

Target Price: \$277 - \$287
Current Price: \$266.74

Stock Rating:

HOLD

Industrials

Analysts

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Snapshot

Valuations

DCF: \$282.51
 DDM: \$126.47
 Relative Valuation: \$266.80

Price Data

Current Price: \$229.12
 52-Week Range: \$213.81-\$291.27

Key Metrics

Market Capitalization: 65.64 B
 Shares Outstanding: 148 M
 Beta: 1.21
 WACC: 6.79%
 Forward P/E: 331.34

Financial Overview

2023 Revenue: \$90,155M
 2024E Revenue: \$88,247M
 2023 Net Income: \$3,972M
 2024E Net Income: \$3,428M

Key Ratios

2023 ROE: 15.23%
 2023 ROA: 4.34%
 2023 EPS: 15.6
 2023 Dividend Yield: 1.88%

Investment Thesis

We recommend a HOLD rating for FDX, because of their plans to increase margins by cutting costs and the potential for growth in demand in the future. Our valuation shows that FedEx is currently trading at 3.9-7.6% below the target price. FedEx suffered through a loss of demand in 2023, which we expect to continue throughout 2024, which is why we have not recommended a BUY rating. We believe if FedEx correctly implements their cost saving plans and economic activity returns to normal, FedEx's stock will continue to grow in the future.

Thesis Drivers:

Ability to cut costs: Even though the demand within the logistics industry has recently decreased, FedEx has responded well by implementing the new DRIVE program. This program will allow the firm to increase efficiency and cut costs by using independent contractors. Because of this, we expect profit will begin to increase by 2026.

Potential growth within the air freight and logistics sector: The air freight and logistics industry has recently underperformed compared to the broader market which is why we should not invest within this industry right now. But the US Freight and Logistics Market expects growth within this segment which is why we should hold the investment for now.

Thesis Risks:

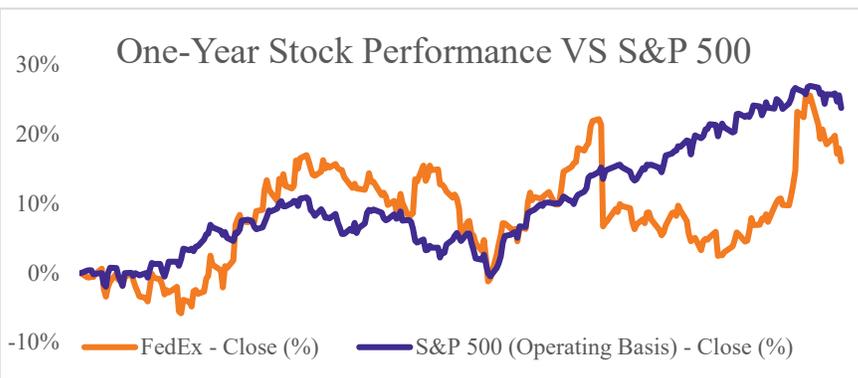
Demand decreases: In 2023, FedEx suffered through a decrease in demand, resulting in a decline in revenue. If this drop in demand continues for the next few years, it could significantly impact FedEx's long-term growth plans.

New competition entering the industry: Firms with more technological advancements, such as Amazon have begun entering the logistics space. If FedEx does not defend their market share by becoming more efficient through technology, their profits could suffer.

Company Overview

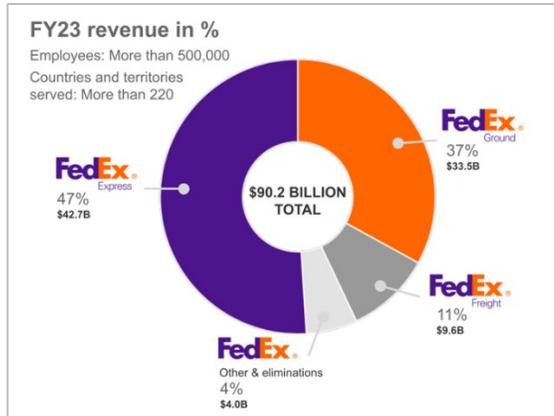
FedEx Corporation, headquartered in Memphis, Tennessee, is a global logistics company offering a comprehensive suite of transportation, e-commerce, and business services through its various segments, including FedEx Express, Ground, Freight, and others. With a commitment to innovation and technology, FedEx's core operations revolve around efficiently moving packages and freight across the globe, serving a diverse customer base across industries and geographies. [1]

One-Year Stock Performance Vs S&P 500 Index



Source: [5]

Company Analysis



Source: [2]

Revenue Analysis and Decomposition:

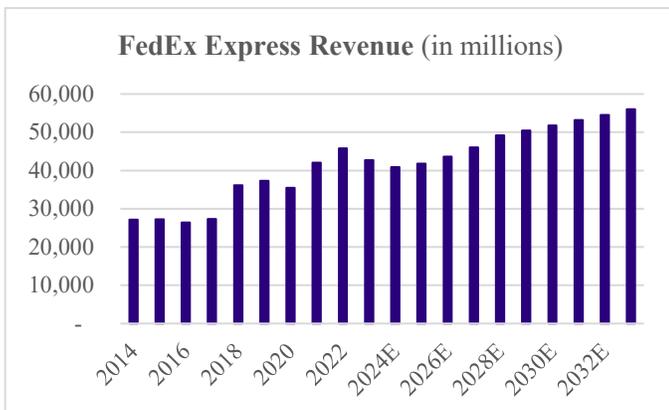
Summary:

FDX's revenue in 2023 was \$90.16 billion. This revenue was down 3.59% from FDX's 2022 reported revenue of \$93.51 billion, but up 6.87% from FDX's 2021 reported revenue of \$83.96 billion. FDX operates across various business segments and within multiple geographic regions. FDX's receives 84% of its revenues from their FedEx Express and FedEx Ground business segments (47% and 37%, respectively) [1].

Business Segments:

FedEx Express:

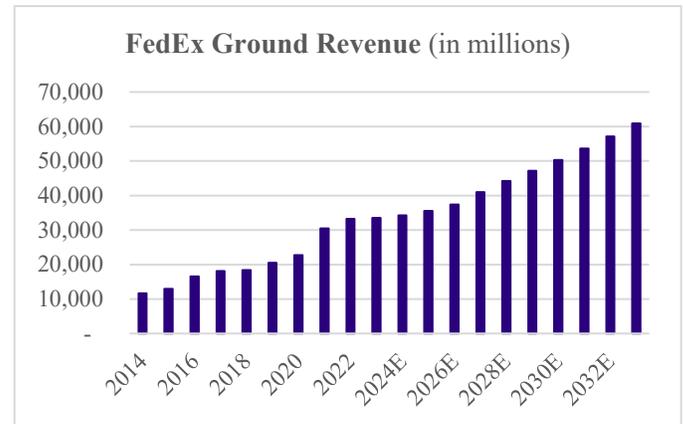
FedEx Express invented express transportation and stands as an industry leader to more than 220 countries and territories. FedEx Express accounts for around 47% of FedEx's total revenue [3].



Source: Krause Fund Model

FedEx Ground:

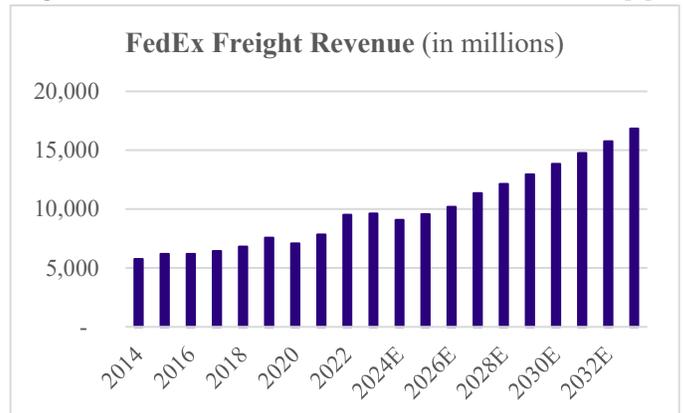
FedEx Ground offers affordable, guaranteed delivery to businesses across the U.S. and Canada, and reaches every U.S. residence through FedEx Home Delivery® Service. FedEx Ground accounts for around 37% of FedEx's total revenue [3].



Source: Krause Fund Model

FedEx Freight

FedEx Freight provides LTL freight services across North America, including priority, economy, and direct options, as well as serving Puerto Rico and the U.S. Virgin Islands. FedEx Freight accounts for around 11% of FedEx's total revenue [3].



Source: Krause Fund Model

FedEx Services:

FedEx Services offers a range of essential support functions, including sales, marketing, IT, customer service, technical support, billing, and back-office operations, to bolster our transportation segments [3].

FedEx Logistics:

FedEx Logistics offers a wide range of integrated logistics solutions, including air and ocean cargo transportation, specialty transportation, customs brokerage, trade management tools, and third-party logistics services [3].

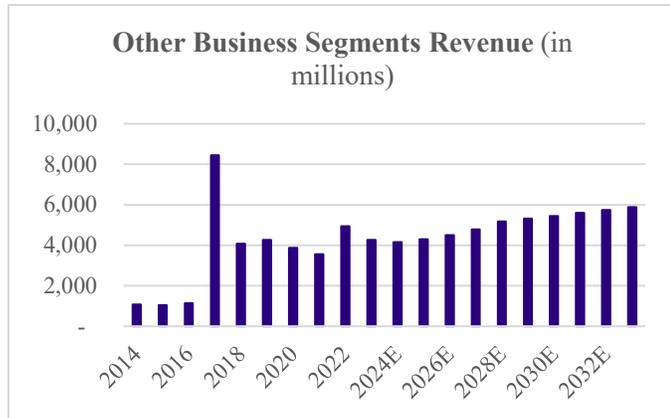
FedEx Office:

FedEx Office offers a comprehensive array of services including copying, digital printing, professional finishing, signage, computer rental, corporate print solutions, packing, shipping via FedEx Express and FedEx Ground, and Hold at FedEx Locations [3].

FedEx Dataworks:

FedEx Dataworks leverages data insights from the FedEx network to develop digital solutions that enhance operations,

digitize supply chains, and unlock opportunities for customers, their customers, and the future of FedEx [3]. Top of Form



Source: Krause Fund Model

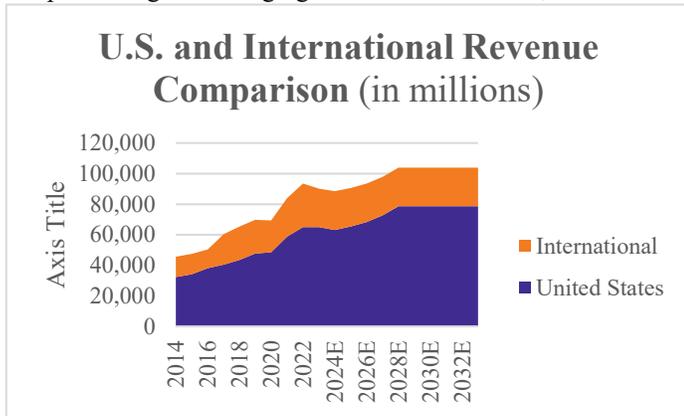
Geographic Revenue Segmentation:

FedEx’s global network, which includes 13 hubs that connect 220+ countries and territories, reaches more than 99% of the world’s Gross Domestic Product (GDP) [4].

Source: Krause Fund Model

Segment Thesis

Despite facing a challenging demand environment, FedEx



achieved notable improvements in third-quarter income and margin, driven primarily by the successful execution of the DRIVE program and a sustained focus on revenue quality. Raj Subramaniam, FedEx Corp.'s president and CEO, emphasized the continued progress of the company's transformation efforts, underlining a growing confidence in their trajectory toward building a more adaptable, efficient, and intelligent network.

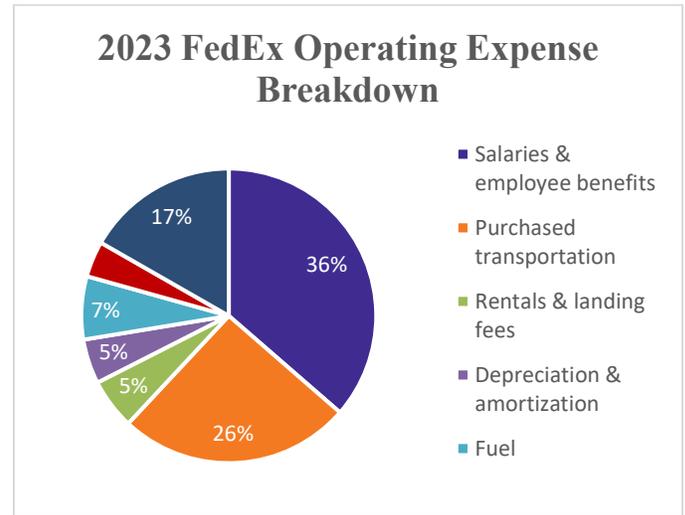
Expense Analysis:

FedEx’s largest operating expense is salaries and employee benefits, which were \$31,019M in 2023. This expense, which represents roughly 34.40% of revenues, supports FedEx’s roughly 530,000 employees (as of 2023 [1]). This expense is down 3.24% since 2022. One key driver of this expense reduction is related to a reduction in FedEx’s workforce of 3.29% and management team of 10% since 2022 [6] [7].

The second largest operating expense is purchased transportation, which was \$21,790M in 2023. This is a decrease of roughly 9.65% since 2022. This is likely due to decreased costs in freight and fuel rates, which will be discussed in the economic analysis later in this report. As mentioned in the 10-K, purchased transportation expense is affected by freight rates and fuel costs (which FedEx counter-

acts with fuel surcharges).

The next greatest expense is fuel, at \$5,909M in 2023. The fluctuations of oil prices are one of the largest economic factors that affect FedEx’s margins. When the price of oil increases, even slightly, this will result in a large increase in the firm’s operating expenses.



Source: Krause Fund Model

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

Margin & Profit Analysis

FedEx’s EBITDA margin in 2023 was 10.08% and their EBIT margin was 5.45%. The firm has announced a new program called DRIVE, with the goal of increasing efficiency by cutting operational costs. With this program, FedEx will hire independent contractors who own delivery trucks to operate as delivery drivers in select territories. This change in their company operations will allow the firm to cut down on many operational costs, such as purchased transportation and fuel. Because of this new program, we projected many of FedEx’s operational expenses to slowly decrease so their margin/profits begin to increase starting in 2026. By 2033, we project FedEx’s EBITDA margin to be 10.32% and their EBIT margin to be 6.20%.

Recent M&A Activity

FedEx has not participated in M&A since 2020. Their most recent M&A activity was when the firm acquired ShopRunner, Inc., which is an e-commerce platform. Through this acquisition, FedEx can directly connect their brands and merchants with online shoppers. ShopRunner offers many pre-purchase services that allow online consumers to find the best purchase for them. Where FedEx’s focus is post-purchase logistics, which helps engage consumers after they have already made their purchase.

Capital Expenditures

FedEx’s main capital expenditures include business ventures that upgrade their transportation services. Some examples include aircraft fleet, ground vehicles, and infrastructure.

FedEx spends the largest portion of cash on capex. In the past 5 years, FedEx has increased capex by 33.78%. Around 70% of this growth is from purchases of aircraft. For our projection, we only assume capex will grow by 18.47% in the next five years. This slower growth is because of FedEx's implementation of the DRIVE program. Since the firm will be using more independent contractors to fulfill their delivery services, we expect there to be less need for capex within the next few years.

SWOT Analysis

Strengths:

One of FedEx's main strengths is their brand and the strong global presence they have in multiple countries. Out of all their competitors, they are known to have one of the fastest and most affordable express delivery service. Customers enjoy using the real-time tracking feature for overnight deliveries. FedEx is a very reputable company and is a valuable brand. Currently has a market capitalization of \$58.9 billion, which is the world's 301st most valuable company. The firm offers a wide variety of services which include ground delivery, freight, express, and business services.

Over the past two decades the firm has had highly profitable acquisitions that have allowed them to grow the business. Some of these acquisitions include printing shops, cargo transportation services, and other freight lines. FedEx also has strong and effective marketing. The company sponsors events such as the FedEx Cup for the PGA Tour, the French Open tennis tournament, and has aids that air through the NFL [32].

Weaknesses:

Even though FedEx is a valuable company with a strong brand presence, there are some downsides to their business that could prevent future growth. One of their weaknesses is they heavily rely on fuel because of their dependence on transportation. Fluctuations in fuel prices could significantly impact their operational costs and shrink their margins.

Another main weakness for FedEx is their lack of technological development in recent years. There has been a rise of firms who have e-commerce platforms in recent years who are taking away business from FedEx. The success of Amazon has had negative effects on FedEx. If the firm does not make technological advancements to keep up with other companies, they will lose part of their market share [33].

Opportunities:

One potential opportunity for FedEx is the current development of their new ecommerce platform. This new platform will provide their merchants with an opportunity to enhance communication with their customers. This could increase demand for FedEx and boost revenues during 2024 and 2025. The e-commerce platform is supposed to be released in fall of 2024 and could enhance FedEx's business practices.

Another potential opportunity for FedEx is additional expansion through mergers and acquisitions. FedEx has not engaged in M&A activity since 2020 and they could use an acquisition to get the technological advancement they need to

compete with other companies. The increased focus on sustainability also could be a promising opportunity for FedEx. Consumers are becoming more aware of sustainability efforts and are looking to support firms who are adopting eco-friendly practices. If FedEx can seize this opportunity and become more sustainable before other firms do, this could grow their market share [32].

Threats:

In 2023, FedEx suffered through a decrease in demand which caused revenue to decline. If this drop in demand continues for the next few years, this could greatly affect FedEx's long-term plans for growth. If the demand for logistics services does not return to normal levels, FedEx will have to change their business model to be successful.

Amazon and Uber Freight are two firms who have innovated the logistics industry. Both firms will soon be direct competitors with FedEx, especially because Amazon is slowly cutting their ties with outsourced ground transportation. Geopolitical tensions also pose a threat to FedEx because this could increase the costs of many inputs FedEx uses to deliver their services. If inputs such as crude oil and petroleum, which are used in FedEx aircrafts and vehicles, increase there could be significant impacts on the firm's margins [33].

Description & Overview:

Air Freight and Logistics Industry:

The air freight and logistics industry service are crucial within global economies and international trade. Comprising three principal business segments - freight transportation services, logistics and supply chain solutions, and value-added services - this industry navigates the complex terrain of moving goods swiftly and efficiently across borders and continents. Revenue streams within this industry are diverse and multifaceted, reflecting the breadth of services offered. These encompass freight transportation services, freight forwarding, warehousing and distribution, express delivery, e-commerce fulfillment, value-added services, and comprehensive logistics and supply chain management solutions. Predominantly, revenue derives from freight transportation services, epitomizing fees accrued from the physical movement of goods. Supplementing this core stream are ancillary services such as freight forwarding, wherein companies orchestrate shipments on behalf of clients. Additionally, value-added services like insurance, packaging, labeling, and cargo handling not only augment the worth and convenience of services rendered but also cultivate additional revenue channels, underscoring the industry's dynamism and adaptability.

Recent Industry Development & Trends:

Recent Technological Changes:

Technological advancements in the air freight and logistics sector are aimed at enhancing efficiency and bolstering trust across the supply chain. Blockchain technology offers heightened security, transparency, and accountability. Artificial intelligence (AI) optimizes operations and streamlines processes, while real-time tracking and monitoring technologies empower clients with cargo whereabouts and vital environmental conditions monitoring [8].

Government & Regulatory Changes:

Environmental sustainability is a primary goal for many firms in the air freight and logistics domain. Future regulatory changes are likely to have a direct impact, necessitating substantial capital investments to align with sustainability standards [9].

Global Changes to International Sales Markets or Supply Chains:

The COVID-19 pandemic highlighted aviation's importance as a distribution pillar, prompting increased air cargo transportation usage. Coupled with e-commerce growth, supply chain diversification is expected to rise, necessitating businesses to adapt to changing market dynamics [10].

Competition

Overview

FedEx operates in a competitive industry. There are multiple firms that offer similar services and have a large market share similar to FedEx. In future years, FedEx will see many new companies entering the space who will innovate the industry with technological advancements. The firm's main competition includes United Parcel Services and Amazon. FedEx can stand out amongst its competitors because of its large global network, their variety of services, and brand reputation.

United Parcel Services

United Parcel Services (UPS) is FedEx's main competitor. Out of all our comparable companies, UPS is most similar to FedEx. Both companies offer similar products and appeal to the same target audience. UPS is different from FedEx because of the higher emphasis placed on ground package delivery versus FedEx specialization in global freight services. Compared to FedEx, UPS offers free real-time tracking which attracts more consumers and UPS is known to have more competitive prices. But FedEx offers the fastest overnight delivery which is why consumers will often pick FedEx over UPS [40].

Amazon

When Amazon first became a player within the logistics industry, they were on a different side of the sector compared to FedEx. But through the past few years, Amazon has expanded its logistics capabilities and become a more direct competitor to FedEx. One way Amazon is unique compared to FedEx is their vertical integration within the supply chain. Amazon controls various stages of the supply chain which allows the firm to have more control over its operations and create efficiency. Amazon is also very committed to technology and improving the consumer experience which is why they have developed such a large market share. FedEx has been able to continue competing with Amazon because of

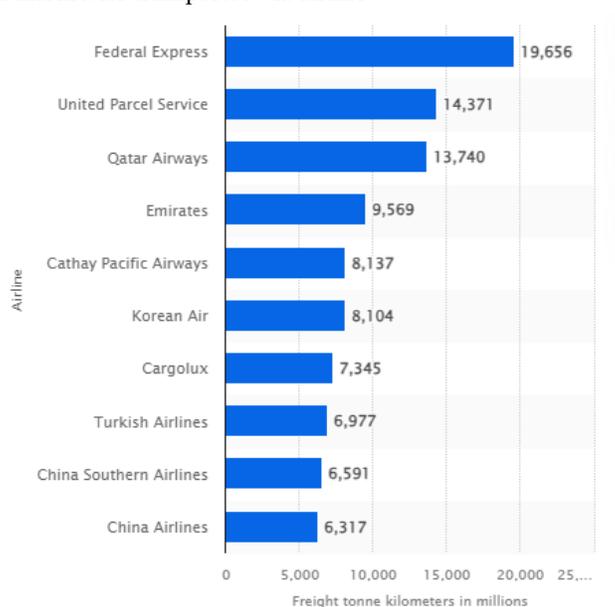
their variety of service offerings. Beyond just package delivery, FedEx offers freight transportation and works directly with merchants to deliver products [41].

Porter's Five Forces:

Threat of Competition: High

Competition in this industry, much like many others, is very high due to the presence of several key international players. The intense rivalry among competitors like FedEx, GAC, ARAMEX, DHL, etc. makes it hard for competitors to increase their market share. Competition is primarily based on quality of service, speed of service, and cost. It is very easy for customers to switch from one company to another due to the similarity of services provided, forcing companies to adopt similar pricing strategies [35].

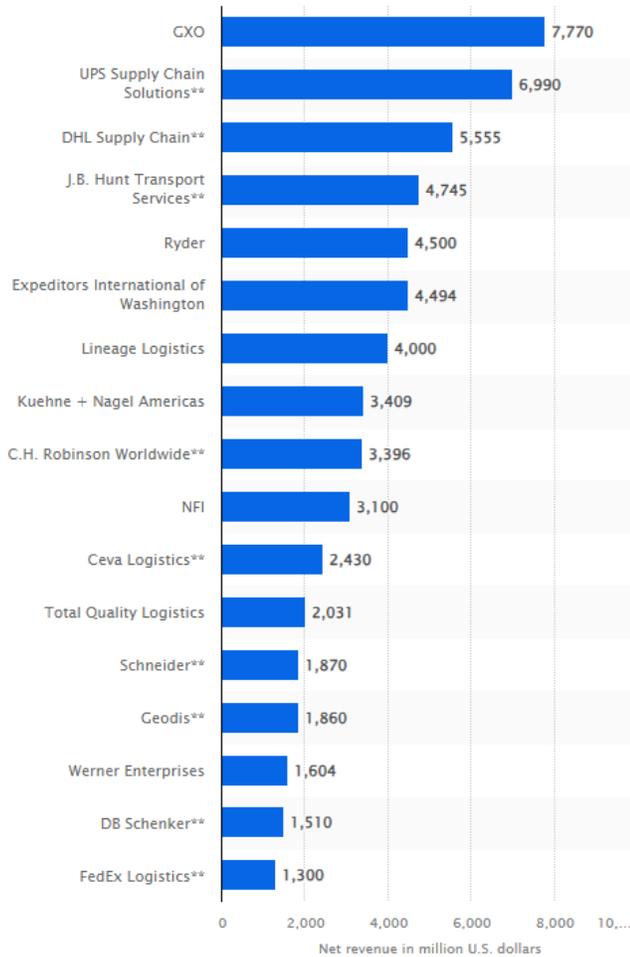
However, certain companies hold significant market shares in specific industry sub-verticals. For example, as seen in the chart below, Federal Express, United Parcel Service (UPS), and Qatar Airways hold significant market share for freight ton kilometers transported via airline.



Source: [36]

In contrast, the chart below shows that GXO, UPS, and DHL hold significant market share in the logistics sub-industry vertical.

Leading logistics companies in the United States in 2022, (in million U.S. dollars):



Source: [37]

Competitors in the Truckload and Less-than-Truckload Space:

In 2022, the for-hire transportation sector made a \$815 billion contribution, accounting for 3.2% of the U.S. GDP, as reported by the Bureau of Transportation Statistics (most recent data). Within this total, \$185 billion, constituting 28% of for-hire transportation services, stemmed from truck transportation.

LEADING PUBLICLY TRADED TL & LTL CARRIERS (ranked by full year 2023 revenues)								
	REVENUES (in \$, millions)				OPERATING INCOME (in \$, millions)			
	2020	2021	2022	2023	2020	2021	2022	2023
LEADING TL CARRIERS								
J.B. Hunt Transport Services	9,637	12,168	14,814	12,830	713	1,046	1,332	993
Knight-Swift Transportation†	4,674	5,998	7,429	7,142	567	891	1,000	285
Landstar System	4,136	6,540	7,440	5,313	281	504	568	340
Werner Enterprises	2,372	2,734	3,290	3,283	216	250	243	132
Covenant Transportation	839	1,046	1,217	1,104	5	63	80	49
Heartland Express	645	607	968	1,207	79	68	91	1
LEADING LTL CARRIERS								
UPS Freight†	15,184	17,429	16,431	13,169	357	1,728	1,771	834
Old Dominion Freight Line	4,015	5,256	6,260	5,866	907	1,392	1,841	1,641
ArcBest Corporation	2,940	3,766	5,029	4,427	98	277	395	173
FedEx Freight†	7,102	7,833	9,532	NA	580	1,005	1,663	NA
SAIA	1,822	2,289	2,792	NA	180	335	470	NA

†Fiscal year ended May. †LTL operations are consolidated in the Supply Chain & Freight segment.
Source: Company reports

Source: [38]

Truckload (TL): TL shipments typically weigh over 10,000 pounds. The market leaders in this industry are primarily public companies: all six listed above are publicly traded equities. However, these six are an exception, as most of this segment is privately owned.

Less-than-Truckload (LTL): Two major publicly traded carriers, UPS Freight and FedEx Freight, experienced revenue growth rates of 2.8% in 2022 and 13.4% in 2021 within the LTL segment. This category encompasses carriers like Old Dominion, ArcBest Corp, and SAIA.

Bargaining Power of Buyers: Moderate

The bargaining power of buyers in this industry is rather significant due to minimal differentiation in services offered by air freight and logistics companies. Additionally, the costs associated with switching from one carrier to another is relatively low. In today's economy, consumers expect to receive their shipments much more quickly than even just several years prior. This also contributes to the significant power buyers hold: if one company is not sufficiently quick or efficient, they will find another to transport their goods.

Bargaining Power of Suppliers: Moderate

In the logistics industry, suppliers primarily consist of manufacturers in the automobile industry—companies who produce various forklifts, trucks, cranes, and airplanes. These companies are found in abundance, which causes companies in the industry to choose suppliers merely based on differentiated prices. This results in suppliers having very low bargaining power.

Threat of New Entrants: Low

In the logistics industry, the growing development of new technologies has provided a platform for new business models and low entry barriers. New startups tend to be light in terms of assets, incorporating new technology to attract new customers with increased efficiency and interactive shipping capabilities. One example of this is a new technology that offers interactive benchmarking, matching air and shipping companies with delivery needs of customers. Uber has launched a new program in Hong Kong, UberCARGO, that is looking to develop new technologies as it enters the logistics industry.

Threat of Substitutes: High

For this industry, the threat of substitutes is very low. Due to the variety of services offered at various price ranges and the constant need for transportation/warehousing of cargo, customers do not have many alternatives. Cargo and products will always need to be transported from one location to another, so the industry itself is not facing a threat of substitution. However, key players in this industry will need to withstand threats of autonomous vehicles that can disrupt the traditional logistics model, blockchain technologies that can better facilitate shipment processes, and other developing technologies that could become substitutes in the future.

Catalysts for Growth/Change & Looking Ahead:

From an industry standpoint, digitalization is reshaping logistics through advancements in technology, including artificial intelligence and robotics. Companies are integrating advanced supply chain management systems to enable real-time tracking and visibility across their operations. This

centralized approach allows for data-driven decision-making and enhances efficiency throughout the supply chain.

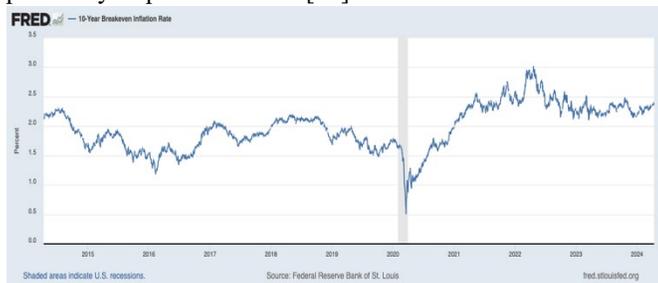
The availability of big data and predictive analytics is revolutionizing logistics operations by providing insights into consumer behavior, demand patterns, and supply chain performance. Predictive analytics enables accurate demand forecasting, inventory optimization, and efficient transportation route planning. Additionally, big data analytics helps in reducing fuel consumption, optimizing transportation routes, and improving overall efficiency, leading to cost savings and reduced carbon emissions.

Finally, the rise of e-commerce and seamless online experiences has necessitated investments in technologies and infrastructure for efficient order fulfillment and delivery. Logistics companies are adapting to meet increasing customer expectations by implementing advanced warehouse management systems and partnering with last-mile delivery providers. Sustainability initiatives, such as the adoption of alternative fuels and energy-efficient transportation, are also gaining traction to reduce the environmental impact of logistics operations. Embracing these trends and investing in technology and sustainable practices are crucial for businesses to stay competitive and continue to grow in the dynamic logistics landscape [39].

Economic Analysis

Inflation:

Inflation levels hold a substantial influence over economic activity, affecting consumer purchasing power and consequently impacting the performance of the Air Freight and Logistics sector. High inflation can dampen consumer spending, reducing demand for carriers' services, while simultaneously increasing operational costs such as fuel and maintenance. Short-term forecasts suggest a decline in inflation in 2024, with consumer spending growth expected to slow down and housing market inflation returning to normal. Additionally, supply chain issues are anticipated to ease, positively impacting the sector [12]. In the long term, inflation is projected to approach the Federal Reserve's 2% target, with slower economic growth and higher unemployment rates exerting downward pressure on price growth. While short-term decreases in consumer spending may adversely affect demand for air freight and logistics services, long-term price decreases and the resolution of supply chain issues are destined to positively impact the sector [13].



Source: [11]

Employment:

Employment levels wield a significant influence on logistics

companies, affecting labor availability and costs. Higher employment rates typically lead to increased labor costs, prompting businesses to adjust their pricing strategies accordingly [14]. Historically, the global unemployment rate peaked at 6.9% in 2020 due to the COVID-19 pandemic but has since rapidly decreased. Short-term forecasts anticipate stability and normalization in the unemployment rate in 2024, with moderate job creation expected, leading to a modest rise in unemployment to 4.7%. In the short term, this increase in unemployment may benefit the air freight and logistics sector as lower labor costs become available [15]. However, in the long term, a slight decrease in unemployment, expected in 2025, may result in companies paying higher wages to attract and retain talent [16].

Global Unemployment Rate from 2004 to 2023:

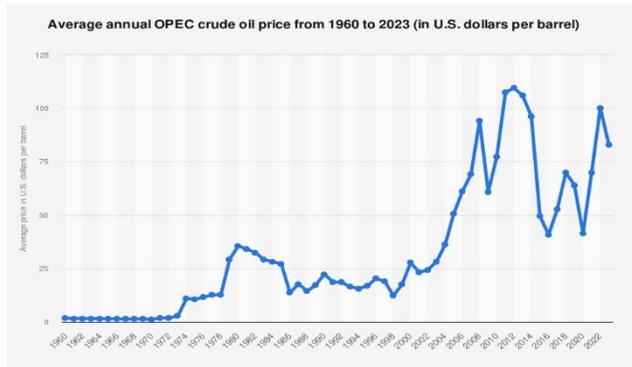


Source: [17]

Crude Oil:

The air freight and logistics industry are closely tied to fluctuations in crude oil prices, given its reliance on petroleum products such as jet fuel and gasoline as primary energy sources. Historical trends show significant price volatility, with recent decreases in oil prices from \$100.08 per barrel in 2022 to \$82.95 in 2023 [18]. Short-term forecasts indicate a slight increase in oil prices, reaching \$85 per barrel by the end

of the first quarter of 2024, followed by a decrease to approximately \$81 per barrel by December 2024 [20]. Long-term projections suggest a global increase in oil production, with OPEC+ production expected to rise, alongside various start-up projects worldwide. This increase in production is anticipated to lower fuel costs for air freight and logistics companies, leading to improved margins from mid-2024 to the end of 2025. Overall, fluctuations in crude oil prices significantly impact the operational costs and profitability of businesses in the air freight and logistics sector [21].

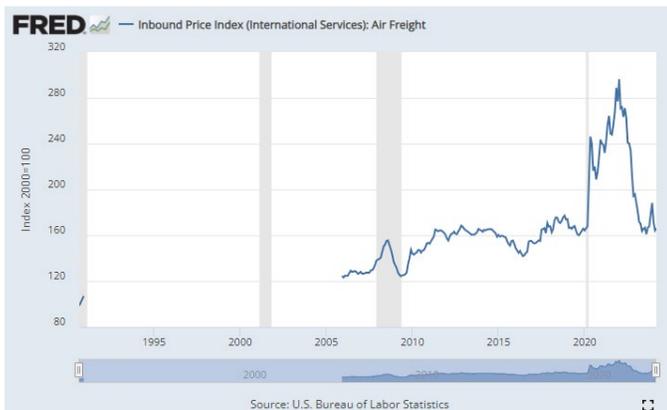


Source: [19]

Freight Rates:

The fluctuations in sea and air freight costs significantly impact the profitability of companies in the air freight and logistics industry. Increases in shipping rates can erode profit margins, making it challenging for companies to generate income. Over the past decade, truckload pricing has experienced fluctuations, with increases in 2021 and 2022 followed by a sharp decline in 2023. Similarly, air freight costs rose in 2022 but declined in 2023 [22]. In the short term, truckload rates declined in 2023 due to excess capacity and weak demand but stabilized in the second half of the year with carriers offering slight rate increases [25]. Long-term outlooks suggest downward pressure on truckload rates due to potential economic slowdown and increased competition, while air freight rates are expected to continue declining after peaking in 2022. These forecasts will affect air freight and logistics companies, as increased truckload rates will reduce margins, potentially offset by economic growth, while declining air freight rates will improve margins by lowering costs for these services [26].

10-Year Freight Pricing:

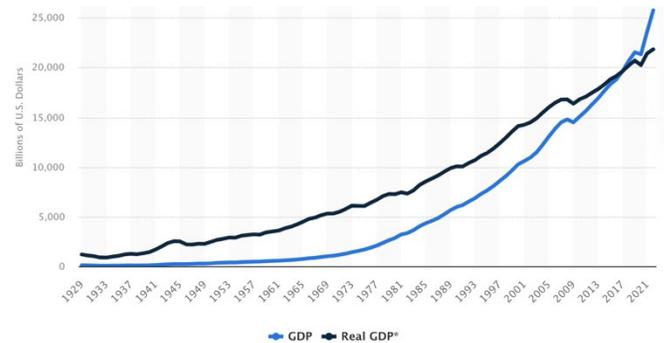


Source: [24]

Real GDP:

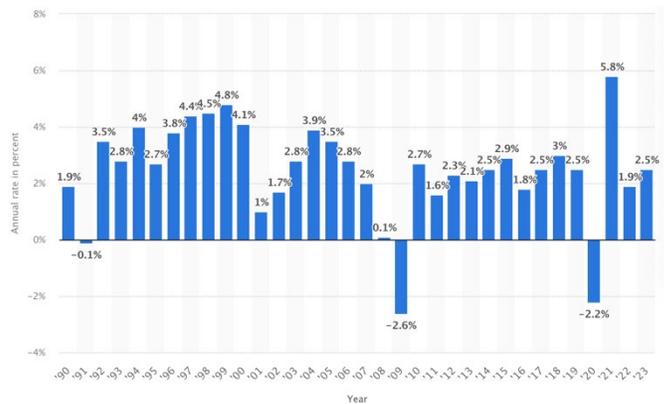
Real GDP serves as a key metric for gauging economic activity, particularly in its influence on the Air Freight and Logistics sector, where growth in the economy typically translates to heightened demand for shipping and logistics services. Over historical periods, real GDP has shown a consistent upward trajectory, barring significant losses in 2009 and 2020. Short-term projections indicate a deceleration in real GDP growth for the first two quarters of 2024, likely due to a slowdown in consumer spending. Conversely, long-term forecasts anticipate a return to higher growth rates beyond 2024, driven by relaxed monetary policies and normalized consumer spending levels. In the short term, the anticipated slower real GDP growth is expected to adversely affect the Air Freight and Logistics sector, leading to reduced demand [27]. However, the long-term outlook of 2% real GDP growth signals healthy economic expansion, which would directly bolster the need for Air Freight and Logistics services [27].

Annual Gross Domestic Product and real GDP in the United States from 1929 to 2022:



Source: [28]

Annual growth of the real gross domestic product of the United States from 1990 to 2023:



Source: [29]

Capital Markets Outlook:

The Air Freight and Logistics sector has recently underperformed compared to the broader market, with one-year and year-to-date returns of 6.3% and 1.5%, respectively, falling short of the S&P 500's returns of 20.81% and 3.25% over the same periods [30]. Considering the projection of a slowdown in consumer spending growth from 2.5% in 2023 to 1.6% in 2024, we do not recommend immediate investment in this industry.

However, despite its recent underperformance and short-term challenges, we hold a positive long-term outlook for the Air Freight and Logistics sector. The sector is poised for growth, with the U.S. Freight and Logistics Market estimated to reach \$1.57 trillion by 2029 from \$1.29 trillion in 2024. This growth is expected to be driven by factors such as the expansion of e-commerce, increasing demand for logistics services, ongoing technological advancements, and declining rates. Therefore, ability to generate cash flows. For FedEx, a 10-year projection period was used to forecast free cash flows for both the DCF and EP models. In the DCF model, the cash flows were discounted back to the present by the weighted average cost of capital (WACC) of 6.79%. FedEx's free cash flow was derived from the net operating profit less adjusted taxes (NOPLAT) and subtracting the change in invested capital from each projected year. The EP model was created by forecasting FedEx's future economic profit and then discounting these numbers also by the WACC. To find each projection period's economic profit, the beginning invested capital was multiplied by the difference between the return on invested capital (ROIC) and WACC. To find the implied share price through this method, the final values were summed and then the last fiscal year ending's (2023) investment capital was added. We made non-operating adjustments for both models to determine the value of equity. The equity value was divided by the number of shares outstanding (251) to yield an implied share price of \$282.51 for both models.

We believe this valuation method provides FedEx with the best presentation of their target price because it is not affected by movements. It is also the most flexible method because we can alter the implied share price by changing our assumptions. The target range for FedEx is \$277 - \$287, given a \$5 cushion in either direction of our implied share price from each model.

Valuation Analysis

Dividend Discount Model (DDM)

We created the Dividend Discount Model by forecasting our projection for what FedEx will be able to pay its shareholders each year. We calculated EPS for each projected period by dividing our projected net income by our projected number of outstanding shares. Our growth in our EPS was derived from our assumptions from revenue growth and expenses. We projected that FedEx would be able to grow the amount they pay out in dividends by \$0.58 per year, based off the average of their dividends paid within the last 10 years. After we found the continuing value, we then discounted the dividends back to the present value using our cost of equity of 10.47%. The implied share price from this method was much lower than any other valuation method used. Because of this, we felt it would be necessary to exclude the dividend discount model from our final target price for FedEx, so our valuation is not skewed.

Relative Valuation

For the relative valuation model, we used companies within the logistics and shipping industry who compete with FedEx. These companies are Mainfreight (MFT), Deutsche Post

while caution is warranted in the short term, the sector's long-term prospects suggest potential for outperformance [31].

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

The discounted cash flow analysis (DCF) and economic profit (EP) models are both intrinsic valuation methods that determine an implied share price for a company based off their (DHLGY), Old Dominion Freight (ODFL), CH Robinson, and Worldwide Inc (CHRW). We used four different metrics for this valuation model, which include: P/E 2024 EPS, P/E 2025 EPS, PEG 2024 EPS, and PEG 2025 EPS. Our P/E model determined the implied share price to be \$309.31 for 2024 and \$331.34 for 2025. The PEG ratio metrics given from this valuation model were very different for 2024 and 2025. Because of this, we have decided to leave the PEG ratio metrics out of this model and solely focus on the P/E metrics because of their stability.

Revenue

When projecting our revenue decomposition for FedEx, our group looked at recent company 10-Ks, industry metrics, and economic factors. FedEx's demand suffered in 2023 because of lower consumer spending and new competitors entering the logistics industry. Because of this, we are projecting overall revenue to shrink by -2.12% during 2024, but by 2025 FedEx's plan for growth will allow the firm to reach a steady revenue growth rate again. When projecting revenues, we used different growth rates for FedEx's main three segments which include FedEx Express, FedEx Ground, and FedEx Freight. In 2024, we project FedEx Express and FedEx Freight revenue to slightly decrease because of the drop in demand. But we project FedEx Ground's revenues will increase by 2.20% in 2024. This is because FedEx Ground is the firm's most reliable and affordable segment for consumers. This segment has not been as affected by the drop in demand, so we expect their revenue to have steady growth within the next year.

We project by 2025, all of FedEx's segments will begin to consistently grow again. This is because of the company's new DRIVE program. This program's goal is to improve overall company efficiency, lower overhead costs, and implement a focus on international demand. Through this program, independent contractors or small fleet owners can operate as delivery drivers for the firm in designated territories. This change in their business model will increase efficiency and cut down a lot of overhead costs. Because of this assumption, we project a FWD 5-year CAGR of 3.03% for the overall revenues of the firm.

Operating Expenses

For most of FedEx's operating expenses, we left each line-item constant as a percentage of sales until 2025, and then began to slowly decrease each starting in 2026. We choose to keep the expenses constant until 2025 because the financial data from 2023 provides us with the most current and accurate depiction for how the firm is currently operating. We decided to begin decreasing the operating expenses starting in 2026 because of FedEx's new DRIVE program. One of this program's main goals is to increase margins by cutting costs. So, if this program is correctly implemented, FedEx's operating expenses should

slowly begin to decrease in a few years. We decreased each operating expense by 0.01% per projection period.

The first and largest expense on FedEx's income statement is salaries and employee benefits. We chose not to decrease this expense because FedEx is one of the best companies to work for in America due to their higher salaries and benefits provided. We expect FedEx to keep this standard, so we chose to leave it constant at 34.41% for the entire projection period. So, this is one of FedEx's standards for their business operation, we choose to leave it constant. Some other larger operating expenses include purchased transportation which was forecasted as a percentage of sales at 24.17% and rentals & landing fees which was forecasted at 5.26%. We began gradually decreasing both starting in

WACC

FedEx's weighted average cost of capital (WACC) is 6.79%. This is calculated by using the cost of equity of 10.47% and an after-tax cost of debt of 2.73%. We also calculated the market value weights for equity and debt which are 55.89% and 44.11% to determine the correct weight to assign with each metric.

Cost of Equity

We calculated our cost of equity using the capital asset pricing model (CAPM) and produced a value of 10.47%. We found our cost of equity by multiplying our Beta by the equity risk premium and adding the risk-free rate. Our risk-free rate was 4.30% which is the value derived from a 10-year treasury. The beta we used was a 5-year average of FedEx's betas from Bloomberg which is 1.21. The equity risk premium we used was 5.10% which was taken from Damodaran.

Cost of Debt

The pre-tax cost of debt was found by taking the implied yield-to-maturity (YTM) on a 10-year FDX corporate bond. We selected a 10-year bond because we planned to forecast FDX's cash flows for 10 years. The pre-tax cost of debt is 3.50% which was then multiplied by 1-marginal tax rate to find an after-tax cost of debt which was 2.73%.

Sensitivity Tables

Beta vs Risk Free Rate

Beta and Risk-Free Rate are both inputs used within the WACC calculation. Both are very important because small changes in each input will have large effects on the weighted average cost of capital which will greatly change the DCF valuations. Beta is the measure of risk for a given stock compared to the overall market. FedEx has a current Beta of 1.21 which means it is riskier than the market. The Risk-Free Rate is the risk-free investment return from the yield on a 10-year treasury bond. While we were constructing our model, the yield was 1.21.

Constructing a sensitivity table to test these variables against each other, depicts how they impact the intrinsic value of the stock. As the beta and the risk-free rate increases the implied share price decreases. On the other hand, when the variables decrease the implied share price increases. The stock price range acquired from this table is \$212.09 - \$397.06.

		Beta						
		0.91	1.01	1.11	1.21	1.31	1.41	1.51
Risk Free Rate	282.51	397.06	358.50	325.68	297.39	272.77	251.14	231.99
	4.00%	388.98	351.66	319.80	292.30	268.31	247.20	228.49
	4.20%	381.17	345.02	314.10	287.34	263.96	243.36	225.06
	4.30%	373.61	338.58	308.55	282.51	259.72	239.60	221.72
	4.40%	366.29	332.34	303.15	277.80	255.58	235.93	218.44
	4.50%	359.20	326.27	297.91	273.22	251.54	232.34	215.23
	4.60%	352.33	320.38	292.80	268.75	247.59	228.83	212.09

Source: Krause Fund Model

WACC vs CV Growth of NOPLAT

The weighted average cost of capital (WACC) and the continuing value growth of NOPLAT have important effects on our valuation models. The WACC is used to discount the project cash flows back to their present value, so when small adjustments are made to the WACC the ending enterprise value will be greatly affected. The CV growth of NOPLAT will also have a large effect on our implied share price because this determines our cash flows within our DCF analysis.

Increasing the WACC will decrease the implied share price because a higher WACC will cause the discounted value to be lower. Increasing the CV Growth of NOPLAT will result in a higher implied share price because the cash flows will be greater. The stock price range acquired from this table is \$264.61 - \$301.50.

		WACC						
		6.49%	6.59%	6.69%	6.79%	6.89%	6.99%	7.09%
CV Growth of NOPLAT	282.51	301.50	292.82	284.55	276.50	269.09	261.86	254.93
	2.20%	304.03	295.13	286.65	278.41	270.83	263.45	256.38
	2.40%	306.69	297.55	288.86	280.41	272.66	265.10	257.88
	2.50%	309.48	300.09	291.16	282.51	274.56	266.84	259.45
	2.60%	312.41	302.75	293.58	284.70	276.56	268.65	261.10
	2.70%	315.49	305.56	296.13	287.00	278.65	270.54	262.81
	2.80%	318.75	308.50	298.80	289.42	280.85	272.53	264.61

Source: Krause Fund Model

Marginal Tax Rate vs Pretax Cost of Debt

The pre-tax cost of debt is an important metric for FedEx because of the large amount of debt on their balance sheet, which makes up almost 50% of their capital structure. The marginal tax rate is also used when calculating net income and the after-tax cost of debt which is part of the WACC calculation. Increasing the marginal tax rate, causes net income to decrease because more of the earnings go into taxes.

As the marginal tax rate increases, the implied share price decreases because of the reduction in net income. When the pretax cost of debt increases, the implied share price decreases because this will result in a higher WACC. The stock price range acquired from this table is \$276.89 - \$288.46.

		Marginal Tax Rate						
		21.70%	21.80%	21.90%	22.00%	22.10%	22.20%	22.30%
Pretax Cost of Debt	282.51	288.46	288.01	287.57	287.12	286.67	286.22	285.77
	3.20%	286.88	286.44	286.00	285.55	285.11	284.67	284.23
	3.40%	285.33	284.89	284.45	284.02	283.58	283.15	282.71
	3.50%	283.80	283.37	282.94	282.51	282.08	281.65	281.22
	3.60%	282.30	281.87	281.45	281.02	280.60	280.18	279.75
	3.70%	280.82	280.40	279.98	279.57	279.15	278.73	278.31
	3.80%	279.37	278.96	278.54	278.13	277.72	277.30	276.89

Source: Krause Fund Model

Cost of Equity vs. Normal Cash %

The Normal Cash % is used when calculating invested

capital for FDX and the cost of equity is used within the WACC calculation. Both variables had smaller effects on the implied share price. If we would have chosen the dividend discount model as opposed to the DCF model for our valuation method, the cost of equity would have had a larger effect because it is used to discount the payments in the DDM. The stock price range acquired from this table is \$281.65 - \$283.37.

	282.51	10.17%	10.27%	10.37%	10.47%	10.57%	10.67%	10.77%
Normal Cash %	1.70%	283.37	283.44	283.51	283.59	283.66	283.73	283.81
	1.80%	283.01	283.08	283.15	283.23	283.30	283.37	283.45
	1.90%	282.65	282.72	282.79	282.87	282.94	283.01	283.09
	2.00%	282.29	282.36	282.43	282.51	282.58	282.65	282.73
	2.10%	281.93	282.00	282.08	282.15	282.22	282.29	282.37
	2.20%	281.57	281.64	281.72	281.79	281.86	281.93	282.01
	2.30%	281.21	281.28	281.36	281.43	281.50	281.57	281.65

Source: Krause Fund Model

FDX Express Revenue Growth 2029-3033% vs Salaries and Employee Benefits (% Sales)

The FDX Express revenue growth rate of 2.62% was used to grow FDX's main segment of revenue during the final four years of our projection. The Salaries and Employee Benefits growth rate was held constant as a percentage of total revenue for all ten years of our projection. The assumption for revenue growth did not have a large impact because we chose a conservative stable growth rate for the final four years. The Salaries and Employee Benefits expense rate had a large impact on the implied share price because it was their largest expense and adjusting the rate would have a large impact on the net income for each period.

When the revenue growth rate increases, the implied share price also increases because this increases the overall net income. When the salaries and employee benefits rate increases, the implied share price decreases because this increases FDX's largest expense so the net income will decrease. The stock price range acquired from this table is \$103.97 - \$458.99.

	282.51	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%
Salaries and Employee Benefits (% sales)	31.41%	458.99	459.78	460.57	461.37	462.17	462.97	463.78
	32.41%	399.72	400.39	401.07	401.75	402.43	403.12	403.81
	33.41%	340.44	341.00	341.56	342.13	342.70	343.27	343.85
	34.41%	281.16	281.61	282.06	282.51	282.96	283.42	283.88
	35.41%	221.89	222.22	222.55	222.89	223.23	223.57	223.91
	36.41%	162.61	162.83	163.05	163.27	163.49	163.72	163.94
	37.41%	103.33	103.44	103.54	103.65	103.75	103.86	103.97

Source: Krause Fund Model

Purchased Transportation (% Sales) vs Rentals and Landing Fees (% Sales)

The purchased transportation and rentals & landing fees expense rates were both used in the projections on the income statement. Both expenses were some of the largest on FedEx's income statement and have large effects on the overall net income. We used a constant percentage of sales rate for both expenses for all ten years of our projection.

When both the purchased transportation and rentals & landing fees percentage of sales increases the implied share price decreases because this decreases cash flow. The stock price range acquired from this table is \$(75.21) - \$640.23.

	282.51	21.17%	22.17%	23.17%	24.17%	25.17%	26.17%	27.17%
Rentals & landing fees (% sales)	12.34%	640.23	580.61	520.99	461.37	401.75	342.13	282.51
	13.34%	580.61	520.99	461.37	401.75	342.13	282.51	222.89
	14.34%	520.99	461.37	401.75	342.13	282.51	222.89	163.27
	15.34%	461.37	401.75	342.13	282.51	222.89	163.27	103.65
	16.34%	401.75	342.13	282.51	222.89	163.27	103.65	44.03
	17.34%	342.13	282.51	222.89	163.27	103.65	44.03	(15.59)
	18.34%	282.51	222.89	163.27	103.65	44.03	(15.59)	(75.21)

Source: Krause Fund Model

Important Disclaimer

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

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FedEx
Revenue Decomposition

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Total Revenues	83,959	93,512	90,155	88,247	90,736	94,586	98,604	102,799	105,121	107,501	109,942	112,444	115,008
Growth Rate	21.30%	11.38%	-3.59%	-2.12%	2.82%	4.24%	4.25%	4.25%	2.26%	2.26%	2.27%	2.28%	2.28%

Revenue by Service Type

FedEx Express

Package:

U.S. overnight box	8,116	9,084	8,916	8,515	8,685	8,989	9,304	9,629	9,774	9,920	10,069	10,220	10,373
Growth Rate	12.19%	11.93%	-1.85%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
U.S. overnight envelope	1,791	1,971	1,980	1,891	1,929	1,996	2,066	2,138	2,170	2,203	2,236	2,270	2,304
Growth Rate	0.84%	10.05%	0.46%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
U.S. deferred	4,984	5,330	5,128	4,897	4,995	5,170	5,351	5,538	5,621	5,706	5,791	5,878	5,966
Growth Rate	23.43%	6.94%	-3.79%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Total U.S. domestic package revenue	14,891	16,385	16,024	15,303	15,609	16,155	16,721	17,306	17,566	17,829	18,096	18,368	18,643
Growth Rate	14.12%	10.03%	-2.20%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
International priority	10,317	12,130	10,939	10,447	10,656	11,029	11,415	11,814	11,991	12,171	12,354	12,539	12,727
Growth Rate	40.29%	17.57%	-9.82%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
International economy	2,632	2,838	2,911	2,780	2,836	2,935	3,038	3,144	3,191	3,239	3,287	3,337	3,387
Growth Rate	-14.60%	7.83%	2.57%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Total international export package revenue	12,949	14,968	13,850	13,227	13,491	13,963	14,452	14,958	15,182	15,410	15,641	15,876	16,114
Growth Rate	24.08%	15.59%	-7.47%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
International Domestic	4,640	4,340	4,043	3,861	3,938	4,076	4,219	4,366	4,432	4,498	4,566	4,634	4,704
Growth Rate	11.03%	-6.47%	-6.84%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Total Package Revenue	32,480	35,693	33,917	32,391	33,039	34,195	35,392	36,630	37,180	37,738	38,304	38,878	39,461
Growth Rate	17.41%	9.89%	-4.98%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Freight:

US	3,325	3,041	2,906	2,775	2,831	2,930	3,032	3,138	3,186	3,233	3,282	3,331	3,381
Growth Rate	10.91%	-8.54%	-4.44%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
International Priority	3,030	3,840	3,060	2,922	2,981	3,085	3,193	3,305	3,354	3,405	3,456	3,508	3,560
Growth Rate	58.22%	26.73%	-20.31%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
International economy	1,582	1,653	1,510	1,442	1,471	1,522	1,576	1,631	1,655	1,680	1,705	1,731	1,757
Growth Rate	-18.03%	4.49%	-8.65%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
International airfreight	245	177	166	159	162	167	173	179	182	185	187	190	193
Growth Rate	-9.26%	-27.76%	-6.21%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Total freight revenue	8,182	8,711	7,642	7,298	7,444	7,705	7,974	8,253	8,377	8,503	8,630	8,760	8,891
Growth Rate	15.03%	6.47%	-12.27%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Other

Other	1,416	1,410	1,184	1,131	1,153	1,194	1,235	1,279	1,298	1,317	1,337	1,357	1,378
Growth Rate	92.13%	-0.42%	-16.03%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Total FedEx Express	42,078	45,814	42,743	40,820	41,636	43,093	44,601	46,163	46,855	47,558	48,271	48,995	49,730
Growth Rate	18.49%	8.88%	-6.70%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%
FedEx Ground	30,496	33,232	33,507	34,244	35,563	37,341	39,208	41,168	42,403	43,675	44,985	46,335	47,725
Growth Rate	34.15%	8.97%	0.83%	2.20%	3.85%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
FedEx Freight	7,833	9,532	9,632	9,102	9,375	9,844	10,336	10,853	11,179	11,514	11,859	12,215	12,582
Growth Rate	10.29%	21.69%	1.05%	-5.50%	3.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other	3,552	4,934	4,273	4,081	4,162	4,308	4,459	4,615	4,684	4,754	4,826	4,898	4,972
Growth Rate	-8.19%	38.91%	-13.40%	-4.50%	2.00%	3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Revenue by Nation

United States	58,792	64,941	64,890	63,119	65,334	68,274	72,596	78,607	79,786	80,983	82,197	83,430	84,682
Growth Rate	21.46%	10.46%	-0.08%	-2.73%	3.51%	4.50%	6.33%	8.28%	1.50%	1.50%	1.50%	1.50%	1.50%
International	25,167	28,571	25,265	25,265	25,265	25,265	25,265	25,265	25,265	25,265	25,265	25,265	25,265
Growth Rate	20.92%	13.53%	-11.57%	-2.73%	3.51%	4.50%	6.33%	8.28%	1.50%	1.50%	1.50%	1.50%	1.50%

Average Parcel Volume Shipped per Day

Average Parcel Volume Shipped per Day	6,681	6,206	5,578	5,426	5,616	5,869	6,240	6,757	7,079	7,417	7,771	8,142	8,530
Revenue per Parcel	\$29.04	\$24.22	\$22.58	\$22.44	\$22.59	\$22.65	\$23.10	\$23.99	\$24.58	\$25.18	\$25.80	\$26.43	\$27.07
Growth Rate	11.61%	-7.11%	-10.12%	-2.73%	3.51%	4.50%	6.33%	8.28%	4.77%	4.77%	4.77%	4.77%	4.77%

FedEx

Historical Cash Flow Statement

<i>Fiscal Years Ending Dec. 31</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Income	2,097	1,050	1,820	2,997	4,572	540	1,286	5,231	3,826	3,972
Operating Activities										
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	581	-326	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	0	2,190	1,498	-24	-10	3,882	794	-1,176	1,578	-650
Loss on extinguishment of debt	0	0	0	-35	-85	-8	0	393	0	0
Business realignment costs	0	0	0	0	0	101	0	102	53	0
Goodwill & other asset impairment charges	0	0	0	0	380	0	435	0	0	117
Business optimization & realignment costs, net of payments	0	0	0	0	0	0	0	0	0	23
<i>Changes in assets and liabilities:</i>										
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
Net cash flows from operating activities	4,264	5,366	5,708	4,930	4,674	5,613	5,097	10,135	9,832	8,848
Investing Activities										
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	0	-179	-66	0	-228	0	0
Purchase of investments	0	0	0	0	0	0	0	0	-147	-84
Proceeds from asset dispositions and other	18	24	-10	135	165	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
Financing Activities										
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	0	0
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	0	0	0	0	0	0	0
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	0	-2,248	-1,500
Other financing activities, net	-19	-27	-54	18	10	-4	-9	-38	-1	1
Net cash flows from financing activities	-2,719	1,349	3,611	528	227	-1,039	3,381	-2,090	-3,019	-2,597
Effect of exchange rate changes on cash	-3	-108	-102	-42	72	-47	-70	171	-187	-118
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
Cash & cash equivalents at end of period	2,908	3,763	3,534	3,969	3,265	2,319	4,881	7,087	6,897	6,856
Cash payments for interest (net of capitalized interest)	131	201	321	484	524	617	639	819	695	694
Cash tax payments, net	766	1,113	991	377	189	371	389	1,319	177	1,043

FedEx
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Operating Activities:										
Net Income	3,428	4,241	4,372	4,538	4,712	4,742	4,858	4,965	5,075	5,187
Adjustments										
ADD: Depreciation and Amortization	4,176	3,659	3,827	3,989	4,158	4,335	4,424	4,526	4,628	4,734
Deferred Taxes Asset	0	0	0	0	0	0	0	0	0	0
Deferred Taxes Liability	264	264	264	264	264	264	264	264	264	264
Changes in assets and liabilities:										
Accounts Receivable less Allowances	216	-281	-435	-454	-474	-262	-269	-276	-283	-290
Spare parts, supplies, & fuel less allowances	13	-17	-26	-27	-28	-16	-16	-16	-17	-17
Prepaid expenses & other current assets	20	-27	-41	-43	-45	-25	-25	-26	-27	-27
Accrued Salaries and Employee Benefits	-52	68	106	110	115	64	65	67	69	70
Accrued expenses	-100	131	203	212	221	122	125	128	132	135
Accounts payable	-81	106	164	172	179	99	102	104	107	109
Pension, postretirement healthcare, & other benefit obligations	-313	-313	-313	-313	-313	-313	-313	-313	-313	-313
Self-insurance accruals	-71	92	143	149	155	86	88	90	93	95
Cash provided from operating activities	7,498	7,924	8,264	8,596	8,945	9,097	9,303	9,513	9,728	9,947
Investing Activities										
Capital expenditures	861	-5,300	-5,397	-5,641	-5,882	-5,206	-5,410	-5,526	-5,655	-5,786
Other assets	86	-112	-173	-181	-189	-104	-107	-110	-112	-115
Long-term operating lease liabilities	-325	424	656	685	715	396	406	416	426	437
Current operating lease liabilities	-51	66	102	107	111	62	63	65	66	68
Cash used in investing activities	571	-4,922	-4,812	-5,031	-5,245	-4,854	-5,048	-5,155	-5,275	-5,396
Financing Activities										
Other liabilities	-15	19	30	31	32	18	18	19	19	20
Deferred lease obligations	0	0	0	0	0	0	0	0	0	0
Operating lease right-of-use assets	2,147	-699	-669	-705	-735	-371	-420	-426	-438	-449
Changes in current debt	177	9	13	14	14	8	8	8	9	9
Changes in long-term debt	-313	768	806	847	884	457	504	513	527	540
Common Stock	0	0	0	0	0	0	0	0	0	0
Dividends paid	-1,614	-1,757	-1,899	-2,041	-2,184	-2,326	-2,468	-2,611	-2,753	-2,895
Purchase of treasury stock	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500
Cash (used in) provided by financing activities	-2,118	-4,160	-4,219	-4,354	-4,488	-4,715	-4,857	-4,997	-5,136	-5,276
Net increase (decrease) in cash & cash equivalents										
Cash & cash equivalents at beginning of period	6,856	12,808	11,651	10,884	10,096	9,308	8,836	8,234	7,596	6,913
Cash & cash equivalents at end of period	12,808	11,651	10,884	10,096	9,308	8,836	8,234	7,596	6,913	6,188

FedEx
Common Size Income Statement

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues	100.00%												
Salaries & employee benefits	35.94%	34.28%	34.41%	34.41%	34.41%	34.41%	34.41%	34.41%	34.41%	34.41%	34.41%	34.41%	34.41%
Purchased transportation	25.81%	25.79%	24.17%	24.17%	24.17%	24.16%	24.15%	24.14%	24.13%	24.12%	24.11%	24.10%	24.09%
Rentals & landing fees	4.95%	5.04%	5.26%	5.26%	5.26%	5.25%	5.24%	5.23%	5.22%	5.21%	5.20%	5.19%	5.18%
Depreciation & amortization	4.52%	4.25%	4.63%	4.73%	4.03%	4.05%	4.04%	4.04%	4.12%	4.12%	4.12%	4.12%	4.12%
Fuel	3.43%	5.47%	6.55%	6.55%	6.55%	6.54%	6.53%	6.52%	6.51%	6.50%	6.49%	6.48%	6.47%
Maintenance & repairs	3.96%	3.61%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%
Goodwill & other asset impairment charges	0.00%	0.00%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Business Realignment Costs	0.14%	0.30%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%
Retirement plans mark-to-market adjustment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expenses	14.27%	14.59%	15.34%	15.34%	15.34%	15.34%	15.34%	15.34%	15.34%	15.34%	15.34%	15.34%	15.34%
Total operating expenses	93.02%	93.32%	94.55%	94.65%	93.95%	93.94%	93.91%	93.88%	93.93%	93.89%	93.86%	93.83%	93.80%
Operating income	6.98%	6.68%	5.45%	5.35%	6.05%	6.06%	6.09%	6.12%	6.07%	6.11%	6.14%	6.17%	6.20%
Interest expense	0.94%	0.74%	0.77%	0.63%	1.86%	1.85%	1.84%	1.84%	1.83%	1.83%	1.83%	1.82%	1.82%
Interest income	0.06%	0.06%	0.22%	0.39%	13.38%	11.69%	10.50%	9.36%	8.46%	7.86%	7.18%	6.49%	5.78%
Other retirement plans income (expense)	2.36%	-0.78%	1.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gain (loss) on debt extinguishment	-0.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other income (expense), net	-0.04%	0.01%	-0.12%	-0.12%	-1.80%	-1.73%	-1.66%	-1.60%	-1.56%	-1.53%	-1.50%	-1.47%	-1.44%
Total other income (expense)	0.97%	-1.44%	0.50%	-0.37%	-1.43%	-3.65%	-5.18%	-6.63%	-7.81%	-8.58%	-9.47%	-10.37%	-11.28%
Income before income taxes	7.95%	5.24%	5.95%	4.98%	5.99%	5.93%	5.90%	5.88%	5.78%	5.79%	5.79%	5.79%	5.78%
Provision for income taxes	1.72%	1.14%	1.54%	1.10%	1.32%	1.30%	1.30%	1.29%	1.27%	1.27%	1.27%	1.27%	1.27%
Net income	6.23%	4.09%	4.41%	3.88%	4.67%	4.62%	4.60%	4.58%	4.51%	4.52%	4.52%	4.51%	4.51%

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NOPLAT:													
EBIT:													
Revenues	83,959	93,512	90,155	88,247	90,736	94,586	98,604	102,799	105,121	107,501	109,942	112,444	115,008
Salaries & employee benefits	30,173	32,058	31,019	30,366	31,222	32,547	33,930	35,373	36,172	36,991	37,831	38,692	39,574
Purchased transportation	21,674	24,118	21,790	21,329	21,931	22,852	23,813	24,816	25,366	25,929	26,507	27,099	27,706
Rentals & landing fees	4,155	4,712	4,738	4,638	4,769	4,961	5,162	5,372	5,482	5,596	5,712	5,831	5,952
Depreciation & amortization	3,793	3,970	4,176	4,176	3,659	3,827	3,989	4,158	4,335	4,424	4,526	4,628	4,734
Fuel	2,882	5,115	5,909	5,780	5,943	6,186	6,439	6,702	6,843	6,988	7,135	7,286	7,441
Maintenance & repairs	3,328	3,372	3,357	3,286	3,379	3,522	3,672	3,828	3,914	4,003	4,094	4,187	4,282
Other operating expenses	11,981	13,644	13,828	13,537	13,919	14,509	15,126	15,769	16,126	16,491	16,865	17,249	17,642
Operating Income	5,973	6,523	5,338	5,135	5,914	6,181	6,474	6,781	6,882	7,079	7,272	7,472	7,677
Add: Implied Interest on Operating Leases	420	454	474	415	434	452	472	492	502	513	525	537	549
EBIT	6,393	6,977	5,812	5,550	6,349	6,633	6,946	7,272	7,384	7,593	7,797	8,009	8,226
Provision for Income Taxes	1,443	1,070	1,391	967	1,196	1,233	1,280	1,329	1,338	1,370	1,400	1,431	1,463
Adjusted Taxes:													
Tax Shield on Implied Lease Interest	91	99	123	91	95	100	104	108	110	113	115	118	121
Tax Shield on Business Realignment Costs	25	61	80	67	68	71	74	78	79	81	83	85	87
Taxes on Interest Expense	171	151	160	123	127	132	138	143	146	149	152	155	158
Taxes on Interest Income	11	12	51	75	140	128	119	111	102	97	90	83	76
Taxes on other retirement plans income	429	-159	273	0	0	0	0	0	0	0	0	0	0
Taxes on gain (loss) of debt extinguishment	-85	0	0	0	0	0	0	0	0	0	0	0	0
Taxes on other income (expense), net	-7	3	-28	-24	-24	-24	-24	-24	-24	-24	-24	-24	-24
Total Adjusted Taxes	2,078	1,236	2,071	1,299	1,604	1,640	1,691	1,745	1,751	1,786	1,817	1,849	1,881
Change in Net Deferred Taxes													
Deferred Tax Liability Year 2	3,927	4,093	4,489	4,753	5,017	5,281	5,545	5,808	6,072	6,336	6,600	6,864	7,128
Deferred Tax Liability Year 1	3,162	3,927	4,093	4,489	4,753	5,017	5,281	5,545	5,808	6,072	6,336	6,600	6,864
Change in Deferred Tax Liability	765	166	396	264	264	264	264	264	264	264	264	264	264
Deferred Tax Assets Year 2	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Tax Assets Year 1	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in Deferred Tax Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in Net Deferred Taxes	765	166	396	264									
NOPLAT	5,080	5,906	4,137	4,515	5,008	5,256	5,518	5,791	5,897	6,070	6,244	6,423	6,609
Invested Capital (IC):													
Operating Assets:													
Normal Cash	2,794	3,112	3,000	2,936	3,019	3,147	3,281	3,421	3,498	3,577	3,658	3,742	3,827
Receivables	12,069	11,863	10,188	9,972	10,254	10,689	11,143	11,617	11,879	12,148	12,424	12,707	12,997
Spare parts, supplies, & fuel	936	997	880	591	608	634	661	689	704	720	737	753	771
Prepaid expenses and other	837	968	962	942	968	1,009	1,052	1,097	1,122	1,147	1,173	1,200	1,227
Total Current assets	16,636	16,940	15,030	14,442	14,849	15,479	16,137	16,823	17,593	17,992	18,401	18,821	19,241
Operating liabilities:													
Accrued salaries and employee benefits	2,903	2,531	2,475	2,423	2,491	2,597	2,707	2,822	2,886	2,951	3,018	3,087	3,157
Accounts payable	3,841	4,030	3,848	3,767	3,873	4,037	4,209	4,388	4,487	4,588	4,693	4,799	4,909
Accrued expenses	3,841	4,030	3,848	3,767	3,873	4,037	4,209	4,388	4,487	4,588	4,693	4,799	4,909
Total Current liabilities	10,585	10,591	10,171	9,956	10,237	10,671	11,124	11,597	12,128	12,403	12,686	12,975	13,275
Operating WC	6,051	6,349	4,859	4,486	4,612	4,808	5,012	5,226	5,344	5,465	5,589	5,716	5,846
Net PPE	35,752	38,091	40,698	35,661	37,301	38,871	40,524	42,247	43,119	44,104	45,105	46,131	47,184
Long-term assets:													
Operating lease right-of-use assets	15,383	16,613	17,347	15,200	15,899	16,568	17,273	18,007	18,379	18,799	19,225	19,663	20,112
Other assets	4,070	4,381	4,053	3,967	4,079	4,252	4,433	4,621	4,726	4,833	4,943	5,055	5,170
Total other long-term assets	19,453	20,994	21,400	19,167	19,978	20,820	21,706	22,629	23,105	23,632	24,168	24,718	25,282
Less long term liabilities:													
Self-insurance accruals	2,430	2,889	3,339	3,268	3,361	3,503	3,652	3,807	3,893	3,981	4,072	4,164	4,259
Other liabilities	983	682	695	680	699	729	760	792	810	829	848	867	887
Total Long-term liabilities	3,413	3,571	4,034	3,948	4,060	4,232	4,412	4,600	4,704	4,810	4,919	5,031	5,146
Invested Capital	57,843	61,863	62,923	55,365	57,832	60,267	62,830	65,502	66,864	68,390	69,942	71,534	73,166
Free Cash Flow (FCF):													
NOPLAT	5,080	5,906	4,137	4,515	5,008	5,256	5,518	5,791	5,897	6,070	6,244	6,423	6,609
Change in IC	3,598	4,020	1,060	-7,558	2,467	2,435	2,563	2,673	1,361	1,527	1,552	1,592	1,632
FCF	1,482	1,886	3,076	12,073	2,541	2,821	2,956	3,119	4,535	4,544	4,692	4,831	4,977
Return on Invested Capital (ROIC):													
NOPLAT	5,080	5,906	4,137	4,515	5,008	5,256	5,518	5,791	5,897	6,070	6,244	6,423	6,609
Beginning IC	54,245	57,843	61,863	62,923	55,365	57,832	60,267	62,830	65,502	66,864	68,390	69,942	71,534
ROIC	9.36%	10.21%	6.69%	7.18%	9.05%	9.09%	9.16%	9.22%	9.00%	9.08%	9.13%	9.18%	9.24%
Economic Profit (EP):													
Beginning IC	54,245	57,843	61,863	62,923	55,365	57,832	60,267	62,830	65,502	66,864	68,390	69,942	71,534
x (ROIC - WACC)	2.57%	3.42%	-0.11%	0.38%	2.25%	2.30%	2.43%	2.36%	2.21%	2.29%	2.34%	2.39%	2.45%
EP	1,395	1,978	-65	241	1,248	1,329	1,425	1,524	1,448	1,529	1,599	1,673	1,750

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Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.30%
Beta	1.21
Equity Risk Premium	5.10%
Cost of Equity	10.471%

ASSUMPTIONS:

10 year treasury yield
5y Monthly
High-Low Average

Cost of Debt:

Risk-Free Rate	4.30%
Implied Default Premium	-0.80%
Pre-Tax Cost of Debt	3.50%
Marginal Tax Rate	22.00%
After-Tax Cost of Debt	2.73%

10-year treasury bond

Average in sector
Average from past 5y

Market Value of Common Equity:

Total Shares Outstanding	251,187.24
Current Stock Price	\$266.80
MV of Equity	67,016,756.17

MV Weights

55.89%

Market Value of Debt:

Short-Term Debt	\$ 13,460,000.00
Current Portion of LTD	\$ 126,000.00
Long-Term Debt	\$ 20,453,000.00
PV of Operating Leases	\$ 18,843,132.06
MV of Total Debt	52,882,132.06

44.11%

Market Value of the Firm

119,898,888.23

100.00%

Estimated WACC

6.79%

Foots

Key Management Ratios

Year Ending Dec 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Liquidity Ratios:																				
Current Ratio																				
Current Ratio (Current Assets/Current Liabilities)	\$ 1.82	\$ 1.84	\$ 1.50	\$ 1.59	\$ 1.59	\$ 1.45	\$ 1.58	\$ 1.51	\$ 1.41	\$ 1.37	\$ 1.80	\$ 1.89	\$ 1.81	\$ 1.52	\$ 1.45	\$ 1.40	\$ 1.36	\$ 1.31	\$ 1.26	\$ 1.21
Quick Ratio ((Cash + Accounts Receivable)/Current Liabilities)	\$ 1.58	\$ 1.59	\$ 1.35	\$ 1.46	\$ 1.22	\$ 1.27	\$ 1.45	\$ 1.40	\$ 1.31	\$ 1.25	\$ 1.69	\$ 1.58	\$ 1.49	\$ 1.41	\$ 1.33	\$ 1.29	\$ 1.24	\$ 1.19	\$ 1.14	\$ 1.09
Cash Ratio (Cash/Current Liabilities)	\$ 0.55	\$ 0.63	\$ 0.44	\$ 0.50	\$ 0.34	\$ 0.26	\$ 0.47	\$ 0.52	\$ 0.48	\$ 0.50	\$ 0.95	\$ 0.84	\$ 0.75	\$ 0.67	\$ 0.59	\$ 0.55	\$ 0.50	\$ 0.45	\$ 0.40	\$ 0.35
Asset Management Ratios:																				
Days Sales Turnover (Accounts Receivable/Revenue) * 365	\$ 371	\$ 383	\$ 359	\$ 311	\$ 283	\$ 290	\$ 302	\$ 255	\$ 249	\$ 245	\$ 245	\$ 245	\$ 245	\$ 245	\$ 245	\$ 245	\$ 245	\$ 245	\$ 245	\$ 245
Total Asset Turnover (Net Sales/Total Assets)	\$ 1.38	\$ 1.28	\$ 1.09	\$ 1.24	\$ 1.25	\$ 1.28	\$ 0.94	\$ 1.01	\$ 1.09	\$ 1.03	\$ 1.03	\$ 1.04	\$ 1.06	\$ 1.08	\$ 1.09	\$ 1.10	\$ 1.11	\$ 1.11	\$ 1.14	\$ 1.15
Accounts Receivable Turnover (Net Sales/Accounts Receivable)	\$ 8.35	\$ 8.30	\$ 6.94	\$ 7.94	\$ 7.72	\$ 7.65	\$ 6.85	\$ 6.96	\$ 7.88	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85
Financial Leverage Ratios:																				
Debt to Equity Ratio (Total Liabilities/Total Equity)	\$ 1.16	\$ 1.47	\$ 2.34	\$ 2.02	\$ 1.70	\$ 2.08	\$ 3.02	\$ 2.43	\$ 2.45	\$ 2.34	\$ 2.37	\$ 2.43	\$ 2.32	\$ 2.61	\$ 2.70	\$ 2.76	\$ 2.83	\$ 2.90	\$ 2.96	\$ 3.06
Debt to Assets Ratio (Total Liabilities/Total Assets)	\$ 0.54	\$ 0.60	\$ 0.70	\$ 0.67	\$ 0.63	\$ 0.67	\$ 0.75	\$ 0.71	\$ 0.71	\$ 0.70	\$ 0.70	\$ 0.71	\$ 0.72	\$ 0.73	\$ 0.73	\$ 0.74	\$ 0.74	\$ 0.74	\$ 0.75	\$ 0.75
Debt to Capital (Total Debt/(Total Debt + Total Equity))	\$ 0.54	\$ 0.60	\$ 0.70	\$ 0.67	\$ 0.63	\$ 0.67	\$ 0.75	\$ 0.71	\$ 0.71	\$ 0.70	\$ 0.70	\$ 0.71	\$ 0.72	\$ 0.73	\$ 0.73	\$ 0.74	\$ 0.74	\$ 0.74	\$ 0.75	\$ 0.75
Profitability Ratios:																				
Return on Equity (Net Income/TEI)	13.73%	7.00%	13.20%	18.85%	23.53%	3.04%	7.03%	21.64%	15.34%	15.23%	14.49%	8.26%	17.24%	17.00%	18.55%	18.74%	19.29%	19.52%	20.41%	21.04%
Return on Assets (NI/Total Assets)	4.01%	1.93%	2.47%	3.62%	5.32%	0.62%	1.50%	6.00%	4.28%	4.34%	3.65%	2.20%	4.53%	4.65%	4.77%	4.98%	5.04%	5.09%	5.13%	5.18%
Profit Margin (Net Profit/Net Sales)	4.60%	2.21%	3.61%	4.97%	6.99%	0.77%	1.86%	6.23%	4.09%	4.41%	3.88%	2.31%	4.62%	4.60%	4.58%	4.51%	4.52%	4.52%	4.51%	4.51%
Payout Policy Ratios:																				
Dividend Payout Ratio (Total Dividends/EPS)	8.80%	21.62%	15.17%	14.23%	11.71%	126.21%	52.83%	18.14%	20.83%	37.54%	48.60%	42.47%	44.82%	46.39%	47.02%	50.75%	52.85%	54.33%	54.31%	57.99%
Payout Ratio (Dividends/Net Sales)	0.42%	0.48%	0.53%	0.71%	0.81%	0.97%	0.98%	0.83%	0.83%	1.63%	1.83%	1.94%	2.01%	2.07%	2.12%	2.21%	2.30%	2.37%	2.40%	2.52%

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

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	9.24%
WACC	6.79%
Cost of Equity	10.47%

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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DCF Model:

Free Cash Flow (FCF)	12,073	2,541	2,821	2,956	3,119	4,535	4,544	4,692	4,831	4,977
Continuing Value (CV)										112,313
PV of FCF	11,305	2,228	2,317	2,273	2,245	3,058	2,868	2,774	2,674	62,171

Value of Operating Assets:	93,913
Non-Operating Adjustments	11,043 Excess Cash
	-15,200 PV Operating Lease
	-303 Current Portion LT Debt
	-20,140 LT Debt
	-2 ESOP
Value of Equity	69,310
Shares Outstanding	251
Intrinsic Value of Last FYE	\$ 275.93
Implied Price as of Today	\$ 282.51

EP Model:

Economic Profit (EP)	241	1,248	1,329	1,425	1,524	1,448	1,529	1,599	1,673	1,750
Continuing Value (CV)										40,779
PV of EP	226	1,094	1,091	1,096	1,097	976	965	945	926	22,573

Total PV of EP	30,990
Invested Capital (last FYE)	62,923
Value of Operating Assets:	93,913
Non-Operating Adjustments	11,043 Excess Cash
	-15,200 PV Operating Lease
	-303 Current Portion LT Debt
	-20,140 LT Debt
	-2 ESOP
Value of Equity	69,310
Shares Outstanding	251
Intrinsic Value of Last FYE	\$ 275.93
Implied Price as of Today	\$ 282.51

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

Fiscal Years Ending	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
	1	2	3	4	5	6	7	8	9	10
EPS	\$ 13.26	\$ 16.55	\$ 16.99	\$ 17.67	\$ 18.33	\$ 18.46	\$ 18.90	\$ 19.32	\$ 19.75	\$ 20.19

Key Assumptions

CV growth of EPS	2.22%
CV Year ROE	13.49%
Cost of Equity	10.47%

Future Cash Flows

P/E Multiple (CV Year)										10.12
EPS (CV Year)										\$ 20.19
Future Stock Price										\$ 204.37
Dividends Per Share	6.44	7.03	7.61	8.20	8.78	9.37	9.95	10.54	11.12	\$ 10.07
Discounted Cash Flows	\$ 5.83	\$ 5.76	\$ 5.65	\$ 5.50	\$ 5.34	\$ 5.15	\$ 4.96	\$ 4.75	\$ 4.54	\$ 75.50

Intrinsic Value as of Last FYE	\$ 122.98
Implied Price as of Today	\$ 126.47

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Relative Valuation Models

Ticker	Company	Price	EPS		P/E 24	P/E 25	Est. 5yr		
			2024E	2025E			EPS gr.	PEG 24	PEG 25
MFT	Mainfreight	\$68.70	\$2.78	\$3.14	24.71	21.88	101.47	0.24	0.22
DHLGY	Deutsche Post	\$41.08	\$3.36	\$3.93	12.23	10.45	102.18	0.12	0.10
ODFL	Old Dominion Freight	\$219.84	\$6.43	\$7.40	34.19	29.71	101.85	0.34	0.29
CHRW	CH Robinson Worldwide Inc	\$70.54	\$3.18	\$3.91	22.18	18.04	103.22	0.21	0.17
			Average		23.33	20.02		0.23	0.20

FDX	FedEx	\$266.80	\$13.26	\$16.55	20.1	16.1	102.28	0.2	0.2
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Implied Relative Value:

P/E (EPS24)	\$ 309.31
P/E (EPS25)	\$ 331.34
PEG (EPS24)	\$ 309.80
PEG (EPS25)	\$ 331.94
P/B	\$ 90.16
P/Tangible BV	\$ 75.13

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Sensitivity Tables

Beta

	282.51	0.91	1.01	1.11	1.21	1.31	1.41	1.51
Risk Free Rate	4.00%	397.06	358.50	325.68	297.39	272.77	251.14	231.99
	4.10%	388.98	351.66	319.80	292.30	268.31	247.20	228.49
	4.20%	381.17	345.02	314.10	287.34	263.96	243.36	225.06
	4.30%	373.61	338.58	308.55	282.51	259.72	239.60	221.72
	4.40%	366.29	332.34	303.15	277.80	255.58	235.93	218.44
	4.50%	359.20	326.27	297.91	273.22	251.54	232.34	215.23
	4.60%	352.33	320.38	292.80	268.75	247.59	228.83	212.09

Marginal Tax Rate

	282.51	21.70%	21.80%	21.90%	22.00%	22.10%	22.20%	22.30%
Pretax Cost of Debt	3.20%	288.46	288.01	287.57	287.12	286.67	286.22	285.77
	3.30%	286.88	286.44	286.00	285.55	285.11	284.67	284.23
	3.40%	285.33	284.89	284.45	284.02	283.58	283.15	282.71
	3.50%	283.80	283.37	282.94	282.51	282.08	281.65	281.22
	3.60%	282.30	281.87	281.45	281.02	280.60	280.18	279.75
	3.70%	280.82	280.40	279.98	279.57	279.15	278.73	278.31
	3.80%	279.37	278.96	278.54	278.13	277.72	277.30	276.89

WACC

	282.51	6.49%	6.59%	6.69%	6.79%	6.89%	6.99%	7.09%
CV Growth of NOPLAT	2.20%	301.50	292.82	284.55	276.50	269.09	261.86	254.93
	2.30%	304.03	295.13	286.65	278.41	270.83	263.45	256.38
	2.40%	306.69	297.55	288.86	280.41	272.66	265.10	257.88
	2.50%	309.48	300.09	291.16	282.51	274.56	266.84	259.45
	2.60%	312.41	302.75	293.58	284.70	276.56	268.65	261.10
	2.70%	315.49	305.56	296.13	287.00	278.65	270.54	262.81
	2.80%	318.75	308.50	298.80	289.42	280.85	272.53	264.61

Cost of Equity

	282.51	10.17%	10.27%	10.37%	10.47%	10.57%	10.67%	10.77%
Normal Cash %	1.70%	283.37	283.44	283.51	283.59	283.66	283.73	283.81
	1.80%	283.01	283.08	283.15	283.23	283.30	283.37	283.45
	1.90%	282.65	282.72	282.79	282.87	282.94	283.01	283.09
	2.00%	282.29	282.36	282.43	282.51	282.58	282.65	282.73
	2.10%	281.93	282.00	282.08	282.15	282.22	282.29	282.37
	2.20%	281.57	281.64	281.72	281.79	281.86	281.93	282.01
	2.30%	281.21	281.28	281.36	281.43	281.50	281.57	281.65

FDX Express Revenue Growth 2029-2033%

	282.51	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%
Salaries and Employee Benefits (% sales)	31.41%	458.99	459.78	460.57	461.37	462.17	462.97	463.78
	32.41%	399.72	400.39	401.07	401.75	402.43	403.12	403.81
	33.41%	340.44	341.00	341.56	342.13	342.70	343.27	343.85
	34.41%	281.16	281.61	282.06	282.51	282.96	283.42	283.88
	35.41%	221.89	222.22	222.55	222.89	223.23	223.57	223.91
	36.41%	162.61	162.83	163.05	163.27	163.49	163.72	163.94
	37.41%	103.33	103.44	103.54	103.65	103.75	103.86	103.97

Purchased transportation (% sales)

	282.51	21.17%	22.17%	23.17%	24.17%	25.17%	26.17%	27.17%
Rentals & landing fees (% sales)	12.34%	640.23	580.61	520.99	461.37	401.75	342.13	282.51
	13.34%	580.61	520.99	461.37	401.75	342.13	282.51	222.89
	14.34%	520.99	461.37	401.75	342.13	282.51	222.89	163.27
	15.34%	461.37	401.75	342.13	282.51	222.89	163.27	103.65
	16.34%	401.75	342.13	282.51	222.89	163.27	103.65	44.03
	17.34%	342.13	282.51	222.89	163.27	103.65	44.03	(15.59)
	18.34%	282.51	222.89	163.27	103.65	44.03	(15.59)	(75.21)

FedEx*Valuation of Options Granted under ESOP*

Current Stock Price	\$266.80
Risk Free Rate	4.30%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	40.00%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	15	199.89	6.10	\$ 146.93	\$ 2,232
Range 2					
Range 3					
Range 4					
Range 5					
Range 6					
Range 7					
Range 8					
Range 9					
Total	15	\$ 199.89	6.10	\$ 146.93	\$ 2,232