



DATE
TICKER
EXCHANGE
INDUSTRY
SECTOR
CURRENT PRICE
TARGET PRICE
UPSIDE
RECOMMENDATION

Nov 18th, 2024

FDX

NYSE

Industrials

Express Delivery Services

\$295.21

\$274.32

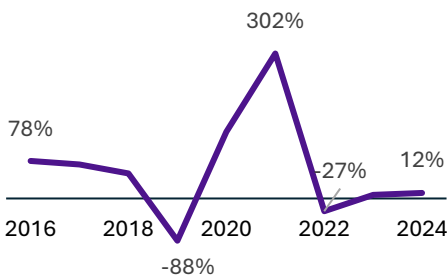
SELL

Analyst: Brayden Burnett
brayden-burnett@uiowa.edu

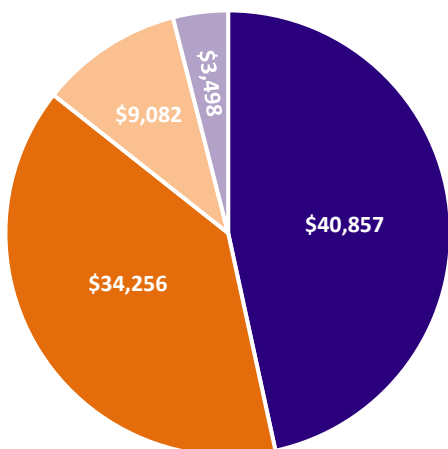
SNAPSHOT

52 Week High:	\$313.84
52 Week Low:	\$234.45
Beta:	1.18
WACC:	7.78%
DCF/EP:	\$282.94
P/E ('25):	15.61
P/E ('26):	15.10
Market Cap:	66,393.95
Shares Outs.	244
Revenue '24	87693
EPS '24	17.41
Current Ratio ('24)	1.36
D/A ('24)	0.23

EPS Growth YoY



2024 Revenue by Segment



■ FedEx Express ■ FedEx Ground
■ FedEx Freight ■ Other Segments

Company Overview

FedEx Corporation (“FedEx”) is a global logistics company based out of Memphis, Tennessee, who offers transportation, e-commerce, and business services. These services are offered using different segments, including FedEx Express, Ground, Freight, and others. Through decades of commitment to innovation, their global network for transportation remains strong in a multitude of industries and geographies, moving both packages and freight across the globe, they strive to integrate their “Customer-driven Technology” system all over the world. [1]

Investment Thesis

We recommend a **SELL** rating for FDX as of November 18th, 2024, because of their diminishing market share, lower earnings forecast, and margin regression. Our model predicts an overvaluation of 3-8%. Despite slight EPS growth rebound following Covid, we believe a long-term growth of 2-3% will cause valuation to suffer [1].

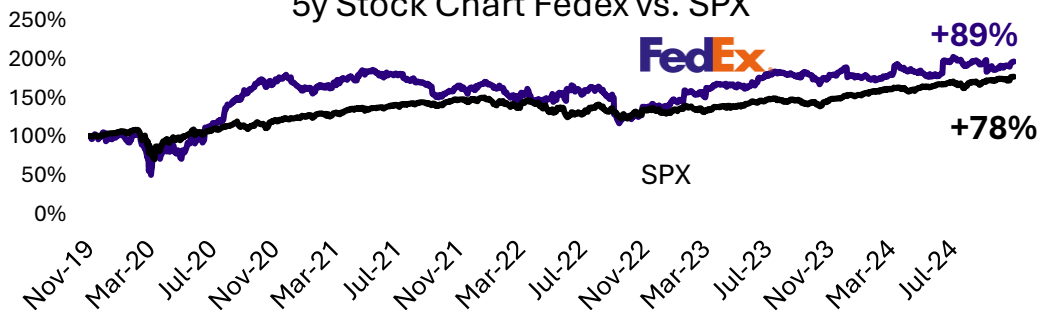
Thesis Drivers

- Diminishing market share: although FedEx has strong presence in all industry’s that they cover, their main specialty of luxury express product shipment has not changed. As players enter their industry, for instance Amazon, or UPS and USPS who prioritize lower costs, customers will slowly start trending towards their lower costs.
- Single-strategy business model: FedEx has been known for its express shipping, with higher-cost shipments being their strong suit. As we look at their competition, Amazon, USPS, and UPS, their companies have broken into the parcel industry and started to out-perform FedEx [15].

Thesis Risks

- Decrease in fuel costs: With an economic outlook where oil costs ease, or geopolitical tension decreases, specifically in the middle east, we could see the companies operating expenses drop, thus profitability would increase.
- Announcement of Spin-offs for competitors: Amazon being the two trillion market company that they are, could announce the vacancy of their current market share in the logistics industry. This would help ease the competitive environment for FedEx.

5y Stock Chart Fedex vs. SPX

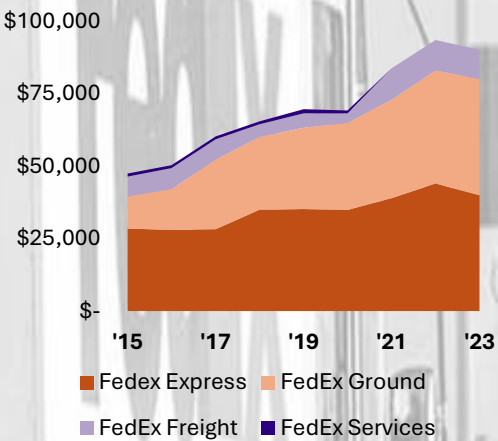


Revenue Breakdown

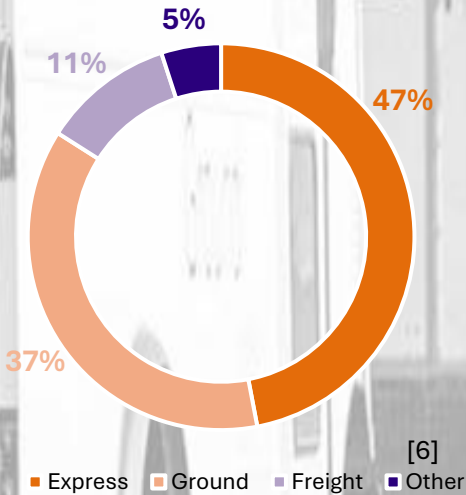
87%



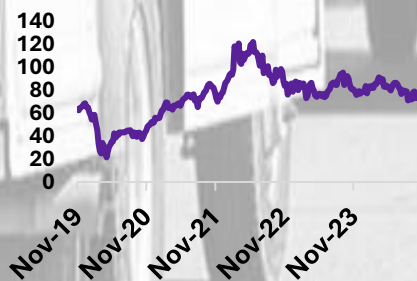
Hist. FedEx Revenue (\$M)



FY23 Revenue %



Price History: Crude Oil



Executive Summary

We believe that FedEx is an outdated, low-upside investment opportunity for investors. The company is the largest pure-play shipping company and has a very targeted product offering, leaving it vulnerable to more diversified players in the space. The company is overvalued, considering that all intrinsic cash flow valuations show an upside of at least (5%), considering the diminishing margins of the business. Competition in the shipping space only gets tougher and FedEx has not made attempts to restructure the business for future growth.

Industry headwinds that will hurt FedEx's growth include an increased fuel price country-wide, worsening geopolitical tensions (especially BRICS), and companies like Amazon, who have diversified business models including FedEx's high-end segment. Because of FedEx's shrinking moat, the company is poorly positioned to capture an increasing market share in growing markets internationally.

Over the last 3 years, FedEx's international revenue has declined as a percent of its total, which is specifically bad for this industry, as going forward there is much more potential overseas in shipping than at home. If FedEx does not make serious changes in its strategy, we believe the company will cease to exist in the future.

Economic Analysis

GDP growth

The real GDP forecast for 2024 is 1.9%, with a range of 1.7% to 2.1%, reflecting slower U.S. consumer spending and higher interest rates, partially offset by government spending on public works, military demand, and potential rate cuts in the latter part of Q4. The downside scenario sees a sharper decline in consumer spending and/or faster-than-expected cuts to public works funding. Over the next three years, GDP growth is projected between 1.4% and 2.3%, with a central estimate of 1.75%. The lower end (1.4%) assumes a gridlocked Congress, while the higher end (2.3%) assumes a Congress that balances fiscal discipline with effective stimulus.

The downside scenario involves a lack of continued Biden administration spending boosts, expiration of the Trump tax cuts, and interest rates staying above 4%. The 2.3% scenario assumes interest rates below 3.5% and a cooperative Congress able to enact tax reforms, streamline regulations, and control spending.

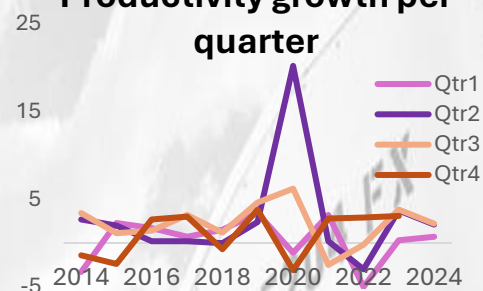
Inflation

While the **Consumer Price Index (CPI)** is the primary metric monitored by the Federal Reserve, we focus more on producers, as their profit margins are more directly impacted by the **Producer Price Index (PPI)** than the CPI. The PPI tends to be more volatile and is typically measured on a month-to-month basis. For the year-end, we expect the CPI to be 2.7% on a year-over-year basis, with a standard error range of 2.4% to 3.0%. In October, the PPI rose by 0.2%, mirroring the 0.2% increase in CPI. If the CPI comes in at 2.6% or lower, we will revise our PPI forecast down by 50 basis points. However, projecting the full-year PPI remains challenging, as it is primarily driven by monthly price fluctuations and tends to act as a leading indicator, with a lag compared to CPI. This creates some uncertainty when forecasting long-term figures, especially as inflation trends either higher or lower. The 2.4% forecasted by **Statista** is on the more optimistic side, in our view, given the persistent price stickiness observed over the past three years

Crude Oil

The air freight and logistics rely heavily on the current costs of crude oil prices. The company's core business uses a multitude of transportation that racks up \$4.7 billion in expenses. As jet fuel prices increases, the reliance FedEx has for modes of transportation via plane, as well as truck and ship, will see a huge impact on operating expenses. Brent crude oil prices recently averaged \$72-\$76 per barrel, down from recent years which can be linked with a combination of oversupply and a decrease in global demand. This downward trend can be linked to China's drop in oil consumption, causing a global excess in volume [7].

Productivity growth per quarter



Historical M&A

bongo

OPEK

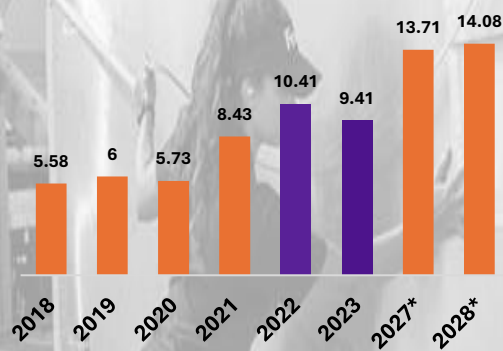
P2P LTD
MAILING



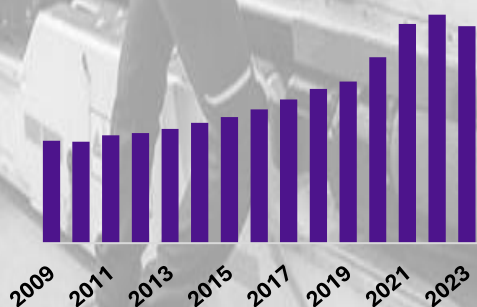
TNT

SHOPRUNNER

Total Logistics Industry market cap (in trillions)



Hist. revenue of US couriers industry (in billions)



Non-OPEC production has been rising, particularly in NA countries, including U.S., Brazil, and Canada. OPEC+ has delayed planned production increases to counter this surplus in Oil, although looking forward S/D margin, the supply of crude oil is anticipated to exceed demand by north of 1 million barrels/day in 2025 [8]. The deacceleration of geopolitical developments in the Middle east leads to a reduced risk premium on previous prices.

Productivity Growth

Productivity growth and population growth are the two primary drivers of GDP. Population growth consists of both organic growth—driven by fertility and birth rates—and inorganic growth, which is largely influenced by immigration. While organic growth is relatively stable and not expected to change significantly over the next three years.

As for productivity growth, we expect it to be around 1.4% on average, with a potential downside of 1.2% in a scenario where artificial intelligence innovation stalls significantly. **For Q3 of 2024, we saw an interact for the nonfarm business sector labor productivity of 2.2% and the manufacturing sector having a +1.0% rate, both increasing from Q3 results [11].**

On the other hand, if the economy remains stable and attracts more capital—stimulating demand and supply for AI and other science- and engineering-related jobs—productivity growth could rise to 1.5%. We view productivity growth as more consistent than overall GDP growth, primarily due to the mitigating impact of inflation. Over the long term, we expect productivity growth to align with its historical trend of around 1.4%.

Capital Markets outlook

The freight and logistics industry is currently at a crossroads of some sort, getting highly influenced by both short-term volatility and long-term growth drivers. Main drivers include inflation, rising interest rates, and other global supply-chain risks. We can expect in the short-term to see a degree of volatility due to economic uncertainty, **especially post-election with companies preparing for President Trump's tariff concept.** With some seeking alternative suppliers and locations [11], companies like FedEx with a significant market share in international parcel can be heavily effected.

Industry Analysis

Description & Overview

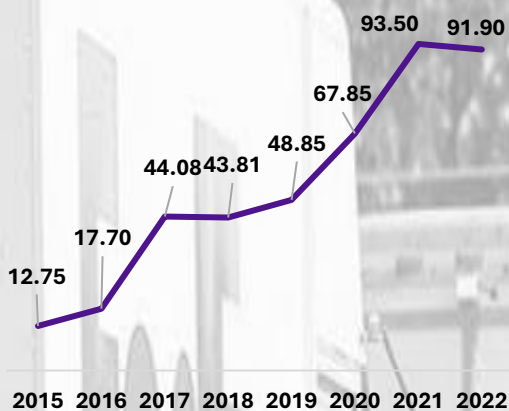
FedEx corporation operates in the **transportation, logistics, and e-commerce** industry. The company provides a range of services, including express parcel delivery, ground shipping, freight transportation, and supply chain management solutions. The company is best known for its express delivery services. Offering time-sensitive shipping options across the globe. A big portion of their industry position is their expansion into e-commerce solutions, supporting the growth in online retailers and shipping/returns. With its sizable air and ground network, FedEx is a major player in connecting businesses and consumers worldwide, ensuring fast and reliable delivery services.

Recent industry developments/trends;

Capacity Constraints and Rising Rates

Within Q4 '24, as the cyclical effect of the industry hits, we can see peak shipping season unfolding. Air freight faces capacity constraints driven by the surge of demand and limited aircraft availability. E-commerce and pre-holiday shipments can be put to blame for the high immense pressure on freighter aircraft which was already stretched thin. As a result, passenger aircraft, particularly on certain key routes such as Asia-Europe and Asia-US has been used as an alternative option, but airlines seem to delay the need for more flights. Rates have seen a steady increase in the Asia/Europe regions, causing shippers to seek alternative options via less busy airports, which causes a spike in rates and delays [14].

AI Corporate investments worldwide (in billions)



Main Competitors [16]



Main buyers [17]



Walmart



Technological Innovation / Artificial Intelligence

Throughout the last decade, the logistics and e-commerce industry have multiple integrated innovations. Blockchain technology, a decentralized database that stores and shares data, helps ensure transparency and security for transactions of customers, helping create good relations between supply chain partners. Internet of Things (IoT) devices help enhance the clearness of tracking shipments in real time [13]. Similarly, Artificial intelligence helps optimize inventory forecasting, demand prediction and route planning. These advanced algorithms analyze customer purchasing patterns to improve inventory management and optimize the delivery process.

Political uncertainty / policies

Following the outcome of the 2024 presidential election, companies in the industry are already adjusting for the anticipated high tariffs on Chinese imports that the Trump administration plans on implementing. Companies are attempting to find replacements on production away from China, shifting to other east Asia countries, or attempting to near-shore within the Americas to reduce the impact of tariffs. Along with the high demand for air-freight imports, e-commerce is boosting in demand, up 10% in 2024, with majority coming from China [13]. Air cargo tonnage has risen 5% from 2019, showing that cargo has exceeded pre-pandemic levels.

Porter's Five Forces

Threat of competition: **Moderate / High.**

In the logistics space, as well as the air freight, competition is high. As mentioned in competitive section, FedEx faces significant competition from other global logistics companies such as UPS, DHL, and regional competitors. Price competition remains intense in the e-commerce industry, where companies frequently look for the best shipping services. Although FedEx differentiates itself through premium services, competitors like UPS and DHL provide similar services. Competition is not just based on price, but also service quality and speed. Markets are relatively saturated with only a few dominant players holding substantial shares. This leads to an increase in the level of rivalry between these companies, with FedEx and its peers constantly aiming to maximize market share.

Bargaining Power of Buyers: **Moderate**

FedEx serves both individual consumers and large businesses. It is true that large businesses can negotiate discounts and favorable terms, for individuals, bargaining power is quite low due to typically not shipping in large quantity. Although on the other hand, large companies tend to struggle to switch between services from different companies due to binding contracts as well as supply chain systems. Regarding costs, company like FedEx doesn't have big enough margins to change prices without taking a deficit. All the companies, although they strive to have a competitive edge on each other, mostly have similar expenses. The buyer does have a good amount of bargaining power solely based off the fact of multiple courier services available through high rivalry naturally.

Main suppliers [17]



Bargaining Power of Suppliers: Moderate

Although one of FedEx's largest operational costs is fuel, the company has managed this risk by entering in long-term contracts with suppliers, as well as capitalizing on alternative fuel options to reduce volatility. There are few suppliers for large aircraft and commercial trucks, which gives the suppliers a degree of power. However, FedEx's long-term relationships and bulk purchasing power helps mitigate the risk. Companies like Boeing and Airbus supply FedEx with jets, and vehicle manufacturers supply with trucks and vans. FedEx's reliance on key suppliers for transportation assets, fuel, and labor gives suppliers leverage in negotiations.

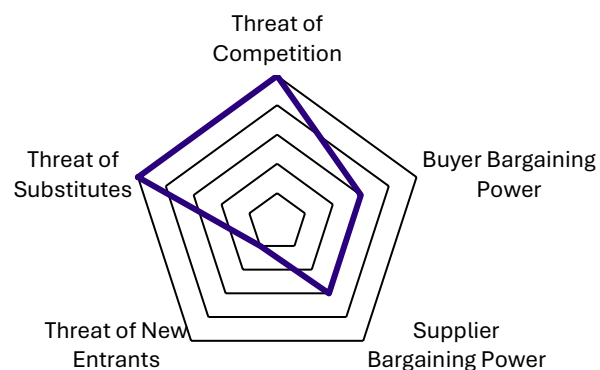
Threat of New Entrants: Low

In logistics, especially e-commerce and freight, threats of new entrants remain relatively low due to high barriers to entry. The infrastructure required to operate a global logistics network involves significant capital investment (aircraft, trucks), technology enhancements, and high operation costs. With established relationships and key customers for a company like FedEx, their customers see no reason to have to build new relationships with a new, not established company. Cost advantages for larger players also make it harder for a smaller company to show an advantage.

Threat of Substitutes: High

In the industry where each competitive company gives very similar products, as well as large firms like Amazon who have broken into the logistics industry, the customer has multiple substitutes. They also have a lot of purchase power with the change of prices, from UPS to USPS to FedEx, the customer has the power to choose the services at any given price, as well as speed and quality. Yes, FedEx tends to have express and higher-quality parcel shipping, if quality and speed isn't an issue, the customer can choose a competitor with lower costs quite easily, especially with an e-commerce competitor like Amazon.

Porters 5 Forces



FedEx Analysis

Strengths:

FedEx has significantly strong brand power and recognition, built on legacy of reliability in package delivery. The company spanning across multiple segments, (express, ground, freight, logistics) provides a competitive edge in comparison to industry competitors. This diversification of services helps build a strong resistance against market volatility, as well as cater to customers' needs quickly. While the company's global reach is 220 countries, the company also operates and maintains nearly 700 aircraft, 200,000+ motorized vehicles, and 2,000+ office locations. In Q2 '24, you could see a 3% increase in revenue for FedEx ground, which can be seen through higher volumes and yield improvements from the segment but illustrates the proven resilience.

Another strength of FedEx can be seen in the recent consolidation of the FedEx Express, FedEx Ground, FedEx Services segments. This move successfully brought a streamline of operations, while also reducing costs and enhancing efficiency. This new operational framework puts FedEx in a great position.

Weaknesses

As you look at FedEx's income statement, **you can see that the company is highly susceptible to economic trends**. For example, the fuel expense in relation to oil/gas prices is the company's third highest expense, taking a large toll in the company's net income. As market and economy conditions frequently change, FedEx requires **constant adaptation to these changes, which has a negative impact on resource allocation and overall profitability**. Another example can be seen in the FedEx ground segment. The company was able to lower purchased transportation expense, but higher volumes caused an offset. This proves that the company still needs to further improve cost optimization.

Opportunities

One of the biggest innovations involving FedEx is the expansion of e-commerce presence across the globe. As online shopping continues to grow, FedEx can optimize their network and technological capabilities to capture a large share of the new market. Another opportunity that FedEx holds is the new DRIVE program, which entails maximizing network flexibility through reducing permanent cost structures, aligning the company's cost base with demand. Despite the constant macroeconomic pressure, the company can capitalize on these opportunities more effectively.

Threats

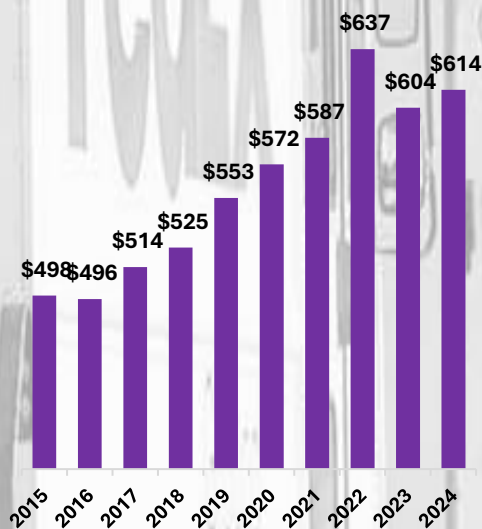
A major threat to FedEx would be their strong competition from other ground/freight companies in the market. Companies like United Parcel Services (UPS) has consistently held the major ground-based packages, although FedEx's versatility of helps them keep an edge. To compare the companies E-commerce presence, FedEx's market share is far greater, but compared **to recent trends with Amazon's plan to become the primary logistics handler of vendors, FedEx has consistent, tough competition across the board**. Another threat would be geopolitical conflicts and economic instability. The possibility of a rapid change in global supply chains and trade plays a huge threat to the company and leaves the global operations vulnerable to external shocks.

M&A & Capital Expenditures

The company has not made any recent major acquisitions and is focused on downsizing. Their strategic initiatives include the consolidation of FedEx Ground and FedEx Service into FedEx Express, Project DRIVE to improve operational efficiency, Network 2.0 to improve logistics, Tricolor to improve efficiency and returns in their air division, FDX as a tracking software, and other technology initiatives but no major acquisitions. They have however utilized buybacks with 5,064 millions of capacity of their buyback program and plan to repurchase a billion of common stock over 2024.

The company has been reducing Capex from the low double digits to the mid singles where we expect it to stay in the long term, 6.5% of revenue annualized. It is important to look at the assets owned and leased by the business as air-leasing has been a very profitable business for the leasing companies but businesses like Fed-Ex may struggle to purchase aircraft outright, they may also be more subject to environment regulations forcing them to convert their vans to something more environmentally friendly which could impact the capex forecast.

Hist. Spare Parts & Fuel costs



Segment Analysis

FedEx Express:

FedEx Express is the company's global courier service, offering fast delivery of packages to over 220 countries and territories. It specializes in urgent shipments, including time-sensitive, personal, and high-value items. This segment is a significant revenue contributor, with services tailored to different delivery needs, such as overnight shipments and deferred delivery options. The primary offerings are overnight boxes, overnight envelopes, and deferred shipments, with overnight boxes being the highest-grossing service. FedEx Express is the company's highest revenue segment.

FedEx Ground:

FedEx Ground is the company's network for cost-effective, day-definite delivery of parcels across the United States and Canada. The segment focuses on delivering packages through a reliable ground transportation network, offering both residential and business delivery services. Unlike the Express segment, which signifies the time-sensitive shipments, FedEx Ground provides more economical options, with typical delivery times in the range of 1 to 5 days. 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.

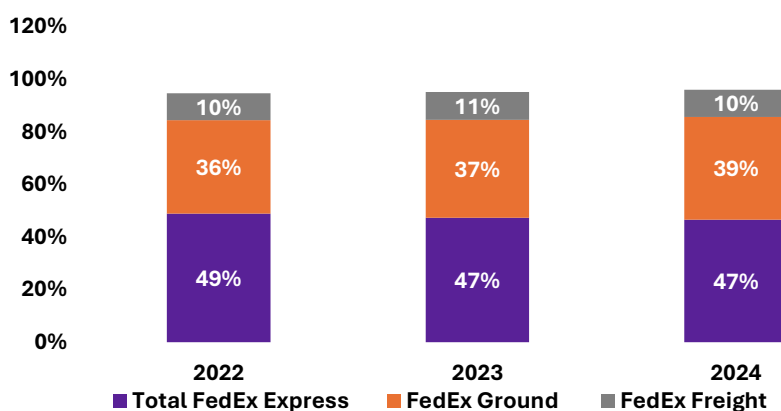
FedEx Freight

FedEx Freight is the company's less-than-truckload (LTL) shipping service, specializing in the transportation of freight that doesn't fill an entire truck but requires more space than standard parcel delivery. The segment provides both regional and national delivery solutions across the U.S. and Canada, focusing on medium-to-large sized shipments. FedEx Freight offers multiple services, consisting of priority, economy, and custom solutions tailored to meet the needs of different shipping requirements. Designed to handle heavier, bulkier shipments, the segment helps transport heavier, bulkier shipments, such as industrial equipment, machinery, and pallets of goods.

FedEx Logistics:

FedEx Logistics offers a multitude of integrated logistics solutions, including end-to-end supply chain solutions for businesses worldwide. Their main services include international freight forwarding and customs brokerage, companies move goods efficiently across borders and streamline their operations. FedEx Logistics utilizes advanced technology and data analytics to improve real-time visibility and decision-making throughout the supply chain. By offering integrated solutions, the segment supports industries like retail, healthcare, and automotive in managing their logistics needs.

Revenue Per Segment



Segment Update:

Before June of '24, all the listed segments operated individually. After releasing an announcement in 2023, FedEx made a **consolidation of three of the segments, FedEx Express, FedEx ground, and FedEx Services**. They stated that all three will be consolidated into one segment, calling the combination *FedEx Express Corp.* [4]. The company estimates that they will save \$4 billion in cost expenses by the end of 2025. G&A costs would decrease by \$1.5 billion, along with surface network and air network & international (found in FedEx logistics).

Expenses Analysis

Sales and Employee Benefits

FedEx's largest operating ,which in 2024 costed the company \$30,961 million, as of June 1st, 2024, are for 430,000 total employees. The benefits are made up of primarily stock-based compensation, pensions, and **healthcare**. **A key driver linked to salaries would be the increase in labor costs due to inflation increasing.** Recently, FedEx announced they will lay off 2,000 workers stationed in Europe to restructure these costs.

Purchased Transportation

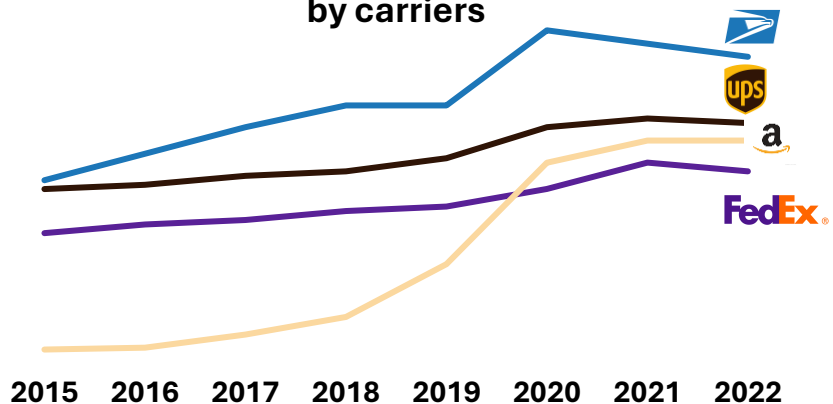
Purchased transportation, Totaling \$20,921 million, which showed a decrease of 1.93% as a percentage of revenue compared to \$24,118 million FY'22. Prior to '22, rates had been increased at a steady rate. As we look at cash spending for FedEx, **Capital expenditures is the highest cash outflow**, funded mostly by debt and leasing. Via investor news release, FedEx estimates the "fiscal 2025 ratio of capital expenditures to revenue expected to be at or below 6.5%" [14]. Even through the consolidation of segments, through this growth, increasing as well as PP&E [1], we can see the company see growth.

Fuel

Costing the company \$4,710 million in FY'24, fuel shows a **direct relationship with a driver of oil prices in the current market**. As oil prices rise, fuel will cost the company more, increasing the operating expense. For the last FYE, the company's cost of goods sold was \$68,898 million in 2024. Jet fuel, in particular, prices have a range of fluctuations and in 2023, were the highest as a present of revenue at 5%, in 2024 they went down to 4.1%. FedEx does not have any fuel hedging contracts. They get their fuel delivered at market price from various suppliers at various prices and contract lengths./

Competition

Growth of Quantity of Parcels handled by carriers



FedEx operates in a highly competitive logistics and delivery market, with its main competitors including United Parcel Services (UPS), Old dominion, DHL and Amazon Logistics. Each competitor brings unique strengths and strategies and multiple different segments, challenging FedEx in multiple ways. Amazon stands as a main competitor specifically against FedEx logistics sector, although in our peer evaluation we did not include the company due to amazons 2.1 trillion market cap.

United Parcel Services

UPS is FedEx's main competitor when it comes to global logistics and courier industry. Both companies provide similar services, including parcel delivery, freight transportation and supply chain solutions. As we look at competitive advantages, UPS on of the top ground delivery companies in the world with their sizable fleet and infrastructure. As for FedEx, they have the advantage in strength in international reach and air delivery [15]. Comparing marketing strategies, UPS tends to focus more on efficiency and cost-effectiveness via ground, while FedEx emphasizes speed, with overnight and time sensitive deliveries. Customers tend to either choose speed or cheap price when considering the two companies.

Amazon

Over the last decade, Amazon has grabbed a significant portion of the logistics industry, expanding its own delivery network, having a strong fleet of trucks, as well as planes. The company understands that the incremental revenue from the logistics sector see high revenues through a gigantic volume in the industry. The reliance on third-party carriers like FedEx for parcel delivery. The company's focus on technology-driven logistics and efficiency also puts pressure on traditional carriers to innovate. Amazon having control over various supply chain stages with fulfillment centers directly competes with what FedEx has to offer in the logistics market.

United States Postal Service

A key competitor to FedEx in the domestic parcel delivery market, USPS offers an affordable, reliable solution for regular mail and less time-sensitive shipments. Compared to FedEx, who specializes on premium services like express shipping and international deliveries, USPS offers delivery to every address in the U.S. six days a week, giving a broad reach at competitive prices. Although they compete directly in the e-commerce market, both hold their respective portions of the parcel delivery business. USPS focus on government-subsidized pricing, which allows them to undercut FedEx on certain shipment types, mostly in standard and economy categories. Still, FedEx holds stronger presence in the higher-end, time critical segment of the logistics market.

Valuation Analysis

Discounted Cash Flow (DCF) & Economic Profit

As we went through the valuation, the discounted cash flow (DCF) and economic profit (EP) models are both intrinsic valuation method that helped us determine an implied share price for a given company. For FedEx's, a projection of the Future Cash Flows with a 10-year projection period was used. This led to discounted cash flows in the DCF to present day using the calculated weight adjusted cost of capital (WACC) of 7.74%. After summing up these values giving us the value of operating assets, adjustments were made for non-operating items (Present value of operating leases, net debt, excess cash), giving us the value of equity, which after taking the per share value, gives us the intrinsic value of the stock. As for Economic profit model, a forecast of EP was calculated by taking the periods beginning invested capital multiplied by return on invested capital (ROIC) minus the estimated WACC. Following this calculation, the continuing value representing the value of the company following the terminal period is added to the present value of all economic profits for each year, which gives you the same value of operating asset value than the Discounted Cash Flow method. Both models and methods give us an implied share price of \$282.94. We believe this value represents the company's total value based on future cash flows and invested capital calculated with estimated growth rates. Although, compared to the current share price of \$295.21, the company is overvalued, thus resulting in our **SELL** position.

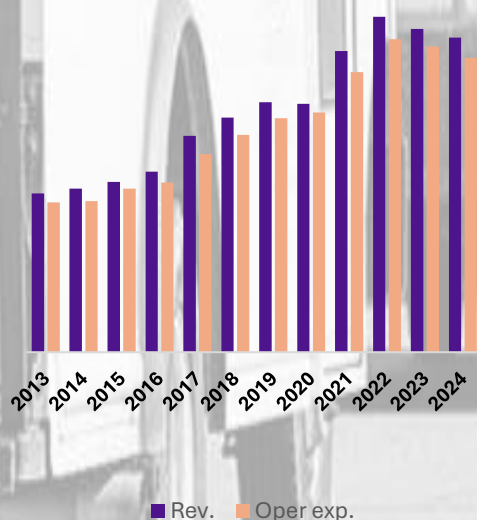
Dividend Discount Model (DDM)

Using a different forecasting method, we created a Dividend Discount Model with assumptions for shareholders earnings per year. Taking FedEx's historical dividends paid, we put a growth rate of 20% for dividends per share. We are aware the rate is quite optimistic, but to prove our that given the forecasted period, the continuing value, we then discounted the dividends back to the present time using the calculated cost of equity. This models implied share price was significantly lower than the other valuation methods used, which we decided to exclude from the final target price for FedEx, as we didn't want the valuation to be skewed.

Relative Valuation Metrics	
DCF Model:	
Continuing Value (CV)	110,802.40
PV of FCF	91,585.16
Value of Operating Assets	91,585.16
Non operating Adjustments:	
PV of operating lease	(17,516.00)
Total Debt	(20,908.00)
Excess cash	13,734.86
Value of Equity	66,896.03
Shares outstanding	247.81
Implied Price of today	\$ 280.16

Relative Valuation Metrics	
EP Model	
Continuing Value (CV)	21,529.52
PV of EP	11,743.94
Invested capital (last FYE)	73,006.18
Value of operating assets	91,585.16
PV of operating lease	(17,516.00)
Total Debt	(20,908.00)
Excess cash	13,734.86
Value of Equity	66,896.03
Shares outstanding	247.81
Implied Price of today	\$ 280.16

**Revenue vs. Oper
Expense hist. (in
millions)**



Relative Valuation

As we look for comparable companies, the relative valuation model illustrated the difference in FedEx's main competitors in the logistics industry. The selected companies are Old Dominion Freight (ODFL), Deutsche Post AG (DHL), United Parcel Service (UPS), and Mainfreight (MFL). For this valuation method, we used four different valuation metrics: P/E (2024 EPS), P/E (2024 EPS), PEG (2024 EPS), and PEG (2025 EPS). Our P/E model determined that the implied share price for 2023 and 2024.

Revenue

When projecting the forecasted revenue growth, our group looked at the company, as well as economic and industry specific factors that may be key. In recent times, FedEx has seen a decrease in revenue for FY 2023 & 2024. This could be linked with the lack of demand for its services due to competitors entering the logistics industry. Easiest example of this would be Amazon. Their addition into FedEx's main consumers and implementing a direct-to-consumer concept, removing third parties like FedEx all together. Although this plays a huge risk for FedEx's future forecasts, we still projected an optimistic growth of 2.52 to 3.15% revenue growth for 10-year horizon. This can also be predicted with a positive mindset towards their plans for cost-cuts via DRIVE program. The recently implemented consolidation of segments has a clear possibility of up-side for the company.

To project FedEx's revenue, we began by collecting historical Producer Price Index (PPI) data for the transportation and warehousing industries. This data was then used to estimate a monthly growth rate, which was scaled up to a yearly basis to project potential increases in yield per package type across different segments. Next, we focused on forecasting the Average Daily Package Volume (ADV), accounting for recessionary impacts during the first two years. Starting in 2025, we assumed a 2% annual growth rate in package volume, reflecting a recovery and consistent growth, with this rate held constant thereafter due to FedEx's expanding size and operational capabilities

Operating Expenses

The first operating expense is salaries and employee benefits, which were projected based on the historical average of salaries as a percentage of sales. These expenses account for about 40% of revenue each year, making them the largest cost. We used the historical average to forecast this, as we expect wages to continue rising despite a decline in revenue over the next two years, due to inflationary pressures and labor unions. Additionally, FedEx is working to reduce costs in response to lower demand for certain services, contributing to this decrease. Depreciation and amortization were forecasted based on the average depreciation rate from the last five years. As FedEx's property, plant, and equipment (PP&E) increases over the projection period, these expenses are expected to rise.

WACC

FedEx's weighted average cost of capital (WACC) is 7.78%. This is calculated using the cost of equity of 10.17% and an after-tax cost of debt of 3.51%. We also calculated the market value weights for equity and debt which are 64.05% and 35.95% respectively. These were used to have the correct weight attributed in the WACC formula.

Cost of Equity

We calculated our cost of equity using the capital asset pricing model (CAPM) and produced a value of 10.17%. 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 more recent beta derived from Bloomberg, which is 1.18. 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 on a 10-year bond taken from FINRA. We selected the 10-year bond because it matches the 10 forecasted periods and most accurately represents debt issuance for FDx. The pre-tax cost of debt is 5.37% and this was multiplied by (1-marginal tax rate) to find an after-tax cost of debt equaling 3.51%.

Sensitivity Analysis

WACC vs. CV Growth of NOPLAT

		CV Growth of NOPLAT							
		\$ 280.16	1.89%	2.09%	2.39%	2.69%	2.84%	3.14%	3.44%
WACC	7.57%	293.75	295.81	299.22	303.05	305.15	309.77	315.07	
	7.67%	286.80	288.64	291.69	295.11	296.98	301.09	305.79	
	7.77%	280.09	281.73	284.45	287.49	289.15	292.79	296.94	
	7.87%	273.60	275.06	277.47	280.16	281.63	284.84	288.48	
	7.97%	267.33	268.62	270.74	273.11	274.40	277.21	280.40	
	8.07%	261.26	262.39	264.26	266.32	267.45	269.90	272.67	
	8.17%	255.40	256.38	257.99	259.79	260.76	262.88	265.26	

The weighted average cost of capital (WACC) and the continuing value growth of NOPLAT are key inputs in our model, as they can significantly impact the final implied share price due to small changes in the numbers within the DCF and EP models. Since the WACC can vary based on factors like the risk-free rate, cost of debt, and market risk premium, it's crucial to understand how fluctuations in these variables affect the overall valuation. Predicting the continuing value growth of NOPLAT is particularly challenging due to the long-term nature of the projections, but it remains important to consider, as continuing value accounts for a significant portion of the enterprise value.

CV Growth of NOPLAT vs. Cost of Equity

		Cost of Equity							
		\$ 280.16	4.32%	6.32%	8.32%	10.32%	12.32%	14.32%	16.32%
CV Growth of Noplat	1.19%	262.03	264.41	266.78	269.12	271.44	273.73	276.01	
	1.69%	265.03	267.45	269.84	272.21	274.55	276.87	279.17	
	2.19%	268.56	271.01	273.43	275.83	278.21	280.56	282.89	
	2.69%	272.78	275.26	277.72	280.16	282.57	284.96	287.33	
	3.19%	277.89	280.42	282.93	285.41	287.87	290.31	292.72	
	3.69%	284.22	286.82	289.38	291.92	294.43	296.92	299.39	
	4.19%	292.28	294.95	297.58	300.19	302.78	305.34	307.88	

CV Growth of NOPLAT refers to the rate at which the company's NOPLAT is expected to grow indefinitely into the future. A higher CV growth rate implies that the company's future profits will grow at a faster pace, leading to a higher terminal value and, therefore, a higher intrinsic stock value. Cost of equity, as defined earlier, represents the return required by equity investors based on the risk of the company. It is often calculated using the Capital Asset Pricing Model (CAPM) and is used to discount future cash flows to their present value. A higher cost of equity increases the discount rate, which reduces the present value of future cash flows, and in turn, decreases the company's intrinsic value.

WACC vs. Cost of Equity

		WACC							
		\$ 280.16	7.72%	7.77%	7.82%	7.87%	7.92%	7.97%	8.02%
Cost of equity	7.32%	287.49	283.77	280.11	276.50	273.02	269.57	266.19	
	8.32%	288.77	285.03	281.36	277.73	274.23	270.77	267.37	
	9.32%	290.04	286.28	282.59	278.95	275.44	271.96	268.55	
	10.32%	291.30	287.53	283.83	280.16	276.64	273.15	269.72	
	11.32%	292.56	288.77	285.05	281.37	277.83	274.32	270.88	
	12.32%	293.81	290.00	286.27	282.58	279.02	275.50	272.04	
	13.32%	295.06	291.23	287.48	283.77	280.20	276.67	273.20	

Both Cost of Equity and weighted average cost of capital are critical inputs while calculating a financial models Discounted Cash flow. Even the smallest changes in either of the values can have a significant impact on the intrinsic value of the company. WACC represents the average rate a company is expected to pay to finance its assets through a combination of debt and equity. A higher WACC indicates higher cost of capital. Cost of equity, on the other hand, refers to the return required by equity investors given the risk of the business. Both metrics are highly sensitive to changes in key inputs, such as the risk-free rate.

Sensitivity Analysis

WACC vs. Risk Free Rate

		WACC							
		\$ 280.16	7.72%	7.77%	7.82%	7.87%	7.92%	7.97%	8.02%
Risk free rate	1.30%	286.29	282.54	278.86	275.22	271.72	268.25	264.85	
	2.30%	287.86	284.11	280.42	276.77	273.27	269.79	266.38	
	3.30%	289.53	285.77	282.07	278.42	274.90	271.42	268.00	
	4.30%	291.30	287.52	283.82	280.16	276.63	273.14	269.72	
	5.30%	293.17	289.39	285.68	282.00	278.47	274.97	271.53	
	6.30%	295.15	291.36	287.64	283.96	280.41	276.90	273.46	
	7.30%	297.25	293.44	289.71	286.02	282.47	278.95	275.49	

For FedEx, WACC and risk-free rate both play a crucial role in the discounted cash flow statement, which was a used evaluation method. This risk-free rate is from the 10-year treasury bond, which at the time of the making of this model was 4.30%. As seen in the table, they have an inverted relationship in changing stock price. As WACC increases, which means higher cost of capital, we see a fall in stock price. On the other hand, higher risk-free rate represents what we can assume has zero risk. Both are benchmarks in calculating the Discounted Cash Flow (DCF).

Risk-free Rate vs. Cost of Debt

		Risk Free rate							
		\$ 280.16	1.30%	2.30%	3.30%	4.30%	5.30%	6.30%	7.30%
Cost of Debt	3.90%	267.91	269.46	271.11	272.85	274.69	276.64	278.71	
	4.10%	270.35	271.90	273.54	275.28	277.13	279.08	281.14	
	4.30%	272.78	274.34	275.98	277.72	279.57	281.52	283.58	
	4.50%	275.22	276.77	278.42	280.16	282.00	283.96	286.02	
	4.70%	277.66	279.21	280.86	282.60	284.44	286.39	288.46	
	4.90%	280.10	281.65	283.30	285.04	286.88	288.83	290.90	
	5.10%	282.54	284.09	285.73	287.47	289.32	291.27	293.33	

Cost of Debt and the risk-free rate can be seen as a changes in cash flows. As we see the risk-free rate decreases, prices will decrease, with a direct relation. As we factor in cost of debt, which effects the cost of capital for the company, prices increase when cost of debt grows. This all depends on discount rates and how the market views the change. If they change simultaneously, this can be a sign of higher interest rates or tightening financial conditions.

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FedEx Corp.

Common Size Income Statement

<i>Fiscal Years Ending May 31</i>	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Salaries & employee benefits	34.28%	34.41%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%
Purchased Transportation	25.79%	24.17%	23.86%	23.86%	23.86%	23.86%	23.86%	23.86%	23.86%	23.86%	23.86%	23.86%
Rentals & landing fees	5.04%	5.26%	5.21%	5.21%	5.21%	5.21%	5.20%	5.19%	5.19%	5.18%	5.17%	5.17%
Depreciation & amortization	4.25%	4.63%	4.76%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%
Fuel	5.47%	6.55%	5.37%	5.80%	5.91%	5.69%	5.80%	5.80%	5.76%	5.79%	5.78%	5.78%
Maintenance & repairs	3.61%	3.72%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Goodwill & other asset impairment (e)	0.00%	0.13%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%
Business realignment costs	0.30%	0.33%	0.66%	0.43%	0.47%	0.52%	0.48%	0.49%	0.50%	0.49%	0.49%	0.49%
Other operating expenses	14.59%	15.34%	14.43%	14.43%	14.43%	14.43%	14.43%	14.43%	14.43%	14.43%	14.43%	14.43%
Total operating expenses	93.32%	94.55%	93.66%	93.51%	93.66%	93.50%	93.54%	93.55%	93.52%	93.53%	93.52%	93.51%
Operating Income	6.68%	5.45%	6.34%	6.16%	5.98%	6.16%	6.10%	6.08%	6.11%	6.10%	6.10%	6.10%
Interest expense	0.74%	0.77%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Interest income	0.06%	0.22%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%
Other retirement plans income (e)	-0.78%	1.17%	0.82%	0.82%	0.82%	0.82%	0.82%	0.82%	0.82%	0.82%	0.82%	0.82%
Other income (expense), net	0.01%	-0.12%	-0.08%	-0.06%	-0.09%	-0.08%	-0.07%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%
Total other income (expense)	-1.44%	0.50%	0.32%	-0.21%	0.20%	0.10%	0.03%	0.11%	0.08%	0.08%	0.09%	0.08%
Income before income taxes	5.24%	5.95%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%
Provision for income taxes	1.14%	1.54%	1.72%	1.47%	1.58%	1.59%	1.54%	1.57%	1.57%	1.56%	1.56%	1.56%
Net income	4.09%	4.41%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%
Dividends paid	0.85%	1.31%	1.44%	4.44%	7.44%	10.44%	13.44%	16.44%	19.44%	22.44%	25.44%	28.44%

<i>Fiscal Years Ending May 31</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net income	1,050	1,820	2,997	4,572	540	1,286	5,231	3,826	3,972	4,331
OPERATING ACTIVITIES										
Depreciation & amortization	2,611	2,631	2,995	3,095	3,353	3,615	3,793	3,970	4,176	4,287
Provision for uncollectible accounts	145	121	136	246	295	442	577	403	696	421
Other noncash items including leases & deferred income taxes	-572	31	909	-231	-233	2,449	2,887	2,931	3,472	2,919
Impairment & other charges	0	0	0	380	0	435	0	0	117	157
Business realignment, impairment & other charges	246	0	0	0	0	0	0	53	23	26
Stock-based compensation	133	144	154	167	174	168	200	190	182	163
Retirement plans mark-to-market adjustments	2,190	1,498	-24	-10	3,882	794	-1,176	1,578	-650	-561
Loss (gain) on extinguishment of debt	0	0	0	f	0	0	393	0	0	-522
Loss (gain) from sale of business	0	0	0	-85	-8	0	0	0	0	0
Loss (gain) from sale of investment	0	0	-35	0	0	0	0	0	0	0
Business realignment costs	0	0	0	0	101	0	102	53	0	26
Goodwill & other asset impairment charges	0	0	0	380	0	435	0	0	117	157
Business optimization & realignment costs, net of payments	0	0	0	0	0	0	0	0	23	0
<i>Changes in assets and liabilities</i>										
Receivables	-392	-199	-556	-1,049	-873	-1,331	-1,389	-310	782	-270
Other assets	0	0	0	0	0	0	0	0	0	0
Other current assets	25	-234	78	-135	-25	-59	-40	-158	48	-43
Pension & postretirement healthcare assets & liabilities, net	-692	-346	-1,688	-2,345	-909	-908	-317	-697	-623	0
Accounts payable & other liabilities	659	467	103	141	-571	-1,787	71	-1,861	-3,331	-2,553
Other assets & liabilities, net	-37	-225	-139	-72	-113	-7	-197	-93	-16	0
Net cash flows from operating activities	5,366	5,708	4,930	4,674	5,613	5,097	10,135	9,832	8,848	8,312
Investing Activities										
Capital expenditures	-4347	-4818	-5116	-5663	-5490	-5868	-5884	-6763	-6174	-5176
Business acquisitions, net of cash acquired	-1429	-4618	-	-179	-66	-	-228	-	-	-
Purchase of investments	-	-	-	-	-	-	-	-147	-84	-176
Proceeds from sale of business	-	-	-	123	-	-	-	-	-	38
Proceeds from asset dispositions & other investing activities	24	-10	135	42	83	22	102	94	84	-
Proceeds from asset dispositions and other	-	-	-	-	-	-	-	-	-	114
Net cash flows from investing activities	-5752	-9446	-4981	-5677	-5473	-5846	-6010	-6816	-6174	-5200
Financing Activities										
Principal payments on debt	-5	-41	-82	-38	-1436	-2548	-6318	-161	-152	-147
Proceeds from debt issuances	2491	6519	1190	1480	2463	6556	4212	-	-	-
Proceeds from stock issuances	320	183	337	327	101	64	740	184	231	491
Excess tax benefits on the exercise of stock options	51	3	-	-	-	-	-	-	-	-
Dividends paid	-227	-277	-426	-535	-683	-679	-686	-793	-1177	-1259
Purchase of treasury stock	-1254	-2722	-509	-1017	-1480	-3	-	-2248	-1500	-2500
Other financing activities, net	-27	-54	18	10	-4	-9	-38	-1	1	-11
Net cash flows from financing activities	1349	3611	528	227	-1039	3381	-2090	-3019	-2597	-3426
Net cash flow (total)	87	1947	2520	5348	1439	-1346	3196	3829	3895	4645
Effect of exchange rate changes on cash	-108	-102	-42	72	-47	-70	171	-187	-118	-41
Cash & cash equivalents at beginning of period	2908	3763	3534	3969	3265	2319	4881	7087	6897	6856
Cash & cash equivalents at end of period	3763	3534	3969	3265	2319	4881	7087	6897	6856	6501
Cash payments for interest (net of capitalized interest)	201	321	484	524	617	639	819	695	694	744
Cash tax payments, net	1113	991	377	189	371	389	1319	177	1043	1433

FedEx Corp.

Forecasted Cash Flow Statement

Fiscal Years Ending May 31	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
OPERATING ACTIVITIES									
Net income	4,438	4,549	4,663	4,781	4,902	5,027	5,155	5,286	5,422
Adjustments									
Depreciation and Amortization	4,083	4,186	4,291	4,399	4,510	4,625	4,743	4,864	4,989
Deferred Taxes	110	115	118	122	125	129	132	136	140
Changes in assets and liabilities:									
Change in Receivables, net	(555)	(267)	(274)	(282)	(290)	(298)	(307)	(316)	(325)
Change in spare parts, supplies & fuel	101	139	170	(181)	48	14	(44)	7	(8)
Change in prepaid expenses & other current assets	32	(39)	(35)	(15)	(32)	(29)	(26)	(31)	(30)
Change in Accrued Salaries & employee benefits	(127)	103	108	28	85	78	67	81	80
Change in Accrued Expenses	(28)	106	192	94	138	150	134	149	153
Change in Accounts payable	469	19	6	178	70	89	120	98	108
Pension, postretirement healthcare, and other benefit obligations	50	414	(185)	100	118	9	81	74	57
Self-insurance accruals	159	166	173	181	188	196	205	214	223
Net cash flows from operating activities	8732	9490	9226	9405	9863	9989	10259	10562	10808
INVESTING ACTIVITIES									
Capital Expenditures	(5,841)	(5,987)	(6,138)	(6,292)	(6,452)	(6,616)	(6,784)	(6,957)	(7,136)
Other assets	(189)	(198)	(208)	(218)	(229)	(241)	(253)	(265)	(279)
Goodwill & other asset impairment charges	-	-	-	-	-	-	-	-	-
Operating lease liabilities	585	651	668	685	702	720	738	757	776
Net cash flows from investing activities	(5,444)	(5,534)	(5,678)	(5,826)	(5,979)	(6,136)	(6,299)	(6,466)	(6,638)
FINANCING ACTIVITIES:									
Operating lease liabilities	89	106	109	112	115	117	120	124	127
Other liabilities	(4)	27	19	14	21	19	19	21	21
Deferred lease obligations	-	-	-	-	-	-	-	-	-
Operating lease right-of-use assets	(725)	(743)	(762)	(781)	(801)	(821)	(842)	(864)	(886)
changes in debt	9,361	2,319	1,109	333	1,697	1,243	1,298	1,318	1,361
proceeds from stock issuances	-	-	-	-	-	-	-	-	-
change in common equity	480	480	480	480	480	480	480	480	480
dividends paid	(793)	(1,177)	(1,259)	(1,525)	(1,847)	(2,236)	(2,708)	(3,279)	(3,970)
change of treasury stock	(1,470)	(1,470)	(1,470)	(1,470)	(1,470)	(1,470)	(1,470)	(1,470)	(1,470)
Net cash flows from financing activities	6938.04	-458.05	-1775.16	-2837.42	-1805.53	-2668.19	-3102.83	-3670.25	-4337.36
Net change in Cash flow	10,226	3,499	1,773	741	2,079	1,185	858	427	(167)
Beginning year cash	6,501	16,727	20,226	21,998	22,739	24,818	26,003	26,860	27,287
End Year Cash	16,727	20,226	21,998	22,739	24,818	26,003	26,860	27,287	27,120

<i>Fiscal Years Ending May 31</i>	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
% of Sales												
Assets												
Current Assets												
Cash and cash equivalents	6.95%	7.60%	7.41%	9.41%	11.41%	13.41%	15.41%	17.41%	19.41%	21.41%	23.41%	25.41%
Receivables	12.69%	11.30%	11.50%	11.84%	11.84%	11.84%	11.84%	11.84%	11.84%	11.84%	11.84%	11.84%
Spare parts, supplies & fuel, gross	1.07%	0.98%	-0.33%	0.57%	0.41%	0.22%	0.40%	0.34%	0.32%	0.35%	0.34%	0.34%
Prepaid expenses & other current assets	1.04%	1.07%	1.15%	1.08%	1.10%	1.11%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
Total Current assets	21.78%	20.64%	20.76%	22.91%	24.76%	26.58%	28.75%	30.70%	32.68%	34.71%	36.69%	38.69%
Total property & equipment, at cost	80.50%	89.43%	96.23%	88.72%	88.72%	88.72%	88.72%	88.72%	88.72%	88.72%	88.72%	88.72%
Less accumulated depreciation & amortization	39.76%	44.29%	48.92%	44.32%	44.32%	44.32%	44.32%	44.32%	44.32%	44.32%	44.32%	44.32%
Net PPE	40.73%	45.14%	47.31%	48.13%	48.91%	49.67%	50.40%	51.11%	51.80%	52.47%	53.12%	53.75%
Operating lease right-of-use assets, net	17.77%	19.24%	19.52%	19.52%	19.52%	19.52%	19.52%	19.52%	19.52%	19.52%	19.52%	19.52%
Goodwill	7.00%	7.14%	7.32%	7.32%	7.32%	7.32%	7.32%	7.32%	7.32%	7.32%	7.32%	7.32%
Other assets	4.68%	4.50%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%
Total Assets	91.96%	96.66%	99.22%	102.18%	115.88%	118.04%	119.39%	121.80%	123.26%	124.38%	125.01%	125.08%
Liabilities												
Current Liabilities												
Current portion of long-term debt	0.09%	0.14%	0.08%	0.10%	0.11%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Accrued salaries & employee benefits	2.71%	2.75%	3.05%	2.83%	2.88%	2.92%	2.88%	2.89%	2.90%	2.89%	2.89%	2.89%
Accounts payable	4.31%	4.27%	3.64%	4.07%	3.99%	3.90%	3.99%	3.96%	3.95%	3.97%	3.96%	3.96%
Operating lease liabilities	2.61%	2.65%	2.81%	2.69%	2.72%	2.74%	2.72%	2.72%	2.73%	2.72%	2.72%	2.72%
Accrued expenses	5.55%	5.27%	5.66%	5.49%	5.47%	5.54%	5.50%	5.50%	5.51%	5.51%	5.51%	5.51%
Total Current liabilities	15.26%	15.07%	15.23%	15.19%	15.16%	15.19%	15.18%	15.18%	15.18%	15.18%	15.18%	15.18%
Long-term Liabilities												
Long-term debt, less current portion	21.58%	22.69%	22.82%	22.36%	22.62%	22.60%	22.53%	22.58%	22.57%	22.56%	22.57%	22.57%
Deferred income taxes	4.38%	4.98%	5.11%	5.11%	5.11%	5.11%	5.11%	5.11%	5.11%	5.11%	5.11%	5.11%
Pension, postretirement healthcare, & other benefit obli	4.76%	3.47%	2.29%	2.29%	2.69%	2.42%	2.47%	2.53%	2.47%	2.49%	2.49%	2.48%
Self-insurance accruals	3.09%	3.70%	4.22%	3.67%	3.87%	3.92%	3.82%	3.87%	3.87%	3.85%	3.86%	3.86%
Operating leases liabilities	15.49%	17.04%	17.17%	16.57%	16.92%	16.89%	16.79%	16.87%	16.85%	16.84%	16.85%	16.84%
Deferred lease obligations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred gains, principally related to aircraft transactions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other liabilities	0.73%	0.77%	0.79%	0.76%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%
Total Long-term Liabilities	28.44%	29.97%	29.57%	29.33%	29.62%	29.51%	29.49%	29.54%	29.51%	29.51%	29.52%	29.52%
Total Liabilities	65.29%	67.72%	67.76%	66.93%	67.47%	67.39%	67.26%	67.37%	67.34%	67.33%	67.35%	67.34%
Stockholder's equity												
Additional paid & capital	3.72%	4.15%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%
Retained Earnings	35.06%	39.11%	44.07%	44.07%	44.07%	44.07%	44.07%	44.07%	44.07%	44.07%	44.07%	44.07%
Accumulated other comprehensive income (loss)	-1.18%	-1.47%	-1.55%	-1.55%	-1.55%	-1.55%	-1.55%	-1.55%	-1.55%	-1.55%	-1.55%	-1.55%
Treasury stock, at cost	-11.21%	-12.92%	-15.65%	-15.65%	-15.65%	-15.65%	-15.65%	-15.65%	-15.65%	-15.65%	-15.65%	-15.65%
Total Stockholder's Equity	26.67%	28.94%	31.45%	29.02%	29.80%	30.09%	29.64%	29.84%	29.86%	29.78%	29.83%	29.82%

FedEx Corp.

Common Size Income Statement

<i>Fiscal Years Ending May 31</i>	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Salaries & employee benefits	34.28%	34.41%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%
Purchased Transportation	25.79%	24.17%	23.86%	23.86%	23.86%	23.86%	23.86%	23.86%	23.86%	23.86%	23.86%	23.86%
Rentals & landing fees	5.04%	5.26%	5.21%	5.21%	5.21%	5.21%	5.20%	5.19%	5.19%	5.18%	5.17%	5.17%
Depreciation & amortization	4.25%	4.63%	4.76%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%
Fuel	5.47%	6.55%	5.37%	5.80%	5.91%	5.69%	5.80%	5.80%	5.76%	5.79%	5.78%	5.78%
Maintenance & repairs	3.61%	3.72%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Goodwill & other asset impairment (e)	0.00%	0.13%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%
Business realignment costs	0.30%	0.33%	0.66%	0.43%	0.47%	0.52%	0.48%	0.49%	0.50%	0.49%	0.49%	0.49%
Other operating expenses	14.59%	15.34%	14.43%	14.43%	14.43%	14.43%	14.43%	14.43%	14.43%	14.43%	14.43%	14.43%
Total operating expenses	93.32%	94.55%	93.66%	93.51%	93.66%	93.50%	93.54%	93.55%	93.52%	93.53%	93.52%	93.51%
Operating Income	6.68%	5.45%	6.34%	6.16%	5.98%	6.16%	6.10%	6.08%	6.11%	6.10%	6.10%	6.10%
Interest expense	0.74%	0.77%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Interest income	0.06%	0.22%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%
Other retirement plans income (e)	-0.78%	1.17%	0.82%	0.82%	0.82%	0.82%	0.82%	0.82%	0.82%	0.82%	0.82%	0.82%
Other income (expense), net	0.01%	-0.12%	-0.08%	-0.06%	-0.09%	-0.08%	-0.07%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%
Total other income (expense)	-1.44%	0.50%	0.32%	-0.21%	0.20%	0.10%	0.03%	0.11%	0.08%	0.08%	0.09%	0.08%
Income before income taxes	5.24%	5.95%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%
Provision for income taxes	1.14%	1.54%	1.72%	1.47%	1.58%	1.59%	1.54%	1.57%	1.57%	1.56%	1.56%	1.56%
Net income	4.09%	4.41%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%
Dividends paid	0.85%	1.31%	1.44%	4.44%	7.44%	10.44%	13.44%	16.44%	19.44%	22.44%	25.44%	28.44%

FedEx Corp.
Value Driver Estimation

Fiscal Years Ending May 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EBIT:												
Revenues	93,512	90,155	87,693	89,855	92,108	94,425	96,807	99,257	101,777	104,370	107,037	109,781
Salaries & Employee Benefits	32,058	31,019	30,961	31,724	32,520	33,338	34,179	35,044	35,934	36,849	37,791	38,759
Purchased Transportation	24,118	21,790	20,921	21,437	21,974	22,527	23,095	23,680	24,281	24,900	25,536	26,191
Rentals & landing fees	4,712	4,738	4,571	4,684	4,801	4,922	5,034	5,151	5,282	5,406	5,534	5,676
Depreciation & Amortization	3,970	4,176	4,287	4,083	4,186	4,291	4,399	4,510	4,625	4,743	4,864	4,989
Fuel	5,115	5,909	4,710	5,210	5,442	5,375	5,614	5,757	5,866	6,041	6,191	6,344
Maintenance & repairs	3,372	3,357	3,291	3,372	3,457	3,544	3,633	3,725	3,820	3,917	4,017	4,120
Other operating expenses	13,644	13,828	12,654	12,966	13,291	13,625	13,969	14,323	14,686	15,060	15,445	15,841
Operating Income	6,523	5,338	6,298	6,379	6,438	6,803	6,883	7,067	7,283	7,454	7,659	7,862
Add: Implied interest on operating leases	748	781	770	803	836	871	906	942	979	1,017	1,055	1,095
EBIT	7,271	6,119	7,068	7,182	7,274	7,674	7,789	8,009	8,262	8,471	8,715	8,957
Adjusted Taxes:												
Tax Provision	1,070	1,391	1,505	1,319	1,451	1,498	1,503	1,575	1,621	1,665	1,723	1,776
Tax Shield on Implied Lease Interest	164	172	169	177	184	192	199	207	215	224	232	241
Tax on interest expense	152	153	164	155	236	252	267	284	301	318	335	353
Tax on interest income	12	44	81	83	85	88	90	93	96	99	102	105
Tax on other retirement plans	(160)	232	159	163	167	171	176	182	188	193	199	206
Tax Shield on Business Realignment Costs	61	68	128	85	96	109	102	109	113	115	119	123
Tax shield on other, net	3	(24)	(15)	5	5	5	6	6	6	6	6	7
Tax on non-operating income - tax shield on amortized goodwill +	235	306	331	290	319	330	331	346	357	366	379	391
	-	-	35	31	28	25	23	20	18	17	15	13
Total Adjusted Taxes	1,060	873	1,086	926	957	989	967	1,011	1,033	1,049	1,080	1,105
Change in Net Deferred taxes												
Deferred tax liability Year 2	4,093	4,489	4,482	4,592	4,708	4,826	4,948	5,073	5,202	5,334	5,471	5,611
Deferred tax liability Year 1	3,927	4,093	4,489	4,482	4,592	4,708	4,826	4,948	5,073	5,202	5,334	5,471
Change in Deferred Tax Liability	166	396	(7)	110	115	118	122	125	129	132	136	140
Deferred tax assets year 2	1,207	1,163	1,313	1,313	1,313	1,313	1,313	1,313	1,313	1,313	1,313	1,313
Deferred tax assets year 1	1,418	1,207	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163
Change in deferred tax assets	-211	-44	150	150	150	150	150	150	150	150	150	150
Change in Net Deferred Taxes	(45)	352	143	260	265	268	272	275	279	282	286	290
NOPLAT	6,166	5,598	6,125	6,516	6,582	6,953	7,093	7,273	7,508	7,704	7,922	8,142
Invested Capital (IC):												
Operating Current Assets (+)	28,001	29,477	27,898	26,738	27,648	28,356	29,079	29,801	30,561	31,338	32,134	32,957
Normal Cash(0.5%)	3,114	3,002	2,920	2,992	3,067	3,144	3,224	3,305	3,389	3,476	3,564	3,656
Accounts Receivable	12,069	11,863	10,188	10,087	10,642	10,909	11,183	11,465	11,755	12,054	12,361	12,677
Prepaid Expenses	837	968	962	1,005	973	1,012	1,047	1,062	1,093	1,122	1,148	1,179
Other Current Operating expenses	11,981	13,644	13,828	12,654	12,966	13,291	13,625	13,969	14,323	14,686	15,060	15,445
Non Interest-Bearing Current Liabilities (-)	(7,768)	(8,123)	(8,337)	(7,671)	(8,251)	(8,385)	(8,509)	(8,808)	(9,004)	(9,221)	(9,473)	(9,708)
Accounts Payable	3,841	4,030	3,848	3,189	3,658	3,677	3,683	3,861	3,931	4,019	4,139	4,237
Accrued Expenses	5,188	4,747	4,962	4,934	5,040	5,231	5,325	5,463	5,613	5,747	5,896	6,049
Deferred Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes Payable	3,927	4,093	4,489	4,482	4,592	4,708	4,826	4,948	5,073	5,202	5,334	5,471
Net Property, Plant, and Equipment (+)	35,752	38,091	40,698	41,491	36,819	38,818	40,874	42,987	45,161	47,397	49,697	52,063
gross PPE	70,077	75,275	80,624	84,391	79,719	81,718	83,774	85,887	88,061	90,297	92,597	94,963
Accumulated Depreciation	34,325	37,184	39,926	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900
Net Other Operating Assets (+)	19,453	20,994	21,400	20,886	21,799	22,741	23,710	24,709	25,739	26,801	27,896	29,025
Net Intangible Assets (Non-Goodwill)	15,383	16,613	17,347	17,115	17,840	18,583	19,345	20,126	20,927	21,748	22,590	23,453
Other Operating Assets	4,070	4,381	4,053	3,771	3,960	4,158	4,365	4,584	4,813	5,054	5,306	5,571
Net Other Operating Liabilities (-)	(6,816)	(7,916)	(8,653)	(8,805)	(9,082)	(9,370)	(9,669)	(9,979)	(10,301)	(10,634)	(10,980)	(11,340)
Long Term Deferred Revenue	484	463	463	463	463	463	463	463	463	463	463	463
Long Term Warranty Liabilities	2,889	3,339	3,701	3,860	4,026	4,199	4,380	4,568	4,765	4,969	5,183	5,406
Other Non-Interest Bearing Operating Liabilities	3,927	4,093	4,489	4,482	4,592	4,708	4,826	4,948	5,073	5,202	5,334	5,471
Total Invested Capital	68,622	72,523	73,006	72,639	68,934	72,160	75,486	78,711	82,157	85,680	89,273	92,997
Free Cash Flow (FCF):												
NOPLAT	6,166	5,598	6,125	6,516	6,582	6,953	7,093	7,273	7,508	7,704	7,922	8,142
Change in IC	3,901	483	(367)	(3,705)	(3,226)	(3,226)	(3,326)	(3,225)	(3,446)	(3,523)	(3,593)	(3,724)
FCF	1,696	5,642	6,884	6,884	10,287	3,727	3,768	4,048	4,062	4,181	4,329	4,418
Return on Invested Capital (ROIC):												
NOPLAT	6,166	5,598	6,125	6,516	6,582	6,953	7,093	7,273	7,508	7,704	7,922	8,142
Beginning IC	68,622	72,523	73,006	73,006	72,639	68,934	72,160	75,486	78,711	82,157	85,680	89,273
ROIC	8.16%	8.45%	8.93%	8.93%	9.06%	10.09%	9.83%	9.64%	9.54%	9.38%	9.25%	9.12%
Economic Profit (EP):												
Beginning IC	68,622	72,523	73,006	73,006	72,639	68,934	72,160	75,486	78,711	82,157	85,680	89,273
x (ROIC - WACC)	2,889	0.29%	0.57%	1.06%	1.19%	2.22%	1.96%	1.76%	1.67%	1.51%	1.37%	1.25%
EP	196.71	416.88	770.47	864.77	1,527.61	1,413.83	1,332.16	1,312.78	1,237.89	1,178.09	1,115.77	

FedEx Corp.*Weighted Average Cost of Capital (WACC) Estimation***Cost of Equity:**

Risk-Free Rate	4.30%
Beta	1.18
Equity Risk Premium	5.10%
Cost of Equity	10.17%

ASSUMPTIONS:*10 year treasury yield**YTD beta**High-low average***Cost of Debt:**

Risk-Free Rate	4.30%
Implied Default Premium	0.20%
Pre-Tax Cost of Debt	4.50%
Marginal Tax Rate	22%
After-Tax Cost of Debt	3.51%

*10-year treasury bond**average on sector**average from past 5y***Market Value of Common Equity:**

Total Shares Outstanding(FD)	247,810,000.00
Current Stock Price	\$295.21
MV of Equity	73,155,990,100.00

MV Weights

65.93%

Market Value of Debt:

Short-Term Debt	622,000,000.00
Current Portion of LTD	-622000000
Long-Term Debt	20,286,000,000.00
PV of Operating Leases	17,516,000,000.00
MV of Total Debt	37,802,000,000.00

34.07%

Market Value of the Firm**110,957,990,100.00**

100.00%

Estimated WACC**7.90%**

FedEx Corp.
Key Management Ratios

Fiscal Years Ending May 31 **2022** **2023** **2024** **2025E** **2026E** **2027E** **2028E** **2029E** **2030E** **2031E** **2032E** **2033E**

Liquidity Ratios:
quick

current ratio	1.43	1.37	1.36	2.10	2.12	2.17	2.31	2.32	2.34	2.35	2.32	2.27
Days Sales Outstanding	46.30	41.25	41.98	43.23	43.23	43.23	43.23	43.23	43.23	43.23	43.23	43.23
cash ratio	48.32%	50.46%	48.68%	121.72%	131.61%	138.82%	147.65%	151.70%	154.33%	154.84%	152.79%	147.47%

Asset-Management Ratios:

Return on Assets	4.45%	4.56%	4.98%	4.42%	4.26%	4.18%	4.14%	4.05%	4.01%	3.97%	3.95%	3.95%
Return on Invested Capital		8.16%	8.45%	8.93%	9.06%	10.09%	9.83%	9.64%	9.54%	9.38%	9.25%	9.12%
Debt/Asset ratio	23.6%	23.6%	23.2%	29.5%	29.9%	29.6%	28.8%	29.0%	28.9%	28.9%	29.1%	29.3%

Financial Leverage Ratios:

LT debt to equity	80.93%	78.40%	73.00%	97.61%	93.63%	90.16%	87.87%	86.17%	85.29%	85.29%	86.18%	88.22%
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Profitability Ratios:

Return on Equity (NI/Beg TSE)	15.85%	15.93%	16.60%	16.09%	15.05%	14.30%	13.65%	13.14%	12.77%	12.52%	12.40%	12.43%
Net Income Margin	4.09%	4.41%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%
FCF margin	4.09%	4.32%	5.30%	11.38%	3.80%	1.88%	0.77%	2.09%	1.16%	0.82%	0.40%	-0.15%
NOPLAT Margin												

Payout Policy Ratios:

Dividend Payout Ratio (Dividend/EPS)	20.99%	30.04%	29.60%	34.36%	40.60%	47.96%	56.64%	66.89%	78.98%	93.24%	110.05%	129.88%
Total Payout Ratio ((Divs. + Repurchases)/NI)	0.080%	0.118%	0.119%	0.139%	0.163%	0.191%	0.224%	0.262%	0.306%	0.358%	0.419%	0.490%

<i>Fiscal Years Ending May 31</i>	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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DCF Model:

Free Cash Flow (FCF)	6883.6	10286.8	3726.8	3767.6	4048.1	4061.8	4180.7	4328.9	4417.6
Continuing Value (CV)									110802.4
PV of FCF	6381.3	8840.4	2969.1	2782.6	2771.7	2578.1	2460.0	2361.3	60440.6

Value of Operating Assets:	91585.2
Non-Operating Adjustments	-17516.0 PV operating lease
	-20908.0 ST & LT Debt
	13734.9 Excess cash

Value of Equity	66896.0
Shares Outstanding	247.8
Intrinsic Value of Last FYE	\$ 269.95
Implied Price as of Today	\$ 280.16

EP Model:

Economic Profit (EP)	770.5	864.8	1527.6	1413.8	1332.2	1312.8	1237.9	1178.1	1115.8
Continuing Value (CV)									21529.5
PV of EP	714.3	743.2	1217.0	1044.2	912.1	833.2	728.4	642.6	11743.9

Total PV of EP	18579.0
Invested Capital (last FYE)	73006.2
Value of Operating Assets:	91585.2
Non-Operating Adjustments	-17516.0 PV operating lease
	-20908.0 ST & LT Debt
	13734.9 Excess cash

Value of Equity	66896.0
Shares Outstanding	247.8
Intrinsic Value of Last FYE	\$ 269.95
Implied Price as of Today	\$ 280.16

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

<i>Fiscal Years Ending</i>	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	
EPS	\$ 18.00	\$ 18.28	\$ 18.57	\$ 18.87	\$ 19.17	\$ 19.48	\$ 19.80	\$ 20.13	\$ 20.47	
Key Assumptions										
CV growth of EPS	2.50%									
CV Year ROE	11.98%									
Cost of Equity	10.32%									
Future Cash Flows										
P/E Multiple (CV Year)										10.12
EPS (CV Year)										\$ 20.47
Future Stock Price										\$ 207.22
Dividends Per Share	5.15	6.18	7.42	8.91	10.69	12.82	15.39	18.47	22.16	
Discounted Cash Flows	4.6714567	5.081445	5.527415	6.012525	6.540212	7.11421	7.738584	8.417757	9.156537	\$ 94.46
Intrinsic Value as of Last FYE	\$ 154.72									
Implied Price as of Today	\$ 160.58									

FedEx Corp.

Relative Valuation Models

Ticker	Company	Price	EPS	EPS	P/E 24	P/E 25	Est. 5yr	PEG 24	PEG 25
			2024E	2025E			EPS gr.		
ODFL	Old Dominion Freight	\$200.98	\$5.66	\$5.92	35.51	33.95	101.85	0.35	0.33
DHL	Deutsche Post AG	\$40.49	\$2.89	\$3.34	14.01	12.12	102.18	0.14	0.12
UPS	United Parcel Service	\$134.05	\$7.47	\$8.76	17.95	15.30	102.15	0.18	0.15
MFT	Mainfreight	\$68.70	\$2.78	\$3.14	24.71	21.88	101.47	0.24	0.22
			Average		23.04	20.81		0.23	0.20
FDX	FedEx Corp.	\$295.21	\$17.41	\$18.00	17.0	16.4	72.0	0.24	0.23
							92.88		

Implied Relative Value:

P/E (EPS24)	\$ 401.20
P/E (EPS25)	\$ 374.58
PEG (EPS24)	\$ 283.60
PEG (EPS25)	\$ 264.79