 2024[112]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EVALUATING THE VECTOR SUM THEORY OF CORPORATE OUTPUT

January 27th, 2025

"Our most important consideration is recruitment of the best people. If we are able to attract the most talented people over time and our direction is correctly aligned, then we will prevail. *The output of any company is the vector sum of the people within it.*"

OpenAI public archives, Elon Musk emails to Sam Altman, 2015[1]

**Figure 3: Output is maximised when the corporation aggregates multiple highly productive individuals together, and aligns them to all work with 100% orientation to toward the same goals[9]**



**Figure 4: Conversely, a working environment which includes multiple productive individuals, yet who are not in alignment, results in a sub-optimal output[10]**



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Jacobs emphasises the importance of paying close attention to incentive plans in order to optimise for alignment workforce. He advocates that CEOs should directly participate in the design of incentive plans, and not to delegate them as strictly an HR or talent management task. Furthermore, he advocates that different plans should be customised for different roles within the organisation, keeping in mind the intention to create a '*domino effect*'. Jacobs also notes that he typically extends equity ownership deeper into the firm than would otherwise be the case, with the same intention of further increasing alignment[113].

**Figure 33: Brad Jacobs recognises that teams must divide labour, but also align their working energy toward to unified corporate goals. It is *alignment* that results in the 'team' within the workforce achieving the superior positive meaning that Georges Doriot spoke of 70 years prior.**

*Brad Jacobs today – "we want people who are aligned with our vision and share our drive to create shareholder value – our people must be true believers"*[114]

*"My advice to prospective CEOs is to participate in the intentional design of incentive plans, and not to delegate them as strictly an HR or talent management task. It is also important to customise the plans for different roles within the organisation, keeping the domino effect in mind."*

Brad Jacobs, writing in December 2024[115]

*"I also like to extend equity far deeper into the organisation chart than is typical in the business world.*

*My companies offer above-market equity incentives because we want true believers – people who are aligned with our vision and share our drive to create shareholder value. Equity comes with a built-in incentive to stick around and help the company perform at its best.*

*The only way to earn windfall money in my companies is to make outsized contributions to value creation.*

*Kill the competition instead of killing each other."*

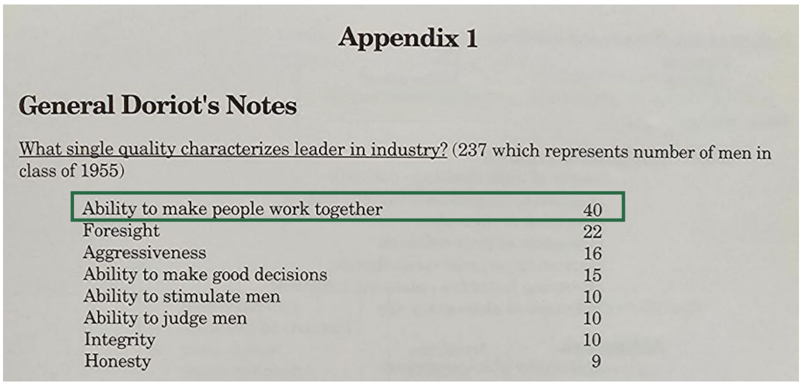
Brad Jacobs[116]

*Georges Doriot 70 years prior – "the word team must have a superior positive meaning" – his Manufacturing Class Notes defines this as working in alliance, the "ability to make people work together"*[117]

*"The word team must have a superior positive meaning.*

*It often has a weak connotation of leveling down to the lowest common denominator. Of hiding deficiencies."*

Georges Doriot, Harvard Business School, 1955[118]



**Appendix 1**

**General Doriot's Notes**

What single quality characterizes leader in industry? (237 which represents number of men in class of 1955)

| | |
|---|---|
| Ability to make people work together | 40 |
| Foresight | 22 |
| Aggressiveness | 16 |
| Ability to make good decisions | 15 |
| Ability to stimulate men | 10 |
| Ability to judge men | 10 |
| Integrity | 10 |
| Honesty | 9 |

## The focus by Brad Jacobs on the use of technology to accelerate productivity

> *"People are the most important thing, but followed by that, technology.*
>
> *Anything we can automate, we are either automating already or we have on the drawing board to automate."*
>
> Brad Jacobs, writing in December 2024[119]

After acquiring target companies, Brad Jacobs prioritises upgrading their technological infrastructure to enhance financial and operational performance. The potential technological improvement is directly proportional to the previous owners' underinvestment. Consequently, Jacobs strategically enters industries where technology remains underutilised.

When Jacobs entered the truck brokerage business with XPO, nearly all transactions occurred via telephone. Today, at the spun-off RXO, 97% of transactions are processed digitally[120]. Similarly, QXO now targets the building products distribution industry, where only 4% of transactions currently occur digitally, presenting significant technological advancement opportunities[121].

**Figure 34: At XPO, and its warehousing focused spin-off GXO, significant investments have been made in sophisticated robotics, automated sorting systems and intelligent analytics[122]**


**XPO Logistics and Nestlé Unveil UK Digital Distribution Warehouse of the Future**

Press Release | Greenwich, Conn. | March 30, 2021

XPO Logistics Inc. (NYSE: XPO), a leading global provider of transport and logistics solutions, and Nestlé, the world's largest food and beverage company, have today announced that their flagship distribution center and technology hub in the UK has completed its phased opening to full operations. XPO and Nestlé began collaborating on the design and construction of the Digital Distribution Warehouse of the Future in 2018, together with technology partner Swisslog Logistics Automation.

The 638,000-square-foot facility at the Segro East Midlands Gateway in Leicestershire includes advanced solutions customized by Swisslog and integrated with XPO's digital warehouse ecosystem. The operations use sophisticated robotics, automated sorting systems and XPO's intelligent analytics to deliver fast, efficient distribution of Nestlé products, including KitKat, Maggi and Nescafé.

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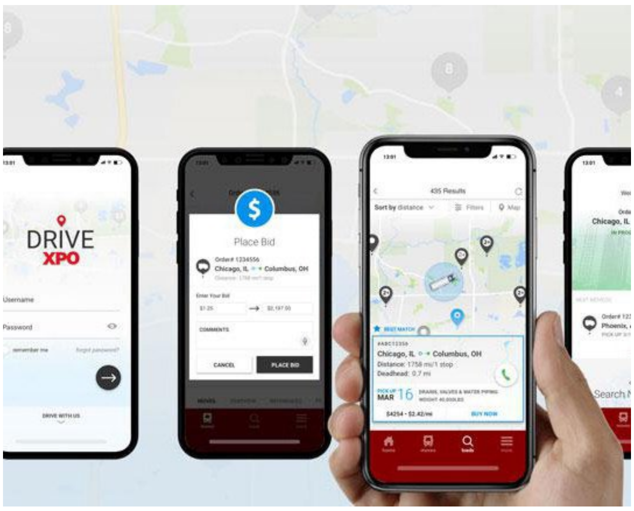
**Figure 35: XPO has also developed the Uber-like apps Drive XPO and Shop XPO. Meanwhile, Uber's logistics business unit has struggled to grow revenue and remains loss making[123]**




At XPO and its warehousing spin-off GXO, substantial investments in warehouse robotics and pricing algorithms have yielded Uber-like apps – Drive XPO and Shop XPO – enabling truckers to pick up loads and customers to track cargo in real time, while Uber Freight has struggled to compete effectively[124].

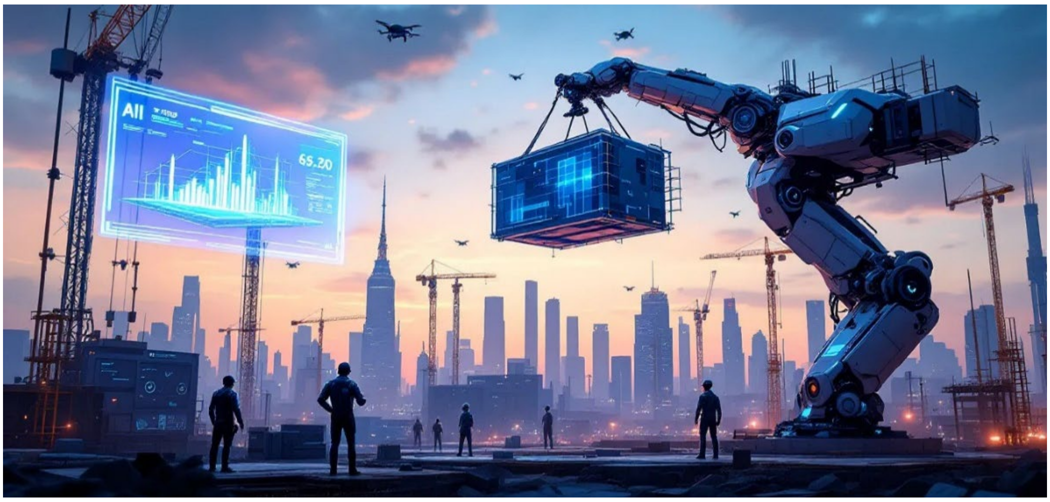
Jacobs argues that for industry-leading technological investment, scale is essential, as only larger companies can afford significant technology investments – providing a durable competitive advantage to Jacobs' M&A strategy of scaling by consolidating fragmented industries.

The technology platform targets the integration of shared services, reduction in SG&A costs, optimisation of equipment utilisation across branches, professionalisation of pricing approaches, and ultimately enhancement of customer service to build loyalty and drive revenue growth[125].

> *"One thing is having the size to be able to afford the technology investment, that is what is going to differentiate us from the have nots.*
>
> *The second thing is, it is a mindset, the industry as a whole has not had this passionate intense commitment to continuously improve the business through technology and to delight customers more and more and more."*
>
> Brad Jacobs, speaking to Goldman Sachs, February 2024[126]

With regard to the opportunity for QXO to use technology to accelerate productivity, Jacobs has identified multiple areas for targeting, including customer interaction, B2B ecommerce, pricing, demand forecasting, optimal staffing algorithms, warehouse automation and robotics, automated inventory management, route optimisation for delivery fleets, supply chain visibility, and digital customer connectivity[127].

**Figure 36: As AI becomes pervasive across the building products distribution industry, it stands to accelerate opportunities for efficiency improvements without disrupting customer demand**




Furthermore, as AI becomes pervasive across the industry, it stands to accelerate opportunities for efficiency improvements without disrupting customer demand, as people will still need homes and cities will still need infrastructure. Potentially, there may also be a structural driver for increased volumes as AI reduces construction costs and opens up new use case opportunities.

## The focus by Brad Jacobs on achieving a competitive ideology facing outward

*Accelerated cultural integration post-acquisition completion as the first step to orientating competitive ideology outward, not inward*

After deal signing, Brad Jacobs prioritises cultural integration as the most critical initial focus. He credits this emphasis on cultural alignment for enabling his companies to manage multiple simultaneous acquisitions while maintaining consistent progress.

Jacobs notes that the due diligence process will have provided valuable intelligence in advance, allowing for both any necessary redundancies combined with carefully prepared communication to remaining workforce members as to the company's shift to a performance culture following acquisition completion. The mindset at this stage is respectful yet decisive communication to implement best practices.

Throughout the process, Jacobs emphasises that his management remain open to information feedback and ideas from the target company they have acquired, accepting that their own culture will not be perfectly formed and there are always valuable additional learnings available.

> *"We address it like this: first, we leverage the cultural intelligence we gathered during due diligence. This becomes the basis for our ability to communicate credibility with employees, customers and other stakeholders. Second, we don't come in with a heavy hand and an arrogant, my way or the highway attitude, causing the employees to feel disrespected.*
>
> *Cultural integration is the single most important thing to get right after the deal is signed. It's the foremost reason why my companies have been able to do so many high-speed acquisitions without blowing up.*
>
> *With every acquisition we undertake, we're careful to be respectful toward our new team members through our words, our actions, and even how we think. This cant be faked, people can tell if you're giving them baloney. We cultivate a mindset of feeling grateful toward the people who sustained the company we just bought.*
>
> *We're extremely respectful to the people we onboard from a company we buy. We're all on the same team.*
>
> *And we don't buy companies with the intention of upending their practices wholesale. This doesn't mean we're blindly loyal to everything we inherited with the acquisition. If an employee can't meet the numbers required by our business plan, we have to let them go. The same goes for the inevitable organisational disruptions that are part of M&A. I don't know of any way to unlock huge amounts of value without creating a lot of change, but most of it can be positive and all of it can be fair.*
>
> *From a cross-fertilisation perspective we look for ways to benefit from the qualities that make a deal attractive in the first place. We happily accept that our own culture is not and never will be perfectly formed, and we open our minds and ears and listen."*
>
> Brad Jacobs, writing in December 2024[128]

*Following cultural integration, operational integration is then targeted in short order*

> *"Operational integration is so close in importance to cultural integration that I hesitate to rank them. But they do need to be discussed separately. Operational integration depends on speed and standardisation."*
>
> Brad Jacobs[129]

For operational integration, Jacobs advocates an accelerated process based around systems standardisation and upgrading. Post-acquisition integration of the mission-critical operations is addressed first, transforming two separate businesses into a unified entity that delivers clean numbers, rapid data, and consistent information sharing channels, leveraging high-calibre management teams.

> *"The sooner we can bring an acquired business into our technology ecosystem, the better. We want one enterprise platform, one human resources system, one CRM (customer relationship management) database for salesforce management, one business intelligence database, one internal social media community, one key performance indicator dashboard, one training curriculum, and one email system. In addition, every new employee gets our procedures and policies manual, including our code of business ethics.*
>
> *We place a priority on closing the acquisition books cleanly and standardising the financial statements, monthly operating reviews, and budget so everyone is using the same format to present the numbers. We also move everyone to our incentive compensation plans and benefits programs. That way, we can benchmark people and locations, and install accountability."*
>
> Brad Jacobs, writing in December 2024[130]

> *"I averaged 14 hour workdays during that period, and we for the entirety of the process, my company knew we couldn't take our eyes off customer service, sales, IT and all the day-to-day initiatives that create shareholder value.*
>
> *For those of us in senior management, the triple tracks of strategic execution, M&A integration, and daily operations were all consuming, and also exhilarating."*
>
> Brad Jacobs, writing in December 2024[131]

Integration then expands to shared services – IT, finance, accounting, sales, marketing, procurement, and HR – with seamless execution as the priority, recognising that acquired customers will closely monitor service levels throughout the transition[132].

Brand integration also occurs in short order after deal signing, ensuring uniform internal and external presentation. Brad Jacobs for example states he specifically abhors the type of scenario where salespeople use different business cards or have non-standardised job titles[133].

Thereon, to ensure replicability, Jacobs quantifies and systematises the integration process through comprehensive to-do lists containing hundreds or thousands of tasks. For accountability, each task is assigned to an individual rather than a group, with regular progress meetings established. This playbook evolves with each acquisition, becoming a success manual for value creation through serial M&A[134].



*"A lot of mystique surrounds M&A integrations, but experience has taught me that it's all quantifiable.*

*When we acquire a company, the to-do list can stretch to hundreds or even thousands of tasks needed to make the integration work, with room to be creative in response to the human part of the integration. Well in advance of closing, we've visualised every aspect of the process that will harmonise the acquired operation within our company.*

*My strong preference is to assign these tasks to individuals, not working groups. If we have one person owning each task and being accountable for achieving it on time, we're more likely to succeed than if the task is owned by a group.*

*I also establish a regular cadence for monitoring progress throughout the integration, typically daily or weekly, or less frequently for tasks that take time to implement. With the cadence set, there's less confusion about progress against the plan, or who has the wheel on a given task.*

*Every time we do an integration, we're updating our playbook with new ways to become more efficient in preparation for the next deal. It gives us the benefit of organic continuous improvement, bringing us closer to where we can 'wash, rinse, repeat.'"*

Brad Jacobs, writing in 2024[135]

As such, the overall integration speed will depend on work rate and technological leverage achieved by the Jacobs team, but also on executing processes simultaneously rather than sequentially. A sequential approach would require repeatedly modifying shared services, IT systems, and branding. Instead, managing integrations in parallel, as Jacobs advocates for, creates an intense, expansive process – particularly for global companies – yet one which ultimately yields a fully cohesive company with a unified organisation chart integrating management and operational structures.

# QXO, Inc. financial outcomes: illustrative scenario analysis

## Strong equity holder returns from QXO, which trades at a 38% premium to its net cash balance, relies on the accurate forecast that Brad Jacobs will successfully complete multiple accretive acquisitions

In examining Brad Jacobs' approach – an entrepreneur with an exceptional track record in value creation through serial M&A – we have considered both the achievements of his prior companies and the potential for Jacobs and QXO to deliver the same form of differentiated yet rational execution, meticulous planning, and consistent operational excellence, including high per-acquisition accretion at a frequency that drives highly rewarding annualised returns.

Currently, QXO trades at a 38% premium to its net cash, making potentially rewarding investment predicated on the outcome that Jacobs will successfully execute multiple accretive acquisitions in the targeted industry.

## Strong equity holder returns from QXO, which trades at a 38% premium to its net cash balance, relies on a series of critical value drivers

> *"I'll only do deals where the downside scenario is still good for the company, the base case is excellent and the upside case is off the charts. We feel that, time goes by fast, and if you want to make your mark, do something big, let's do some stuff. So we're prone to action.*
>
> *But the fact that we have raised $4.5bn in equity and we have leverage we can put onto that, that is completely irrelevant, that does not put more pressure on us to do a deal. Where we have pressure on us is to do good deals, accretive deals, strategically compelling deals, deals where we can grow them over 5-10 years and they will be much bigger businesses at that time."*
>
> Brad Jacobs, speaking to Goldman Sachs, February 2024[136]

Modelling the success path from QXO's initial cash shell position requires multiple assumptions about capital deployment and return rates. Critical value drivers include:

- Target company size of enterprise value as percent of QXO's pre-deal market capitalisation size
- Acquisition EV/Sales multiple
- Post-acquisition EV/Sales of the pro-forma QXO (a high multiple indicating operational success)
- Time period between takeovers
- Entry price per share at which investors allocate to QXO

Figure 37 illustrates various scenarios using in our judgement reasonable inputs for QXO's potential acquisition trajectory based on this white paper's findings. Our inputs, assuming 10 acquisitions in total, output that QXO equity has the potential to deliver a 22% annualised return over the next decade, comparable to Brad Jacobs' prior record of approximately 20% annualised return at XPO. Using a 14% cost of equity, the implied market value of QXO equity today is $22.26, which is 85% higher than its current $12.01 price[137].

Notably this represents just one scenario, with reality inevitably differing. Figure 38 provides a fuller exploration of our sensitivity analyses for the critical input drivers, and potential outcomes.

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## Figure 37: With input assumptions in line with the findings of this white paper, a base case illustration can be put forward that shows QXO can deliver a 22% annualised return by completing its next 10 acquisitions, comparable to the c. 20% annualised return that Brad Jacobs achieved with XPO[138]

| | Takeover 1 | Takeover 2 | Takeover 3 | Takeover 4 | Takeover 5 | Takeover 6 | Takeover 7 | Takeover 8 | Takeover 9 | Takeover 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Acquirer statistics before each takeover instance** | | | | | | | | | | |
| Acquirer market cap (fully diluted) | 10,682 | 16,070 | 20,216 | 25,353 | 31,743 | 39,692 | 49,575 | 61,864 | 77,140 | 96,129 |
| Acquirer shares outstanding | 889 | 1,059 | 1,112 | 1,169 | 1,228 | 1,291 | 1,356 | 1,425 | 1,498 | 1,574 |
| Acquirer share price | 12.01 | 15.18 | 18.17 | 21.69 | 25.84 | 30.75 | 36.55 | 43.40 | 51.51 | 61.08 |
| Acquirer net cash (debt) position (fully diluted) | 7,000 | -4,518 | -8,643 | -13,913 | -20,571 | -28,961 | -39,507 | -52,735 | -69,300 | -90,016 |
| Acquirer net cash (debt) / equity | -66% | 28% | 43% | 55% | 65% | 73% | 80% | 85% | 90% | 94% |
| **Target company statistics before each takeover instance** | | | | | | | | | | |
| Target company, undisturbed EV | 10,000 | 4,018 | 5,054 | 6,338 | 7,936 | 9,923 | 12,394 | 15,466 | 19,285 | 24,032 |
| Target company, undisturbed EV, as % of acquirer pre-deal market cap | 94% | 25.0% | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% |
| Debt as % of market cap | 12.7% | 12.7% | 12.7% | 12.7% | 12.7% | 12.7% | 12.7% | 12.7% | 12.7% | 12.7% |
| Target company, net debt | 1,124 | 451 | 568 | 712 | 892 | 1,115 | 1,393 | 1,738 | 2,167 | 2,700 |
| Target company, undisturbed equity | 8,876 | 3,566 | 4,486 | 5,626 | 7,044 | 8,808 | 11,001 | 13,728 | 17,118 | 21,332 |
| Target company, undisturbed EV/Sales | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 |
| Target company, revenue | 5,882 | 2,363 | 2,973 | 3,728 | 4,668 | 5,837 | 7,290 | 9,098 | 11,344 | 14,137 |
| **Takeover characteristics** | | | | | | | | | | |
| Takeover premium | 40% | 40% | 40% | 40% | 40% | 40% | 40% | 40% | 40% | 40% |
| Takeover market capitalisation | 12,427 | 4,993 | 6,281 | 7,876 | 9,862 | 12,331 | 15,402 | 19,219 | 23,965 | 29,865 |
| Takeover EV | 13,551 | 5,444 | 6,849 | 8,589 | 10,753 | 13,446 | 16,794 | 20,957 | 26,132 | 32,565 |
| Takeover EV/Sales | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 |
| **Takeover financing** | | | | | | | | | | |
| Percent of takeover financed with debt | 85% | 85% | 85% | 85% | 85% | 85% | 85% | 85% | 85% | 85% |
| Value of takeover financed with debt | 11,518 | 4,627 | 5,821 | 7,300 | 9,140 | 11,429 | 14,275 | 17,814 | 22,212 | 27,680 |
| Percent of takeover financed with equity | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% |
| Value of takeover financed with equity | 2,033 | 817 | 1,027 | 1,288 | 1,613 | 2,017 | 2,519 | 3,144 | 3,920 | 4,885 |
| Annualised equity issuance | 7% | | | | | | | | | |
| **Post takeover, acquirer debt metrics** | | | | | | | | | | |
| Post takeover acquirer cash (debt), pre-interest charge | -4,518 | -9,145 | -14,465 | -21,213 | -29,712 | -40,390 | -53,782 | -70,549 | -91,513 | -117,696 |
| Pro-forma EBIT | 995 | 1,394 | 1,897 | 2,528 | 3,317 | 4,304 | 5,537 | 7,076 | 8,994 | 11,385 |
| Pro-forma EBIT margin | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% |
| Cost of debt | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% |
| Interest charge | -325 | -658 | -1,041 | -1,527 | -2,139 | -2,908 | -3,872 | -5,080 | -6,589 | -8,474 |
| Tax charge | -167 | -184 | -214 | -250 | -294 | -349 | -416 | -499 | -601 | -728 |
| Tax rate | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% |
| Post tax cashflow | 0 | 502 | 552 | 642 | 750 | 883 | 1,047 | 1,249 | 1,497 | 1,804 |
| Post takeover acquirer cash (debt) | -4,518 | -8,643 | -13,913 | -20,571 | -28,961 | -39,507 | -52,735 | -69,300 | -90,016 | -115,892 |
| **Post takeover, acquirer equity and EV metrics** | | | | | | | | | | |
| Post takeover acquirer equity (pre re-rating) | 12,714 | 16,887 | 21,244 | 26,641 | 33,356 | 41,708 | 52,094 | 65,007 | 81,060 | 101,014 |
| Post takeover acquirer shares outstanding | 1,059 | 1,112 | 1,169 | 1,228 | 1,291 | 1,356 | 1,425 | 1,498 | 1,574 | 1,654 |
| Post takeover acquirer share price (pre re-rating) | 12.01 | 15.18 | 18.17 | 21.69 | 25.84 | 30.75 | 36.55 | 43.40 | 51.51 | 61.08 |
| Post takeover acquirer EV | 17,232 | 25,530 | 35,156 | 47,212 | 62,318 | 81,215 | 104,829 | 134,308 | 171,076 | 216,907 |
| **Post takeover, acquirer re-rating metrics** | | | | | | | | | | |
| Post takeover acquirer revenue | 5,882 | 8,246 | 11,219 | 14,947 | 19,615 | 25,452 | 32,743 | 41,840 | 53,184 | 67,321 |
| Post takeover acquirer EV/Sales (pre re-rating) | 2.93 | 3.10 | 3.13 | 3.16 | 3.18 | 3.19 | 3.20 | 3.21 | 3.22 | 3.22 |
| Post takeover acquirer EV/Sales (post re-rating) | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 |
| Change in acquirer share price | 26.4% | 19.7% | 19.3% | 19.2% | 19.0% | 18.9% | 18.8% | 18.7% | 18.6% | 18.5% |
| Post takeover acquirer equity (post re-rating) | 16,070 | 20,216 | 25,353 | 31,743 | 39,692 | 49,575 | 61,864 | 77,140 | 96,129 | 119,731 |
| Post takeover acquirer share price (post re-rating) | 15.18 | 18.17 | 21.69 | 25.84 | 30.75 | 36.55 | 43.40 | 51.51 | 61.08 | 72.40 |
| **Annualised return calculation output** | | | | | | | | | | |
| Share price multiplier from start to post takeover 10 | 6.0 | | | | | | | | | |
| Time period between takeovers (years) | 0.90 | | | | | | | | | |
| Total time period from start to post takeover 10 (years) | 9.00 | | | | | | | | | |
| Annualised return | 22.1% | | | | | | | | | |
| **Market implied probability of success** | | | | | | | | | | |
| Liquidation value | 5.00 | | | | | | | | | |
| Equity cost we demand to back Brad Jacobs | 14% | | | | | | | | | |
| Terminal value per share of equity | 72.40 | | | | | | | | | |
| Present value of terminal value per share of equity | 22.26 | | | | | | | | | |
| Market price implied probability of Brad Jacobs success | 41% | | | | | | | | | |
| **Value estimate assuming 70% prob(Jacobs success)** | | | | | | | | | | |
| Probability of Brad Jacobs success | 70% | | | | | | | | | |
| Implied fair value of equity today | 17.08 | | | | | | | | | |
| Premium to current equity value | 42% | | | | | | | | | |

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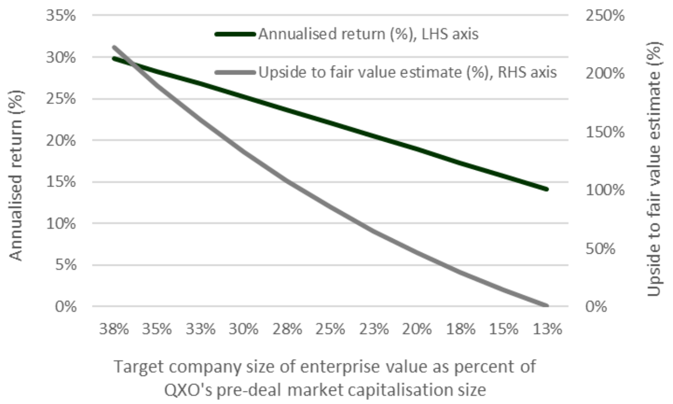
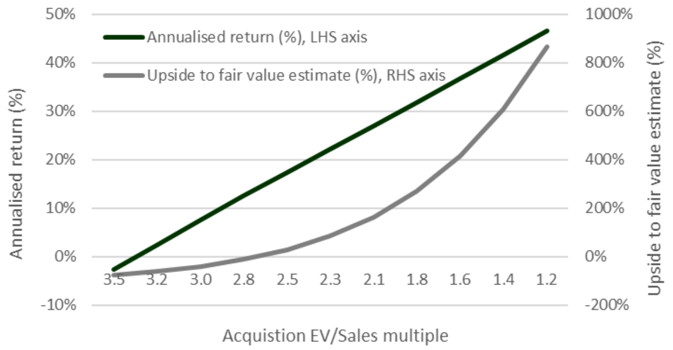
**Figure 38: Annualised return and scenario analyses for the critical input drivers of QXO, Inc. value through its next 10 acquisitions**[139]

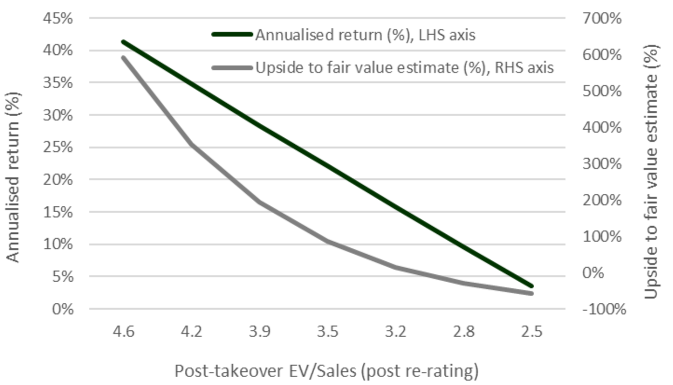
*Target company size of enterprise value as percent of QXO's pre-deal market capitalisation size*



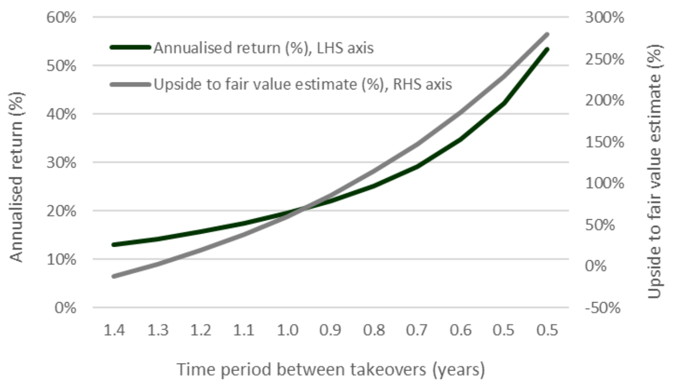

*Acquisition EV/Sales multiple*



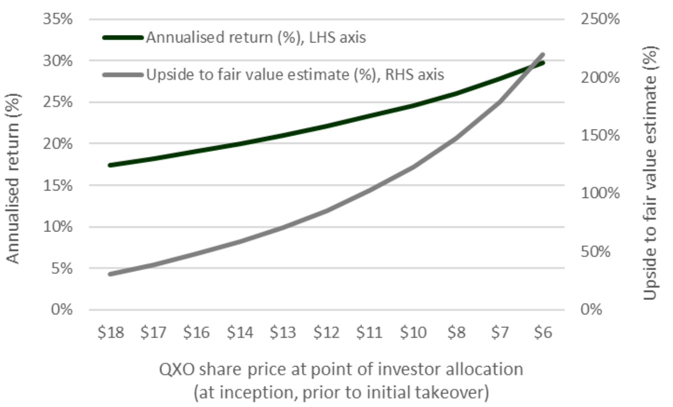

*Post-acquisition EV/Sales of the pro-forma QXO (a high multiple indicating operational success)*




*Time period between takeovers (years)*




*Entry price per share at which investors allocate to QXO*




*Notably, each critical value driver is approximately as important as another. As such, prospective equity returns are more sensitive to Jacobs' execution of the first four criteria in combination. Changes in all four result in value amplification to the power of four, relative to the fifth criteria of the investor's entry price per QXO share which remains a linear amplifier of prospective returns.*

*For example, an accretion-orientated 10% change in the first four criteria increases the annualised return output from 22% to well over 40%.*

*By contrast, the return handicap arising from raising the entry price by 10% at which investors allocate to QXO decreases the return output from 22% to 21%.*

## Conclusion

> *"Think big. You probably will not achieve the goal you set out for. So dream a real big goal. Think enormously. Don't dream I want to get to this. Dream of 10x this. Think really really large.*
>
> *Figure out ways to re-arrange your brain. Figure out ways to think out of the box. If you think like everybody else, like the average person, you are going to achieve average results. If you think in a way that is different, you have a shot of accomplishing something really fantastic.*
>
> *Life goes by super super fast. I am 67, it was like last week I was 27, where did that go? It just goes like this this this this. You have to make the most of it. Every minute is really important. You are on a mission. And you got to make a difference. So think really really really big.*
>
> *Come up with some outrageous plan of your goal. Don't take the ordinary path, think of some extraordinary path. Some outrageously fantastic, wonderful goal. Think, wow if I did that, that would be amazing. Inspire yourself. No one else is going to inspire you, you gotta inspire yourself.*
>
> *Motivate yourself. Motivate yourself to think in ways that are exhilarating, they are exuberating. Think about what are your real goals, what are your objectives, what are your motivations. Go very consciously through life.*
>
> *Think about – what I want to accomplish, and once you figure that out, then picture it really clearly, very precisely. Smell it, taste it, see the colours of it, see all the people that will work with you towards it. Get it very clear in your mind, picture it really really clearly.*
>
> *And then run hard, really really fast. And hold onto that goal, don't give up, move really fast to that goal, and don't give up till you achieve it."*
>
> Brad Jacobs, speaking to Goldman Sachs, February 2024[140]

In reviewing the approach of Brad Jacobs, an entrepreneur with a strong track record in value creation through serial M&A, this white paper has examined both what has been done, and what can be done, by being different, but also by being rational, by planning, and by delivering successive operational excellence. Jacobs' methodology combines strategic planning, aggressive yet disciplined acquisition strategies, and relentless focus on operational integration and optimisation.

It notable that high scoring for the integrations led by Jacobs as leading operational excellence that sustains over the *long term* also emerges as evidence from the companies that he has long moved on from. Consider the equity performance of United Rentals from 2007 to 2024, a period in which Brad Jacobs has no longer been involved with the company and yet where the company has continued with the approach that Jacobs pioneered, and with the corporate culture Jacobs built there, yet under new management. From 2007 to 2024, shareholders in United Rentals have realised a 20.3% annualised return[141].

> *"I am not a private equity guy, I am not going to flip this in three or four years. My mindset is – this is something I am building long term."*
>
> Brad Jacobs, speaking to Capital Allocators podcast, February 2024[142]

The building products distribution industry represents an ideal target for QXO's strategy of value uplift through serial M&A. With its $800 billion market size, fragmented structure, and relatively low technological penetration, the industry offers abundant acquisition opportunities and significant margin improvement potential. Target companies such as Rexel and Beacon Roofing Supply, and others, which currently trade at discounted valuations relative to peers, could potentially see substantial value uplift under QXO's management through operational improvements and technological integration.

Our analysis demonstrates that QXO can deliver annualised returns of approximately 22% over the next decade, comparable to the 20% annualised return that Jacobs achieved with XPO Logistics. This illustration is based on what we ascertain as reasonable assumptions regarding acquisition pacing, financing structures, operational improvements, and valuation metrics. At a 14% cost of equity, the implied market value of QXO today is approximately $22.26, which is materially higher than current levels.

Critical to QXO's success will be Jacobs' demonstrated ability to create high-performance operations through careful recruitment, effective communication systems, technological advancement, and outward-focused competitive strategy. The Jacobs track record of building cultures that balance accountability with collaboration, innovation with standardisation, and ambition with disciplined execution, positions QXO well for success in its consolidation strategy.

The Jacobs approach has also proven durable beyond his active management period, as evidenced by United Rentals' continued strong performance in the years after his departure. This suggests that the operational excellence that Jacobs instills becomes institutionalised, creating long-term value for shareholders. For investors in QXO, this historical pattern provides additional confidence in the sustainability of value creation beyond the initial acquisition and integration phases.

While all investment strategies carry risk, the combination of Jacobs' significant personal capital commitment, combined with high conviction support from a number of other successful investors in allocating substantial portions of their portfolios to QXO, and the favourable characteristics of the target industry, presents an opportunity worthy of close inspection.

> *"I take an industry that is big, preferably hundreds of billions of dollars in size, and consolidate it. Go out and find the best companies to buy, ones that makes sense to put together, ones that have growth to it, ones where customers will be served better with that integrated organisation, and go off to the races."*

Brad Jacobs, speaking at the Future of Freight Festival, February 2024[143]

In Jacobs' own words: "*think big... don't take the ordinary path, think of some extraordinary path*." QXO is targeting precisely such an extraordinary path, with potential to become the sixth multi-billion dollar success story led by Brad Jacobs and deliver a new period of strong returns to those investors who recognise the opportunity to partner with one of the most successful serial entrepreneurs in the modern era.

Footnotes

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5. Brad Jacobs to Lead Equity Investment of $1 Billion in SilverSun Technologies [link]
6. Returns represent total price returns in US dollars. Time periods are: Waste Management 11th December 1992 to 29h August 1997, Untied Rentals 19th December 1997 to 31 August 2007 and XPO 2nd September 2011 to 30 September 2024 (including spin-offs GXO Logistics and RXO).
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133. Brad Jacobs, speaking to Goldman Sachs, February 2024 [link]
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136. Brad Jacobs, speaking to Goldman Sachs, February 2024 [link]
137., 138., 139. Source: GA-Courtenay research
140. Brad Jacobs, speaking to Goldman Sachs, February 2024 [link]
141. Source: Bloomberg
142. Brad Jacobs, speaking to Capital Allocators podcast, February 2024 [link]
143. Brad Jacobs, speaking at Future of Freight Festival, February 2024 [link]

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