



FedEx Corporation (NYSE: FDX)

## Industrials

### Analysts

Suraj Moorjani | Suraj-Moorjani@uiowa.edu

Wade Stafford | Wade-Stafford@uiowa.edu

## Financial Snapshot

### Share Pricing

Current Price: \$246.05

52 Week Range: \$162.61 - \$270.95

### Valuation

DCF/EP: \$258.83

DDM: \$209.00

Relative Valuation: \$232.11

Beta: 1.36

WACC: 7.82%

### Company Specific

Market Capitalization: 61.69B

Shares Outstanding: 251.19M

Revenue 2023: \$90,155

Revenue 2024E: \$95,809

### Financial Ratios

ROA 2023: 4.56%

ROE 2023: 15.93%

Current Ratio 2023: 1.47

Dividend Payout 2023: 29.49%

	2022	2023	2024E	2025E	2026E
EPS	14.54	15.60	13.97	17.36	18.70
EPS Growth	-0.35%	7.29%	-10.45%	24.27%	7.72%

Current Price: \$246.05

Target Price: \$253.83 - \$263.83

Stock Rating:

**HOLD**

Krause Fund Research

Fall 2023

November 14<sup>th</sup>, 2023

## Company Overview

FedEx Corporation is a United States based company providing products and services related to shipping, e-commerce, and business services. The company delivers to more than 220 countries and is comprised of four main business segments: Express, Ground, Freight, and Services. FedEx employs over 500,000 employees and headquartered in Memphis, Tennessee. It is currently under the leadership of CEO Raj Subramaniam.

## Investment Thesis

We recommend a HOLD rating for FDX as of November 2023, as our valuation model projects a range of 3-7% upside in value. FedEx is well-positioned to face macroeconomic and competitive threats. FedEx's market position among competitors and the long-term effects of current macroeconomic impacts will become more evident once current economic and international risks have unfolded.

### Drivers of Thesis:

**Strategic Optimization:** Recent strategies enhance FedEx's competitiveness, especially against new rivals like Amazon. The "One FedEx" approach boosts global efficiency, condensing revenue segments, and optimizing asset use. This creates cost-saving opportunities for growth, positioning FedEx to compete with e-commerce growth and uncertain labor regulations.

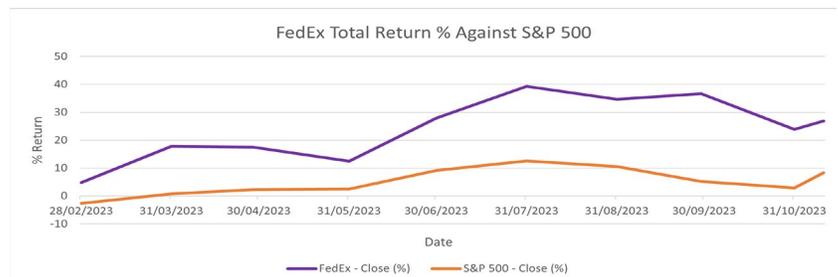
**Market Recovery:** As FedEx adapts to Amazon's competition, the DRIVE program, leveraging data analytics, can help regain lost market share. Particularly valuable in international markets, it enhances resource allocation amidst rising trade costs, driving effective competition with Amazon.

### Risks to Thesis:

**Labor Uncertainty:** After significant, cost-saving employee reductions in 2022, FedEx experiences a new challenge when UPS secured wage increases for their employees through a labor union deal in July 2023. Adapting to this, FedEx may see increased expenses and impact on profit margins in the upcoming fiscal year. This challenge is heightened by macroeconomic fluctuations in the labor force participation rate.

**Demand Strains:** As the Consumer Price Index rises and goods become more expensive, we anticipate market pressure on real GDP shifts toward saving. Additionally, the recent reinstatement of student loan payments in October 2023 may increase contractionary pressures on FedEx's demand.

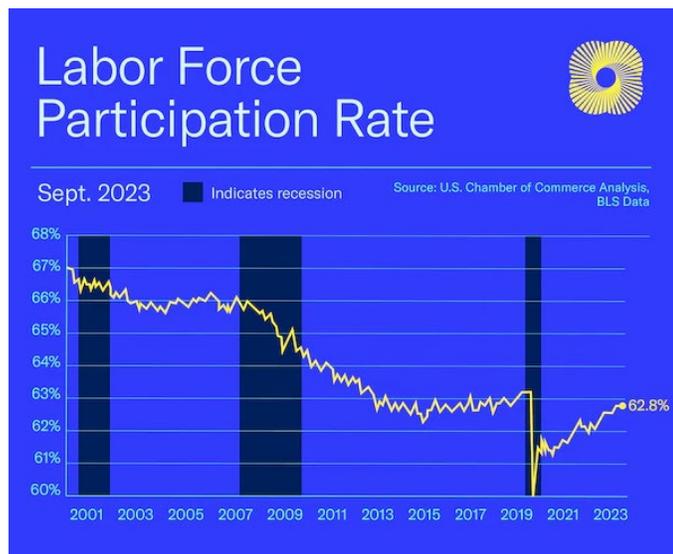
## Stock Performance



# Economic Outlook

## Employment

A healthy and stable labor force is of incredible importance for the longevity and success of the industrial sector. From a macroeconomic perspective, the labor force participation rate has continued to decline since the wave of layoffs in 2020 caused by the COVID-19 pandemic. This crucial economic indicator measures the percentage of the working-age population actively seeking employment or currently employed. A higher participation rate not only leads to increased income but also leads to more consumer spending, fueling FedEx's business model. Currently, the labor force participation rate sits at 62.8%<sup>1</sup>, still recovering from the damaging effects of the COVID-19 pandemic. We believe this negative trend weighs heavily on the success of FedEx's business model in the coming year. FedEx relies on truck drivers, airline pilots, and package handlers, leading to numerous challenges in maintaining their labor force amidst industry regulations. The decline in participation is in part attributed to the harsh regulatory environment experienced by various labor forces, a challenge that FedEx is actively navigating.



Source: 1

Historically, FedEx experienced a growth in employment, reaching its peak in 2021 with 563,000 employees. However, since 2021, there has been a decline to 529,000

employees at the fiscal year-end of May 31, 2023, marking a decrease of 18,000 employees or 3.29% from 2022 to 2023. With the current unemployment rate of 3.9% continuing to rise, we anticipate that regulatory environment challenges will pose a major hurdle for FedEx in the coming year<sup>2</sup>.

In August of 2023, competitor UPS reached a new labor union deal with its nearly 340,000 employee force, offering stronger pay and benefits. This marked a monumental development for the labor force in the trucking and logistics sector, one that FedEx will need to respond to in 2024, as their employees may find it more beneficial to switch to their long-standing competitor<sup>3</sup>. While FedEx has yet to announce a plan to compete with this, we anticipate that this will be a source of heavy contention as they adjust corporate strategy going forward. This further adds to the challenges fueled by the low labor force participation, emphasizing its importance for FedEx. As a result, we believe FedEx will see a rising decrease in their labor force, and we maintain that the company will experience an estimate of a 3.50-4.00% drop for their 2024 employee count. This will cause operational disruptions leading to delayed package deliveries and reduced service quality. These factors can harm the reputation of the company and lead to profit losses in the long run.

## Real GDP

With the role of facilitating the movement of goods, FedEx and the industrial sector at large provide value to the overall economic output and therefore have a great influence on real GDP. Adjusting for inflation, real GDP allows us to examine the health of an economy and potential signals and warnings that may be upcoming. Quarter 3 of 2023 saw an advancement of 4.9% in real GDP, up from 2.1% in 2022<sup>4</sup>. This signals an increase in consumer spending, an important factor in the economy. It is especially crucial for FedEx as they are primarily a transportation service for goods. When there is higher consumer spending in the economy, FedEx will have increased business to cater to.

With FedEx's revenues primarily being driven by consumer purchases, we believe the current real GDP

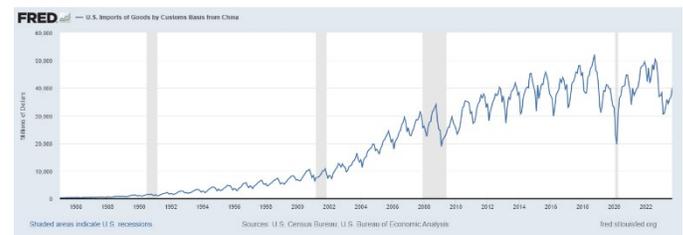
metric is beneficial to FedEx. However, we anticipate this benefit will be short-lived due to a few indicators. First, the Consumer Price Index (CPI), a measure of the average change over time in the price for a market basket of goods and services, shows that the CPI has increased nearly 4.7% from 2022 to 2023. This means that as the cost of goods becomes more expensive, individuals will likely revert to saving, harming FedEx and their largest contributing group. Furthermore, real GDP will be affected following the recent reinstatement of student loans in October 2023. With 44.6 million individuals holding an average of \$38,000 in loans, we believe this will be reflected in real GDP by a decrease of around a 0.05 drag. With less disposable income, consumer spending will decrease, causing a hit to FedEx's revenues, which are heavily supported by consumer spending<sup>5</sup>.

## Globalization and Supply Chain

As a worldwide courier in today's globalized landscape, FedEx is vulnerable to the geopolitical events that shape international trade patterns and supply chain movements. The company's role in transporting goods internationally is highly contingent on global peace and stability. When geopolitical events unfold, FedEx faces challenges in transporting goods, affecting supply chains and, consequently, customers. Trade agreements and policies play a crucial role in guiding FedEx's market entry decisions and adjustments to existing market strategies to facilitate international cooperation. Leveraging economies of scale, FedEx can efficiently navigate supply chain disruptions by capitalizing on competitive foreign prices to save costs.

With primary operations and its largest revenue streams situated in the United States, FedEx is significantly impacted by the country's standing among global powers and the regulatory environments within which it operates. The United States engages in substantial international trade, notably with neighbors Canada and Mexico, as well as China. China's economy, characterized by inexpensive labor, has proven advantageous to the globalized world by providing labor-abundant resources for countries outsourcing production. Data from FRED illustrates a notable surge in U.S. imports from China, exceeding a 12,000% increase since 1985, with an

additional 11% rise since 2013<sup>6</sup>. FedEx plays a pivotal role in facilitating this growing demand. These trends often align with market cycles, indicating that consumer demand is closely intertwined with this economic variable.



Source: 6

Supply chain challenges stemming from globalization became increasingly important as FedEx concluded Q2 of Fiscal Year 2023. A 3% decline in total revenue from 2022 to 2023 was attributed to weakened demand caused by rising international trade costs. To adapt to international rates and competition, FedEx must carefully balance delivery rates amongst declining demand. In response to the currently inflationary environment, consumers are opting for deferred shipping services, trading time for cost savings and therefore decreasing FedEx's profit margins. The 6.9% increase in shipping rates by FedEx and its competitor UPS in 2023 indicated a potentially concerning picture for margin growth in Fiscal Year 2024. With these short term issues being heavily discussed during the Q2 2023 earnings call<sup>7</sup>, we estimate that FedEx will adjust shipping rates towards the end of Fiscal Year 2024, potentially leading to declining rates and a subsequent 3-5% increase in profits. Due to the recognition of this issue early on, we expect measures taken by FedEx to align with international demand and drive profitability in 2024.

## Oil Prices

In 2023, FedEx was responsible for using 700 aircrafts and 215,000 motorized vehicles to help deliver goods to their customers around the world<sup>9</sup>. With that, comes a large dependency on the oil industry to provide fuel for these assets. Instability in oil prices due to supply issues, political unrest, and environmental regulations will impact FedEx and their prices for delivery. Consumers would face increasing shipping costs as a result of higher

# Industry Analysis

## Industry Overview

FedEx operates in the courier industry within the industrials sector. Firms in this industry generate revenue by charging for products related to the transportation of goods. The transportation sub-industry within Industrials includes companies involved in the transportation of intermediate and final goods, including land, air, and marine transportation<sup>11</sup>. Additionally, FedEx and its competitors operate a large logistics branch of their services to facilitate the global network in which they operate. The landscape is generally characterized by elastic demand and intense competition among firms. Understanding industry trends is of great importance for successful business operations.

FedEx faces pressure from various companies in the industry. FedEx and DHL differ, with DHL specializing in international operations. Recently, DHL has scaled back its U.S. market push due to challenges in U.S. shipping, focusing on international growth<sup>13</sup>. UPS and FedEx differentiate with UPS having a larger ground fleet, while FedEx excels in express shipments with almost double the airplanes of UPS<sup>14</sup>. USPS, although not publicly traded, is a significant player in the courier industry. Amazon and FedEx differ as Amazon, a retailer, uses various courier services for distribution. Amazon's disruptive business model, involving competitive fulfillment centers, cutting-edge technology, and efficient logistics<sup>16</sup>, positions it as a highly competitive force with significant growth potential in logistics, fulfillment, and distribution.



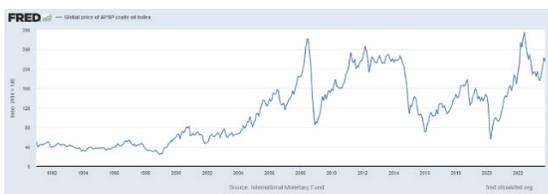
Source: 12

prices, leading to a decrease in demand for FedEx services. FedEx currently displays fuel surcharges to give consumers an idea of what percentage of their dollar is being given to fuel. This is important for FedEx so their reputational integrity can be determined primarily by their service as opposed to external factors such as fuel prices. As seen in the figure below, short-term oil surcharges have been increasing<sup>8</sup>.

Effective Date	FedEx Express Surchage				FedEx Ground Surchage
	Domestic and U.S. to Puerto Rico - Package Services	Domestic and U.S. to Puerto Rico - Freight Services	Export	Import	
Oct. 30, 2023 - Nov. 5, 2023	17.50%	\$0.476 per lb.	20.75%	24.50%	16.25%
Oct. 23, 2023 - Oct. 29, 2023	17.25%	\$0.472 per lb.	20.25%	24.00%	15.75%
Oct. 16, 2023 - Oct. 22, 2023	17.00%	\$0.468 per lb.	19.75%	23.50%	16.00%

Source: 8

Heightened by the war in Ukraine, crude oil prices saw a significant surge in early 2022. More recently, tensions escalated due to conflicts between Israel and the Gaza Strip, which is significant to FedEx as this region contributes nearly 50% of the world's oil reserves. The figure below illustrates a weighted average of three prominent crude oil spot prices<sup>10</sup>. Although there was a decline in prices following the Russia-Ukraine conflict in 2022, the repercussions of the Israel-Gaza conflict are yet to be fully realized. We estimate a 7-10% price increase by the end of fiscal year 2024. However, considering the shifts in consumer preferences mentioned earlier, we anticipate that FedEx will witness a slight decrease in fuel expenses for 2024 as we anticipate that declining demand will offset the rising costs of fuel.



Source: 10

## Industry Trends

Industry trends are crucial for companies to remain competitive. A major technological advancement in the courier industry is the progression of digital technology. This advancement, particularly notable in companies like FedEx, provides an increased capability to track packages in real-time. Additionally, it enables thorough security checks on packages, increasing package safety and reducing instances of lost or stolen packages for consumers. This is highly beneficial for FedEx, as it provides improved customer service and efficiency in their data analysis network<sup>17</sup>. With e-commerce witnessing nearly a 10% annual increase<sup>18</sup>, leveraging digital trends is how courier companies can boost revenue and gain market share from competitors.

## Competitors

Domestically, FedEx faces competition primarily from UPS across various aspects of its business model. Internationally, DHL operating metrics results were inconclusive due to its primarily overseas operations, and analyzing Amazon was challenging due to its large scale, resulting in key information being skewed in their 10K concerning courier services. Our operating metrics analysis highlighted the variability in how FedEx and UPS handled fuel surcharges in 2022.

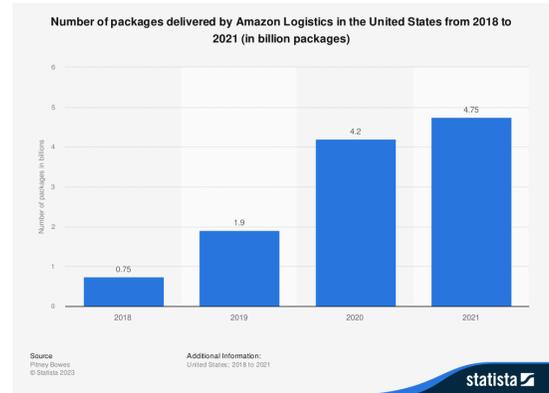
UPS successfully overcame revenue challenges in 2023 by offsetting fuel surcharges through reduced capital expenditure (CapEx) costs and increased productivity as part of their executed business strategy<sup>14</sup>. This led to higher sales for the fiscal year ending 2023. In comparison, this situation created a disadvantage for FedEx in 2023, as its CapEx increased by nearly 2% from 2022 to 2023. Our model reflects this increasing trend in forecasted years, driven by the elevated capital costs associated with running a courier company.

### Industry Exploration

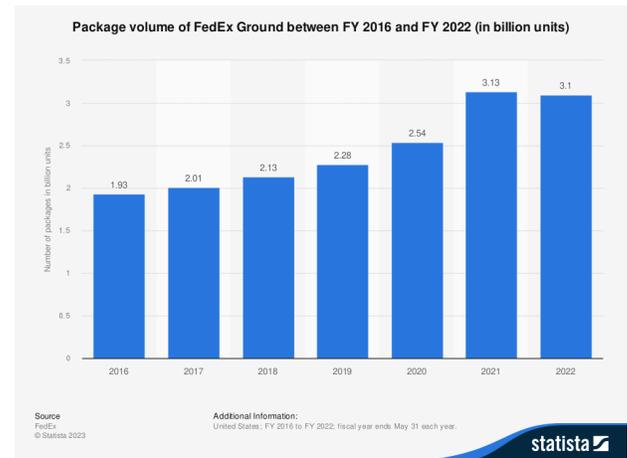
Company Name	Ticker	Fiscal Period	P/E (x)	P/E FY1 (x)	P/E FY2 (x)	Total Debt	Total Debt/Equity (%)	Sales
FedEx	FDX-US	05/2023	16.35	14.53	11.86	20,579.00	146.93	90,155.00
United Parcel Service B	UPS-US	06/30/2023	13.96	16.70	15.15	20,763.00	125.46	100,034.00
Amazon.com	AMZN-US	06/30/2023	109.92	62.42	43.61	75,089.00	91.29	513,983.00
Deutsche Post AG	DI-ILGY-US	06/30/2023	11.45	11.92	10.85	7,161.25	100.34	99,249.81
Average			37.92	26.39	20.32	30,898.06	116.01	
Median			15.18	15.62	13.41	20,871.00	112.90	

Source: 22

A primary threat to FedEx is the rise of Amazon and its new shipping services. Amazon's recent 10K report revealed an order for 100,000 delivery vehicles by 2024<sup>16</sup>, displaying their ability to acquire capital, lease land and equipment, and secure global human capital for efficient logistics management. This positions Amazon as a significant competitor challenging FedEx's market dominance.



Source: 19



Source: 20

## Porter's Five Forces<sup>21</sup>

**Bargaining power of Suppliers:** Suppliers of the firms within the courier industry have lower control than the firms that exist within the courier industry. This is primarily due to the cheap margin suppliers generate and the cheap opportunity cost that the firms generate from switching suppliers.

**Threat of new entrants:** The threat of new entrants in this industry is low. The high capital expenditure and start-up

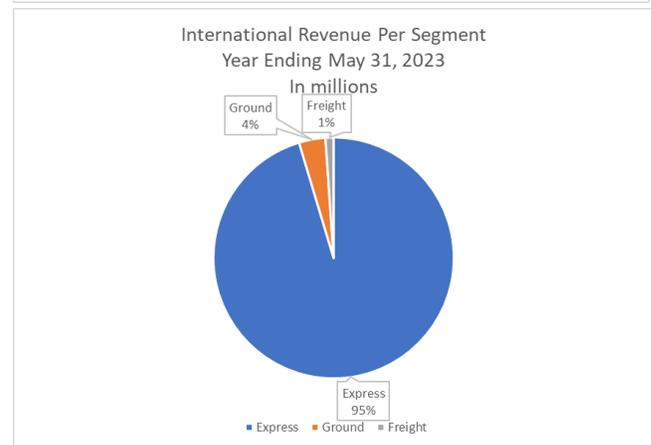
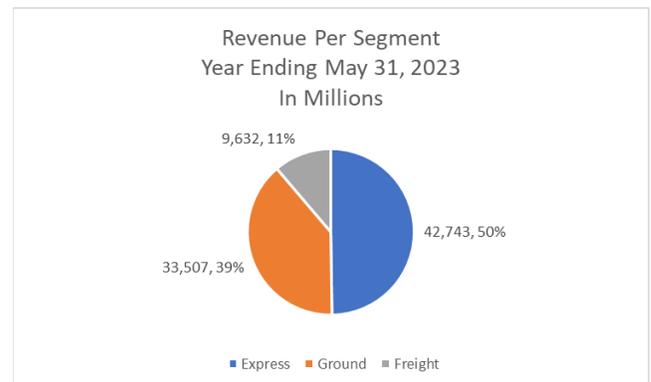
cost greatly inhibits the likelihood of new entrants in this industry. Government restrictions are decreased due to the impact of global tensions and opportunities among this industry. Governments also benefit from having courier firms based in their country. This gives the U.S. a form of third-party control over foreign economic affairs and opportunities.

**Threat of substitutes:** The threat of substitutes in this industry is high. It is very cheap, accessible, and overall easy to switch to a competitor in the courier industry. This creates an issue for individual firms in this industry due to the increased chances of losing business and contracts over better rates and accessibility of other competitive firms.

**Bargaining power of customers:** Customers of the courier industry have higher power than the individual firms that exist within the courier industry. This is due to the ability to switch providers of courier services for consumers. Rates of cost and timing are competitive between firms, so consumers always have a choice.

**Competitive rivalry:** The various publicly and privately owned firms discussed previously outline the high competition of firms within this industry. The industry's growth is high as there is modernization and optimization occurring all over the world. As stated previously, there is a high likelihood of competitors taking advantage of the high threat of substitution. Therefore, competitive rivalry is high.

supply chain management, and FedEx Office provides copying, printing, rental, and packing solutions<sup>23</sup>. The figures below display earnings for FYE 2023, with a key takeaway being the importance of FedEx Express in the company's revenue streams.



Source: 23

## Corporate Strategy 2024

In 2023, FedEx introduced key initiatives to drive corporate strategy forward. The company is aiming to consolidate services by initiating a “one FedEx” plan. This plan was created to help improve efficiency in both North America and International markets. FedEx Dataworks, a segment of FedEx utilizing data science to optimize supply chain operation, is helping facilitate the implementation of the new DRIVE transportation by optimizing the capacity of FedEx assets. The company is expanding its share in e-commerce by initiating FedEx consolidated returns, offering e-commerce return options. FedEx maintains their commitment to increasing their transparency regarding climate change measures. The company plans to launch a U.S based cloud engine to enhance customer access to emission information. This is supported by FedEx Cares 50 by 50, which hopes to positively impact 50 million people by the

# Company Analysis

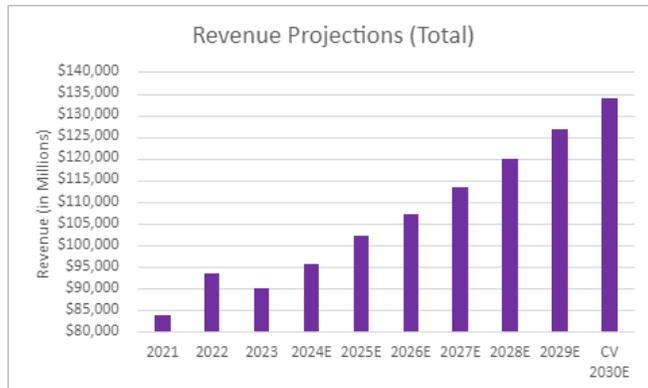
## Operational Breakdown

FedEx services primarily include parcel transportation, utilizing trucks, ocean, and air freight. Additionally, the company offers products like print, stationery, and packing essentials. With over seven market segments, FedEx provides expedited delivery through FedEx Express and cost-effective options via FedEx Ground in the U.S. and Canada. FedEx Freight supports supply chain and e-commerce for heavy products, while FedEx Services offers infrastructure support. FedEx Logistics assists in

company's 50<sup>th</sup> anniversary. Segment wide strategy efforts include facilitating the transition to electric vehicles to remain competitive with leading competitors<sup>23</sup>. Leveraging data driven insights, competitor analysis, and consumer feedback, FedEx remains effective in its ability to be a leading and competitive major delivery services company.

## Revenue Overview

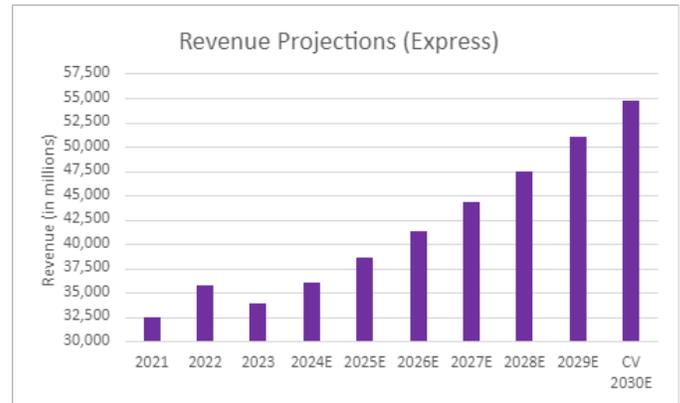
Revenue decreased by 4% in 2023. FedEx cited the primary reason for this was a decline of global volume in every business segment. Additionally, operating income declined. FedEx was able to mitigate negative ramifications of macroeconomic cost increases by multiple cost reduction efforts such as reducing flight hours and canceling network capacity projects<sup>23</sup>. Our model incorporates historical growth rate averages and adjusts for economic variables, such as fuel and capital expenditure, as industry and economic trends dictate FedEx's need to adapt their expenses.



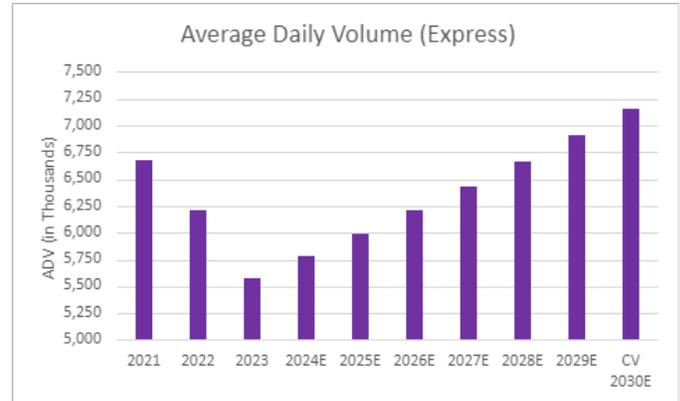
Source: Krause Fund Model

## FedEx Express

FedEx Express offers a range of services of U.S. domestic and international shipping. For FYE May 31, 2023, this segment earned a revenue of \$42,743, with U.S. package revenue being the largest portion at just over \$16 million<sup>23</sup>. Our model incorporates initiatives from FedEx Dataworks and utilizes data-driven insights to foster the growth of this segment, the company's primary revenue earner. For FYE 2024, we project a revenue increase of \$3,000 from FYE 2023, which reflects a modest approach to a potentially slow increase in consumer demand as highlighted earlier in this report.



Source: Krause Fund Model



Source: Krause Fund Model

## FedEx Ground

FedEx Ground offers day-certain deliveries to North American residents. Revenues for the year ending May 31, 2023, increased to \$33,507. A shift to higher yielding business to customer products helped this increase. Operating income drastically increased by 19%. This includes higher fuel surcharges, which were offset by a lower volume. This segment in particular benefited from the efforts to mitigate expenses as previously mentioned<sup>23</sup>. Our projections remain consistent with the previously stated assumptions in FedEx Express, with less emphasis on capital expenditure in this segment due to the diverse means by which a company can lease trucks and acquire capital at a lower cost.

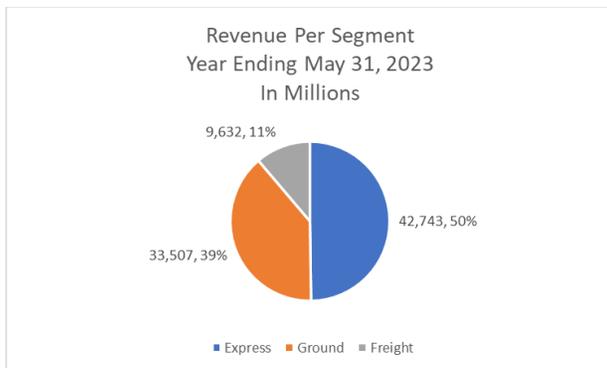
## FedEx Freight

FedEx Freight offers priority services where speed is an important factor. Revenue for the year ending May 31, 2023, resulted in an increase to \$9,632,000. Results were positively affected by fixed costs occurring in previous

periods. This can be exemplified in the purchased transportations of the segment's operating expenses, which decreased nearly 25% from 2022<sup>23</sup>. Our model reflects a steady increase of 1%, taking into account the fact that FedEx has yet to respond to the UPS labor union deal, to which they will need to respond in the future.

## FedEx Services

FedEx Services provides support to the segments mentioned above. All the net operating costs of this segment are to be reflected in the operating costs of the previously mentioned segments. Performance is evaluated on the results of the segments contribution to each segment. This figure represents Revenue per Segment in 2023. Express leads the revenue with 50%, followed by Ground at 39%, and Freight at 11%<sup>23</sup>. Projections mirror revenue growth from the segments above, with FedEx Express once again contributing to the most significant growth.



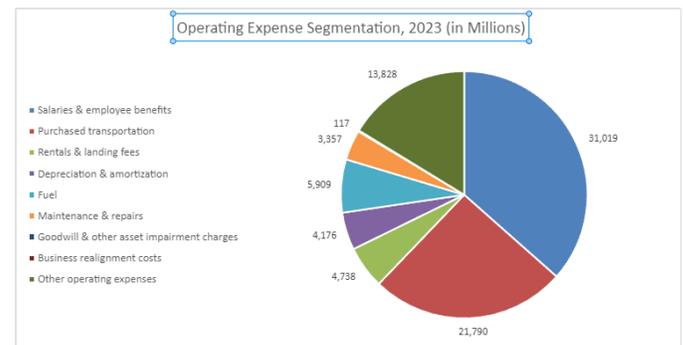
Source: 23

## Expense Analysis

FedEx's operating expenses are extensive in their reach as the company operates in many different market segments. In 2023, the highest expense was that of salaries and employee benefits at 31,019 million. This is not an unusual situation for companies to find themselves in as employees tend to be the most expensive resource for them to possess. On the other hand, another important expense to investigate is the purchased transportation. This is the cost associated with the maintenance, purchase, and other administrative costs associated with transportation for FedEx. This is the second-highest expense incurred by FedEx at 21,790

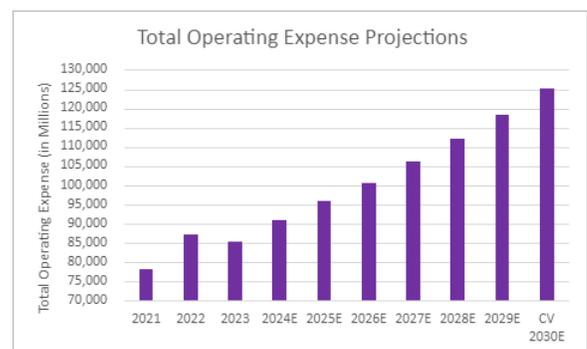
million in 2023. It is essential for FedEx to maintain these costs as they prove reliable for their transportation infrastructure. It is vital for a courier company to have proper maintenance, reliable vehicles, and maximize efficiency in their transportation expenses<sup>23</sup>.

Fuel is another important expense for FedEx that has been recently affected by international conflict. In 2023, fuel expenses were at 5,909 million compared to 2022's 5,115 million. Although FedEx spent more on fuel in 2023, we know that prices for crude oil in 2022 were higher than in 2023. This shows that FedEx spent more on oil in 2023 because they had more business to conduct. This is a positive expense rise as there was potentially more revenue generated from this enhancement of business conducted compared to the start of the Ukraine war last year in 2022<sup>23</sup>.



Source: 23

Operating expense projections primarily reflect the escalating inflation costs, as represented in the Consumer Price Index and the real GDP analysis in this report. We anticipate a substantial rise in salaries and employee benefits, accommodating the UPS labor union negotiations in 2023, which increased salaries for employees in this market.



Source: Krause Fund Model

## Margin and Profit Analysis

FedEx's Income Statement reveals insights into managerial decisions, notably seen in the declining COGS growth from 69.38 billion in 2022 to 66.81 billion in 2023. While reducing costs may seem advantageous, a closer look at revenue in proportion to COGS shows a dip. In 2022, revenue was 93.51 billion compared to 2023's 90.16 billion, indicating that the COGS reduction was a consequence of reduced revenue, not cost-cutting benefits<sup>24</sup>. This decline is attributed to factors like geopolitical developments, supply chain disruptions from COVID-19, fuel price disruptions due to the Ukraine war, and overall inflationary pressures affecting FedEx.

Over the last three fiscal years, FedEx's earnings releases show interesting trends. Net Income was 5,231 million in 2021, decreased to 3,826 million in 2022, and saw a subtle climb to 3,972 million in 2023. Diluted earnings per common share for the same period were \$19.45, \$14.33, and \$15.48, respectively<sup>25</sup>. In the 10k notes, FedEx attributes the gain in net income and diluted EPS from 2022 to 2023 to a net gain of 650 million in other retirement plans income, in contrast to a net loss of 1.6 billion in 2022<sup>23</sup>. This overall gain in comprehensive income is beneficial for investors, signaling a positive trajectory in FedEx's net income.

The market consensus estimated that FedEx would generate revenue of 22.55 billion as of Q2 (6/20/2023). However, they underperformed this expectation, generating only 21.93 billion. In comparison, the consensus estimated an EPS of \$4.85 for Q2 (6/20/2023), but the actual EPS was \$4.94, credited to the net gain in other retirement plan income mentioned earlier. This significantly aided FedEx, allowing them to offset underperforming revenue with additional non-cash generated through an MTM gain<sup>26</sup>. It's important to note that FedEx raised its full-year guidance due to surpassing quarterly profit expectations, attributing it to cost-cutting measures that countered continued demand declines and inflation. However, we believe it should also be credited to the non-cash generated from the MTM.

## Debt Outlook

The figure below highlights the debt maturity schedule for FedEx. The company currently has an estimated total debt of \$19,779 Million. The spikes in 2025 and 2026 appear to be due to long term credit agreements. These credit agreements included clauses to ensure debt to earnings ratio was maintained within 3.5 to 1.0 At year ending May 31, 2023, D/E was 2.08. This means they are in an stable capital position to cover these liabilities. S&P has assigned FedEx a senior unsecured debt credit rating of AA-, commercial paper rating of A-2, and a ratings outlook of stable. Moody's Investors Service has assigned FedEx an unsecured debt credit rating of Baa2, a Certificates rating of Aa3, a commercial paper rating of P-2, and a ratings outlook of stable<sup>23</sup>. A drop in ratings would increase interest expenses and potentially impact financing abilities.

The following table sets forth the future scheduled principal payments due by fiscal year on our long-term debt (in millions):

	Debt Principal
2024	\$ 52
2025	52
2026	1,340
2027	1,398
2028	52
Thereafter	16,606
Subtotal	20,000
Discount and debt issuance costs	(211)
Total debt	\$ 19,779

Source: 23

## SWOT Analysis<sup>27</sup>

### Strengths

**Reputation:** FedEx is known globally for being a leading courier service. They are also known for their strong financial presence on the NYSE.

**Portfolio of Products:** FedEx offers a wide variety of services which help cater to everyone. They can leverage technology and lead advancements for more efficient delivery.

### Weaknesses

**Dependency on macroeconomic variables & U.S. markets:** changes in inflation, unemployment, fuel prices, etc, affect the operating strategy and expenditures. Additionally, with much of its market share in the U.S., domestic changes will have a strong impact abroad.

Operating costs: in a market with high barriers to entry, maintaining equipment and expanding reach requires strong capital positioning.

### Opportunities

Ecommerce and Globalization: the rise of more accessible labor, goods, and shipping has multiplied revenues and reach for FedEx. Their ability to tap into new markets in new geographical regions will help grow their market share.

Innovation: as mentioned with the DRIVE initiative, FedEx has the ability to use large amounts of data to remain competitive.

### Threats:

Rise of Amazon: new emerging competitor Amazon has a unique position different from that of UPS and USPS. With more data, revenue, and services, they have been able to acquire market share from FedEx using new, reliable technology.

Uncertain regulatory environments: as new labor union contracts, pilot retirement ages, etc are topical, FedEx may have to increase spending on accommodating for these new regulations.

## Valuation Analysis

### Valuation Description

Utilizing historical data from the online database Mergent, we retrieved information spanning from 2014 to FYE 2023, including the Statement of Cash Flows, Balance Sheet, and Income Statement. Following some formatting changes and a cleanup of redundant items, we were able to project future values for each of these statements. Our model relies on assumptions concerning our outlook for the economic, industry, and company future of FedEx. We projected from FYE 2024 until FYE 2030, where we believe the company will reach a continuing value (CV). These numbers were then used to analyze the company and predict DCF/EP, WACC, and the Relative P/E ratios.

### DCF and EP

In our model, we utilized both the Discounted Cash Flow (DCF) and Economic Profit (EP) models to arrive at a consensus regarding the intrinsic value of the company, for which we provided our stock rating. The DCF method assesses the present value of a company's future cash flows, while Economic Profit focuses on a company's sustainable earnings.

For our projection of the DCF method, we began by calculating the Free Cash Flow of the company starting from 2024. We used a 6-year time horizon and designated 2030 as the year we believe the valuation reached continuing value (CV). Our FCF was derived from computing the change between our projected NOPLAT and change in Invested Capital values. Once FCF was derived, and our CV value had been determined for 2030, we utilized our WACC of 7.8% to value the company as of 2023. We added back in the non-operating adjustments, which were not present in our calculation of invested capital. We divided by the total shares outstanding, and this gave us the intrinsic value at the last fiscal year-end. Following an adjustment to November 2023, the final intrinsic share price using the DCF method came out to be \$258.83.

The economic approach offered a different method, which is most commonly used by mature companies. While the results were the same, the path toward the final outcome was different. We first calculated the economic profit of FedEx by multiplying our beginning invested capital by the difference between our ROIC and WACC. Similarly to the DCF, we discounted these values along with the CV for 2030. The same non-operating adjustments were made, and following the division of the total shares outstanding, we were presented with the intrinsic value for the last fiscal year-end. Following an adjustment to November 2023, we reached an intrinsic price of \$258.83, identical to the results of the DCF method.

### DDM

The Dividend Discount Model assesses a company's value based on the dividends the company is expected to pay out. Historically, FedEx has shown relatively volatile

increases in their Dividends Per Share, ranging from a 0% to 50% increase depending on the year. We chose to adopt a moderate-to-aggressive approach for the first two years of our projection, increasing the dividend per share by \$0.40 starting in 2024. Subsequently, our model reduces the growth by \$0.08 per share to maintain a positive increase in Dividends Per Share while adopting a more moderate approach to the increase.

We calculated our EPS for each year and utilized a CV growth for EPS of 2.5%, along with a CV year ROE of 15.86%. Our cost of equity, determined to be 9.94%, was also applied. We computed a CV year P/E multiple of 11.32 and used it in combination with our EPS projection for our CV year of 2030 to derive a future stock price. Utilizing our projected dividends and this stock price, we discounted these values back to find an intrinsic value of \$202 as of the last fiscal year-end and \$209 as of November 2023. Due to the volatility in dividends per share increase, we considered this number unreliable in our estimate for the intrinsic value of the company.

## Relative Valuation

The relative valuation portion of our model allows us to analyze various metrics for FedEx, including EPS, in comparison to its main competitors in the freight and logistics industry. Among our competitors are Deutsche Post AG (DHL), United Parcel Service (UPS), TFI International (TFI), C.H. Robinson Worldwide (CHRW), and Expeditors International of Washington, Inc (EXPD). While we intended to include Amazon (AMZN) as one of the competitors, its extensive market presence beyond freight and logistics led to skewed numbers, making it an unviable competitor for the purpose of this analysis.

We retrieved EPS and stock price information for each company from FactSet and calculated the P/E multiple for each by dividing the stock price by EPS. Utilizing FactSet's estimates page, we obtained a 5-year estimated EPS growth and divided the previously calculated P/E ratio by this number. The P/E projection for 2024 provided a slightly decreased estimate for the FedEx stock price, while the 2025 value showed a closer alignment with our prediction in 2024. Overall, we found that many of the companies we were comparing to FedEx had varying

scales of geographical reach, available capital, and product range. Therefore, our varied results are not surprising to us, as finding nearly identical companies is difficult in an industry with high barriers to entry.

## Revenue

Revenues for FedEx are primarily generated in the express and ground market segments of the corporation. It is important to highlight this information due to the implication that these two segments have for the future success of FedEx. The express segment in 2023 generated nearly 37.62% contrasted to the 37.17% of total revenues generated by the ground segment in 2023. On the other hand, there are segments that do not contribute much to the total revenue generated for FedEx. Most notably, the FedEx Services segment only contributed around 0.33% to the total revenue generated for FedEx in 2023. Our continued analysis led to an optimistic projection for the growth of all market segments for FedEx. Total revenue growth stabilizes around 5-6% for the duration of our projection.

## Operating Expenses

Expenses for FedEx are largely comprised of Salaries and Employee Benefits and Purchased Transportation, making up just over 50% of the company's revenue. We forecasted the future projections of these expenses using a historical average multiplied by the projected year's revenue. We believe this is a fair approach as many of these expenses stay consistent over a historical average ratio and will likely continue to do so as FedEx operates. Other expenses, such as Maintenance & Repairs and Rentals & Landing Fees, follow a similar pattern to the expenses previously mentioned. However, these costs are much less in comparison to Salaries and Purchased Transportation. FedEx has a few operating expenses, such as realignment costs and impairment charges, which are sporadic and unpredictable. For this reason, we have chosen not to include them, as their historical values have a small to little impact on total expenses.

## Cost of Equity

The cost of equity serves as an indicator of the risk borne by someone investing in that company. We utilized the

Capital Asset Pricing Model (CAPM) to derive this indicator. Utilizing the 10-year Treasury Bond rate of 3.86% as our Risk-Free Rate, we identified FedEx's Beta as 1.36 and the Equity Risk Premium as 4.47% based on the Damodaran trailing 12-month rate as of November 2023, sourced from Damodaran. Following the CAPM method, we concluded that the cost of equity for FedEx is 9.94%. This figure was then utilized to analyze the position of the market value of equity in the capital structure of FedEx.

## Cost of Debt

The cost of debt represents the interest rate on borrowed funds. To calculate this, we applied the same approach as with the cost of equity, deriving a Risk-Free Rate of 3.86% from the 10-year Treasury bond. Incorporating an implied default premium of 2.21%, we calculated the pre-tax cost of debt, resulting in 6.07%. Factoring in the marginal tax rate, the after-tax cost of debt amounted to 4.51%. This figure was utilized to analyze the position of the market value of debt in the capital structure of FedEx.

## WACC

The Weighted Average Cost of Capital (WACC) is a financial metric that describes the average cost for a company to finance its assets. The WACC we calculated resulted in a WACC of 7.82% for FedEx. We found the market weight of FedEx's equity to be 60.09%, and the weight of debt to be 39.10%. Multiplying these by the cost of equity and cost of debt, respectively, we determined our WACC. We analyze that the WACC is a fair representation of the company's capital structure.

## Sensitivity Testing

		Current Dividend Yield							
		258.83	1.68%	1.76%	1.84%	1.92%	2.00%	2.08%	2.16%
Equity Risk Premium	4.17%	258.65	258.57	258.48	258.40	258.31	258.22	258.14	
	4.27%	258.80	258.71	258.63	258.54	258.46	258.37	258.28	
	4.37%	258.94	258.86	258.77	258.69	258.60	258.52	258.43	
	4.47%	259.09	259.00	258.92	258.83	258.75	258.66	258.58	
	4.57%	259.23	259.15	259.06	258.98	258.89	258.81	258.72	
	4.67%	259.38	259.29	259.21	259.12	259.04	258.95	258.87	
	4.77%	259.52	259.44	259.35	259.27	259.18	259.10	259.01	

The current Dividend Yield is an interesting metric for profit issuance due to potential tradeoffs in both the long and short run. Allocating dividends to investors can hinder the reallocation of funds back into the firm,

potentially resulting in a lack of growth. Therefore, it's important to recognize that FedEx's current dividend yield allocation may impact growth. This tradeoff becomes more apparent as we observe the inverse relationship between the implied stock price and changes in dividend yield. In our analysis, the Equity Risk Premium plays a significant role in determining the implied stock price, showing a positive relationship. As the equity risk premium increases, so does the stock price, driven by additional gains beyond the risk-free rate in the market. It's important to note that a higher equity risk premium increases risk for the firm.

		Marginal Tax Rate							
		\$ 258.83	25.32%	25.42%	25.52%	25.62%	25.72%	25.82%	25.92%
CV Growth of NOPLAT	2.20%	251.46	251.54	251.61	251.69	251.77	251.85	251.93	
	2.30%	253.75	253.83	253.90	253.98	254.06	254.14	254.22	
	2.40%	256.12	256.20	256.28	256.36	256.44	256.52	256.60	
	2.50%	258.58	258.67	258.75	258.83	258.91	258.99	259.07	
	2.60%	261.14	261.23	261.31	261.39	261.47	261.56	261.64	
	2.70%	263.80	263.89	263.97	264.05	264.14	264.22	264.30	
	2.80%	266.57	266.65	266.74	266.82	266.91	266.99	267.08	

The Marginal Tax Rate of a firm is determined by the individual governments in which it operates. As a tax, increased rates directly impact earnings. Consequently, when the marginal tax rate rises for the firm, the stock price tends to decrease. Therefore, a negative relationship exists between stock prices and the marginal tax rate. The CV Growth of NOPLAT, describes the growth of net operating profit less adjusted taxes. Its positive relationship with the stock price, has been calculated in our model. Given that this growth rate is linked to operating activities, it's important to note that FedEx's management should actively engage in discussions about this variable. Decisions made by management should contribute to this variable regularly.

		Cost of Equity							
		258.83	9.64%	9.74%	9.84%	9.94%	10.02%	10.12%	10.22%
Pre-Tax Cost of Debt	5.77%	252.44	252.55	252.65	252.75	252.84	252.94	253.05	
	5.87%	254.46	254.57	254.67	254.78	254.86	254.97	255.07	
	5.97%	256.49	256.59	256.70	256.81	256.89	257.00	257.10	
	6.07%	258.51	258.62	258.73	258.83	258.92	259.02	259.13	
	6.17%	260.54	260.64	260.75	260.86	260.94	261.05	261.16	
	6.27%	262.56	262.67	262.78	262.89	262.97	263.08	263.19	
	6.37%	264.58	264.69	264.80	264.91	265.00	265.11	265.22	

The Cost of Equity represents another positive relationship within our variables. It explains the return that FedEx will gain from an investment financed through equity. Given that FedEx relies on 60.90% equity-based financing, it's critical to highlight that the cost of equity is

a significant variable for analysis in this valuation model. Similarly, the Pre-Tax Cost of Debt, like the cost of equity, is linked to the rate of return provided to creditors in the case of debt-based financing. With almost 39.10% of FedEx's financing coming from debt, it is another important factor, much like the cost of equity. The heightened risk associated with debt financing increases earnings volatility, therefore introducing more risk and influencing an upward shift in the stock price.

effective measure that is essential for calculating our final model assumptions. The Normal Cash Estimate is a ratio that correlates cash in the balance sheet to the revenue generated during the business year. This ratio holds a positive relationship with the stock price. We interpret this as an increase in cash on the balance sheet followed by a rise in the stock price. This relationship is important for investors to understand in connection to revenue as well.

		WACC						
		7.50%	7.60%	7.70%	7.80%	7.90%	8.00%	8.10%
Shares Outstanding	258.83							
	230	321.22	311.24	301.65	292.42	283.54	274.98	266.73
	240	307.84	298.27	289.08	280.24	271.73	263.52	255.62
	250	295.52	286.34	277.52	269.03	260.86	252.98	245.39
	260	284.32	275.49	267.00	258.83	250.97	243.39	236.09
	270	273.63	265.13	256.96	249.10	241.53	234.24	227.22
	280	263.86	255.66	247.78	240.21	232.91	225.88	219.10
	290	254.76	246.85	239.24	231.92	224.88	218.09	211.55

The WACC, or weighted average cost of capital, brings a negative relationship with the stock price of FedEx. This stems from higher financing costs for the firm, leading to a diminished valuation of projects. This analysis highlights the assessed stock prices and potential drawbacks of relying on equity financing, resulting in reduced potential earnings for investors. However, it also results in less overall risk. The number of shares outstanding displays a negative relationship with a firm's stock price. This is attributed to the dilution of shares that may be floating but not in demand. It is advantageous for a firm's management to be knowledgeable and strategic in making decisions about releasing additional shares and determining when to repurchase stock. Stock buybacks serve as an effective way for firms to reallocate profits, to stay competitive in the market against rivals.

		Risk Free Rate						
		3.56%	3.66%	3.76%	3.86%	3.96%	4.06%	4.16%
Normal Cash Estimate	258.83							
	3.03%	260.36	260.47	260.58	260.69	260.79	260.90	261.01
	3.13%	259.74	259.85	259.95	260.06	260.17	260.28	260.38
	3.23%	259.12	259.22	259.33	259.44	259.55	259.65	259.76
	3.33%	258.51	258.62	258.73	258.83	258.94	259.05	259.15
	3.43%	257.87	257.98	258.09	258.19	258.30	258.41	258.51
	3.53%	257.25	257.36	257.46	257.57	257.68	257.78	257.89
	3.63%	256.63	256.73	256.84	256.95	257.05	257.16	257.26

The Risk-Free Rate is an important measure with a positive relationship to the stock price, as it encompasses the earnings of the entire stock market. When the risk-free rate increases, the value of earnings inherently follows. The risk-free rate is most commonly referenced as the 30-year treasury bill, providing a simple yet

## 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 students' 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] Ferguson, Stephanie. "Understanding America's Labor Shortage." *U.S. Chamber of Commerce*, U.S. Chamber of Commerce, 23 Oct. 2023, [www.uschamber.com/workforce/understanding-americas-labor-shortage](http://www.uschamber.com/workforce/understanding-americas-labor-shortage).
- [2] "Fedex Number of Employees 1998-2023." *Stock Analysis*, stockanalysis.com/stocks/fdx/employees/. Accessed 11 Nov. 2023.
- [3] "UPS Labor Negotiations 2023." *About UPS-US*, about.ups.com/us/en/newsroom/negotiations.html. Accessed 11 Nov. 2023.
- [4] "Real Gross Domestic Product." *FRED*, 26 Oct. 2023, fred.stlouisfed.org/series/GDPC1.
- [5] "Consumer Price Index for All Urban Consumers: All Items in U.S. City Average." *FRED*, 12 Oct. 2023, fred.stlouisfed.org/series/CPIAUCSL.
- [6] "U.S. Imports of Goods by Customs Basis from China." *FRED*, 7 Nov. 2023, fred.stlouisfed.org/series/IMPCH.
- [7] Garland, Max. "Fedex Expects Plummeting Demand to Pressure Per-Package Revenue." *Supply Chain Dive*, 21 Dec. 2022, [www.supplychaindive.com/news/fedex-earnings-plummeting-pressure-yield-per-package-revenue/639219/](http://www.supplychaindive.com/news/fedex-earnings-plummeting-pressure-yield-per-package-revenue/639219/).
- [8] "FedEx Fuel Surcharge ." *FedEx*, [www.fedex.com/en-us/shipping/historical-fuel-surcharge.html](http://www.fedex.com/en-us/shipping/historical-fuel-surcharge.html). Accessed 11 Nov. 2023.
- [9] "Sustainability Report." *FedEx*, [www.fedex.com/en-us/sustainability/reports.html](http://www.fedex.com/en-us/sustainability/reports.html). Accessed 11 Nov. 2023.
- [10] "Global Price of APSP Crude Oil Index." *FRED*, 8 Nov. 2023, fred.stlouisfed.org/series/POILAPSPINDEXM.
- [11] *GICS - S&P Global*, [www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook\\_2018\\_v3\\_letter\\_digitalspreads.pdf](http://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf). Accessed 12 Nov. 2023.
- [12] "Statista." *Market Share of the Leading Couriers and Local Delivery Providers in the United States (U.S.) in 2021, Based on Revenue*, [www-statista-com.proxy.lib.uiowa.edu/statistics/940072/market-share-of-couriers-local-delivery-providers-united-states/](http://www-statista-com.proxy.lib.uiowa.edu/statistics/940072/market-share-of-couriers-local-delivery-providers-united-states/). Accessed 12 Nov. 2023.
- [13] *2022 Annual Report - DPDHL*, [group.dhl.com/content/dam/deutschepostdhl/en/investors/governance/governance-reports/DPDHL-2022-Annual-Report-Governance.pdf](http://group.dhl.com/content/dam/deutschepostdhl/en/investors/governance/governance-reports/DPDHL-2022-Annual-Report-Governance.pdf). Accessed 12 Nov. 2023.
- [14] "SEC Filings." *United Parcel Service, Inc.*, investors.ups.com/sec-filings. Accessed 12 Nov. 2023.
- [15] "Financials." *Financials - What We Do - About.Usps.Com*, about.usps.com/what/financials/. Accessed 12 Nov. 2023.
- [16] *Amazon.Com, Inc. 10K*, d18rn0p25nwr6d.cloudfront.net/CIK-0001018724/336d8745-ea82-40a5-9acc-1a89df23d0f3.pdf. Accessed 12 Nov. 2023.
- [17] Wang, Wayne. "How Digital Tchnology Is Revolutionizing Courier Services." *GoPeople*, 31 Mar. 2023, [www.gopeople.com.au/digital-technology-revolutionizing-courier-services/#:~:text=Digital%20Technology%20and%20Security&text=of%20courier%20services,-,With%20the%20help%20of%20digital%20technology%2C%20courier%20companies%20can%20now,of%20lost%20or%20stolen%20packages](http://www.gopeople.com.au/digital-technology-revolutionizing-courier-services/#:~:text=Digital%20Technology%20and%20Security&text=of%20courier%20services,-,With%20the%20help%20of%20digital%20technology%2C%20courier%20companies%20can%20now,of%20lost%20or%20stolen%20packages).
- [18] Chevalier, Stephanie. "Global Retail E-Commerce Sales 2026." *Statista*, 21 Sept. 2022, [www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/](http://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/).
- [19] Placek, Martin. "Amazon Logistics: Package Volume in the U.S." *Statista*, 21 Nov. 2022, [www.statista.com/statistics/1178979/amazon-logistics-package-volume-united-states/](http://www.statista.com/statistics/1178979/amazon-logistics-package-volume-united-states/).
- [20] Placek, Martin. "Fedex Ground: Total Annual Package Volume 2022." *Statista*, 22 Sept. 2022, [www.statista.com/statistics/878581/fedex-ground-total-annual-package-volume/](http://www.statista.com/statistics/878581/fedex-ground-total-annual-package-volume/).
- [21] Kumar, Naveen. "Porter's Five Forces Analysis for the Shipping Industry." *LinkedIn*, 6 Feb. 2021, [www.linkedin.com/pulse/porters-five-forces-analysis-shipping-industry-naveen-kumar/](http://www.linkedin.com/pulse/porters-five-forces-analysis-shipping-industry-naveen-kumar/).
- [22] "FedEx Peer Analysis FactSet." *FactSet Login*, my.apps.factset.com/navigator/ownership/multi-co-pit-region-country/FDX-US. Accessed 12 Nov. 2023.
- [23] "FedEx 10k." *FedEx*, investors.fedex.com/financial-information/sec-filings/default.aspx. Accessed 13 Nov. 2023.
- [24] "FDX: Fedex Corp.. Annual Income Statement." *MarketWatch*, [www.marketwatch.com/investing/stock/fdx/financials](http://www.marketwatch.com/investing/stock/fdx/financials). Accessed 13 Nov. 2023.
- [25] "Fedex Delivered Fourth Quarter Fiscal 2023 Revenue." *FedEx*, investors.fedex.com/news-and-events/investor-news/investor-news-details/2023/FedEx-Delivered-Fourth-Quarter-Fiscal-2023-Revenue-of-21.9-Billion-Diluted-EPS-of-6.05-and-Adjusted-Diluted-EPS-of-4.94/default.aspx. Accessed 13 Nov. 2023.
- [26] Staff, MarketBeat. "Fedex Earnings Date and Reports 2023 (NYSE:FDX)." *MarketBeat*, MarketBeat, 12 Nov. 2023, [www.marketbeat.com/stocks/NYSE/FDX/earnings/#:~:text=FedEx%20last%20posted%20its%20quarterly,consensus%20estimate%20of%20%2422.55%20billion](http://www.marketbeat.com/stocks/NYSE/FDX/earnings/#:~:text=FedEx%20last%20posted%20its%20quarterly,consensus%20estimate%20of%20%2422.55%20billion).
- [27] Gupta, S.K. "Fedex Swot Analysis (2023)." *Business Strategy Hub*, 16 Jan. 2023, bstrategyhub.com/fedex-swot-analysis/.

**FedEx Corporation**  
Revenue Decomposition  
in millions

Fiscal Years Ending May. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
<b>Package:</b>										
U.S. overnight box	\$8,116	\$9,084	\$8,916	\$ 9,618	\$ 10,376	\$ 11,195	\$ 12,077	\$ 13,029	\$ 14,056	\$ 15,164
U.S. overnight envelope	1,791	1,971	1,980	2,149	2,381	2,611	2,878	3,164	3,482	3,831
U.S. deferred	4,984	5,330	5,128	5,689	6,508	7,338	8,332	9,429	10,687	12,104
<b>Total U.S. domestic package revenue</b>	<b>14,891</b>	<b>16,385</b>	<b>16,024</b>	<b>17,456</b>	<b>19,266</b>	<b>21,144</b>	<b>23,287</b>	<b>25,622</b>	<b>28,225</b>	<b>31,099</b>
International priority	10,317	12,130	10,939	11,349	11,772	12,208	12,662	13,133	13,621	14,127
International economy	2,632	2,838	2,911	3,058	3,227	3,396	3,578	3,768	3,969	4,180
<b>Total international export package</b>	<b>12,949</b>	<b>14,968</b>	<b>13,850</b>	<b>14,407</b>	<b>14,999</b>	<b>15,604</b>	<b>16,241</b>	<b>16,901</b>	<b>17,590</b>	<b>18,307</b>
International domestic(1)	4,640	4,340	4,043	4,205	4,383	4,565	4,756	4,955	5,162	5,378
<b>Total package revenue</b>	<b>32,480</b>	<b>35,693</b>	<b>33,917</b>	<b>36,067</b>	<b>38,648</b>	<b>41,313</b>	<b>44,284</b>	<b>47,477</b>	<b>50,978</b>	<b>54,784</b>
<b>Total package revenue growth</b>	<b>17.41%</b>	<b>9.89%</b>	<b>-4.98%</b>	<b>6.34%</b>	<b>7.16%</b>	<b>6.90%</b>	<b>7.19%</b>	<b>7.21%</b>	<b>7.37%</b>	<b>7.47%</b>
<b>Package Statistics</b>										
Average daily package volume (ADV):										
U.S. overnight box	\$1,427	\$1,421	\$1,259	\$1,305	\$1,352	\$1,401	\$1,452	\$1,504	\$1,559	\$1,615
U.S. overnight envelope	505	506	465	482	499	517	536	556	576	597
U.S. deferred	1,351	1,262	1,063	1,102	1,141	1,183	1,226	1,270	1,316	1,364
<b>Total U.S. domestic ADV</b>	<b>3,283</b>	<b>3,189</b>	<b>2,787</b>	<b>2,888</b>	<b>2,993</b>	<b>3,101</b>	<b>3,214</b>	<b>3,330</b>	<b>3,451</b>	<b>3,576</b>
International priority	752	786	708	734	760	788	816	846	877	908
International economy	284	277	278	288	299	309	321	332	344	357
<b>Total international export ADV</b>	<b>1,036</b>	<b>1,063</b>	<b>986</b>	<b>1,022</b>	<b>1,059</b>	<b>1,097</b>	<b>1,137</b>	<b>1,178</b>	<b>1,221</b>	<b>1,265</b>
International domestic(1)	2,362	1,954	1,805	1,870	1,938	2,009	2,081	2,157	2,235	2,316
<b>Total ADV</b>	<b>6,681</b>	<b>6,206</b>	<b>5,578</b>	<b>5,780</b>	<b>5,990</b>	<b>6,207</b>	<b>6,432</b>	<b>6,665</b>	<b>6,907</b>	<b>7,157</b>
<b>Total ADV growth</b>	<b>11.61%</b>	<b>-7.11%</b>	<b>-10.12%</b>	<b>3.63%</b>	<b>3.63%</b>	<b>3.63%</b>	<b>3.63%</b>	<b>3.63%</b>	<b>3.63%</b>	<b>3.63%</b>
<b>Revenue per package (yield):</b>										
U.S. overnight box	\$22.31	\$25.07	\$27.77	\$ 28.91	\$ 30.10	\$ 31.34	\$ 32.62	\$ 33.96	\$ 35.36	\$ 36.81
U.S. overnight envelope	13.9	15.28	16.71	17.49	18.70	19.79	21.05	22.33	23.72	25.18
U.S. deferred	14.46	16.56	18.91	20.25	22.36	24.33	26.66	29.11	31.84	34.80
U.S. domestic composite	17.79	20.15	22.54	23.88	25.96	27.87	30.11	32.43	34.98	37.70
International priority	53.84	60.54	60.62	60.66	60.72	60.77	60.83	60.88	60.93	60.99
International economy	36.32	40.13	41.12	41.63	42.39	43.05	43.77	44.48	45.22	45.96
International export composite	49.03	55.21	55.13	55.09	55.03	54.98	54.93	54.87	54.82	54.77
International domestic(2)	7.7	8.71	8.78	8.82	8.87	8.91	8.96	9.01	9.06	9.11
<b>Total Revenue per package</b>	<b>215.35</b>	<b>241.65</b>	<b>251.58</b>	<b>256.72</b>	<b>264.13</b>	<b>271.04</b>	<b>278.93</b>	<b>287.08</b>	<b>295.93</b>	<b>305.31</b>
<b>Total Revenue per package growth</b>	<b>-2.41%</b>	<b>12.21%</b>	<b>4.11%</b>	<b>2.04%</b>	<b>2.89%</b>	<b>2.61%</b>	<b>2.91%</b>	<b>2.92%</b>	<b>3.08%</b>	<b>3.17%</b>
<b>Freight:</b>										
U.S.	\$ 3,325	\$ 3,041	\$ 2,906	\$ 2,892	\$ 3,143	\$ 3,270	\$ 3,477	\$ 3,657	\$ 3,867	\$ 4,078
International priority	3,030	3,840	3,060	3,197	3,319	3,455	3,591	3,736	3,884	4,040
International economy	1,582	1,653	1,510	1,626	1,764	1,905	2,062	2,229	2,411	2,607
International airfreight	245	177	166	182	204	226	252	281	313	349
<b>Total freight revenue</b>	<b>8,182</b>	<b>8,711</b>	<b>7,642</b>	<b>7,897</b>	<b>8,430</b>	<b>8,856</b>	<b>9,382</b>	<b>9,902</b>	<b>10,476</b>	<b>11,074</b>
Other	1,416	1,410	1,184	1,337	1,310	1,277	1,308	1,298	1,294	1,300
<b>Total FedEx Express segment</b>	<b>42,078</b>	<b>45,814</b>	<b>42,743</b>	<b>42,333</b>	<b>47,740</b>	<b>50,133</b>	<b>52,690</b>	<b>55,201</b>	<b>57,770</b>	<b>60,375</b>
<b>Total FedEx Express revenue growth rate</b>	<b>18.49%</b>	<b>8.88%</b>	<b>-6.70%</b>	<b>-7.40%</b>	<b>5.48%</b>	<b>4.03%</b>	<b>5.50%</b>	<b>4.78%</b>	<b>5.08%</b>	<b>5.14%</b>
<b>Freight Statistics</b>										
Average daily freight pounds:										
U.S.	\$ 9,231	\$ 7,935	\$ 6,735	\$ 7,109	\$ 7,504	\$ 7,922	\$ 8,362	\$ 8,827	\$ 9,317	\$ 9,835
International priority	6,155	6,671	5,435	5,737	6,056	6,393	6,748	7,123	7,519	7,937
International economy	12,245	11,978	10,591	11,180	11,801	12,457	13,149	13,880	14,651	15,466
International airfreight	1,469	1,160	998	1,053	1,112	1,174	1,239	1,308	1,381	1,457
<b>Total average daily freight pounds</b>	<b>29,100</b>	<b>27,744</b>	<b>23,759</b>	<b>28,068</b>	<b>26,780</b>	<b>25,592</b>	<b>26,311</b>	<b>26,031</b>	<b>27,363</b>	<b>25,868</b>
<b>Total ADF pounds growth</b>	<b>2.44%</b>	<b>-4.66%</b>	<b>-14.36%</b>	<b>18.14%</b>	<b>-4.59%</b>	<b>-4.44%</b>	<b>2.81%</b>	<b>-1.06%</b>	<b>5.12%</b>	<b>-5.46%</b>
<b>Revenue per pound (yield):</b>										
U.S.	\$1.41	\$1.50	\$1.69	\$1.60	\$1.64	\$1.62	\$1.63	\$1.62	\$1.63	\$1.63
International priority	1.93	2.26	2.21	2.19	2.15	2.12	2.09	2.06	2.03	2.00
International economy	0.51	0.54	0.56	0.57	0.59	0.60	0.61	0.63	0.65	0.66
International airfreight	<b>0.65</b>	<b>0.6</b>	<b>0.65</b>	<b>0.68</b>	<b>0.72</b>	<b>0.76</b>	<b>0.80</b>	<b>0.84</b>	<b>0.89</b>	<b>0.94</b>
<b>FedEx Ground Segment</b>										
Revenue	\$30,496	\$33,232	\$33,507	\$36,159	\$38,265	\$40,137	\$42,603	\$44,999	\$47,503	\$50,243
Revenue Growth Rate	<b>34.15%</b>	<b>8.97%</b>	<b>0.83%</b>	<b>7.92%</b>	<b>5.82%</b>	<b>4.89%</b>	<b>6.14%</b>	<b>5.62%</b>	<b>5.56%</b>	<b>5.77%</b>
<b>FedEx Freight Segment</b>										
Revenue	\$ 7,833	\$ 9,532	\$ 9,632	\$9,768	\$10,706	\$10,844	\$10,859	\$11,246	\$11,387	\$11,350
Revenue Growth Rate	<b>10.29%</b>	<b>21.69%</b>	<b>1.05%</b>	<b>1.42%</b>	<b>9.60%</b>	<b>1.28%</b>	<b>0.14%</b>	<b>3.56%</b>	<b>1.25%</b>	<b>-0.33%</b>
<b>FedEx Services Segment</b>										
Revenue	\$ 32	\$ 253	\$ 301	\$330	\$345	\$353	\$358	\$360	\$361	\$361
Revenue Growth Rate	<b>45.45%</b>	<b>690.63%</b>	<b>18.97%</b>	<b>9.49%</b>	<b>4.74%</b>	<b>2.37%</b>	<b>1.19%</b>	<b>0.59%</b>	<b>0.30%</b>	<b>0.15%</b>
<b>Other and eliminations</b>										
Revenue	\$ 3,520	\$ 4,681	\$ 3,972	\$4,251	\$4,507	\$4,446	\$4,611	\$4,737	\$4,818	\$4,948
Revenue Growth Rate	<b>-8.50%</b>	<b>32.98%</b>	<b>-15.15%</b>	<b>7.03%</b>	<b>6.01%</b>	<b>-1.35%</b>	<b>3.72%</b>	<b>2.73%</b>	<b>1.70%</b>	<b>2.70%</b>
<b>Total Revenue</b>	<b>\$83,959</b>	<b>\$93,512</b>	<b>\$90,155</b>	<b>\$95,809</b>	<b>\$102,211</b>	<b>\$107,226</b>	<b>\$113,405</b>	<b>\$120,020</b>	<b>\$126,816</b>	<b>\$134,059</b>
<b>Total Revenue Growth Rate</b>	<b>21.30%</b>	<b>11.38%</b>	<b>-3.59%</b>	<b>6.27%</b>	<b>6.68%</b>	<b>4.91%</b>	<b>5.76%</b>	<b>5.83%</b>	<b>5.66%</b>	<b>5.71%</b>

**FedEx Corporation**

*Income Statement*

in millions

<i>Fiscal Years Ending May. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
<b>Revenues</b>	<b>\$83,959</b>	<b>\$93,512</b>	<b>\$90,155</b>	<b>\$95,809</b>	<b>\$102,211</b>	<b>\$107,226</b>	<b>\$113,405</b>	<b>\$120,020</b>	<b>\$126,816</b>	<b>\$134,059</b>
Salaries & employee benefits	30,173	32,058	31,019	33,383	35,614	37,361	39,514	41,819	44,187	46,711
Purchased transportation	21,674	24,118	21,790	24,194	25,811	27,077	28,638	30,308	32,024	33,853
Rentals & landing fees	4,155	4,712	4,738	4,871	5,196	5,451	5,765	6,101	6,447	6,815
Depreciation & amortization	3,793	3,970	4,176	4,903	5,074	5,239	5,400	5,558	5,713	5,866
Fuel	2,882	5,115	5,909	5,751	5,311	5,572	5,893	6,236	6,589	6,966
Maintenance & repairs	3,328	3,372	3,357	3,600	3,841	4,029	4,262	4,510	4,766	5,038
Goodwill & other asset impairment charges			117	-	-	-	-	-	-	-
Business realignment costs	116	278		-	-	-	-	-	-	-
Other operating expenses	11,981	13,644	13,828	14,124	15,068	15,807	16,718	17,693	18,695	19,763
<b>Total operating expenses</b>	<b>78,102</b>	<b>87,267</b>	<b>85,243</b>	<b>90,826</b>	<b>95,914</b>	<b>100,536</b>	<b>106,189</b>	<b>112,226</b>	<b>118,421</b>	<b>125,011</b>
<b>Total Operating expense growth</b>	<b>16.92%</b>	<b>11.73%</b>	<b>-2.32%</b>	<b>6.55%</b>	<b>5.60%</b>	<b>4.82%</b>	<b>5.62%</b>	<b>5.68%</b>	<b>5.52%</b>	<b>5.57%</b>
Operating income	5,857	6,245	4,912	4,983	6,297	6,690	7,216	7,794	8,395	9,048
Interest expense	793	689	694	738	787	825	873	924	976	1,032
Interest income	52	53	198	455	292	348	502	648	779	940
Other retirement plans income (expense)	1,983	(726)	1,054	-	-	-	-	-	-	-
Gain (loss) on debt extinguishment	(393)			-	-	-	-	-	-	-
Other income (expense), net	(32)	13	(107)	-	-	-	-	-	-	-
<b>Total other income (expense)</b>	<b>817</b>	<b>(1,349)</b>	<b>451</b>	<b>(283)</b>	<b>(495)</b>	<b>(477)</b>	<b>(371)</b>	<b>(275)</b>	<b>(198)</b>	<b>(92)</b>
Income before income taxes	6,674	4,896	5,363	4,700	5,802	6,212	6,845	7,518	8,197	8,957
Provision for income taxes	1,443	1,070	1,391	1,204	1,487	1,592	1,754	1,927	2,101	2,295
<b>Net income</b>	<b>5,231</b>	<b>3,826</b>	<b>3,972</b>	<b>3,496</b>	<b>4,316</b>	<b>4,620</b>	<b>5,091</b>	<b>5,592</b>	<b>6,097</b>	<b>6,662</b>
<b>Net Income growth</b>	<b>-26.86%</b>	<b>3.82%</b>	<b>-11.99%</b>	<b>-13.63%</b>	<b>19.00%</b>	<b>6.60%</b>	<b>9.25%</b>	<b>8.96%</b>	<b>8.28%</b>	<b>8.48%</b>
Weighted average shares outstanding - basic	264	263	254	250.30	248.59	247.03	245.60	244.30	243.11	242.03
Year end shares outstanding	267.35	259.85	251.19	249.41	247.77	246.28	244.92	243.68	242.54	241.51
Net earnings (loss) per share - basic	19.79	14.54	15.60	13.97	17.36	18.70	20.73	22.89	25.08	27.52
Dividends per share	2.60	3.00	4.60	5.04	5.44	5.84	6.16	6.40	6.64	6.88

**FedEx Corporation**
*Balance Sheet*

in millions

<i>Fiscal Years Ending May. 31</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>CV 2030E</b>
<b>Cash &amp; cash equivalents</b>	\$ 7,087	\$ 6,897	\$ 6,856	\$ 2,528	\$ 3,578	\$ 7,048	\$ 10,263	\$ 13,075	\$ 16,641	\$ 21,532
Receivables	12,069	11,863	10,188	12,215	13,031	13,670	14,458	15,301	16,168	17,091
Spare parts, supplies, & fuel	587	637	604	654	698	732	775	820	866	916
Prepaid expenses & other current as:	837	968	962	991	1,057	1,109	1,173	1,241	1,311	1,386
<b>Total current assets</b>	<b>20,580</b>	<b>20,365</b>	<b>18,610</b>	<b>16,387</b>	<b>18,364</b>	<b>22,559</b>	<b>26,668</b>	<b>30,437</b>	<b>34,987</b>	<b>40,926</b>
Total property & equipment, at cost	\$70,077	\$75,275	\$80,624	\$86,940	\$93,389	\$99,966	\$106,675	\$113,519	\$120,499	\$127,619
Less accumulated depreciation & am	34,325	37,184	39,926	44,829	49,903	55,142	60,543	66,101	71,814	77,679
Net property & equipment	35,752	38,091	40,698	42,111	43,486	44,824	46,133	47,418	48,685	49,939
Operating lease right-of-use assets, r	15,383	16,613	17,347	17,949	18,535	19,106	19,664	20,211	20,751	21,286
Goodwill	6,992	6,544	6,435	6,435	6,435	6,435	6,435	6,435	6,435	6,435
Other assets	4,070	4,381	4,053	4,476	4,776	5,010	5,299	5,608	5,925	6,264
Total other long-term assets	26,445	27,538	27,835	28,861	29,746	30,551	31,397	32,254	33,112	33,985
<b>Total assets</b>	<b>82,777</b>	<b>85,994</b>	<b>87,143</b>	<b>87,359</b>	<b>91,596</b>	<b>97,934</b>	<b>104,198</b>	<b>110,109</b>	<b>116,783</b>	<b>124,850</b>
Current portion of long-term debt	\$146	\$82	\$126	\$52	\$52	\$1,340	\$1,398	\$552		
Accrued salaries & employee benefit:	2,903	2,531	2,475	2,831	3,021	3,169	3,351	3,547	3,748	3,962
Accounts payable	3,841	4,030	3,848	4,195	4,476	4,695	4,966	5,256	5,553	5,870
Operating lease liabilities	2,208	2,443	2,390	2,473	2,554	2,632	2,709	2,785	2,859	2,933
Self-insurance accruals	1,535	1,646	1,730	1,879	2,053	2,236	2,442	2,666	2,916	3,190
Taxes other than income taxes	637	532	305	528	563	591	625	661	698	738
Other accrued expenses	2,390	3,010	2,712	2,727	2,910	3,052	3,228	3,417	3,610	3,816
Accrued expenses	4,562	5,188	4,747	5,134	5,526	5,879	6,294	6,744	7,225	7,744
<b>Total current liabilities</b>	<b>13,660</b>	<b>14,274</b>	<b>13,586</b>	<b>14,686</b>	<b>15,628</b>	<b>17,715</b>	<b>18,719</b>	<b>18,883</b>	<b>19,385</b>	<b>20,509</b>
Total long term debt	\$20,733	\$20,182	\$20,453	\$20,452	\$20,502	\$21,497	\$22,984	\$24,454	\$25,842	\$27,408
Deferred income taxes	3,927	4,093	4,489	1,486	1,834	1,964	2,164	2,377	2,591	2,831
Pension, postretirement healthcare, &	3,501	4,448	3,130	2,927	2,736	2,558	2,392	2,237	2,091	1,955
Self-insurance accruals	2,430	2,889	3,339	3,627	3,963	4,316	4,712	5,146	5,629	6,156
Operating lease liabilities	13,375	14,487	15,363	15,896	16,415	16,921	17,415	17,900	18,378	18,852
Deferred gains, principally related to aircraft transactions										
Other liabilities	983	682	695	719	745	771	798	825	854	884
<b>Total Liabilities</b>	<b>58,609</b>	<b>61,055</b>	<b>61,055</b>	<b>59,793</b>	<b>61,824</b>	<b>65,741</b>	<b>69,184</b>	<b>71,822</b>	<b>74,770</b>	<b>78,596</b>
Common Equity	3,513	3,715	3,769	4267	4765	5263	5761	6259	6757	7255
Retained earnings	29,870	32,856	35,326	37,556	40,514	43,688	47,262	51,286	55,765	60,758
Foreign currency translation gain (los	(785)	(1,148)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)
Treasury stock, at cost	8,430	10,484	11,645	12,895	14,146	15,396	16,646	17,897	19,147	20,397
<b>Total common stockholders' inves</b>	<b>24,168</b>	<b>24,939</b>	<b>26,088</b>	<b>27,565</b>	<b>29,772</b>	<b>32,193</b>	<b>35,015</b>	<b>38,287</b>	<b>42,013</b>	<b>46,254</b>
<b>Total Liabilities and Equity</b>	<b>82,777</b>	<b>85,994</b>	<b>87,143</b>	<b>87,359</b>	<b>91,596</b>	<b>97,934</b>	<b>104,198</b>	<b>110,109</b>	<b>116,783</b>	<b>124,850</b>

**FedEx Corporation**
*Historical Cash Flow Statement*

in millions

<b>Fiscal Years Ending May. 31</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Net income</b>	<b>\$ 2,097</b>	<b>\$ 1,050</b>	<b>\$ 1,820</b>	<b>\$ 2,997</b>	<b>\$ 4,572</b>	<b>\$ 540</b>	<b>\$ 1,286</b>	<b>\$ 5,231</b>	<b>\$ 3,826</b>	<b>\$ 3,972</b>
Depreciation & amortization	2,587	2,611	2,631	2,995	3,095	3,353	3,615	3,793	3,970	4,176
Provision for uncollectible accounts	130	145	121	136	246	295	442	577	403	696
Other noncash items including leases & deferred income taxes	581	(572)	31	909	(231)	(233)	2,449	2,887	2,931	3,472
Stock-based compensation	117	133	144	154	167	174	168	200	190	182
Retirement plans mark-to-market adjustments		2,190	1,498	(24)	(10)	3,882	794	(1,176)	1,578	(650)
Loss (gain) on extinguishment of debt								393		
Business realignment costs						101		102	53	
Goodwill & other asset impairment charges					380		435			117
Business optimization & realignment costs, net of payments										23
Receivables	(516)	(392)	(199)	(556)	(1,049)	(873)	(1,331)	(1,389)	(310)	782
Other current assets	(22)	25	(234)	78	(135)	(25)	(59)	(40)	(158)	48
Pension & postretirement healthcare assets & liabilities, net	(453)	(692)	(346)	(1,688)	(2,345)	(909)	(908)	(317)	(697)	(623)
Accounts payable & other liabilities	(235)	659	467	103	141	(571)	(1,787)	71	(1,861)	(3,331)
Other assets & liabilities, net	(22)	(37)	(225)	(139)	(72)	(113)	(7)	(197)	(93)	(16)
<b>Net cash flows from operating activities</b>	<b>4,264</b>	<b>5,366</b>	<b>5,708</b>	<b>4,930</b>	<b>4,674</b>	<b>5,613</b>	<b>5,097</b>	<b>10,135</b>	<b>9,832</b>	<b>8,848</b>
Capital expenditures	(3,533)	(4,347)	(4,818)	(5,116)	(5,663)	(5,490)	(5,868)	(5,884)	(6,763)	(6,174)
Business acquisitions, net of cash acquired	(36)	(1,429)	(4,618)		(179)	(66)		(228)		
Purchase of investments									(147)	(84)
Proceeds from sale of business					123					
Proceeds from asset dispositions & other investing activities	18	24	(10)	135	42	83	22	102	94	84
Net cash flows from investing activities	(3,551)	(5,752)	(9,446)	(4,981)	(5,677)	(5,473)	(5,846)	(6,010)	(6,816)	(6,174)
Principal payments on debt	(254)	(5)	(41)	(82)	(38)	(1,436)	(2,548)	(6,318)	(161)	(152)
Proceeds from debt issuances	1,997	2,491	6,519	1,190	1,480	2,463	6,556	4,212		
Proceeds from stock issuances	557	320	183	337	327	101	64	740	184	231
Excess tax benefits on the exercise of stock options	44	51	3							
Dividends paid	(187)	(227)	(277)	(426)	(535)	(683)	(679)	(686)	(793)	(1,177)
Purchase of treasury stock	(4,857)	(1,254)	(2,722)	(509)	(1,017)	(1,480)	(3)		(2,248)	(1,500)
Other financing activities, net	(19)	(27)	(54)	18	10	(4)	(9)	(38)	(1)	1
<b>Net cash flows from financing activities</b>	<b>(2,719)</b>	<b>1,349</b>	<b>3,611</b>	<b>528</b>	<b>227</b>	<b>(1,039)</b>	<b>3,381</b>	<b>(2,090)</b>	<b>(3,019)</b>	<b>(2,597)</b>
Effect of exchange rate changes on cash	(3)	(108)	(102)	(42)	72	(47)	(70)	171	(187)	(118)
Net increase (decrease) in cash & cash equivalents	(2,009)	855	(229)	435	(704)	(946)	2,562	2,206	(190)	(41)
Cash & cash equivalents at beginning of period	4,917	2,908	3,763	3,534	3,969	3,265	2,319	4,881	7,087	6,897
<b>Cash &amp; cash equivalents at end of period</b>	<b>2,908</b>	<b>3,763</b>	<b>3,534</b>	<b>3,969</b>	<b>3,265</b>	<b>2,319</b>	<b>4,881</b>	<b>7,087</b>	<b>6,897</b>	<b>6,856</b>

**FedEx Corporation***Forecasted Cash Flow Statement*

in millions

<b>Fiscal Years Ending May. 31</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>CV 2030E</b>
<b>Operating Activities</b>							
Net Income	\$3,496	\$4,316	\$4,620	\$5,091	\$5,592	\$6,097	\$6,662
Adjustments to reconcile net income to cash provided by operating activities							
Depreciation and Amortization	4903	5074	5239	5400	5558	5713	5866
Deferred Taxes	(3003)	348	130	200	213	215	240
<b>Changes in Working Capital Accounts:</b>							
Receivables	(2027)	(816)	(639)	(788)	(843)	(866)	(923)
Spare parts, supplies, & fuel	(50)	(44)	(34)	(42)	(45)	(46)	(49)
Prepaid expenses & other current assets	(29)	(66)	(52)	(64)	(68)	(70)	(75)
Accrued salaries & employee benefits	356	189	148	183	195	201	214
Accounts payable	347	280	220	271	290	298	317
Taxes other than income taxes	223	35	28	34	36	37	40
Other accrued expenses	15	182	143	176	188	193	206
Pension, postretirement healthcare, & other benefit obligations	(203)	(190)	(178)	(166)	(155)	(145)	(136)
Self-insurance accruals	438	510	535	602	659	732	801
<b>Cash Provided from Operating Activities</b>	<b>4466</b>	<b>9818</b>	<b>10159</b>	<b>10897</b>	<b>11619</b>	<b>12358</b>	<b>13162</b>
<b>Investing Activities</b>							
Capital Expenditures	(6316)	(6449)	(6578)	(6709)	(6843)	(6980)	(7120)
Goodwill	0	0	0	0	0	0	0
Other long-term assets	(423)	(299)	(234)	(289)	(309)	(318)	(338)
Operating Lease Right-of-Use Assets	(602)	(586)	(570)	(558)	(548)	(540)	(535)
<b>Cash used in Investing Activities</b>	<b>(7342)</b>	<b>(7334)</b>	<b>(7382)</b>	<b>(7556)</b>	<b>(7700)</b>	<b>(7838)</b>	<b>(7993)</b>
<b>Financing Activities</b>							
Long-term debt	(75)	51	2282	1546	624	835	1566
Lease Liabilities	533	519	505	494	485	478	473
Operating Lease Liabilities	83	81	79	77	75	74	74
Other liabilities	24	25	26	27	28	29	30
Common equity	498	498	498	498	498	498	498
Total Dividends Paid	(1266)	(1357)	(1447)	(1517)	(1567)	(1618)	(1669)
Purchase of Treasury Stock	(1250)	(1250)	(1250)	(1250)	(1250)	(1250)	(1250)
<b>Cash (used in) provided by financing activities</b>	<b>(1453)</b>	<b>(1433)</b>	<b>693</b>	<b>(126)</b>	<b>(1107)</b>	<b>(953)</b>	<b>(278)</b>
<b>Net Increase (decrease) in cash and cash equivalents</b>	<b>(4328)</b>	<b>1051</b>	<b>3470</b>	<b>3215</b>	<b>2812</b>	<b>3566</b>	<b>4891</b>
Cash and Cash Equivalents at Beginning of Period	6856	2528	3578	7048	10263	13075	16641
<b>Cash and Cash Equivalents at End of Period</b>	<b>2528</b>	<b>3578</b>	<b>7048</b>	<b>10263</b>	<b>13075</b>	<b>16641</b>	<b>21532</b>

**FedEx Corporation**

*Common Size Income Statement*

<b>Fiscal Years Ending May. 31</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>CV 2030E</b>
<b>Revenues</b>	<b>100.00%</b>									
Salaries & employee benefits	35.94%	34.28%	34.41%	34.84%	34.84%	34.84%	34.84%	34.84%	34.84%	34.84%
Purchased transportation	25.81%	25.79%	24.17%	25.25%	25.25%	25.25%	25.25%	25.25%	25.25%	25.25%
Rentals & landing fees	4.95%	5.04%	5.26%	5.08%	5.08%	5.08%	5.08%	5.08%	5.08%	5.08%
Depreciation & amortization	4.52%	4.25%	4.63%	5.12%	4.96%	4.89%	4.76%	4.63%	4.50%	4.38%
Fuel	3.43%	5.47%	6.55%	6.00%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%
Maintenance & repairs	3.96%	3.61%	3.72%	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
Goodwill & other asset impairment ch	0.00%	0.00%	0.13%							
Business realignment costs	0.14%	0.30%	0.00%							
Other operating expenses	14.27%	14.59%	15.34%	14.74%	14.74%	14.74%	14.74%	14.74%	14.74%	14.74%
<b>Total operating expenses</b>	<b>93.02%</b>	<b>93.32%</b>	<b>94.55%</b>	<b>94.80%</b>	<b>93.84%</b>	<b>93.76%</b>	<b>93.64%</b>	<b>93.51%</b>	<b>93.38%</b>	<b>93.25%</b>
Operating income	6.98%	6.68%	5.45%	5.20%	6.16%	6.24%	6.36%	6.49%	6.62%	6.75%
Interest expense	0.94%	0.74%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%
Interest income	0.06%	0.06%	0.22%	0.47%	0.29%	0.32%	0.44%	0.54%	0.61%	0.70%
Other retirement plans income (exper	2.36%	-0.78%	1.17%							
Gain (loss) on debt extinguishment	-0.47%	0.00%	0.00%							
Other income (expense), net	-0.04%	0.01%	-0.12%							
<b>Total other income (expense)</b>	<b>0.97%</b>	<b>-1.44%</b>	<b>0.50%</b>	<b>-0.30%</b>	<b>-0.48%</b>	<b>-0.45%</b>	<b>-0.33%</b>	<b>-0.23%</b>	<b>-0.16%</b>	<b>-0.07%</b>
Income before income taxes	7.95%	5.24%	5.95%	4.91%	5.68%	5.79%	6.04%	6.26%	6.46%	6.68%
Provision for income taxes	1.72%	1.14%	1.54%	1.26%	1.45%	1.48%	1.55%	1.61%	1.66%	1.71%
<b>Net income</b>	<b>6.23%</b>	<b>4.09%</b>	<b>4.41%</b>	<b>3.65%</b>	<b>4.22%</b>	<b>4.31%</b>	<b>4.49%</b>	<b>4.66%</b>	<b>4.81%</b>	<b>4.97%</b>

**FedEx Corporation**

*Common Size Balance Sheet*

<b>Fiscal Years Ending May. 31</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>CV 2030E</b>
<b>Cash &amp; cash equivalents</b>	<b>8.44%</b>	<b>7.38%</b>	<b>7.60%</b>	<b>2.64%</b>	<b>3.50%</b>	<b>6.57%</b>	<b>9.05%</b>	<b>10.89%</b>	<b>13.12%</b>	<b>16.06%</b>
Receivables	14.37%	12.69%	11.30%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%
Spare parts, supplies, & fuel	0.70%	0.68%	0.67%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%
Prepaid expenses & other current as	1.00%	1.04%	1.07%	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%
<b>Total current assets</b>	<b>24.51%</b>	<b>21.78%</b>	<b>20.64%</b>	<b>17.10%</b>	<b>17.97%</b>	<b>21.04%</b>	<b>23.52%</b>	<b>25.36%</b>	<b>27.59%</b>	<b>30.53%</b>
Total property & equipment, at cost	83.47%	80.50%	89.43%	90.74%	91.37%	93.23%	94.07%	94.58%	95.02%	95.20%
Less accumulated depreciation & am	40.88%	39.76%	44.29%	46.79%	48.82%	51.43%	53.39%	55.07%	56.63%	57.94%
Net property & equipment	42.58%	40.73%	45.14%	43.95%	42.54%	41.80%	40.68%	39.51%	38.39%	37.25%
Operating lease right-of-use assets, r	18.32%	17.77%	19.24%	18.73%	18.13%	17.82%	17.34%	16.84%	16.36%	15.88%
Goodwill	8.33%	7.00%	7.14%	6.72%	6.30%	6.00%	5.67%	5.36%	5.07%	4.80%
Other assets	4.85%	4.68%	4.50%	4.67%	4.67%	4.67%	4.67%	4.67%	4.67%	4.67%
Total other long-term assets	31.50%	29.45%	30.87%	30.12%	29.10%	28.49%	27.69%	26.87%	26.11%	25.35%
<b>Total assets</b>	<b>98.59%</b>	<b>91.96%</b>	<b>96.66%</b>	<b>91.18%</b>	<b>89.61%</b>	<b>91.33%</b>	<b>91.88%</b>	<b>91.74%</b>	<b>92.09%</b>	<b>93.13%</b>
Current portion of long-term debt	0.17%	0.09%	0.14%	0.05%	0.05%	1.25%	1.23%	0.46%	0.00%	0.00%
Accrued salaries & employee benefits	3.46%	2.71%	2.75%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
Accounts payable	4.57%	4.31%	4.27%	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%
Operating lease liabilities	2.63%	2.61%	2.65%	2.58%	2.50%	2.45%	2.39%	2.32%	2.25%	2.19%
Self-insurance accruals	1.83%	1.76%	1.92%	1.96%	2.01%	2.09%	2.15%	2.22%	2.30%	2.38%
Taxes other than income taxes	0.76%	0.57%	0.34%	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%
Other accrued expenses	2.85%	3.22%	3.01%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%
Accrued expenses	5.43%	5.55%	5.27%	5.36%	5.41%	5.48%	5.55%	5.62%	5.70%	5.78%
<b>Total current liabilities</b>	<b>16.27%</b>	<b>15.26%</b>	<b>15.07%</b>	<b>15.33%</b>	<b>15.29%</b>	<b>16.52%</b>	<b>16.51%</b>	<b>15.73%</b>	<b>15.29%</b>	<b>15.30%</b>
Total long term debt	24.69%	21.58%	22.69%	21.35%	20.06%	20.05%	20.27%	20.38%	20.38%	20.44%
Deferred income taxes	4.68%	4.38%	4.98%	1.55%	1.79%	1.83%	1.91%	1.98%	2.04%	2.11%
Pension, postretirement healthcare, &	4.17%	4.76%	3.47%	3.05%	2.68%	2.39%	2.11%	1.86%	1.65%	1.46%
Self-insurance accruals	2.89%	3.09%	3.70%	3.79%	3.88%	4.02%	4.16%	4.29%	4.44%	4.59%
Operating lease liabilities	15.93%	15.49%	17.04%	16.59%	16.06%	15.78%	15.36%	14.91%	14.49%	14.06%
Deferred gains, principally related to ε	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other liabilities	1.17%	0.73%	0.77%	0.75%	0.73%	0.72%	0.70%	0.69%	0.67%	0.66%
<b>Total other long-term liabilities</b>	<b>69.81%</b>	<b>65.29%</b>	<b>67.72%</b>	<b>62.41%</b>	<b>60.49%</b>	<b>61.31%</b>	<b>61.01%</b>	<b>59.84%</b>	<b>58.96%</b>	<b>58.63%</b>
Common Equity	4.18%	3.97%	4.18%	4.45%	4.66%	4.91%	5.08%	5.21%	5.33%	5.41%
Retained earnings	35.58%	35.14%	39.18%	39.20%	39.64%	40.74%	41.68%	42.73%	43.97%	45.32%
Foreign currency translation gain (los	-0.93%	-1.23%	-1.51%	-1.42%	-1.33%	-1.27%	-1.20%	-1.13%	-1.07%	-1.02%
Treasury stock, at cost	10.04%	11.21%	12.92%	13.46%	13.84%	14.36%	14.68%	14.91%	15.10%	15.22%
<b>Total common stockholders' inves</b>	<b>28.79%</b>	<b>26.67%</b>	<b>28.94%</b>	<b>28.77%</b>	<b>29.13%</b>	<b>30.02%</b>	<b>30.88%</b>	<b>31.90%</b>	<b>33.13%</b>	<b>34.50%</b>

**FedEx Corporation**
*Value Driver Estimation*

in millions

<i>Fiscal Years Ending May. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
<b>NOPLAT:</b>										
Revenue	\$83,959	\$93,512	\$90,155	\$95,809	\$102,211	\$107,226	\$113,405	\$120,020	\$126,816	\$134,059
Operating Expenses:										
Salaries and employee benefits	30,173	32,058	31,019	33,383	35,614	37,361	39,514	41,819	44,187	46,711
Purchased transportation	21,674	24,118	21,790	24,194	25,811	27,077	28,638	30,308	32,024	33,853
Rentals and landing fees	4,155	4,712	4,738	4,871	5,196	5,451	5,765	6,101	6,447	6,815
Depreciation and amortization	3,793	3,970	4,176	4,903	5,074	5,239	5,400	5,558	5,713	5,866
Fuel	2,882	5,115	5,909	5,751	5,311	5,572	5,893	6,236	6,589	6,966
Maintenance and repairs	3,328	3,372	3,357	3,600	3,841	4,029	4,262	4,510	4,766	5,038
Other operating expenses	11,981	13,644	13,828	14,124	15,068	15,807	16,718	17,693	18,695	19,763
Total operating expenses	78,102	87,267	85,243	90,826	95,914	100,536	106,189	112,226	118,421	125,011
Operating lease implied interest	845	934	1,008	1,053	1,090	1,125	1,160	1,194	1,227	1,260
<b>EBIT</b>	<b>6,702</b>	<b>7,179</b>	<b>5,920</b>	<b>6,036</b>	<b>7,387</b>	<b>7,815</b>	<b>8,375</b>	<b>8,987</b>	<b>9,622</b>	<b>10,308</b>
Less adjusted taxes:										
Tax provision	1,443	1,070	1,391	1,204	1,487	1,592	1,754	1,927	2,101	2,295
Tax on operating lease	216	239	258	270	279	288	297	306	314	323
Tax shield on interest expense	204	177	178	189	202	212	224	237	250	264
Tax on interest income	218	240	258	270	279	288	297	306	314	323
Tax shield on other retirement plans	511	-187	270	0	0	0	0	0	0	0
Tax shield Goodwill & other asset impairment c	0	0	30	0	0	0	0	0	0	0
Tax shield Business realignment costs	30	71	0	0	0	0	0	0	0	0
Tax shield on loss on debt extinguishment	-101	0	0	0	0	0	0	0	0	0
Tax shield on other, net	-8	3	-27	0	0	0	0	0	0	0
Total adjusted taxes:	1,644	656	1,325	854	1,130	1,227	1,383	1,552	1,722	1,914
Change in deferred taxes:										
Deferred tax assets	1,418	1,207	1,163	1,263	1,211	1,212	1,229	1,217	1,219	1,222
Deferred tax liabilities	-3,927	-4,093	-4,489	-4,170	-4,251	-4,303	-4,241	-4,265	-4,270	-4,259
Change deferred tax	-836	45	-352	220	-29	-54	46	-12	-7	9
<b>NOPLAT:</b>	<b>4,222</b>	<b>6,568</b>	<b>4,244</b>	<b>5,402</b>	<b>6,228</b>	<b>6,534</b>	<b>7,038</b>	<b>7,423</b>	<b>7,893</b>	<b>8,403</b>
<b>Invested Capital (IC):</b>										
Operating Assets:										
Normal Cash	2,794	3,112	3,000	3,188	3,401	3,568	3,774	3,994	4,220	4,461
Receivables	12,069	11,863	10,188	12,215	13,031	13,670	14,458	15,301	16,168	17,091
Spare parts, supplies, & fuel	587	637	604	654	698	732	775	820	866	916
Prepaid expenses and other current assets	837	968	962	991	1,057	1,109	1,173	1,241	1,311	1,386
<b>Total current assets</b>	<b>16,287</b>	<b>16,580</b>	<b>14,754</b>	<b>17,048</b>	<b>18,187</b>	<b>19,079</b>	<b>20,179</b>	<b>21,356</b>	<b>22,565</b>	<b>23,854</b>
Operating Liabilities:										
Accrued salaries and employee benefits	2,903	2,531	2,475	2,831	3,021	3,169	3,351	3,547	3,748	3,962
Accounts payable	3,841	4,030	3,848	4,195	4,476	4,695	4,966	5,256	5,553	5,870
Operating lease liabilities	2,208	2,443	2,390	2,473	2,554	2,632	2,709	2,785	2,859	2,933
Self-insurance accruals	1,535	1,646	1,730	1,879	2,053	2,236	2,442	2,666	2,916	3,190
Taxes other than income taxes	637	532	305	528	563	591	625	661	698	738
Other accrued expenses	2,390	3,010	2,712	2,727	2,910	3,052	3,228	3,417	3,610	3,816
Accrued expenses	4,562	5,188	4,747	5,134	5,526	5,879	6,294	6,744	7,225	7,744
<b>Total current liabilities</b>	<b>13,514</b>	<b>14,192</b>	<b>13,460</b>	<b>14,634</b>	<b>15,576</b>	<b>16,375</b>	<b>17,321</b>	<b>18,331</b>	<b>19,385</b>	<b>20,509</b>
Operating Working Capital	2,773	2,388	1,294	2,414	2,611	2,704	2,858	3,025	3,180	3,345
Net PP&E	35,752	38,091	40,698	42,111	43,486	44,824	46,133	47,418	48,685	49,939
Long-Term Assets:										
Operating lease right-of-use assets, net	15,383	16,613	17,347	17,949	18,535	19,106	19,664	20,211	20,751	21,286
Other assets	4,070	4,381	4,053	4,476	4,776	5,010	5,299	5,608	5,925	6,264
<b>Total Long-Term Assets</b>	<b>19,453</b>	<b>20,994</b>	<b>21,400</b>	<b>22,426</b>	<b>23,311</b>	<b>24,116</b>	<b>24,962</b>	<b>25,819</b>	<b>26,677</b>	<b>27,550</b>
Less Long Term Liabilities:										
Self-insurance accruals	2,430	2,889	3,339	3,627	3,963	4,316	4,712	5,146	5,629	6,156
Other liabilities	983	682	695	719	745	771	798	825	854	884
<b>Total Long-Term Liabilities</b>	<b>3,413</b>	<b>3,571</b>	<b>4,034</b>	<b>4,347</b>	<b>4,708</b>	<b>5,086</b>	<b>5,510</b>	<b>5,972</b>	<b>6,483</b>	<b>7,041</b>
<b>Invested Capital</b>	<b>54,565</b>	<b>57,902</b>	<b>59,358</b>	<b>62,603</b>	<b>64,700</b>	<b>66,557</b>	<b>68,443</b>	<b>70,290</b>	<b>72,059</b>	<b>73,793</b>
<b>Free Cash Flow (FCF):</b>										
NOPLAT	4222	6568	4244	5402	6228	6534	7038	7423	7893	8403
Change in IC	2841	3337	1456	3245	2097	1857	1886	1847	1769	1734
<b>FCF</b>	<b>1380.97</b>	<b>3230.96</b>	<b>2787.43</b>	<b>2157</b>	<b>4131</b>	<b>4677</b>	<b>5152</b>	<b>5577</b>	<b>6124</b>	<b>6668</b>
<b>Return on Invested Capital (ROIC):</b>										
NOPLAT	4222	6568	4244	5402	6228	6534	7038	7423	7893	8403
Beginning IC	51724	54565	57902	59358	62603	64700	66557	68443	70290	72059
<b>ROIC</b>	<b>8.16%</b>	<b>12.04%</b>	<b>7.33%</b>	<b>9.10%</b>	<b>9.95%</b>	<b>10.10%</b>	<b>10.57%</b>	<b>10.85%</b>	<b>11.23%</b>	<b>11.66%</b>
<b>Economic Profit (EP):</b>										
Beginning IC	51724	54565	57902	59358	62603	64700	66557	68443	70290	72059
x (ROIC - WACC)	0.36%	4.24%	-0.47%	1.30%	2.15%	2.30%	2.77%	3.05%	3.43%	3.86%
<b>EP</b>	<b>187.02</b>	<b>2311.79</b>	<b>(272.59)</b>	<b>772.00</b>	<b>1344.62</b>	<b>1487.47</b>	<b>1846.15</b>	<b>2084.88</b>	<b>2410.51</b>	<b>2782.03</b>

## FedEx Corporation

### Weighted Average Cost of Capital (WACC) Estimation

#### Cost of Equity:

Risk-Free Rate	3.86%
Beta	1.36
Equity Risk Premium	4.47%
<b>Cost of Equity</b>	<b>9.94%</b>

#### ASSUMPTIONS:

10-year Treasury bond  
Weekly Two-Year Beta from Bloomberg  
Damodaran November 2023 trailing 12 month rate with adjusted payout

#### Cost of Debt:

Risk-Free Rate	3.86%
Implied Default Premium	2.21%
Pre-Tax Cost of Debt	6.07%
Marginal Tax Rate	26%
<b>After-Tax Cost of Debt</b>	<b>4.51%</b>

10-year Treasury bond

YTM on company's 10-year corporate bond

#### Market Value of Common Equity:

Total Shares Outstanding	260
Current Stock Price	\$246.05
<b>MV of Equity</b>	<b>63,936.09</b>

#### MV Weights

60.90%

#### Market Value of Debt:

Pension Obligations	3,130
Current Portion of LTD	126
Long-Term Debt	20,453
PV of Operating Leases	17,347
<b>MV of Total Debt</b>	<b>41,056.00</b>

39.10%

#### Market Value of the Firm

104,992.09

100.00%

Estimated WACC

7.82%

## FedEx Corporation

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

#### Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	11.66%
WACC	7.80%
Cost of Equity	9.94%

Fiscal Years Ending May. 31	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
-----------------------------	-------	-------	-------	-------	-------	-------	----------

#### DCF Model:

Free Cash Flow (FCF)	2156.7	4130.9	4676.6	5152.0	5576.6	6123.9	6668.4
Continuing Value (CV)							124550.2
PV of FCF	2000.7	3554.7	3733.1	3815.1	3830.7	3902.2	79365.5

Value of Operating Assets:	100202.0
Non-Operating Adjustments	3856.1 Excess Cash
	-15363.0 PV Operating Lease
	-3130.0 Pension Obligations
	-126.0 Current LT Debt
	-20453.0 LT Debt

Value of Equity	64986.1
Shares Outstanding	259.9
Intrinsic Value of Last FYE	\$ 250.09
<b>Implied Price as of Today</b>	<b>\$ 258.83</b>

#### EP Model:

Economic Profit (EP)	772.0	1344.6	1487.5	1846.1	2084.9	2410.5	2782.0
Continuing Value (CV)							52491.1
PV of EP	716.1	1157.1	1187.4	1367.1	1432.1	1536.0	33448.3

Total PV of EP	40844.1
Invested Capital (last FYE)	59357.9
Value of Operating Assets:	100202.0
Non-Operating Adjustments	3856.1 Excess Cash
	-15363.0 PV Operating Lease
	-3130.0 Pension Obligations
	-126.0 Current LT Debt
	-20453.0 LT Debt

Value of Equity	64986.1
Shares Outstanding	259.9
Intrinsic Value of Last FYE	\$ 250.09
<b>Implied Price as of Today</b>	<b>\$ 258.83</b>

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

<b>Fiscal Years Ending May. 31</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>20278</b>	<b>2029E</b>	<b>CV 2030E</b>
EPS	\$ 13.97	\$ 17.36	\$ 18.70	\$ 20.73	\$ 22.89	\$ 25.08	\$ 27.52
<b>Key Assumptions</b>							
CV growth of EPS	2.50%						
CV Year ROE	15.86%						
Cost of Equity	9.94%						
<b>Future Cash Flows</b>							
P/E Multiple (CV Year)							11.32
EPS (CV Year)							\$ 27.52
Future Stock Price							\$ 311.65
Dividends Per Share	5.04	5.44	5.84	6.16	6.40	6.64	6.88
Discounted Cash Flows	\$ 4.58	\$ 4.50	\$ 4.39	\$ 4.22	\$ 3.98	\$ 3.76	\$ 176.50
Intrinsic Value as of Last FYE	\$ 201.94						
<b>Implied Price as of Today</b>	<b>\$ 209.00</b>						

**FedEx Corporation***Relative Valuation Models*

Ticker	Company	Price	EPS		P/E 24	P/E 25	Est. 5yr			
			2024E	2025E			EPS gr.	PEG 24	PEG 25	
DHLGY	Deutsche Post AG	\$ 38.35	\$3.40	\$3.72	11.28	10.31	3.5	3.25	2.97	
UPS	UNITED PARCEL SERVICE, INC.	\$ 134.83	\$8.67	\$9.73	15.55	13.86	15.6	0.99	0.89	
TFII	TFI International Inc.	\$ 107.53	\$8.18	\$10.26	13.15	10.48	17.2	0.76	0.61	
CHRW	C.H. ROBINSON WORLDWIDE, INC.	\$ 81.26	\$3.59	\$4.33	22.64	18.77	6.4	3.54	2.93	
EXPD	EXPEDITORS INTERNATIONAL OF WASHINGTON, INC	\$ 107.75	\$5.26	\$5.07	20.48	21.25	5.6	3.63	3.77	
					Average	<b>16.62</b>	<b>14.93</b>		<b>2.44</b>	<b>2.23</b>
FDX	FedEx Corporation	\$246.05	\$13.97	\$17.36	17.6	14.2	12.42	1.4	1.1	

**Implied Relative Value:**

P/E (EPS24)	\$ 232.11
P/E (EPS25)	\$ 259.24
PEG (EPS24)	\$ 422.47
PEG (EPS24)	\$ 481.53

**FedEx Corporation**  
Key Management Ratios

<b>Fiscal Years Ending May. 31</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>CV 2030E</b>
<b>Liquidity Ratios:</b>										
Current Ratio (Current Assets / Current Liabilities)	1.51	1.43	1.37	1.12	1.18	1.27	1.42	1.61	1.80	2.00
Quick Ratio (Cash and Cash Equivalents + Receivables) / Total Current Assets)	1.40	1.31	1.25	1.00	1.06	1.17	1.32	1.50	1.69	1.88
Cash Ratio (Cash and Cash Equivalents / Total Current Liabilities)	0.52	0.48	0.50	0.17	0.23	0.40	0.55	0.69	0.86	1.05
<b>Asset-Management Ratios:</b>										
Total Asset Turnover Ratio (Total Revenue / Total Average Assets 2 year span)	0.22	0.25	0.27	0.26	0.27	0.27	0.27	0.26	0.26	0.26
Net Working Capital Turnover Ratio (Revenue / (Total current assets - total current liab	12.13	15.35	17.94	56.32	37.36	22.14	14.27	10.39	8.13	6.57
Days Sale Outstanding ((Receivables/ Revenue)*365)	52.47	46.30	41.25	46.53	46.53	46.53	46.53	46.53	46.53	46.53
<b>Financial Leverage Ratios:</b>										
Debt-to-Assets Ratio (Long-Term Debt/ Total Assets)	0.25	0.23	0.23	0.23	0.22	0.22	0.22	0.22	0.22	0.22
Debt-to-Equity Ratio (Long-Term Debt/ Total Stock holders equity)	0.86	0.81	0.78	0.74	0.69	0.67	0.66	0.64	0.62	0.59
Asset-to-Equity Ratio (Total Assets/ Total Stock Holders Equity)	3.43	3.45	3.34	3.17	3.08	3.04	2.98	2.88	2.78	2.70
<b>Profitability Ratios:</b>										
Return on Equity (NI/Beg TSE)	28.59%	15.83%	15.93%	13.40%	15.66%	15.52%	15.81%	15.97%	15.92%	15.86%
Return on Assets (NI/Total Assets)	6.32%	4.45%	4.56%	4.00%	4.71%	4.72%	4.89%	5.08%	5.22%	5.34%
Net Profit Margin Ratio (NI/ Cash & cash equivalents)	6.23%	4.09%	4.41%	3.65%	4.22%	4.31%	4.49%	4.66%	4.81%	4.97%
<b>Payout Policy Ratios:</b>										
Dividend Payout Ratio (Dividend/EPS)	13.14%	20.63%	29.49%	36.09%	31.34%	31.22%	29.72%	27.96%	26.48%	25.00%
Total Payout Ratio ((Divs. + Repurchases)/NI)	-13.29%	37.79%	7.67%	0.45%	2.47%	4.26%	5.24%	5.67%	6.03%	6.28%
Retention Ratio ((EPS-Expected Dividends per share)/EPS)	86.86%	79.37%	70.51%	63.91%	68.66%	68.78%	70.28%	72.04%	73.52%	75.00%

**FedEx Corporation***Valuation of Options Granted under ESOP*

Current Stock Price	\$246.05
Risk Free Rate	3.86%
Current Dividend Yield	1.92%
Annualized St. Dev. of Stock Returns	40.00%

<b>Range of Outstanding Options</b>	<b>Number of Shares</b>	<b>Average Exercise Price</b>	<b>Average Remaining Life (yrs)</b>	<b>B-S Option Price</b>	<b>Value of Options Granted</b>
Outstanding at May 31, 2023	15,191,189	\$199.89	6.1	\$ 105.30	\$ 1,599,689,209
Total	15,191,189	\$ 199.89	6.10	\$ 126.92	<b>\$ 1,599,689,209</b>

---

**FedEx Corporation**  
Sensitivity Tables

		Current Dividend Yield						
		1.68%	1.76%	1.84%	1.92%	2.00%	2.08%	2.16%
Equity Risk Premium	258.83							
	4.17%	258.65	258.57	258.48	258.40	258.31	258.22	258.14
	4.27%	258.80	258.71	258.63	258.54	258.46	258.37	258.28
	4.37%	258.94	258.86	258.77	258.69	258.60	258.52	258.43
	4.47%	259.09	259.00	258.92	258.83	258.75	258.66	258.58
	4.57%	259.23	259.15	259.06	258.98	258.89	258.81	258.72
	4.67%	259.38	259.29	259.21	259.12	259.04	258.95	258.87
	4.77%	259.52	259.44	259.35	259.27	259.18	259.10	259.01

		WACC						
		7.50%	7.60%	7.70%	7.80%	7.90%	8.00%	8.10%
Shares Outstanding	230	321.22	311.24	301.65	292.42	283.54	274.98	266.73
	240	307.84	298.27	289.08	280.24	271.73	263.52	255.62
	250	295.52	286.34	277.52	269.03	260.86	252.98	245.39
	260	284.32	275.49	267.00	258.83	250.97	243.39	236.09
	270	273.63	265.13	256.96	249.10	241.53	234.24	227.22
	280	263.86	255.66	247.78	240.21	232.91	225.88	219.10
	290	254.76	246.85	239.24	231.92	224.88	218.09	211.55

		Cost of Equity						
		9.64%	9.74%	9.84%	9.94%	10.02%	10.12%	10.22%
Pre-Tax Cost Of Debt	5.77%	252.44	252.55	252.65	252.75	252.84	252.94	253.05
	5.87%	254.46	254.57	254.67	254.78	254.86	254.97	255.07
	5.97%	256.49	256.59	256.70	256.81	256.89	257.00	257.10
	6.07%	258.51	258.62	258.73	258.83	258.92	259.02	259.13
	6.17%	260.54	260.64	260.75	260.86	260.94	261.05	261.16
	6.27%	262.56	262.67	262.78	262.89	262.97	263.08	263.19
	6.37%	264.58	264.69	264.80	264.91	265.00	265.11	265.22

		Risk Free Rate						
		3.56%	3.66%	3.76%	3.86%	3.96%	4.06%	4.16%
Normal Cash Estimate	258.83							
	3.03%	260.36	260.47	260.58	260.69	260.79	260.90	261.01
	3.13%	259.74	259.85	259.95	260.06	260.17	260.28	260.38
	3.23%	259.12	259.22	259.33	259.44	259.55	259.65	259.76
	3.33%	258.51	258.62	258.73	258.83	258.94	259.05	259.15
	3.43%	257.87	257.98	258.09	258.19	258.30	258.41	258.51
	3.53%	257.25	257.36	257.46	257.57	257.68	257.78	257.89
	3.63%	256.63	256.73	256.84	256.95	257.05	257.16	257.26

		Marginal Tax Rate						
		25.32%	25.42%	25.52%	25.62%	25.72%	25.82%	25.92%
CV Growth of NOPLAT	\$ 258.83							
	2.20%	251.46	251.54	251.61	251.69	251.77	251.85	251.93
	2.30%	253.75	253.83	253.90	253.98	254.06	254.14	254.22
	2.40%	256.12	256.20	256.28	256.36	256.44	256.52	256.60
	2.50%	258.58	258.67	258.75	258.83	258.91	258.99	259.07
	2.60%	261.14	261.23	261.31	261.39	261.47	261.56	261.64
	2.70%	263.80	263.89	263.97	264.05	264.14	264.22	264.30
	2.80%	266.57	266.65	266.74	266.82	266.91	266.99	267.08