



FedEx Corporation (NYSE: FDX)

Krause Fund Research Spring 2023
April 18, 2023

Target Price: \$247 - \$257
Current Price: \$229.12

Stock Rating:

HOLD

Industrials

Analysts

Joey Elessais | joseph-elessais@uiowa.edu
Shannon McCann | shannon-mccann@uiowa.edu
Patrick Tunks | patrick-tunks@uiowa.edu
Will Zupanci | william-zupanci@uiowa.edu

Snapshot

Valuations

DCF: \$253
DDM: \$94
Relative Valuation: \$246

Price Data

Current Price: \$231
52-Week Range: \$141.92 - \$248.76

Key Metrics

Market Capitalization: 58,708B
Shares Outstanding: 259.85M
Beta: 1.34
WACC: 7.89%
Forward P/E: 10.9

Financial Overview

2022 Revenue: \$93,512
2023E Revenue: \$91,353
2022 Net Income: \$91,103
2023E Net Income: \$94,389

Key Ratios

2022 ROE: 21.7%
2022 ROA: 6.4%
2022 EPS: 14.54
2022 Dividend Yield: 1.3%

Investment Thesis

We recommend that FDX is a HOLD, due to recent success in cutting costs and combatting the lack of demand for their services, as well as potential growth/development in the future. Our valuations show that FedEx is currently trading at 5-9% below the target price. Because FedEx is a highly cyclical company, we believe that when economic activity and the overall economy pick back up in a few years, FedEx will follow suit.

Thesis Drivers:

Ability to cut costs and adjust: Due to the recent lack of demand in the air freight & logistics sector, FedEx has had to reduce expenses in order to increase revenue and profit. FedEx has been successful in its ability to cut costs by laying off 10% of its management team and making plans to consolidate three of its business segments. We believe that their ability to cut costs will lead to increased profit and future growth.

Future growth: We believe that FedEx has strong potential for future growth due to the consolidation of segments, rising demand for e-commerce, and the implementation of the DRIVE program.

Thesis Risks:

Recent lack of demand: There has been a lack of demand for FedEx's services in recent months, which has caused them to have a decline in revenue. In response, FedEx has had to cut costs, starting with laying off 10% of management. If this lack of demand continues, FedEx's revenue will keep declining and they will have to continue cutting costs to make any profit.

Competition: There are a lot of competitors in the air freight & logistics sector competing with FedEx. If these companies can cut costs more efficiently and decrease their rates, they will take FedEx's business. Also, with Amazon slowly starting to move into the logistics space, this could be detrimental to FedEx.

Company Overview

FedEx is an air freight & logistics company that specializes in express transportation and shipping of goods. FedEx delivers goods to all 50 states in the US, as well as more than 220 other countries and territories. They maintain their express shipments in the US, as well as Canada, Mexico, and Puerto Rico. They currently have four business segments, which all operate independently: FedEx Express, FedEx Ground, FedEx Freight, and FedEx Services.

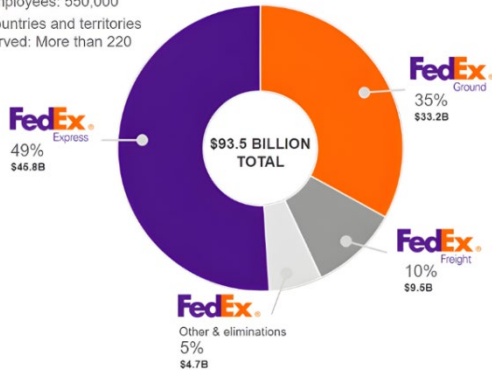


Light Blue = FDX Black = S&P 500
Source: 25

Company Analysis

FY22 revenue in %

Employees: 550,000
Countries and territories served: More than 220

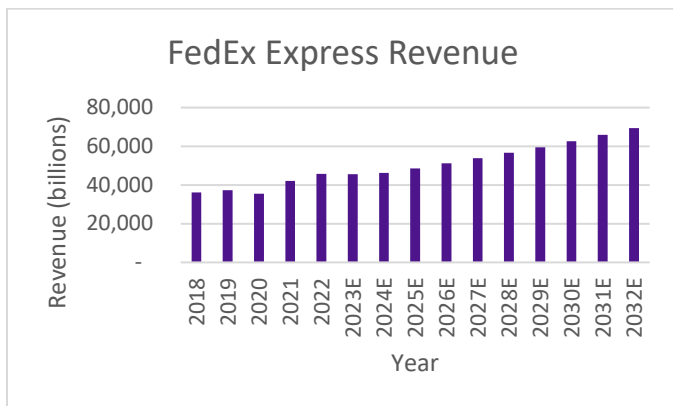


Source: 25

Revenue Segments

FedEx Express

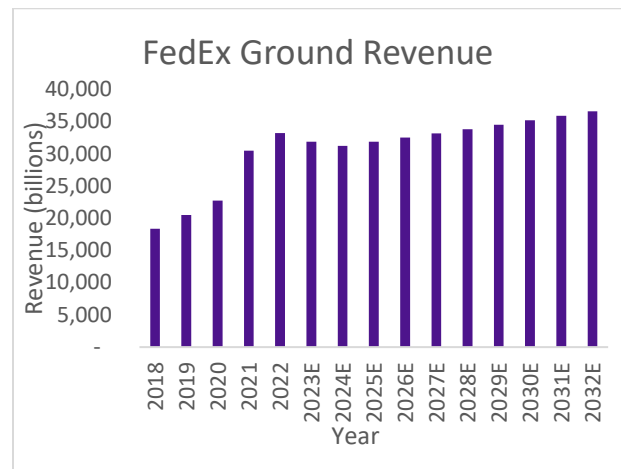
FedEx Express is the quick shipment of standard goods to over 220 countries and territories. It ships one-time urgent shipments, personal items, sensitive products, and high-value items. It is the company's largest revenue stream, bringing in \$11,127M in 2022. The shipment rates are based on various factors, such as shipment size and distance traveled. Furthermore, this segment is divided into the type of packages: overnight box, overnight envelope, and deferred. The overnight boxes bring in the most revenue at \$2,316M, followed by overnight envelopes at \$525M. Overall, the Express segment is key to FedEx's growth and ability to stay a major player in the logistics industry. Other firms, such as Amazon, are known for their ability to deliver goods in record-breaking time, which allows them to continuously gain and retain customers. FedEx Express allows FedEx to compete in this space. This competitive relationship will be elaborated on further, in the following sections.



Data from Krause Fund Model

FedEx Ground

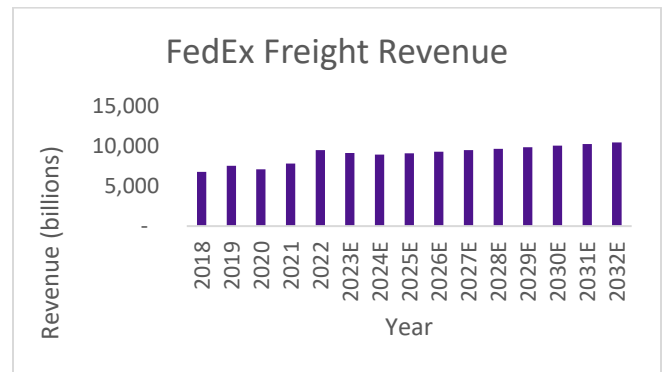
FedEx Ground is a shipping service that delivers to companies quickly and at a low cost. FedEx Ground delivers to every state in the US and FedEx International Ground ships from the US to Canada. The U.S. brings in more revenue than Canada, however, FedEx does do a large amount of business in Canada. This segment takes pride in its ability to ship goods within 1-5 business days (1-3 if urgent) and packages of up to 150 lbs. Shipping rates vary based on distance, classification of destination, country (US vs. Canada), and size/weight. FedEx Ground is the second largest revenue stream for FedEx, bringing in 8,160M in 2022. This segment has a larger realm of companies to compete with, specifically UPS and USPS, so they try to differentiate themselves by delivering orders in less time. This differentiating factor will be elaborated on further in the following sections.¹⁴



Data from Krause Fund Model

FedEx Freight

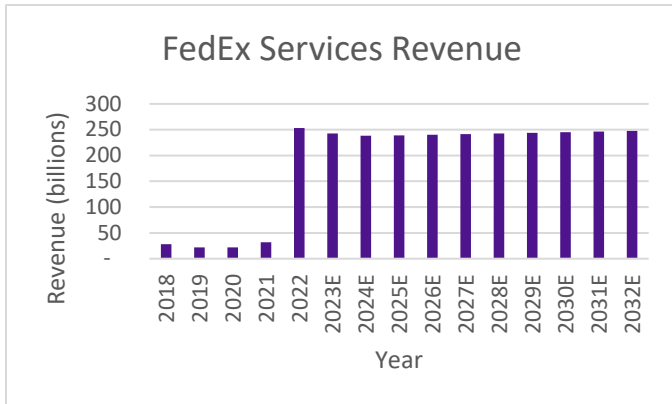
FedEx Freight makes shipments of over 150 lbs. This includes goods, commodities, and cargo. These goods are transported in a variety of ways such as by ship, aircraft, truck, train, or road. Freight accounts for \$2,723M of revenue in 2022. A large part of the revenue from this sector comes from shipping rates. Due to the larger size and weight of goods, the freight rates are higher. One of this segment's largest expenses is gas prices and transportation fees. This segment makes FedEx a player in the airfreight industry, expanding its revenue streams and competitors.



Data from Krause Fund Model

FedEx Services

FedEx Services is the segment of the company that is focused on improving the performance of FedEx. The list of services includes marketing, information technology, communications, customer service, technical support, billing, collection services, and other back-office functions. In 2022 this segment brought in \$70M in revenue, making up for the smallest portion of revenue in the company.



Data from Krause Fund Model

Segment Update

All three segments operate individually. Due to the decline in demand and need for services, FedEx has had to cut costs. One way they did this is by laying off 10% of their management team. Most recently, FedEx announced that they are consolidating FedEx Express, FedEx Ground, and FedEx Services, into one segment, which will be called FedEx Express Corporation.⁴ FedEx Freight will continue to operate independently. The transition is said to take place in June 2024. This new cost initiative is intended to save \$4 billion by the end of 2025. Some specific areas expected to generate savings are surface network with \$1.2 billion in savings, air network & international with \$1.3 billion in savings, and general & administrative with \$1.5 billion in savings. This new initiative, along with our economic outlook, is why we forecast FedEx to begin growing again at 2%, in 2025.

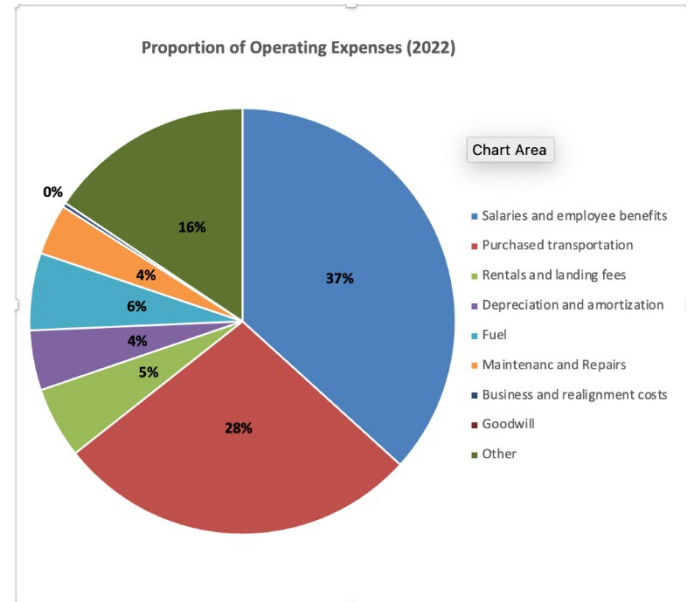
Expenses

FedEx's largest operating expense is salaries and employee benefits, which were \$7,859M in 2022. This is 42.3% of revenue that went to paying salaries, which is larger than any other expense. In 2022 FedEx had 249,000 employees, which had declined 13.84% since 2021. One driver of a higher salary expense is increasing labor costs, which rose due to inflation. Recently, FedEx announced they were cutting 10% of their management team to reduce costs.¹⁵

The second largest operating expense is purchased transportation, which was \$5,767M in 2022. Rates had been increasing for purchased transportation for several years and are now starting to come down, as this expense drops from 2021-2022. As mentioned in the 10-K, purchased transportation expense is affected by fuel costs, which FedEx alleviates with fuel surcharges. Another way FedEx lowers its purchased transportation cost is by hiring independent contractors who

supply their own trucks and equipment. This allows FedEx to save money on trucks for delivery.

The next greatest expense is fuel, at \$1,822M. Oil prices are a large economic factor that contributes to FedEx's net profits. When oil prices are high, fuel costs more, increasing FedEx's expenses. In May 2022, FedEx's cost of goods sold was \$73,345M. FedEx Express' cost of goods sold comes mainly from high fuel costs, whereas FedEx Ground's cost of goods sold is composed mainly of salaries from independent contractors.



Data from Krause Fund Model – Historical data from 10-K

Recently, FedEx has focused its time and attention on cutting costs and reducing expenses. As mentioned in the Segment Update, FedEx is consolidating its business segments to cut costs and increase efficiency.

Margin & Profit Analysis

FedEx announced a new program called DRIVE, which aims to increase the company's long-term profitability. This program involves an optimization plan to create efficiency in the transportation segments as well as cut overhead costs. FedEx expects revenue and operating profit to decline in 2023 due to a lack of demand for their services. This is a large reason why they are establishing many cost controls and implementing DRIVE. At FedEx's most recent DRIVE Investor Event, they announced the future consolidation of three of their segments.⁴ Overall gross profit has been decreasing for FedEx, causing them to institute these initiatives.

Capital Expenditures

FedEx's capital expenditures (Capex) include aircraft and related equipment, package handling and ground support equipment, information technology, vehicles and trailers, and facilities. FedEx purchases around 70% of its airplanes from Boeing, and several from Airbus.¹¹ Aircraft purchases make up nearly 40% of capital expenditure spending every year, and because of this when FedEx needs to cut costs, they reduce

airplane spending and usage. Capex is the largest area of cash spending for FedEx and is funded mainly through debt and leases. We believe that Capex spending is going to increase over the next few years, which is why we forecast a 2% growth each year, in addition to the PP&E growth. Although in 2024 FedEx is consolidating its segments, we believe this will decrease operational costs, and lead to expansion and growth in the future.

SWOT Analysis

Strength

FedEx has strong brand recognition and is known globally for its efficient, reliable, and consistently high-quality service. FedEx is a name that immediately comes to mind when delivery needs must be met. However, the major advantage FedEx has over its competitors is its variation of services. Their wide range of services such as their Express, Ground, and Freight segments ensure that customers across the globe can have their needs met with what FedEx has to offer. While they deliver in over 220 countries and territories, they also operate and maintain 697 aircraft, over 210,000 motorized vehicles, and have over 2,200 office locations. This ability to provide a variation of services to customers across the globe, at a high volume, puts FedEx at an advantage over its competitors.

Another strength of FedEx is its ability to cut costs and adjust quickly. Recently, in an attempt to become leaner and more cost-effective, FedEx cut over 10% of its management and executive-level jobs. Along with that, they also announced that they plan on combining their air and ground services into a single entity. This is all part of its permanent plan to cut \$4 billion in costs over the next year. They recognize that as the economy is potentially heading into a recession, the overall business could be down, and they must slim down to mitigate losses that may come with a recession.

Weakness

A weakness that digs into FedEx's net income is its fuel expense. Oil and gas prices are FedEx's third largest expense, and in a year like 2022 when the price of oil skyrocketed, that can take a major toll on FedEx's bottom line. In the fiscal year ending May 2022, the expense of fuel (\$5.1b) was almost double what it was in the fiscal year ending May 2021 (\$2.88b). With oil prices rising steadily for the last month, this could be another year of high fuel costs for FedEx.

Opportunity

An opportunity that FedEx can continue to take advantage of is the strategic acquisitions of companies that allow them to tap into markets that their presence isn't quite up to par in. For almost two decades, FedEx has acquired a new company, consistently on an annual basis. The acquisition of TNT, for example, strengthened FedEx's presence in EMEA, allowing FedEx to compete with other big players in that area of the world. A recent purchase of ShopRunner compliments FedEx's E-Commerce portfolio and expands the value FedEx has in the space. If FedEx can continue to spot companies that add value

to areas in which they need strengthening, they can continue to gain market share over their peers.

Threat

The main threat that FedEx faces is stiff competition from companies like UPS, Amazon, and Uber Freight. UPS has historically held superiority over FedEx in terms of ground-based packages, where it holds a higher market share than FedEx. However, more recently, companies like Amazon want to become the primary logistics handler for E-Commerce vendors. Amazon has transitioned its delivery method to one that allows them to deliver many of its packages itself. Meanwhile Uber is trying to make the aging logistics industry a lot more efficient. Their plan for accomplishing this is by simplifying their business model by providing shipments to customers who need more than a single package but less than a truckload.

Industry Analysis

Description & Overview

FedEx Corporation sits within the industrials sector, specifically in the integrated freight and logistics industry. This industry consists of companies that transport goods and services, including air and express delivery services, freight rail, maritime shipping, and truck transport. In general companies in this industry generate revenue from providing delivery services, air freight transportation, and logistics services to both businesses and directly to consumers.

Recent Industry Development & Trends

Supply Chain Diversification

Due to recent supply chain issues, companies are looking to find new suppliers, especially domestically. This practice of finding domestic manufacturers is called "onshoring" and is becoming more popular, as supply chain costs have increased.

Decreased Demand for Air Freight and Shipping

The International Air Transport Association (IATA) reported that the global demand for air freight decreased by 8.3% in 2022 compared to 2021. This is causing companies to have a shortage of orders, leading to layoffs. As mentioned, FedEx has had to lay off 10% of its management team due to declining demand. Several other companies have followed suit. UPS, a close competitor announced layoffs coming soon. This decrease in demand for FedEx's services is a big driver of why we forecasted a 2% decline in revenue for the next two years.

Demand for E-Commerce

In recent years there has been a greater demand for e-commerce, especially as it continues to rapidly grow. E-commerce makes up 22% of air cargo and because of its efficiency, it is leading to increased air freight shipments. E-commerce also creates visibility for their customers, allowing them to see where and when their shipments will arrive. To continue expanding in the E-Commerce space, FedEx recently enabled their customers to track their packages and provide images of the package at its destination.¹⁶ A key part of FedEx's

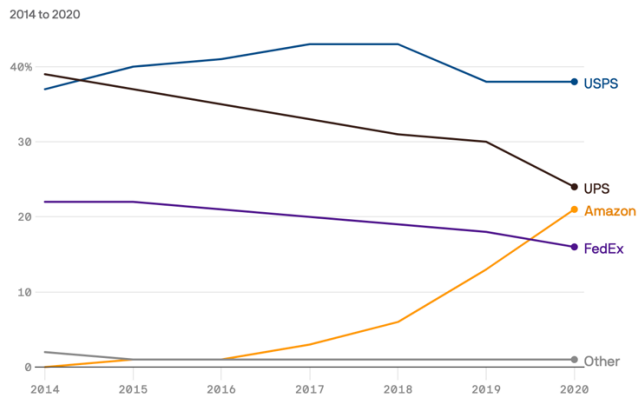
future growth will be its ability to keep tapping into the E-commerce space.¹⁰

Competition

Overview

FedEx operates in a competitive industry, with comparable companies similar in size, brand name, and services. Its largest competitors consist of UPS and Expeditors International, as well as Amazon. Although we did not include Amazon in our valuation due to its high market capitalization, we believe it is still important to consider it as a competitor. FedEx is able to differentiate itself from other companies by having a unique business model and a focus on environmental impact.

Market share of U.S. parcel volume



Source: 9

United Parcel Services

UPS is widely known as FedEx's biggest competitor. UPS offers services similar to FedEx while focusing more on ground deliveries, they have a larger fleet of motorized vehicles than FedEx. However, FedEx has them beat when it comes to aircraft. UPS maintains roughly 290 airplanes while FedEx has nearly 700. UPS specializes in small-package deliveries while FedEx is geared more toward time-sensitive express services. As of Q1, 2023, UPS has a 51.25% market share in the transportation and logistics industry compared to the 47.59% that FedEx has.⁸ Although being quite similar from the outside, the bread and butter of each company comes from different business segments within.

Expeditors International

Expeditors International of Washington is another peer company in the transportation and logistics industry. They're based in the U.S.; however, they generate almost 25% of their total revenue in China. This company is broken into three business segments: Ocean Freight Services, Airfreight Services, and Brokerage Services. Although they're not quite the size of UPS or FedEx, they've nearly doubled their revenue in the last two years and will likely remain a notable name in the industry for years to come as the logistics space will continue to grow steadily over the next decade.

Amazon

Although Amazon is not generally a logistics company, it has been increasingly shipping packages at rates similar to those of large logistics companies, like FedEx.¹⁷ In 2020, Amazon surpassed FedEx in the number of packages delivered. Over the past decade, Amazon has been able to steadily gain market share in the U.S, in terms of parcel volume. Since 2014, Amazon has poured resources into building a network of warehouses, delivery drivers, trucks, and planes. Although their cargo fleet is nowhere near the size of FedEx (Amazon's roughly 90 cargo planes compared to FedEx's nearly 700), they plan on becoming one of the biggest carriers in the world in the near future. At the rate they're going, there is no question they will continue to be relentless in the pursuit of surpassing their rivals in the logistics industry.⁹

Porter's Five Forces

Threat of Competition: High

In the air freight & logistics space competition is high. As mentioned in the previous section, FedEx has competitors that have a large market share. The difficulty with this industry is that most of the companies provide very similar if not the same services, which means at the end of the day it comes down to who can do it better. Some areas where companies compete and try to differentiate themselves are efficiency, speed of delivery, size of the delivery, cost of delivery, supply chains, and increasing profit margins. It is important in this industry that these companies maintain prices like those of their competitors or they will lose out.

Bargaining Power of Buyers: Moderate

In this industry, the buyers do not have a lot of bargaining power, because the companies have to maintain prices that allow them to make a profit. Since the companies in this industry have similar services, they face similar expenses and economic issues. For example, when supply chain issues began to occur, all companies in the freight industry were negatively impacted, and rates increased in response to this problem. However, for these companies to compete with one another they have to keep rates similar to those of their competitors. If FedEx's shipping rates get too expensive, their customers could switch to UPS or USPS. This would cause FedEx to have to lower its rates to maintain business. This ability to switch to other substitutes gives the buyers some bargaining power.

Bargaining Power of Suppliers: Moderate

Although FedEx's business is dependent on its suppliers, its suppliers rely on FedEx's services to deliver their goods and bring in revenue. This relationship gives FedEx some bargaining power. However, suppliers of aircraft and equipment such as Boeing and Airbus, provide FedEx with a large number of resources, for which there are not many substitutes. This allows these companies to have control over their pricing, while still maintaining FedEx as a customer. Overall, FedEx has more bargaining power with the suppliers that rely on FedEx to deliver their goods and services, and less with those that provide them resources to carry out their business operations.

Threat of New Entrants: Low

The largest players in this space have spent years building their brands, credibility, and business model. Companies such as FedEx, UPS, USPS, Amazon, etc. It would be very costly for a new company to enter this market, having to spend money on warehouses, aircraft to transport goods, and finding employees. Also, with the current decline in demand for these services, there is not a lot of eagerness to enter this market.

Threat of Substitutes: High

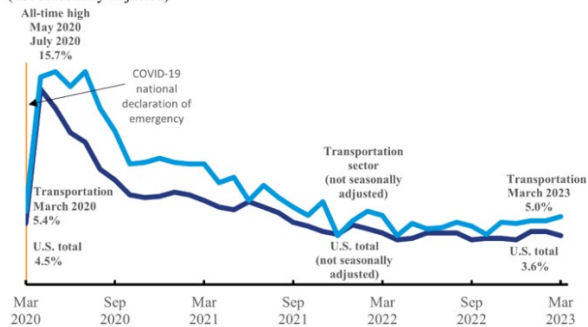
Due to the large number of competitors in this field with very similar services, if one company's rates get too expensive the customer can switch to another competing company. Another potential substitute for these delivery services, in terms of the consumer, is in-store shopping. Due to COVID-19, there was an increase in demand for ordering goods online and getting them shipped directly to the consumer, however, shoppers are beginning to shop in person again. Although we do not believe online shopping will ever be entirely gone, if shipping rates get too expensive, more consumers may choose to shop in-store.

Economic Analysis

Employment

Throughout the industrials sector, there has been a decrease in demand for goods and services causing major layoffs. Just in the last few months, FedEx announced they were laying off 10% of their directors, due to weak demand. There is also a truck driver shortage in the freight & logistics industry. In 2022 the US trucking sector was short 78,000 drivers, down from the high of 80,000 truckers in 2021.¹⁵ Companies are forced to increase driver pay, taking on greater expenses. FedEx truckers are independent contractors, which means FedEx does not have to give them certain benefits like healthcare. This allows them to cut costs and save on expenses they would be paying on employment benefits otherwise. In public storage and warehousing, employment has increased and is expected to continue increasing in the coming years. Employment and labor are very important for this industry because wages are one of the largest expenses. In 2021, more than 90% of truckload fleets raised their pay, with an average being roughly 11%. Overall, the cost of labor is increasing, and many layoffs are happening throughout the industry.

Transportation Sector and U.S. Total Unemployment Rate, March 2020—March 2023 (not seasonally adjusted)

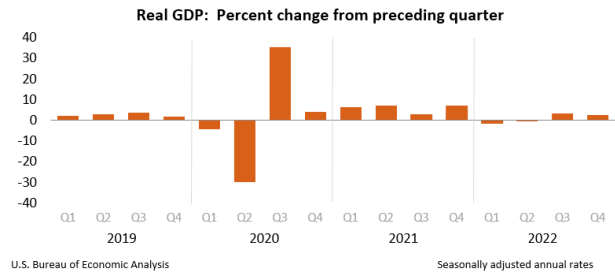


Source: 13

As shown in this graph, unemployment hit a low in 2022 and is slowly starting to increase in 2023.

GDP Growth Rate

Gross Domestic Product (GDP) is a proxy for a country's economic profit. The current GDP growth rate is 2.9%. Shown in the graph below is the quarter change in Real GDP, which increased by 2.6% from Q3-Q4 in 2022.



Source: 22

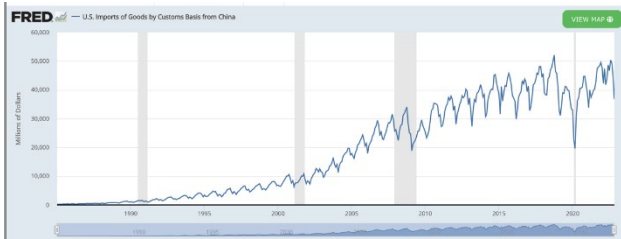
Real GDP greatly impacts the industrials sector, as it is highly cyclical. Not only does it impact the industrials sector, but specifically the freight & logistics industry. As economic output declines, the demand for goods and services also declines, leaving freight companies with a smaller amount of goods to deliver. This is a current problem FedEx is facing, as the demand for their goods and services has declined, leading them to do layoffs and cut costs. With low to no growth in real GDP, and rising interest rates that have lowered investments and consumption, the recession is lingering. J.P. Morgan's research estimates that the United States GDP growth will only be 1.0%.¹⁸ Large drivers of this low growth are high federal funds rates, energy costs, and struggling supply chain and global trade infrastructure. The Conference Board estimates exports to drop 2% YoY in both Q1 and Q2 of 2023. We believe that the continuing low GDP growth will negatively impact the industrials sector.¹⁹

Because of this, we project that revenue will decline over the next two years, and then pick back up again when the economy begins to recover, which we believe will be in 2025.

Supply Chain Problems

Supply chain problems stem from difficulty or inability to transport goods. This causes prices to rise, and shipping timelines to extend. The Russia-Ukraine conflict and China's COVID-19 restrictions have been at the forefront of supply chain problems starting in 2020, although they have begun improving. The state of the supply chain is highly reliant on China's policies and the ability of the US to receive imports from China.²¹ Because of this many US companies will continue onshoring and begin manufacturing their goods domestically. For freight & logistics companies in the industrials sector, their business relies on delivering goods and services to customers or other companies. As of now, supply chain disruption has become a norm for almost all manufacturing companies, directly affecting production and

profit. Most of the manufacturing companies apart of the Manufacturing Alliance have reported a negative impact on profits of up to 13%.²⁰ One of the most impactful aspects of a supply chain is the increasing shipping costs.



Source:23

As the graph above shows, the U.S. is heavily dependent on China for imports, and we believe that supply chains will begin improving as China lessens its restrictions and companies continue looking for different alternatives. Also, with less economic activity, there is less of a demand for goods, creating less supply chain congestion, and easing some of the problems. Overall, lessening supply chain problems will allow industrial companies to cut costs and work more efficiently.

Interest Rates

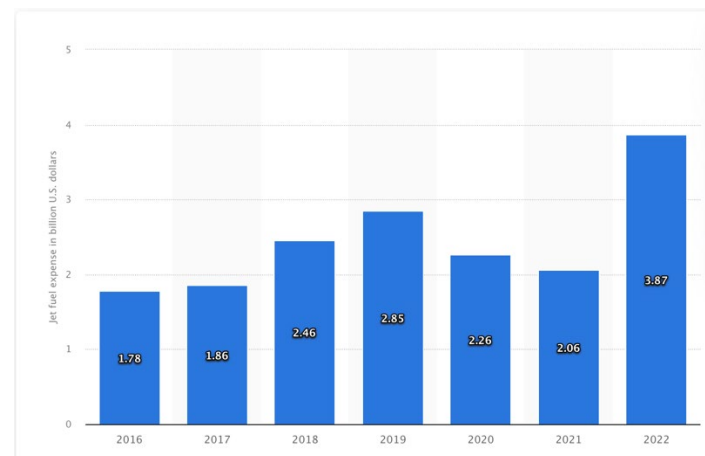
Interest Rates have been increasing over the past 2 years and currently sit at 4.75%-5.00%. There is a possibility of interest rates continuing to increase, however, there is also a good chance they will remain the same for a while, and then continue increasing as inflation and economic activity continue to decline. The rising inflation rates hinder economic expansion and growth. Many industrial companies require a lot of capital financing from loans and other forms of debt. The yield curve, as well as corporate bond spreads, will affect the companies' ability to finance new capital expenditures and expansion. As interest rates rise, the yield curve falls. The spread between short-term and long-term bonds is decreasing, and there is no real gain to holding onto the bond for the long term which affects companies' investments. This directly impacts FedEx as they continue to build shipping hubs across the country. These shipping hubs allow them to express ship goods quicker and more efficiently to nearby places. However, if they cannot receive or afford the funding for these hubs, they will not be able to continue expanding. Overall, rising interest rates will affect industrial companies' ability to grow.

Oil Costs

Oil prices have a significant impact on many industrial companies since oil is a main input for numerous services and products. Companies, such as FedEx, that rely on transporting goods on airplanes or with trucks, are heavily affected by the changing oil prices. Fuel costs are FedEx's third-largest expense. With oil being a driving force in gross profit margins, it is essential for companies to maintain control over reasonable pricing. Companies may begin looking for alternatives such as different suppliers or energy outputs, like renewable energy. However, renewable energy would be nearly impossible to implement at this scale and within a reasonable amount of time for companies such as FedEx, which are so heavily reliant on fossil fuel production. We estimate WTI to average \$89.33 for

2023 which is still quite high compared to years prior. The war in Ukraine has caused the oil supply to be disrupted which has kept prices high. Higher oil prices can also have implications regarding purchasing new airplanes that are more fuel-efficient. Another indicator of a poor outlook on oil pricing is the lack of supply compared to prior years. As of this past August, U.S. crude oil inventories were down 8.5% since June 2020. This creates a weary environment since many industries are bouncing back from the COVID-19 shutdowns and oil demand is skyrocketing now more than ever.

As shown in the graph below, FedEx spends billions of dollars on jet fuel a year. We project fuel expense as a percentage of revenue and will therefore decline in the first two years of projection. Although we do not believe fuel costs will decline, with the drop in demand for FedEx's services we expect they will limit their usage of airplanes to save money.



Source:12

Valuation Analysis

Discounted Cash Flow (DCF) & Economic Profit (EP)

The discounted cash flow (DCF) and economic profit (EP) models are both intrinsic valuation methods that determine an implied share price for a given company. For FedEx, a 10-year projection period was used to forecast free cash flows. For the DCF model, the cash flows were discounted back to the present day by the weighted average cost of capital (WACC) of 7.94%. Free cash flow figures were calculated by finding the net operating profit less adjusted taxes (NOPLAT) and subtracting the change in invested capital. The EP model was created by forecasting FedEx's future economic profit and then also discounting these numbers by the WACC. Each projection year's EP was calculated by taking the beginning invested capital and multiplying it by the difference between the return on invested capital (ROIC) and WACC. The values were summed and then the last fiscal year ending's investment capital was added. For both models non-operating adjustments were made to determine the value of equity. The equity value was then divided by the number of shares outstanding to yield an implied share price of \$252.91 for both models. We believe this

valuation method best represents the target price for FedEx because it is the most flexible and versatile valuation method. This is due to it being able to change if slight adjustments would need to be made based on company-specific or market-wide changes. The target range for FedEx is \$247 - \$257 given a \$5 cushion in either direction of the implied share price from these models.

Dividend Discount Model (DDM)

We created the Dividend Discount Model by forecasting what we believe FedEx will be able to pay out to its shareholders each year. We forecasted a very conservative growth in EPS and decided to stay on the safe side by projecting that FedEx will pay a \$3 dividend per share for every year of the forecast period. After we found the continuing value, we then discounted the dividends back to the present time using the cost of equity. The implied share price turned out to be much lower than the other valuation methods we used. Therefore, we felt it would be necessary to exclude the DDM from our final target price for FedEx, as we didn't want a skewed valuation.

Relative Valuation

For the relative valuation model, we used companies that are competitors with FedEx in the logistics and shipping industry. These companies are United Parcel Service, Old Dominion Freight Line, TFI International, and Expeditors International. For this valuation model, we used four different metrics: P/E (2023 EPS), P/E (2024 EPS), PEG (2023 EPS), and PEG (2024 EPS). Our P/E model determined that the implied share price for 2023 and 2024 to be \$246.24 and \$202.39 respectively. The PEG ratio metrics given from the model varied greatly in stock price between years. Because of this, we decided to only focus on the P/E (2023 EPS) price due to a more stable and sound projection.

Revenue

When projecting revenue for FedEx, our group looked at company, industry, and economic factors that may be at play. In recent times, FedEx has seen a lack of demand for its services due to competitors entering the space. Companies like Amazon and Walmart are becoming much more prevalent in the shipping and logistics sector due to shipping straight to the consumer instead of using a third party. We are also forecasting an impending recession which will slow both business and personal shipments and thus lower FedEx revenue for the next two fiscal years. During 2025, we forecast revenue bouncing back and growth to turn positive once again. This growth will be attributed to the cost-cutting initiatives that FedEx has started and plans to continue. The consolidation efforts between the FedEx Ground and Express segments are projected to drive growth and create internal synergies for route deliveries.

To project FedEx revenue, we first started by gathering historical producer price index (PPI) percent change for the transportation and warehousing industries. This was then used to find a projection rate per month and then scaled to a yearly basis to determine an estimate of increases in the yield per package type for corresponding segments. Average daily

package volume (ADV) of packages was the next item to project and was calculated based on recessionary pressures for the first two years. Starting in 2025 growth of packages returned to a positive 2% percent and was straight-lined due to the size and capabilities of FedEx moving forward.

Operating Expenses

The first operating expense is salaries and employee benefits, which were forecasted as a historical average of salaries as a percent of sales. Salaries and employee benefits account for around 40% of revenue each year, making it the largest expense. It is forecasted as a historical average, rather than a current percentage of revenue because as revenue is projected to decline in the next two years, we believe wages will continue to increase. With inflationary pressures and labor unions, we do not see salaries expense declining. Purchased transportation, rentals and landing fees, fuel, maintenance and repairs, and other, were all forecasted as a percent of revenue. Because revenue is declining in the first two years, so are these expenses. Also due to the lack of demand for these services, FedEx is working to reduce expenses in the coming years, which is why it would make sense that these costs would also decline. Depreciation and amortization are forecasted using the average implied depreciation rate of the prior five years. Depreciation and amortization continue to increase as PP&E increases, over the projected years. Finally, we forecasted business and realignment costs, and goodwill as zero for the projected years, because they are inconsistent expenses, that cannot be predicted.

WACC

FedEx's weighted average cost of capital (WACC) is 7.94%. This is calculated by using the cost of equity of 10.28% and an after-tax cost of debt of 4.27% along with the market value weights for equity and debt which are 61.05% and 38.95% respectively. The WACC for Huntington Ingalls Industries was used as the discount factor for the DCF/EP valuation model.

Cost of Equity

The cost of equity is calculated using the capital asset pricing model and produced a value of 10.28%. The risk-free rate of 3.74% was used, and this number was derived from a 30-year U.S. treasury. The beta that is used is the weekly 2-year beta from Bloomberg which is 1.34. The final variable needed is the equity risk premium which is 4.88% and was taken from the Damodaran April trailing 12 months with an adjusted payout.

Cost of Debt

The pre-tax cost of debt was found by taking the implied yield-to-maturity (YTM) on a 10-year corporate bond taken from FINRA. We selected a 10-year bond because it matches our 10 forecasted periods and most accurately represents debt issuance for FDX. The pre-tax cost of debt is 5.37% and this was multiplied by (1-marginal tax rate) to find an after-tax cost of debt equaling 4.27%.

Sensitivity Tables

Beta vs Risk-Free Rate

Beta and Risk-Free Rate are both highly important inputs for the WACC calculation. Beta is the measure of risk for a given stock compared to the overall market. FedEx has a current Beta of 1.34 which means it is riskier than the overall market. Risk-Free Rate is the theoretically risk-free investment return which is denoted by the yield on a 30-year U.S. treasury bond. At the time of the construction of our model and sensitivity table, the yield was 3.74%.

Constructing a sensitivity table to test these variables against each other, depicts how they impact the intrinsic value of the stock. As both variables increase, the dollar value of the share decreases. Conversely, when both variables decrease, the share dollar value increases. The stock price range extracted from this table is \$180.14 – \$359.07.

		Beta						
		1.04	1.14	1.24	1.34	1.44	1.54	1.64
Risk Free Rate	251.79							
	3.44%	359.07	324.42	293.96	266.97	242.89	221.29	201.79
	3.54%	351.57	317.84	288.14	261.79	238.26	217.11	198.00
	3.64%	344.27	311.43	282.47	256.74	233.72	213.02	194.29
	3.74%	337.16	305.18	276.93	251.79	229.28	209.01	190.65
	3.84%	330.25	299.09	271.52	246.96	224.93	205.08	187.08
	3.94%	323.52	293.15	266.24	242.23	220.68	201.23	183.58
	4.04%	316.96	287.35	261.08	237.61	216.51	197.45	180.14

Marginal Tax Rate vs Pre-tax Cost of Debt

The pre-tax cost of debt is an important metric for all companies, but specifically FedEx due to the large amount of debt on their balance sheet. The marginal tax rate is also something to be aware of because a varying tax rate can impact the net income of a company and have a trickling effect on retained earnings and more.

When the tax rate for a given company goes up it lowers the earnings and cash flows. An increase in the tax rate also lowers the after-tax cost of debt. A higher tax rate all else equal will cause the WACC to go down. In the sensitivity table for FedEx, they are offsetting each other due to FedEx having a lot of debt, which is in turn giving a higher value. The stock price range extracted from this table is \$219.91 – \$228.89.

		Marginal Tax Rate						
		20.17%	20.27%	20.37%	20.47%	20.57%	20.67%	20.77%
Pre-tax Cost of Debt	224.26							
	5.07%	228.73	228.76	228.78	228.81	228.83	228.86	228.89
	5.17%	227.22	227.24	227.27	227.29	227.32	227.35	227.37
	5.27%	225.72	225.75	225.77	225.80	225.82	225.85	225.87
	5.37%	224.24	224.27	224.29	224.32	224.34	224.37	224.39
	5.47%	222.78	222.81	222.83	222.85	222.88	222.90	222.93
	5.57%	221.34	221.36	221.38	221.41	221.43	221.45	221.48
	5.67%	219.91	219.93	219.95	219.97	220.00	220.02	220.05

WACC vs CV Growth of NOPLAT

The weighted average cost of capital (WACC) and the continuing value growth of NOPLAT are important inputs into our model. They help can greatly affect the output of the final implied share price due to slight changes in numbers within the DCF and EP model. Since the WACC can fluctuate based on the risk-free rate, cost of debt, and market risk premium, it is essential to see how it can affect the overall valuation output. The nature of predicting the continuing value growth of NOPLAT is challenging due to the distant future timeline of

projections. Even though it is harder to predict, it is important to examine since continuing value makes up roughly 70% of the enterprise value. The stock price range extracted from this table is \$225.39 – \$286.22.

		WACC						
		7.64%	7.74%	7.84%	7.94%	8.05%	8.14%	8.24%
CV Growth of NOPLAT	252.91							
	2.20%	271.57	263.17	255.06	247.25	238.97	232.43	225.39
	2.30%	273.78	265.22	256.97	249.02	240.60	233.96	226.81
	2.40%	276.08	267.36	258.95	250.86	242.30	235.54	228.28
	2.50%	278.47	269.57	261.01	252.77	244.05	237.18	229.79
	2.60%	280.95	271.87	263.14	254.74	245.87	238.87	231.36
	2.70%	283.53	274.26	265.36	256.80	247.75	240.63	232.99
	2.80%	286.22	276.75	267.66	258.93	249.71	242.46	234.68

Normal Cash % vs CV ROIC

Normal cash percentage and continuing value of return on invested capital (ROIC) are important metrics for the overall valuation of FedEx. Changes in both inputs did not have large effects on the implied share price which could point to sound and safe assumptions. The stock price range extracted from this table is \$234.49 – \$267.38.

		Normal Cash %						
		0.50%	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%
CV ROIC	252.44							
	9.70%	245.34	243.53	241.72	239.92	238.11	236.30	234.49
	10.20%	249.91	248.10	246.30	244.49	242.68	240.87	239.06
	10.70%	254.06	252.25	250.44	248.63	246.82	245.02	243.21
	11.20%	257.83	256.03	254.22	252.41	250.60	248.79	246.98
	11.70%	261.29	259.48	257.67	255.86	254.05	252.24	250.44
	12.20%	264.46	262.65	260.84	259.03	257.22	255.41	253.61
	12.70%	267.38	265.57	263.76	261.95	260.14	258.33	256.53

Salaries and Employee Benefits Expense % of Revenue vs Purchased Transportation Expense % of Revenue

For FedEx, salaries and employee benefits and purchased transportation are the two largest expenses by a significant amount. By testing these two variables against each other, it can be determined what cost structure is more efficient and leads to a great valuation. Finding a balance between these two variables can be challenging in practice, but with the consolidation efforts and cost-cutting initiatives, it is a crucial sensitivity table to analyze. The stock price range extracted from this table is \$209.92 – \$513.53.

		Salaries Expense % of Revenue						
		35.12%	35.22%	35.32%	35.42%	35.52%	35.62%	35.72%
Transportation Expense % of Revenue	252.66							
	22.49%	513.53	506.29	499.04	491.79	484.55	477.30	470.06
	25.59%	288.90	281.65	274.41	267.16	259.92	252.67	245.42
	25.69%	281.65	274.41	267.16	259.92	252.67	245.42	238.18
	25.79%	274.41	267.16	259.92	252.67	245.42	238.18	230.93
	25.89%	267.16	259.92	252.67	245.42	238.18	230.93	223.69
	25.98%	260.64	253.39	246.15	238.90	231.66	224.41	217.16
	26.08%	253.39	246.15	238.90	231.66	224.41	217.16	209.92

Package Revenue Growth vs Package Volume Growth

The nature of FedEx's business surrounds the ability to ship a large volume of packages quickly while maintaining a high yield per package. To test our assumptions of the growth rate of package volume and the per-package revenue growth we constructed a sensitivity to see how slight adjustments in each would affect the implied share price. The stock price range extracted from this table is \$235.06 – \$271.43.

		Package Revenue Growth Rate						
		3.21%	3.31%	3.41%	3.51%	3.61%	3.71%	3.81%
Package Volume Growth Rate	252.66							
	1.25%	235.06	237.29	239.54	241.80	244.09	246.39	248.71
	1.50%	238.50	240.77	243.05	245.35	247.66	250.00	252.35
	1.75%	242.00	244.30	246.61	248.94	251.29	253.66	256.04
	2.00%	245.56	247.89	250.23	252.60	254.98	257.38	259.80
	2.25%	249.17	251.53	253.91	256.31	258.73	261.16	263.62
	2.50%	252.84	255.24	257.65	260.08	262.53	265.00	267.49
	2.75%	256.57	259.00	261.45	263.91	266.40	268.90	271.43

Important Disclaimer

This report was created by students enrolled in the Applied Equity Valuation class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the student's skills, knowledge, and abilities. Members of the Krause Fund are not registered investment advisors, brokers, or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

References

- 1 Inline XBRL Viewer. (n.d.). Retrieved April 17, 2023, from <https://www.sec.gov/ix?doc=%2FArchives%2Fedar%2Fdata%2F1048911%2F00095017022012762%2Ffdx-20220531.htm>.
- 2 FactSet. (n.d.). Retrieved April 17, 2023, from <https://www.factset.com/>.
- 3 Mergentonline.com. (n.d.). Retrieved April 17, 2023, from <https://www.mergentonline.com/basicsearch.php>
- 4 Yahoo! (2023, April 17). Fedex corporation (FDX) stock price, news, Quote & History. Yahoo! Finance. Retrieved April 17, 2023, from <https://finance.yahoo.com/quote/FDX/>.
- 5 Fedex announces planned consolidation of Operating Companies. FedEx. (n.d.). Retrieved April 17, 2023, from <https://investors.fedex.com/news-and-events/investor-news/investor-news-details/2023/FedEx-Announces-Planned-Consolidation-of-Operating-Companies/>
- 6 System down. FedEx. (n.d.). Retrieved April 17, 2023, from <https://www.fedex.com/en-us/about/company-structure.html>.
- 7 Search for shares, industries, news, and Economic Indicators. CSIMarket. (n.d.). Retrieved April 17, 2023, from <https://csimarket.com/stocks/competitionSEG2.php?code=FDX>.
- 8 Wei, J. (2023, January 9). UPS vs. fedex: What's the difference? Investopedia. Retrieved April 17, 2023, from <https://www.investopedia.com/articles/markets/120115/ups-vs-fedex-comparing-business-models-and-strategies.asp>
- 9 Pandey, E. (2021, October 21). Amazon is now a bigger shipper in the U.S. than FedEx. Axios. Retrieved April 17, 2023, from <https://www.axios.com/2021/10/21/amazon-shipping-bigger-than-fedex>
- 10 Person, & Eric M. Johnson, T. H. (2022, February 8). Fedex eyes freighter order as e-commerce soars. Reuters. Retrieved April 17, 2023, from <https://www.reuters.com/business/fedex-eyes-freighter-order-e-commerce-soars-sources-2022-02-08/>
- 11 Peters, L. (2022, February 11). Fedex wants new freighters: Will Airbus or Boeing win? Simple Flying. Retrieved April 17, 2023, from <https://simpleflying.com/fedex-freighters-airbus-boeing/>
- 12 Placek, M. (2022, October 7). Fedex Express: Jet Fuel Expense 2022. Statista. Retrieved April 17, 2023, from <https://www.statista.com/statistics/878564/fedex-express-total-jet-fuel-expense/>
- 13 U.S. transportation sector unemployment rate of 5.0% in March 2023 was below the March 2022 level of 5.1% and was below the March 2020 level of 5.4%. U.S. Transportation Sector Unemployment Rate of 5.0% in March 2023 Was Below the March 2022 Level of 5.1% And Was Below the March 2020 Level of 5.4% | Bureau of Transportation Statistics. (n.d.). Retrieved April 17, 2023, from <https://www.bts.gov/newsroom/us-transportation-sector-unemployment-rate-50-march-2023-was-below-march-2022-level-51-and>
- 14 Fedex: Number of employees 2010-2023: FDX. Macrotrends. (n.d.). Retrieved April 17, 2023, from <https://www.macrotrends.net/stocks/charts/FDX/fedex/number-of-employees>
- 15 After 49 years, Fedex announced something so smart it's hard to believe ... (n.d.). Retrieved April 17, 2023, from <https://www.inc.com/jason-aten/fedex-is-rolling-out-picture-proof-of-delivery-to-compete-with-amazon.html>
- 16 Solomon, M. (2022, October 27). Amazon and UPS: Is the great split finally here? FreightWaves. Retrieved April 17, 2023, from <https://www.freightwaves.com/news/amazon-and-ups-is-the-great-split-finally-here>
- 17 2023 market outlook: J.P. Morgan Research. J.P. Morgan. (n.d.). Retrieved April 17, 2023, from <https://www.jpmorgan.com/insights/research/market-outlook>
- 18 Tiffany Wilding, A. B. (n.d.). Cyclical outlook: Prevailing under pressure: PIMCO. Pacific Investment Management Company LLC. Retrieved April 17, 2023, from <https://www.pimco.com/gbl/en/insights/prevailing-under-pressure>
- 19 J.P. Morgan Chase. (2022, May 25). What's behind the Global Supply Chain Crisis? J.P. Morgan. Retrieved April 17, 2023, from <https://www.jpmorgan.com/insights/research/global-supply-chain-issues>
- 20 Shih, W. (2022, December 15). China's Zero-covid exit and the potential for 2023 supply chain disruptions. Forbes. Retrieved April 17, 2023, from <https://www.forbes.com/sites/willyshih/2022/12/13/chinas-covid-zero-exit-and-the-potential-for-2023-supply-chain-impacts/>
- 21 S&P Capital IQ pro. S&P Global Homepage. (n.d.). Retrieved April 17, 2023, from <https://www.spglobal.com/marketintelligence/en/solutions/sp-capital-iq-pro>
- 22 Gross domestic product. Gross Domestic Product | U.S. Bureau of Economic Analysis (BEA). (n.d.). Retrieved April 17, 2023, from <https://www.bea.gov/data/gdp/gross-domestic-product>
- 23 Federal Reserve Bank of St. Louis. (n.d.). Federal Reserve Economic Data: Fred: St. louis fed. FRED. Retrieved April 17, 2023, from <https://fred.stlouisfed.org/>
- 24 Barron's. (n.d.). FDX: Fedex Corp.. stock overview (U.S.: NYSE). Barron's. Retrieved April 18, 2023, from <https://www.barrons.com/market-data/stocks/fdx>.
- 25 *Home > company overview > overview of company.* FedEx. (n.d.). Retrieved April 18, 2023, from <https://investors.fedex.com/company-overview/overview-of-company/default.aspx>.

FedEx Corporation
Revenue Decomposition

Fiscal Years Ending May 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue													
FedEx Express Segment:													
Package:													
U.S. overnight box	7,234	8,116	9,084	9,027	9,157	9,669	10,208	10,778	11,380	12,016	12,686	13,395	14,142
U.S. overnight envelope	1,776	1,791	1,971	1,959	1,987	2,098	2,216	2,339	2,470	2,608	2,753	2,907	3,069
U.S. deferred	4,038	4,984	5,330	5,296	5,372	5,672	5,989	6,323	6,676	7,049	7,442	7,858	8,296
Total U.S. domestic package revenue	13,048	14,891	16,385	16,283	16,518	17,440	18,414	19,442	20,527	21,673	22,883	24,161	25,510
International priority	7,354	10,317	12,130	12,058	12,232	12,915	13,636	14,397	15,201	16,049	16,945	17,891	18,890
International economy	3,082	2,632	2,838	2,817	2,857	3,017	3,185	3,363	3,551	3,749	3,959	4,180	4,413
Total international export package revenue	10,436	12,949	14,968	14,872	15,086	15,928	16,818	17,756	18,748	19,794	20,900	22,066	23,298
International domestic	4,179	4,640	4,340	4,313	4,375	4,619	4,877	5,149	5,437	5,740	6,061	6,399	6,756
Total package revenue	27,663	32,480	35,693	35,478	35,989	37,999	40,120	42,360	44,725	47,222	49,858	52,642	55,581
Total Package Revenue Growth	-4.96%	17.41%	9.89%	-0.60%	1.44%	5.58%	5.58%	5.58%	5.58%	5.58%	5.58%	5.58%	5.58%
Freight:													
U.S.	2,998	3,325	3,041	3,016	3,060	3,183	3,311	3,445	3,583	3,728	3,878	4,034	4,197
International priority	1,915	3,030	3,840	3,820	3,875	4,032	4,194	4,363	4,539	4,722	4,912	5,110	5,316
International economy	1,930	1,582	1,653	1,639	1,663	1,730	1,799	1,872	1,947	2,026	2,107	2,192	2,281
International airfreight	270	245	177	176	179	186	194	201	210	218	227	236	245
Total freight revenue	7,113	8,182	8,711	8,647	8,772	9,126	9,493	9,876	10,274	10,688	11,119	11,567	12,033
Other	737	1,416	1,410	1,438	1,467	1,496	1,526	1,557	1,588	1,620	1,652	1,685	1,719
Total FedEx Express segment	35,513	42,078	45,814	45,563	46,228	48,621	51,140	53,793	56,587	59,530	62,629	65,894	69,333
Total FedEx Express Revenue Growth Rate	-4.87%	18.49%	8.88%	-0.55%	1.46%	5.17%	5.18%	5.19%	5.19%	5.20%	5.21%	5.21%	5.22%

The following table compares selected statistics (in thousands, except yield amounts) for the years ended May 31:

FedEx Express Average Daily Package Volume (ADV)													
U.S. overnight box	1,211	1,427	1,421.00	1,364	1,337	1,364	1,391	1,419	1,447	1,476	1,506	1,536	1,566
U.S. overnight envelope	521	505	506.00	486	476	486	495	505	515	526	536	547	558
U.S. deferred	1,076	1,351	1,262.00	1,212	1,187	1,211	1,235	1,260	1,285	1,311	1,337	1,364	1,391
Total U.S. domestic ADV	2,808	3,283	3,189.00	3,061	3,000	3,060	3,121	3,184	3,248	3,312	3,379	3,446	3,515
International priority	559	752	786.00	755	739	754	769	785	800	816	833	849	866
International economy	282	284	277.00	266	261	266	271	277	282	288	293	299	305
Total international export ADV	841	1,036	1,063.00	1,020	1,000	1,020	1,040	1,061	1,083	1,104	1,126	1,149	1,172
International domestic	2,337	2,362	1,954.00	1,876	1,838	1,875	1,913	1,951	1,990	2,030	2,070	2,112	2,154
Total ADV	5,986	6,681	6,206.00	5,958	5,839	5,955	6,074	6,196	6,320	6,446	6,575	6,707	6,841
FedEx Express Revenue Per Package (yield)													
U.S. overnight box	\$ 23.51	\$ 22.31	\$ 25.07	\$ 25.95	\$ 26.86	\$ 27.81	\$ 28.78	\$ 29.79	\$ 30.84	\$ 31.92	\$ 33.04	\$ 34.21	\$ 35.41
U.S. overnight envelope	13.43	13.90	15.28	15.82	16.37	16.95	17.54	18.16	18.80	19.46	20.14	20.85	21.58
U.S. deferred	14.78	14.46	16.56	17.14	17.74	18.37	19.01	19.68	20.37	21.09	21.83	22.59	23.39
U.S. domestic composite	18.30	17.79	20.15	20.86	21.59	22.35	23.13	23.95	24.79	25.66	26.56	27.49	28.46
International priority	51.75	53.84	60.54	62.67	64.87	67.15	69.51	71.95	74.47	77.09	79.80	82.60	85.50
International economy	43.03	36.32	40.13	41.54	43.00	44.51	46.07	47.69	49.37	51.10	52.90	54.75	56.68
International export composite	48.83	49.03	55.21	57.15	59.16	61.23	63.39	65.61	67.92	70.30	72.77	75.33	77.97
International domestic	7.04	7.70	8.71	9.02	9.33	9.66	10.00	10.35	10.71	11.09	11.48	11.88	12.30
Composite Package Yield	18.19	19.06	22.56	23.35	24.17	25.02	25.90	26.81	27.75	28.73	29.74	30.78	31.86
Average daily freight pounds:													
U.S.	8,528	9,231	7,935.00	7,618	7,465	7,503	7,540	7,578	7,616	7,654	7,692	7,730	7,769
International priority	4,895	6,155	6,671.00	6,404	6,276	6,307	6,339	6,371	6,403	6,435	6,467	6,499	6,532
International economy	13,450	12,245	11,978.00	11,499	11,269	11,325	11,382	11,439	11,496	11,553	11,611	11,669	11,728
International airfreight	1,535	1,469	1,160.00	1,114	1,091	1,097	1,102	1,108	1,113	1,119	1,124	1,130	1,136
Total average daily freight pounds	28,408	29,100	27,744.00	26,634	26,102	26,232	26,363	26,495	26,628	26,761	26,894	27,029	27,164
Revenue per pound (yield):													
U.S.	\$ 1.38	\$ 1.41	\$ 1.50	\$ 1.55	\$ 1.61	\$ 1.66	\$ 1.72	\$ 1.78	\$ 1.85	\$ 1.91	\$ 1.98	\$ 2.05	\$ 2.12
International priority	1.54	1.93	2.26	2.34	2.42	2.51	2.59	2.69	2.78	2.88	2.98	3.08	3.19
International economy	0.56	0.51	0.54	0.56	0.58	0.60	0.62	0.64	0.66	0.69	0.71	0.74	0.76
International airfreight	0.69	0.65	0.60	0.62	0.64	0.67	0.69	0.71	0.74	0.76	0.79	0.82	0.85
Composite freight yield	0.99	1.10	1.23	1.27	1.32	1.36	1.41	1.46	1.51	1.57	1.62	1.68	1.74

FedEx Ground segment:													
Revenue	22,733.00	30,496.00	33,232.00	31,902.72	31,264.67	31,889.96	32,527.76	33,178.31	33,841.88	34,518.72	35,209.09	35,913.27	36,631.54
Revenue Growth Rate	10.77%	34.15%	8.97%	-4.00%	-2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
FedEx Freight segment:													
Revenue	7,102.00	7,833.00	9,532.00	9,150.72	8,967.71	9,147.06	9,330.00	9,516.60	9,706.93	9,901.07	10,099.09	10,301.07	10,507.10
Revenue Growth Rate	-6.33%	10.29%	21.69%	-4.00%	-2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
FedEx Services segment:													
Revenue	22.00	32.00	253.00	242.88	238.02	239.21	240.41	241.61	242.82	244.03	245.25	246.48	247.71
Revenue Growth Rate	0.00%	45.45%	690.63%	-4.00%	-2.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Other and eliminations:													
Revenue	3,847.00	3,520.00	4,681.00	4,493.76	4,403.88	4,491.96	4,581.80	4,673.44	4,766.91	4,862.24	4,959.49	5,058.68	5,159.85
Revenue Growth Rate	-9.18%	-8.50%	32.98%	-4.00%	-2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Total Revenue	69,217.00	83,959.00	93,512.00	91,353.29	91,102.72	94,388.79	97,819.72	101,402.73	105,145.40	109,055.73	113,142.11	117,413.41	121,878.95
Total Revenue Growth Rate	-0.68%	21.30%	11.38%	-2.31%	-0.27%	3.61%	3.63%	3.66%	3.69%	3.72%	3.75%	3.78%	3.80%

FedEx Corporation
Balance Sheet

Fiscal Years Ending May 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Assets													
Current Assets:													
Cash and cash equivalent	4,881	7,087	6,897	6,090	4,402	4,245	4,101	3,979	4,171	4,653	5,420	6,401	7,644
Receivables, net	10,102	12,069	11,863	11,589	11,557	11,974	12,409	12,864	13,339	13,835	14,353	14,895	15,462
Spare parts, supplies, and fuel	572	587	637	622	621	643	666	691	716	743	771	800	830
Prepaid expenses and other	828	837	968	946	943	977	1,013	1,050	1,088	1,129	1,171	1,215	1,262
Total current assets	16,383	20,580	20,365	19,247	17,523	17,840	18,189	18,583	19,315	20,359	21,716	23,312	25,197
Property and Equipment at Cost:													
Aircraft and related equipment	24,518	26,268	27,874	30,159	32,490	34,867	37,292	39,765	42,288	44,861	47,486	50,164	52,894
Package handling and ground support equipment	11,382	13,012	14,930	16,766	18,638	20,548	22,496	24,483	26,510	28,577	30,686	32,837	35,031
Information technology	6,884	7,486	8,098	8,882	9,682	10,498	11,330	12,179	13,045	13,928	14,828	15,747	16,684
Vehicles and trailers	9,101	9,282	9,806	10,501	11,210	11,933	12,670	13,422	14,190	14,972	15,770	16,584	17,415
Facilities and other	13,139	14,029	14,567	15,832	17,123	18,440	19,783	21,152	22,550	23,975	25,428	26,911	28,423
Total property and equipment, at cost	65,024	70,077	75,275	82,140	89,143	96,285	103,571	111,002	118,582	126,313	134,199	142,243	150,448
Less accumulated depreciation and amortization	31,416	34,325	37,184	41,203	45,522	50,124	54,994	60,119	65,487	71,089	76,915	82,959	89,214
Net property and equipment	33,608	35,752	38,091	40,938	43,621	46,161	48,577	50,883	53,094	55,224	57,284	59,284	61,234
Other Long-term Assets:													
Operating lease right-of-use assets, net	13,917	15,383	16,613	17,734	18,897	19,997	21,044	22,043	23,001	23,923	24,816	25,682	26,527
Goodwill	6,372	6,992	6,544	6,544	6,544	6,544	6,544	6,544	6,544	6,544	6,544	6,544	6,544
Other assets	3,257	4,070	4,381	4,826	5,010	5,180	5,573	5,844	6,097	6,313	6,543	6,793	7,015
Total other long-term assets	23,546	26,445	27,538	29,105	30,451	31,721	33,160	34,431	35,642	36,781	37,903	39,019	40,086
Total Assets	73,537	82,777	85,994	89,289	91,595	95,722	99,926	103,897	108,051	112,364	116,902	121,615	126,517
Liabilities and Common Stockholders' Investment													
Current Liabilities:													
Current portion of long-term debt	51	146	82	117	117	121	126	130	135	140	145	151	156
Accrued salaries and employee benefits	1,569	2,903	2,531	2,473	2,466	2,555	2,648	2,745	2,846	2,952	3,062	3,178	3,299
Accounts payable	3,269	3,841	4,030	3,937	3,926	4,068	4,216	4,370	4,531	4,700	4,876	5,060	5,253
Operating lease liabilities	-	1,923	2,443	2,412	2,571	2,720	2,863	2,998	3,129	3,254	3,376	3,494	3,608
Accrued expenses	3,532	4,562	5,188	5,068	5,054	5,237	5,427	5,626	5,833	6,050	6,277	6,514	6,762
Total current liabilities	10,344	13,660	14,274	14,007	14,134	14,701	15,278	15,869	16,474	17,096	17,736	18,396	19,078
Other long-term liabilities:													
Long-term debt	22,003	20,879	20,182	21,217	21,159	21,922	22,719	23,551	24,420	25,328	26,277	27,269	28,307
Deferred income taxes	3,162	3,927	4,093	4,210	4,312	4,432	4,554	4,668	4,787	4,910	5,040	5,174	5,313
Pension, postretirement healthcare, and other benefit obligations	5,019	3,501	4,448	4,448	4,448	4,448	4,448	4,448	4,448	4,448	4,448	4,448	4,448
Self-insurance accruals	2,104	2,430	2,889	2,822	2,815	2,916	3,022	3,133	3,248	3,369	3,495	3,627	3,765
Operating lease liabilities	12,195	13,375	14,487	15,442	16,454	17,413	18,324	19,194	20,028	20,831	21,608	22,363	23,098
Deferred lease obligations	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	466	983	682	709	738	767	798	830	863	897	933	971	1,010
Total other long-term liabilities	22,946	24,216	26,599	27,631	28,767	29,976	31,146	32,272	33,374	34,456	35,525	36,583	37,634
Total Liabilities	55,293	58,755	61,055	62,856	64,059	66,598	69,143	71,692	74,269	76,881	79,539	82,249	85,019
Common Stockholder's Investment													
Common Stock	3,388	3,513	3,744	3,744	3,745	3,745	3,746	3,746	3,747	3,747	3,747	3,747	3,747
Retained earnings	25,216	29,817	32,782	35,208	37,243	39,764	42,355	44,710	47,219	49,853	52,665	55,601	58,665
Accumulated other comprehensive income (loss)	(1,147)	(732)	(1,103)	(1,103)	(1,103)	(1,103)	(1,103)	(1,103)	(1,103)	(1,103)	(1,103)	(1,103)	(1,103)
Treasury stock, at cost	(9,162)	(8,430)	(10,484)	(11,417)	(12,350)	(13,282)	(14,215)	(15,148)	(16,081)	(17,013)	(17,946)	(18,879)	(19,812)
Total common stockholders' investment	18,295	24,168	24,939	26,433	27,536	29,124	30,783	32,206	33,783	35,483	37,363	39,366	41,498
Total Liabilities and Common Stockholders' Investment	73,537	82,777	85,994	89,289	91,595	95,722	99,926	103,897	108,051	112,364	116,902	121,615	126,517

FedEx Corporation
Historical Cash Flow Statement

Fiscal Years Ending May 31	2018	2019	2020	2021	2022
OPERATING ACTIVITIES:					
Net income	4,572.00	540.00	1,286.00	5,231.00	3,826.00
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation & amortization	3,095.00	3,353.00	3,615.00	3,793.00	3,970.00
Provision for uncollectible accounts	246.00	295.00	442.00	577.00	403.00
Other noncash items including leases & deferred income taxes	(231.00)	(233.00)	2,449.00	2,887.00	2,931.00
Stock-based compensation	167.00	174.00	168.00	200.00	190.00
Retirement plans mark-to-market adjustments	(10.00)	3,882.00	794.00	(1,176.00)	1,578.00
Loss on extinguishment of debt	-	-	-	393.00	-
Loss (gain) from sale of business	(85.00)	(8.00)	-	-	-
Business realignment costs	-	101.00	-	102.00	53.00
Goodwill & other asset impairment charges	380.00	-	435.00	-	-
Receivables	(1,049.00)	(873.00)	(1,331.00)	(1,389.00)	(310.00)
Other current assets	(135.00)	(25.00)	(59.00)	(40.00)	(158.00)
Pension & postretirement healthcare assets & liabilities, net	(2,345.00)	(909.00)	(908.00)	(317.00)	(697.00)
Accounts payable & other liabilities	141.00	(571.00)	(1,787.00)	71.00	(1,861.00)
Other assets & liabilities, net	(72.00)	(113.00)	(7.00)	(197.00)	(93.00)
Cash provided from operating activities	4,674.00	5,613.00	5,097.00	10,135.00	9,832.00
INVESTING ACTIVITIES:					
Capital expenditures	(5,663.00)	(5,490.00)	(5,868.00)	(5,884.00)	(6,763.00)
Business acquisitions, net of cash acquired	(179.00)	(66.00)	-	(228.00)	-
Purchase of investments	-	-	-	-	(147.00)
Proceeds from sale of business	123.00	-	-	-	-
Proceeds from asset dispositions & other investing activities	42.00	83.00	22.00	102.00	94.00
Cash used in investing activities	(5,677.00)	(5,473.00)	(5,846.00)	(6,010.00)	(6,816.00)
FINANCING ACTIVITIES:					
Principal payments on debt	(38)	(1,436)	(2,548)	(6,318)	(161)
Proceeds from debt issuances	1,480	2,463	6,556	4,212	-
Proceeds from stock issuances	327	101	64	740	184
Dividends paid	(535)	(683)	(679)	(686)	(793)
Purchase of treasury stock	(1,017)	(1,480)	(3)	-	(2,248)
Other financing activities, net	10	(4)	(9)	(38)	(1)
Cash (used in) provided by financing activities	227	(1,039)	3,381	(2,090)	(3,019)
Effect of exchange rate changes on cash	72	(47)	(70)	171	(187)
Net increase (decrease) in cash & cash equivalents	(704)	(946)	2,562	2,206	(190)
Cash & cash equivalents at beginning of period	3,969	3,265	2,319	4,881	7,087
Cash & cash equivalents at end of period	3,265	2,319	4,881	7,087	6,897

FedEx Corporation
Forecasted Cash Flow Statement

Fiscal Years Ending May 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
OPERATING ACTIVITIES:										
Net income	3,203	2,807	3,290	3,358	3,119	3,272	3,393	3,567	3,682	3,806
Adjustments to reconcile net income to cash provided by operating activities:										
Add: Depreciation & Amortization	4,019	4,319	4,602	4,870	5,125	5,368	5,602	5,826	6,044	6,255
Deferred Taxes	117	102	120	122	114	119	124	130	134	139
Changes in Assets and Liabilities:										
Accounts Receivable	274	32	(417)	(435)	(455)	(475)	(496)	(518)	(542)	(567)
Inventory: spare parts, supplies, and fuel	15	2	(22)	(23)	(24)	(25)	(27)	(28)	(29)	(30)
Prepaid Expenses & other current assets	22	3	(34)	(36)	(37)	(39)	(40)	(42)	(44)	(46)
Accrued Salaries and Employee Benefits	(58)	(7)	89	93	97	101	106	111	116	121
Accrued expenses	(120)	(14)	182	190	199	208	217	227	237	248
Accounts Payable	(93)	(11)	142	148	154	161	169	176	184	192
Pension, postretirement healthcare, and other benefit obligations	-	-	-	-	-	-	-	-	-	-
Self-insurance accruals	(67)	(8)	102	106	111	116	121	126	132	138
Cash provided from operating activities:	7,312	7,225	8,053	8,393	8,403	8,807	9,167	9,574	9,913	10,255
INVESTING ACTIVITIES:										
Capital expenditures	(6,865)	(7,003)	(7,143)	(7,285)	(7,431)	(7,580)	(7,731)	(7,886)	(8,044)	(8,205)
Other Assets	(445)	(184)	(169)	(393)	(272)	(253)	(216)	(230)	(249)	(222)
Goodwill & other asset impairment charges	-	-	-	-	-	-	-	-	-	-
Operating lease liabilities	955	1,012	958	911	870	834	803	777	754	736
Cash used in investing activities:	(6,355)	(6,174)	(6,354)	(6,767)	(6,833)	(6,998)	(7,144)	(7,339)	(7,539)	(7,691)
FINANCING ACTIVITIES:										
Operating lease liabilities	(31)	158	150	142	136	130	126	121	118	115
Other liabilities	27	28	30	31	32	33	35	36	37	39
Deferred lease obligations	-	-	-	-	-	-	-	-	-	-
Operating lease right-of-use assets	(1,121)	(1,163)	(1,101)	(1,046)	(999)	(958)	(923)	(892)	(866)	(845)
Changes in debt	1,070	(59)	767	801	837	874	913	954	998	1,043
Proceeds from stock issuances	-	-	-	-	-	-	-	-	-	-
Common Stock	0	0	0	0	0	0	0	-	-	-
Dividends paid	(777)	(773)	(769)	(766)	(764)	(763)	(760)	(754)	(747)	(741)
Purchase of treasury stock	(933)	(933)	(933)	(933)	(933)	(933)	(933)	(933)	(933)	(933)
Other financing activities, net	-	-	-	-	-	-	-	-	-	-
Cash (used in) provided by financing activities	(1,764)	(2,739)	(1,855)	(1,771)	(1,691)	(1,616)	(1,542)	(1,467)	(1,393)	(1,322)
Effect of exchange rate changes on cash	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) in cash & cash equivalents	6,897	6,090	4,402	4,245	4,101	3,979	4,171	4,653	5,420	6,401
Cash & cash equivalents at beginning of period	6,090	4,402	4,245	4,101	3,979	4,171	4,653	5,420	6,401	7,644
Cash & cash equivalents at end of period	6,090	4,402	4,245	4,101	3,979	4,171	4,653	5,420	6,401	7,644

FedEx Corporation

Common Size Income Statement

<i>Fiscal Years Ending May 31</i>	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses:															
Salaries and employee benefits	35.46%	35.55%	36.16%	35.94%	34.28%	35.42%	35.42%	35.42%	35.42%	35.42%	35.42%	35.42%	35.42%	35.42%	35.42%
Purchased transportaton	23.07%	23.90%	25.23%	25.81%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%
Rentals and landing fees	5.14%	4.82%	5.36%	4.95%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%
Depreciation and mortization	4.73%	4.81%	5.22%	4.52%	4.25%	4.40%	4.74%	4.88%	4.98%	5.05%	5.11%	5.14%	5.15%	5.15%	5.13%
Fuel	5.16%	5.58%	4.56%	3.43%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%
Maintenance and repairs	4.01%	4.07%	4.18%	3.96%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%
Business and realignment costs	0.58%	0.00%	0.00%	0.14%	0.30%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Goodwill and other asset impairment charges	-0.02%	0.46%	0.63%	0.00%	0.00%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	14.44%	14.41%	15.16%	14.27%	14.59%	14.59%	14.59%	14.59%	14.59%	14.59%	14.59%	14.59%	14.59%	14.59%	14.59%
Total operating expenses	93%	94%	97%	93%	93%	94%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Other (expense) income:	7.44%	6.41%	3.49%	6.98%	6.68%	5.63%	5.34%	5.21%	5.11%	5.03%	4.98%	4.95%	4.93%	4.94%	4.95%
Interest expense	-0.85%	-0.84%	-0.97%	-0.94%	-0.74%	-0.95%	-1.00%	-0.96%	-0.96%	-0.96%	-0.96%	-0.96%	-0.96%	-0.96%	-0.96%
Interest income	0.07%	0.08%	0.08%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%
Other retirement plans (expense) income	0.91%	-4.66%	-0.18%	2.36%	-0.78%	-0.33%	-0.53%	0.07%	0.11%	-0.26%	-0.17%	-0.14%	-0.07%	-0.10%	-0.13%
Loss on debt extinguishment	0.00%	0.00%	0.00%	-0.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other, net	-0.01%	0.04%	-0.01%	-0.04%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total other (expense) income	0.12%	-5.47%	-1.08%	0.97%	-1.44%	-1.22%	-1.47%	-0.83%	-0.79%	-1.16%	-1.07%	-1.04%	-0.97%	-0.99%	-1.03%
Income before income taxes	6.65%	0.94%	2.41%	7.95%	5.24%	4.41%	3.87%	4.38%	4.32%	3.87%	3.91%	3.91%	3.96%	3.94%	3.93%
Provision for income taxes	-0.33%	0.17%	0.55%	1.72%	1.14%	0.90%	0.79%	0.90%	0.88%	0.79%	0.80%	0.80%	0.81%	0.81%	0.80%
Net income	6.99%	0.77%	1.86%	6.23%	4.09%	3.51%	3.08%	3.49%	3.43%	3.08%	3.11%	3.11%	3.15%	3.14%	3.12%

FedEx Corporation
Common Size Balance Sheet

Fiscal Years Ending May 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Assets													
Current Assets:													
Cash and cash equivalent	7.05%	8.44%	7.38%	6.67%	4.83%	4.50%	4.19%	3.92%	3.97%	4.27%	4.79%	5.45%	6.27%
Receivables, net	14.59%	14.37%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%
Spare parts, supplies, and fuel	0.83%	0.70%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%
Prepaid expenses and other	1.20%	1.00%	1.04%	1.04%	1.04%	1.04%	1.04%	1.04%	1.04%	1.04%	1.04%	1.04%	1.04%
Total current assets	23.67%	24.51%	21.78%	21.07%	19.23%	18.90%	18.59%	18.33%	18.37%	18.67%	19.19%	19.85%	20.67%
Property and Equipment at Cost:													
Aircraft and related equipment	35.42%	31.29%	29.81%	33.01%	35.66%	36.94%	38.12%	39.22%	40.22%	41.14%	41.97%	42.72%	43.40%
Package handling and ground support equipment	16.44%	15.50%	15.97%	18.35%	20.46%	21.77%	23.00%	24.14%	25.21%	26.20%	27.12%	27.97%	28.74%
Information technology	9.95%	8.92%	8.66%	9.72%	10.63%	11.12%	11.58%	12.01%	12.41%	12.77%	13.11%	13.41%	13.69%
Vehicles and trailers	13.15%	11.06%	10.49%	11.49%	12.30%	12.64%	12.95%	13.24%	13.50%	13.73%	13.94%	14.12%	14.29%
Facilities and other	18.98%	16.71%	15.58%	17.33%	18.80%	19.54%	20.22%	20.86%	21.45%	21.98%	22.47%	22.92%	23.32%
Total property and equipment, at cost	93.94%	83.47%	80.50%	89.91%	97.85%	102.01%	105.88%	109.47%	112.78%	115.82%	118.61%	121.15%	123.44%
Less accumulated depreciation and amortization	45.39%	40.88%	39.76%	45.10%	49.97%	53.10%	56.22%	59.29%	62.28%	65.19%	67.98%	70.66%	73.20%
Net property and equipment	48.55%	42.58%	40.73%	44.81%	47.88%	48.91%	49.66%	50.18%	50.50%	50.64%	50.63%	50.49%	50.24%
Other Long-term Assets:													
Operating lease right-of-use assets, net	20.11%	18.32%	17.77%	19.41%	20.74%	21.19%	21.51%	21.74%	21.88%	21.94%	21.93%	21.87%	21.76%
Goodwill	9.21%	8.33%	7.00%	7.16%	7.18%	6.93%	6.69%	6.45%	6.22%	6.00%	5.78%	5.57%	5.37%
Other assets	4.71%	4.85%	4.68%	5.28%	5.50%	5.49%	5.70%	5.76%	5.80%	5.79%	5.78%	5.79%	5.76%
Total other long-term assets	34.02%	31.50%	29.45%	31.86%	33.42%	33.61%	33.90%	33.95%	33.90%	33.73%	33.50%	33.23%	32.89%
Total Assets	106.24%	98.59%	91.96%	97.74%	100.54%	101.41%	102.15%	102.46%	102.76%	103.03%	103.32%	103.58%	103.81%
Liabilities and Common Stockholders' Investment													
Current Liabilities:													
Current portion of long-term debt	0.07%	0.17%	0.09%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Accrued salaries and employee benefits	2.27%	3.46%	2.71%	2.71%	2.71%	2.71%	2.71%	2.71%	2.71%	2.71%	2.71%	2.71%	2.71%
Accounts payable	4.72%	4.57%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%
Operating lease liabilities	0.00%	2.29%	2.61%	2.64%	2.82%	2.88%	2.93%	2.96%	2.98%	2.98%	2.98%	2.98%	2.96%
Accrued expenses	5.10%	5.43%	5.55%	5.55%	5.55%	5.55%	5.55%	5.55%	5.55%	5.55%	5.55%	5.55%	5.55%
Total current liabilities	14.94%	16.27%	15.26%	15.33%	15.51%	15.57%	15.62%	15.65%	15.67%	15.68%	15.68%	15.67%	15.65%
Other long-term liabilities:													
Long-term debt	31.79%	24.87%	21.58%	22.69%	22.63%	23.44%	24.30%	25.18%	26.11%	27.09%	28.10%	29.16%	30.27%
Deferred income taxes	4.57%	4.68%	4.38%	4.61%	4.73%	4.70%	4.66%	4.60%	4.55%	4.50%	4.45%	4.41%	4.36%
Pension, postretirement healthcare, and other benefit obligations	7.25%	4.17%	4.76%	4.87%	4.88%	4.71%	4.55%	4.39%	4.23%	4.08%	3.93%	3.79%	3.65%
Self-insurance accruals	3.04%	2.89%	3.09%	3.09%	3.09%	3.09%	3.09%	3.09%	3.09%	3.09%	3.09%	3.09%	3.09%
Operating lease liabilities	17.62%	15.93%	15.49%	16.90%	18.06%	18.45%	18.73%	18.93%	19.05%	19.10%	19.10%	19.05%	18.95%
Deferred lease obligations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other liabilities	0.67%	1.17%	0.73%	0.78%	0.81%	0.81%	0.82%	0.82%	0.82%	0.82%	0.82%	0.83%	0.83%
Total other long-term liabilities	33.15%	28.84%	28.44%	30.25%	31.58%	31.76%	31.84%	31.83%	31.74%	31.60%	31.40%	31.16%	30.88%
Common Stockholder's Investment													
Common Stock	4.89%	4.18%	4.00%	4.10%	4.11%	3.97%	3.83%	3.69%	3.56%	3.44%	3.31%	3.19%	3.07%
Retained earnings	36.43%	35.51%	35.06%	38.54%	40.88%	42.13%	43.30%	44.09%	44.91%	45.71%	46.55%	47.35%	48.13%
Accumulated other comprehensive income (loss)	-1.66%	-0.87%	-1.18%	-1.21%	-1.21%	-1.17%	-1.13%	-1.09%	-1.05%	-1.01%	-0.97%	-0.94%	-0.90%
Treasury stock, at cost	-13.24%	-10.04%	-11.21%	-12.50%	-13.56%	-14.07%	-14.53%	-14.94%	-15.29%	-15.60%	-15.86%	-16.08%	-16.26%
Total common stockholders' investment	26.43%	28.79%	26.67%	28.94%	30.22%	30.86%	31.47%	31.76%	32.13%	32.54%	33.02%	33.53%	34.05%
Total Liabilities and Common Stockholders' Investment	106.24%	98.59%	91.96%	97.74%	100.54%	101.41%	102.15%	102.46%	102.76%	103.03%	103.32%	103.58%	103.81%

FedEx Corporation
Value Driver Estimation

Fiscal Years Ending May 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
NOPLAT:													
Revenue	69,217	83,959	93,512	91,353	91,103	94,389	97,820	101,403	105,145	109,056	113,142	117,413	121,879
Operating Expenses:													
Salaries and employee benefits	25,031	30,173	32,058	32,357	32,269	33,433	34,648	35,917	37,243	38,628	40,075	41,588	43,170
Purchased transportaton	17,466	21,674	24,118	23,560	23,495	24,343	25,228	26,152	27,117	28,125	29,179	30,281	31,433
Rentals and landing fees	3,712	4,155	4,712	4,603	4,591	4,756	4,929	5,110	5,298	5,495	5,701	5,916	6,141
Depreciation and amortization	3,615	3,793	3,970	4,019	4,319	4,602	4,870	5,125	5,368	5,602	5,826	6,044	6,255
Fuel	3,156	2,882	5,115	4,997	4,983	5,163	5,351	5,547	5,751	5,965	6,189	6,422	6,667
Maintenance and repairs	2,893	3,328	3,372	3,294	3,285	3,404	3,527	3,657	3,791	3,932	4,080	4,234	4,395
Other	10,492	11,981	13,644	13,329	13,292	13,772	14,273	14,795	15,341	15,912	16,508	17,131	17,783
Total operating expenses:	66,800	78,102	87,267	86,160	86,235	89,472	92,825	96,302	99,910	103,660	107,559	111,617	115,843
Operating lease implied interest	750	729	793	893	953	1,016	1,075	1,131	1,185	1,236	1,286	1,334	1,380
EBIT	3,167	6,586	7,038	6,087	5,821	5,932	6,069	6,232	6,420	6,632	6,869	7,130	7,416
Depreciation and amortization	3,615	3,793	3,970	4,019	4,319	4,602	4,870	5,125	5,368	5,602	5,826	6,044	6,255
EBITDA	6,782	10,379	11,008	10,105	10,140	10,534	10,939	11,357	11,788	12,234	12,695	13,174	13,671
Less Adjusted Taxes:													
Tax provision	383	1,443	1,070	824	722	847	864	803	842	873	918	947	979
Tax on operating lease	154	149	162	183	195	208	220	231	242	253	263	273	282
Tax on interest expense	138	162	141	177	187	186	193	200	207	215	223	231	240
Tax shield in interest income	(11)	(11)	(11)	(11)	(12)	(12)	(13)	(13)	(14)	(14)	(15)	(15)	(16)
Tax shield on other retirement plans	25	(406)	149	62	99	(14)	(22)	55	36	31	17	23	32
Tax shield on loss on debt extinguishment	-	80	-	-	-	-	-	-	-	-	-	-	-
Tax shield on business and realignment costs	-	24	57	7	-	-	-	-	-	-	-	-	-
Tax shield on other, net	2	7	(3)	-	-	-	-	-	-	-	-	-	-
Tax shield on goodwill and other asset impairment charges	89	-	-	4	-	-	-	-	-	-	-	-	-
Total adjusted taxes:	779	1,449	1,565	1,246	1,191	1,214	1,242	1,275	1,314	1,357	1,406	1,459	1,518
Change in deferred tax:													
Deferred tax assets	1,347	1,418	1,207	1,315	1,325	1,322	1,318	1,297	1,316	1,316	1,314	1,312	1,311
Deferred tax liabilities	3,162	3,927	4,093	4,210	4,312	4,432	4,554	4,668	4,787	4,910	5,040	5,174	5,313
Change deferred tax	1,815	2,509	2,886	2,895	2,987	3,109	3,236	3,370	3,471	3,595	3,727	3,862	4,002
NOPLAT	4,204	7,647	8,359	7,736	7,616	7,827	8,063	8,327	8,577	8,869	9,190	9,534	9,901
Invested Capital:													
Operating Assets:													
Normal Cash	2,303	2,794	3,112	3,040	3,031	3,141	3,255	3,374	3,499	3,629	3,765	3,907	4,055
Receivables, net	10,102	12,069	11,863	11,589	11,557	11,974	12,409	12,864	13,339	13,835	14,353	14,895	15,462
Spare parts, supplies, and fuel	572	587	637	622	621	643	666	691	716	743	771	800	830
Prepaid expenses and other	828	837	968	946	943	977	1,013	1,050	1,088	1,129	1,171	1,215	1,262
Total current assets	13,805	16,287	16,580	16,197	16,152	16,735	17,343	17,979	18,642	19,335	20,060	20,817	21,609
Operating Liabilities:													
Accrued salaries and employee benefits	1,569	2,903	2,531	2,473	2,466	2,555	2,648	2,745	2,846	2,952	3,062	3,178	3,299
Accounts payable	3,269	3,841	4,030	3,937	3,926	4,068	4,216	4,370	4,531	4,700	4,876	5,060	5,253
Accrued expenses	3,532	4,562	5,188	5,068	5,054	5,237	5,427	5,626	5,833	6,050	6,277	6,514	6,762
Total current liabilities	8,370	11,306	11,749	11,478	11,446	11,859	12,290	12,740	13,211	13,702	14,215	14,752	15,313
Operating Working Capital	5,435	4,981	4,831	4,719	4,706	4,876	5,053	5,238	5,432	5,634	5,845	6,065	6,296
Net PP&E	33,608	35,752	38,091	40,938	43,621	46,161	48,577	50,883	53,094	55,224	57,284	59,284	61,234
Long-Term Assets:													
Operating lease right-of-use assets, net	13,917	15,383	16,613	17,734	18,897	19,997	21,044	22,043	23,001	23,923	24,816	25,682	26,527
Other assets	3,257	4,070	4,381	4,826	5,010	5,180	5,573	5,844	6,097	6,313	6,543	6,793	7,015
Total other long-term assets	3,257	4,070	4,381	4,826	5,010	5,180	5,573	5,844	6,097	6,313	6,543	6,793	7,015
Less Long Term Liabilities:													
Self-insurance accruals	2,104	2,430	2,889	2,822	2,815	2,916	3,022	3,133	3,248	3,369	3,495	3,627	3,765
Other liabilities	466	983	682	709	738	767	798	830	863	897	933	971	1,010
Total Long-Term Liabilities	2,570	3,413	3,571	3,532	3,552	3,683	3,820	3,963	4,111	4,267	4,429	4,598	4,775
Invested Capital	53,535	57,676	60,311	63,148	65,937	69,269	72,726	75,982	79,154	82,240	85,303	88,361	91,379
Free Cash Flow (FCF):													
NOPLAT	4,204	7,647	8,359	7,736	7,616	7,827	8,063	8,327	8,577	8,869	9,190	9,534	9,901
Change in IC	3,548	4,141	2,635	2,837	2,789	3,331	3,457	3,256	3,172	3,086	3,063	3,058	3,018
FCF	655	3,506	5,724	4,899	4,827	4,496	4,606	5,071	5,405	5,784	6,126	6,475	6,883
Return on Invested Capital (ROIC):													
NOPLAT	4,204	7,647	8,359	7,736	7,616	7,827	8,063	8,327	8,577	8,869	9,190	9,534	9,901
Beginning IC	49,987	53,535	57,676	60,311	63,148	65,937	69,269	72,726	75,982	79,154	82,240	85,303	88,361
ROIC	8.41%	14.28%	14.49%	12.83%	12.06%	11.87%	11.64%	11.45%	11.29%	11.21%	11.17%	11.18%	11.20%
Economic Profit (EP):													
Beginning IC	49,987	53,535	57,676	60,311	63,148	65,937	69,269	72,726	75,982	79,154	82,240	85,303	88,361
x (ROIC - WACC)	0.47%	6.34%	6.55%	4.88%	4.12%	3.93%	3.70%	3.51%	3.35%	3.26%	3.23%	3.23%	3.26%
EP	234	3,395	3,778	2,946	2,601	2,590	2,562	2,551	2,542	2,583	2,658	2,759	2,883

FedEx Corporation

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	3.74%
Beta	1.34
Equity Risk Premium	4.88%
Cost of Equity	10.28%

ASSUMPTIONS:

U.S. 30 Year Treasury
Weekly 2-year Beta from Bloomberg
Damodaran April trailing 12 Month with adjusted payout

Cost of Debt:

Risk-Free Rate	3.74%
Implied Default Premium	1.64%
Pre-Tax Cost of Debt	5.37%
Marginal Tax Rate	20.5%
After-Tax Cost of Debt	4.27%

U.S. 30 Year Treasury

YTM on company's 10-year corporate bond

Market Value of Common Equity:

Total Shares Outstanding	260
Current Stock Price	\$229.49
MV of Equity	59,631.98

MV Weights

61.11%

Market Value of Debt:

Short-Term Debt	0
Current Portion of LTD	117
Long-Term Debt	21,217
PV of Operating Leases	16,613
MV of Total Debt	37,947.00

38.89%

Market Value of the Firm

97,578.98

100.00%

Estimated WACC

7.94%

FedEx Corporation

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	11.20%
WACC	7.94%
Cost of Equity	10.28%

Fiscal Years Ending May 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
-----------------------------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

DCF Model:

Free Cash Flow (FCF)	4,899	4,827	4,496	4,606	5,071	5,405	5,784	6,126	6,475	6,883
Continuing Value (CV)										141,335
PV of FCF	4,538	4,143	3,575	3,393	3,460	3,417	3,387	3,324	3,255	71,045

Value of Operating Assets:	103,537									
Non-Operating Adjustments	4,263	Excess Cash								
	(16,613)	PV Operating Lease								
	(4,448)	Pension Obligations								
	(117)	Current Portion LT debt	value of ESOP							
	(21,217)	LT Debt								
	(1,615)	Options Granted								

Value of Equity	63,789
Shares Outstanding	258.2
Intrinsic Value of Last FYE	\$ 247.04
Implied Price as of Today	\$ 252.56

EP Model:

Economic Profit (EP)	2,946	2,601	2,590	2,562	2,551	2,542	2,583	2,658	2,759	2,883
Continuing Value (CV)										52,974
PV of EP	2,729	2,232	2,060	1,887	1,741	1,607	1,513	1,442	1,387	26,628

Total PV of EP	43,226									
Invested Capital (last FYE)	60,311									
Value of Operating Assets:	103,537									
Non-Operating Adjustments	4,263	Excess Cash								
	(16,613)	PV Operating Lease								
	(4,448)	Pension Obligations								
	(117)	Current Portion LT debt								
	(21,217)	LT Debt								
	(1,615)	Options Granted								

Value of Equity	63,789
Shares Outstanding	258.2
Intrinsic Value of Last FYE	\$ 247.04
Implied Price as of Today	\$ 252.56

FedEx Corporation

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending May 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
-----------------------------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

EPS	\$ 12.37	\$ 10.90	\$ 12.83	\$ 13.14	\$ 12.24	\$ 12.86	\$ 13.40	\$ 14.20	\$ 14.79	\$ 15.41
-----	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------

Key Assumptions

CV growth of EPS	2.50%
CV Year ROE	23.55%
Cost of Equity	10.28%

Future Cash Flows

P/E Multiple (CV Year)										11.49
EPS (CV Year)										\$ 15.41
Future Stock Price										\$ 177.18
Dividends Per Share	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Discounted Cash Flows	2.72	2.47	2.24	2.03	1.84	1.67	1.51	1.37	1.24	73.47

Intrinsic Value as of Last FYE \$ 90.56

Implied Price as of Today **\$ 92.58**

FedEx Corporation

Relative Valuation Models

Ticker	Company	Price	EPS		P/E 23	P/E 24	Est. 5yr		
			2023E	2024E			EPS gr.	PEG 23	PEG 24
UPS	United Parcel Service	\$186.07	\$11.42	\$12.54	16.29	14.84	2.93	5.56	5.06
ODFL	Old Dominion Frieght Line	\$343.51	\$11.89	\$13.25	28.89	25.93	3.78	7.65	6.87
TFII	TFI International	\$112.25	\$7.31	\$8.52	15.36	13.17	9.65	1.59	1.37
EXPD	Expeditors International	\$104.49	\$5.47	\$5.14	19.10	20.33	(7.02)	(2.72)	(2.90)
			Average		19.91	18.57		3.02	2.60
FDX	FedEx Corporation	\$229.49	\$12.37	\$10.90	18.6	21.1	7.55	2.5	2.8

Implied Relative Value:

P/E (EPS23)	\$ 246.24
P/E (EPS24)	\$ 202.38
PEG (EPS23)	\$ 282.13
PEG (EPS24)	\$ 214.03

FedEx Corporation
Key Management Ratios

Fiscal Years Ending May 31	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Liquidity Ratios:															
Current Ratio	1.39	1.45	1.58	1.51	1.43	1.37	1.24	1.21	1.19	1.17	1.17	1.19	1.22	1.27	1.32
Quick Ratio	1.22	1.27	1.45	1.40	1.31	1.26	1.13	1.10	1.08	1.06	1.06	1.08	1.11	1.16	1.21
Cash Ratio	0.34	0.26	0.47	0.52	0.48	0.43	0.31	0.29	0.27	0.25	0.25	0.27	0.31	0.35	0.40
Asset-Management Ratios:															
Inventory Turnover	115.39	117.95	116.78	133.05	137.00	138.54	138.96	139.15	139.31	139.42	139.49	139.54	139.56	139.55	139.53
Days Sales Inventory	3.16	3.09	3.13	2.74	2.66	2.63	2.63	2.62	2.62	2.62	2.62	2.62	2.62	2.62	2.62
Total Asset Turnover	1.25	1.28	0.94	1.01	1.09	1.02	0.99	0.99	0.98	0.98	0.97	0.97	0.97	0.97	0.96
Accounts Receivable Turnover	7.72	7.65	6.85	6.96	7.88	7.88	7.88	7.88	7.88	7.88	7.88	7.88	7.88	7.88	7.88
Financial Leverage Ratios:															
Debt-to-Equity Ratio	0.92	1.04	1.21	0.87	0.81	0.81	0.77	0.76	0.74	0.74	0.73	0.72	0.71	0.70	0.69
Debt-to-Assets Ratio	0.34	0.34	0.30	0.25	0.24	0.24	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.22
Debt-to-Capital	0.48	0.51	0.55	0.47	0.45	0.45	0.44	0.43	0.43	0.42	0.42	0.42	0.41	0.41	0.41
Profitability Ratios:															
Return on Equity (NI/Beg TSE)	23.55%	3.04%	7.03%	21.64%	15.34%	12.12%	10.20%	11.30%	10.91%	9.69%	9.69%	9.56%	9.55%	9.35%	9.17%
Return on Assets (NI/Total Assets)	8.74%	0.99%	1.75%	6.32%	4.45%	3.59%	3.06%	3.44%	3.36%	3.00%	3.03%	3.02%	3.05%	3.03%	3.01%
Profit Margin (Net Profit/Net Sales)	6.99%	0.77%	1.86%	6.23%	4.09%	3.51%	3.08%	3.49%	3.43%	3.08%	3.11%	3.11%	3.15%	3.14%	3.12%
Payout Policy Ratios:															
Dividend Payout Ratio (Dividend/EPS)	11.71%	126.21%	52.85%	13.14%	20.63%	24.26%	27.52%	23.38%	22.82%	24.51%	23.32%	22.40%	21.13%	20.29%	19.46%
Total Payout Ratio ((Divs. + Repurchases)/NI)	33.95%	400.56%	53.03%	13.11%	79.48%	53.37%	60.75%	51.73%	50.60%	54.41%	51.82%	49.88%	47.28%	45.62%	43.97%

FedEx Corporation
Sensitivity Tables

		Beta							
		252.56	1.04	1.14	1.24	1.34	1.44	1.54	1.64
Risk Free Rate	3.44%	360.36	325.67	295.17	268.15	244.04	222.40	202.86	
	3.54%	352.85	319.09	289.35	262.97	239.39	218.21	199.07	
	3.64%	345.54	312.67	283.67	257.90	234.85	214.11	195.35	
	3.74%	338.43	306.41	278.12	252.95	230.40	210.10	191.71	
	3.84%	331.51	300.31	272.71	248.11	226.05	206.16	188.13	
	3.94%	324.77	294.36	267.42	243.37	221.79	202.30	184.63	
	4.04%	318.21	288.56	262.25	238.74	217.61	198.52	181.18	

		Marginal Tax Rate							
		252.56	20.17%	20.27%	20.37%	20.47%	20.57%	20.67%	20.77%
Pre-tax Cost of Debt	5.07%	258.01	258.04	258.07	258.10	258.14	258.17	258.20	
	5.17%	256.30	256.33	256.36	256.39	256.42	256.45	256.48	
	5.27%	254.60	254.63	254.66	254.69	254.72	254.76	254.79	
	5.37%	252.93	252.96	252.99	253.02	253.05	253.08	253.11	
	5.47%	251.27	251.30	251.33	251.36	251.39	251.42	251.45	
	5.57%	249.63	249.66	249.69	249.72	249.75	249.78	249.81	
	5.67%	248.01	248.04	248.07	248.10	248.13	248.16	248.19	

		WACC							
		252.56	7.64%	7.74%	7.84%	7.94%	8.05%	8.14%	8.24%
CV Growth of NOPLAT	2.20%	271.57	263.17	255.07	247.25	238.97	232.43	225.40	
	2.30%	273.79	265.23	256.98	249.03	240.61	233.96	226.81	
	2.40%	276.09	267.36	258.96	250.87	242.30	235.54	228.28	
	2.50%	278.47	269.57	261.01	252.77	244.05	237.18	229.80	
	2.60%	280.95	271.87	263.15	254.75	245.87	238.88	231.37	
	2.70%	283.54	274.27	265.36	256.80	247.76	240.63	233.00	
	2.80%	286.23	276.76	267.67	258.93	249.72	242.46	234.68	

		Package Revenue Growth Rate							
		252.56	3.21%	3.31%	3.41%	3.51%	3.61%	3.71%	3.81%
Package Volume Growth Rate	1.25%	235.33	237.56	239.82	242.08	244.37	246.67	248.99	
	1.50%	238.78	241.04	243.33	245.63	247.95	250.28	252.64	
	1.75%	242.28	244.58	246.89	249.23	251.58	253.95	256.34	
	2.00%	245.84	248.17	250.52	252.89	255.27	257.67	260.09	
	2.25%	249.46	251.82	254.20	256.60	259.02	261.46	263.91	
	2.50%	253.13	255.53	257.94	260.38	262.83	265.30	267.79	
	2.75%	256.86	259.29	261.74	264.21	266.70	269.20	271.73	

		Salaries Expense % of Revenue							
		252.56	35.12%	35.22%	35.32%	35.42%	35.52%	35.62%	35.72%
Transportation Expense % of Revenue	22.49%	513.98	506.73	499.48	492.23	484.98	477.73	470.48	
	25.59%	289.21	281.96	274.71	267.46	260.21	252.96	245.71	
	25.69%	281.96	274.71	267.46	260.21	252.96	245.71	238.46	
	25.79%	274.71	267.46	260.21	252.96	245.71	238.46	231.21	
	25.89%	267.46	260.21	252.96	245.71	238.46	231.21	223.95	
	25.98%	260.93	253.68	246.43	239.18	231.93	224.68	217.43	
	26.08%	253.68	246.43	239.18	231.93	224.68	217.43	210.18	

		Normal Cash %							
		252.56	0.50%	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%
CV ROIC	9.70%	245.83	244.02	242.21	240.40	238.59	236.79	234.98	
	10.20%	250.41	248.60	246.79	244.98	243.17	241.36	239.56	
	10.70%	254.56	252.75	250.94	249.13	247.33	245.52	243.71	
	11.20%	258.34	256.53	254.72	252.92	251.11	249.30	247.49	
	11.70%	261.80	259.99	258.18	256.37	254.56	252.76	250.95	
	12.20%	264.97	263.16	261.36	259.55	257.74	255.93	254.12	
	12.70%	267.90	266.09	264.28	262.47	260.66	258.85	257.05	

FedEx Corporation*Valuation of Options Granted under ESOP*

Current Stock Price	\$229.49
Risk Free Rate	3.74%
Current Dividend Yield	2.13%
Annualized St. Dev. of Stock Returns	47.03%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	15	190.01	6.30	\$ 105.38	\$ 1,615
Total	15	\$ 190.01	6.30	\$ 128.39	\$ 1,615