Baird Global Industrial Conference Transcript – November 11, 2025

Dan Moore
Analyst, Baird Global

Good morning, everyone. My name is Dan Moore. I'm the senior transportation analyst here at Baird. Have the good fortune of being joined by the executive leadership team at FedEx this morning. There were some – there is a prepared script related to disclosures that's going to be read first, and then we're going to jump into some questions. Steve?

Stephen Hughes
Staff Director, Investor Relations, FedEx Corp.

Thank you, Dan. Certain statements may be considered forward-looking statements as defined by the Private Securities Litigation Reform Act and are subject to factors that could cause actual results to differ materially from those expressed or implied. For additional information, please refer to our press releases and filings with the SEC.

Dan Moore
Analyst, Baird Global

All right. Gentlemen, thanks for being here.

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Thank you.

John W. Dietrich
Executive Vice President & CFO, FedEx Corp.

Thank you.

Dan Moore
Analyst, Baird Global

Yes. Everybody got here in one piece. That's good. It's – travels these days, not always easy. So...

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

You can't take it for granted anymore.

Dan Moore
Analyst, Baird Global

No, apparently not. Raj?

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Yes.

Dan Moore
Analyst, Baird Global

You've been leading FedEx since, I think, June of 2022, about three and a half years. Every executive steps into that role with a set of expectations about the company's culture, its competitive position, its potential. But as time passes, perspectives evolve, looking back to when you first took the helm versus where you sit today, how is your view of FedEx, its strategic strengths, vulnerabilities, long-term opportunities? How has it changed?

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Well, thank you, Dan, and it's great to be here. When you think about FedEx and the core strengths of FedEx, we spent more than 50 years building this incredible network and connecting every part of the globe to every other part. And it's – people take that for granted, but it's impossible to replicate. And so that's a lot of hard work that's been done over the years. And we are really becoming or become a referendum on global supply chains.

We move $2 trillion worth of commerce, and we connect 3 million shippers to 225 million consumers. That's the center of the ecosystem that we have built, and we are in the middle of. We're also extraordinarily proud of the culture that we have at FedEx with our team members around the world, which, again, people take for granted, but it's almost impossible to build if you started from scratch at this point. So those are the core strengths of FedEx, and they continue to be the core strengths of FedEx.

But the last three years, or last five years really has been an incredible change in the market situation. Starting with the pandemic. If you think about it, prior to the pandemic, if you uttered the word supply chain, not too many people would care. It was probably the realm of the procurement manager. Now it's a boardroom conversation. And we are literally at the heart of the high-value supply chain of the world. We are the heartbeat of the industrial economy.

I think that's what some people miss sometimes that this is – our core of our business was built from the very get-go in 1973 to move computer parts even in 1973. So – but if you think about it in the broader sense, we are the heartbeat of the industrial economy. So, we had the pandemic, then we had the shadow of the pandemic, and now we have trade and tariffs. So, it's been an interesting external environment, but the word supply chain and the resilience has now become much, much, much more in the vocabulary.

So, we evolved our vision to make supply chain smarter for everyone, not only because of the physical networks that we have, but also the technological expertise and the logistics intelligence that we have. So, from – again, as the market evolved over the last three years, we have been through an incredible transformation and are continuing to go through an incredible transformation. And I'm extraordinarily proud of the FedEx team, who are in the process of accomplishing it.

Firstly, in a matter of course, we have reduced our structural cost, which is very hard to do. But in an era of inflation, we actually reduced our absolute cost to the point for the first time in our history, even when the revenue is coming down, we made more operating income. That's never happened in the history of FedEx.

But that's important for us to do, but obviously, that's not sufficient. We have fundamentally evolved our networks now within the United States, which we call Network 2.0, or international, which we call Tricolor, to become much more flexible, much more agile and much more intelligent. And that is going to serve us extremely well in the days, weeks and years to come. So that's the second structural cost reduction, a fundamental change in the way we are managing our networks.

Three, the notion of One FedEx. I mean, those who have been following FedEx for a while know that we have operated independently over time and with multiple operating companies, no longer is the case. And now we are operating as One FedEx. And the benefits of this is, again, while already you're seeing it, there is more to come in the future.

And finally, a huge digital revolution. Starting in 2020, we realized that we're sitting on a huge asset, our data, 17 million packages every day, petabytes of data every single day, logistics intelligence of the world. And we have actually started moving and garnering and putting this in a platform starting in 2020. And along comes the AI revolution. And AI is nothing without data. And so now suddenly, we're sitting on this hugely valuable asset, and new applications are coming in on top of that. So those four aspects of our revolution in the last two, three years have really propelled us.

So, what now? I think we are in a very dynamic environment. But listen, a few years – a few months ago, even in this world, basic calculus would have done – sorry, basic algebra would have done it. Now we need advanced calculus, and we can do advanced calculus because supply chain patterns are changing dramatically. We are – our network is already in place. We can see it from the bottom up. We don't have to do much because we're already there. We're connecting the world. And the networks are evolving and being much more flexible and intelligent. We are the heartbeat of the industrial economy. The reindustrialization is happening and we are there.

So, while we are – there are some short-term changes into the B2C and all those kind of things, the B2B is pretty robust, and it's going to be. So, when I look ahead, I feel quite optimistic about where we sit. As we are – the networks that we have in place, the cost structure that we have in place, the logistics intelligence that we have in place, you put it all together, I think I feel pretty good about what we can accomplish in the next two, three, four years, especially taking care of modernization of FedEx, the network transformation that we are having. So that's – I know you asked a long question – a big question, I guess, put it all together there.

Dan Moore
Analyst, Baird Global

For better or for worse, I have a few more of those.

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Okay.

Dan Moore
Analyst, Baird Global

Great context.

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Thank you.

Dan Moore
Analyst, Baird Global

Appreciate that. You talked about it being a dynamic environment. I couldn't agree more. Trade policy being front and center, definitely oppression theme. Shifts in U.S. trade policy have presented both shippers and carriers with extraordinary challenges in 2025 in particular. Can you talk about how FedEx is adding value to customers in this environment? What do you see as FedEx's distinctive value proposition amid this dynamic and rapidly changing environment? And as you think about markets that many companies have invested in for years or even decades, that may no longer hold the same growth potential that they once did because of these changes. How are you framing FedEx's global strategy for this new era and trade realignment?

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Well, let me answer that question on three points. Firstly, the global supply chain patterns are changing as we speak, right, it is a – its reality is – and we see it from the bottom up. We don't need to see any global statistics from market data that's six months old. I can tell you what happened yesterday. 17 million packages that move through our system every single day are, like I said, the referendum on global supply chains.

The fact that we have demand patterns changing and shifting and the fact that we already have this global network in place, which I referred to earlier, gives an advantage for us because we are already there. As traffic moves from transpacific to intra-Asia, where we go from China to Vietnam or Japan to Singapore or even Asian markets to Latin America for that matter, or Asia-Europe, we're already here there and everywhere.

So, the – we don't have to do much different other than and we move, we can move a unit of capacity here or there much faster than manufacturing can move capacity. And we have intelligence ahead of time, because we know what the customers are wanting to do. So, this is a unique advantage to FedEx at this point because there are only very, very, very few networks in place that can do that. So that's one. So, demand patterns changing and us being able to move with it, especially as part of the high value industrial goods of the economy.

The second part of it is operational in nature. We are the largest broker in America and that didn't mean much before, I guess, because now it's prime importance.

Dan Moore
Analyst, Baird Global

Right.

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

And we're putting our customers first in making sure that their experience is as seamless as possible, because it's a very different world out there now, because of the complexity. But we know how to do this. This is what we do for a living. So operationally we are managing around the world, helping our customers and uniquely doing so.

Thirdly is technology. Think about it, for every country, to every other country, for every commodity, we have the data for classification.

Dan Moore
Analyst, Baird Global

Yes.

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Again, in the age before the minimis, this was not as important. Today it's very important. Some customers who just file, googled up some classification code and sent it in, got cleared. Today they're realizing they need 200 different classification codes. And we are using our data and GenAI to be able to predict these classification codes. So those three aspects coming together in this era are unique. So, we are helping our customers from a demand perspective where

patterns are shifting, from an operational perspective, actually moving it and from a technology perspective to be able to seamlessly clear customs in a more complex world.

John W. Dietrich
Executive Vice President & CFO, FedEx Corp.

And if I could just add a few points on that.

Dan Moore
Analyst, Baird Global

Please.

John W. Dietrich
Executive Vice President & CFO, FedEx Corp.

Going back to the evolving changing environment, it starts with understanding what are those changes, what's coming out of Washington, for example. And I think our Legal and Compliance group do an amazing job of interpreting and applying that and that helps our customers. And our exposure to this industry is another value add for our customers from a financial impact standpoint, in Q1, we did share that we incurred $150 million adjusted operating income impact for Q1 and we also identified at the midpoint of our guidance range we're expecting about $1 billion of impact.

But that all said to Raj's point, the adaptability of the network, we're seeing growth in areas. Our U.S. outbound air freight is up 22% or roughly $40 million. And from a geography standpoint, increased volumes out of Singapore, for example, our Singapore-U.S. lane is a high-value vertical lane that has been contributing as well. So, the network is extensive but it's also very adaptable and that's a strength of FedEx's.

Dan Moore
Analyst, Baird Global

Right. U.S. and China recently announced a new trade deal. You highlighted expectations and mentioned them just a second ago, John. Full year profit impact of roughly $1 billion related to headwinds trade policy. About $700 million of that impact from the profit flow through of lower international revenue which was heavily weighted to China to U.S. de minimis.

Curious, how should we think about this new deal in light of previous guidance? Does it change your near-term assumptions or alter how you're planning the network heading into the next fiscal year?

John W. Dietrich
Executive Vice President & CFO, FedEx Corp.

I think it's really too soon to tell what the impact of the trade agreement is going to have. What I can say it's always helpful when you get some certainty in terms of what's happening, and people can manage their businesses accordingly. So, from that standpoint we see value in that.

So, in terms of adapting the network, not significantly, we're going to keep our head down and continue to focus on those areas of strength for us and continue to manage that $1 billion headwind as we go forward here.

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Let me just also add, I'm also Chairman of the U.S.-China Business Council and our goal was to get the two leaders to meet to get a floor under the relationship and then also announce a potential meeting a bilateral in China next year. What happened? And the point that John made is a very good one about, we are going from one equilibrium state to another equilibrium state, but we are in the middle of that process right now. Once we get to a place where there is more clarity and certainty – that's what we're aiming for. Some of the immediate impact was primarily in the B2C space and 70% of our international exports is B2B.

So, let's get through this period of time. But I think once we settle, I think, we're extremely well positioned especially to serve the industrial economy.

Dan Moore
Analyst, Baird Global

Right, right. Good context. Peak season dynamics. Let's shift gears. Talk a little bit about the current peak season environment. Are there any updates or changes since your most recent quarterly call, especially in light of the prolonged nature of the government shutdown? We've also seen meaningful shifts in consumer alignment, particularly among Amazon, UPS, United States Postal Service and then the recent rollback of de minimis exemption. And has that certainly added, I'm sure it has added another layer of complexity. How should investors think about this peak season period relative to prior years?

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Well, let me firstly say that team FedEx is fully ready for peak. I've been just reviewing that with our teams and the team has done a really remarkable job of getting ready for peak season.

Specific things that you asked. Let me lead off and then John can help me. So firstly, we expected the modest demand for peak as we had said before and there is one extra operating day between Thanksgiving and Christmas. We have to account for that as well this go around versus last year.

So, the demand from customers are consistent with what they have been telling us historically. So that's what we're planning for. We also started the ramp up of Amazon volume. These are heavier weight packages and that's a win-win proposition for both companies.

Dan Moore
Analyst, Baird Global

Yeah.

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

And that process has just about kicked off. So, we're more or less in line with what we expected. But obviously the actuals are ahead of us.

Dan Moore
Analyst, Baird Global

Yeah.

John W. Dietrich
Executive Vice President & CFO, FedEx Corp.

Yeah. And if I could just add to that, to echo what Raj said, what we said in September was we expected a modestly improved peak year-over-year by way of specific update. Also, in September we said there would be sequential improvement from Q1 to Q2. I can update that. Not only do we expect that sequential improvement from Q1 to Q2, but also a year-over-year improvement. So, from the $4.05 on a year-over-year, that's by way of update. We also shared in September that we expected to maintain or improve margin at FEC, and we expect that to be on the improvement side for FEC. So, on a quarter-over-quarter basis.

And our comments with regard to Freight are in line, Freight is under pressure. There will be some margin contraction at Freight consistent with what's happening in the industry.

Dan Moore
Analyst, Baird Global

Probably worth asking this question as well. There has been some development around MD-11 capacity. You certainly have some of that capacity. How should we be thinking about the grounding of that aircraft in regards to peak season and the implications for the air freight market as a whole?

John W. Dietrich
Executive Vice President & CFO, FedEx Corp.

Sure. So first and foremost, I want to say on behalf of FedEx that our thoughts and our prayers go out to the folks at UPS, the UPS Team, the Louisville community and all the families that were affected. And we're managing that issue, working closely with Boeing and the FAA to take the next step towards getting these aircraft inspected. I should say FedEx has a mantra of safety above all; we will not compromise safety. And even though the FAA has issued a recent directive on grounding the fleet, even well before that, we had already deliberately and voluntarily taken that step to ground the fleet to make sure that they were inspected and are as safe as possible.

So, we have a total of 34 aircraft that we own, 28 of those – though six are parked, 28 of those are in operation. Three of those 28 were spare aircraft. So, the operating fleet was 25 airplanes, all of which will be positioned for inspection, which we expect to start occurring in the coming days here, working closely again with Boeing and the FAA. And I think it's important to note as well on these inspections that once the aircraft is inspected and released, if it passes that inspection and released, those aircraft will start to get back into the fleet on a one-off tail-by-tail basis. It's not like we're waiting for the whole fleet to be inspected before concluding whether they can safely go back into service.

So, we're also, in the meantime, leveraging all of our capabilities. We have spare aircraft that we can deploy and are deploying. We have some routine maintenance schedules. As you'd expect with a fleet the size of FedEx's, you have a constant line of routine maintenance. Yet there's still yield on those aircraft. So, we can adjust those maintenance schedules to continue to use what I hope will be a short period of time to conduct these inspections, commercial airlift.

Our Tricolor strategy is designed to address this very thing to maximize commercial airlift. So, we have strong relationships with commercial partners, and we're leveraging those relationships. And then domestically, because of those

25 aircraft, 18 of them are in our domestic network, and we have a superior domestic network on the ground side that we're going to leverage as well to adjust to the volumes in the U.S. domestic.

So all those things taken together, as well as managing some of the reduction in flight schedules based on the ATC issues that are taking place, these aircraft that are not in service count towards FedEx's contribution to lowering its flights in the U.S. pending the return to air traffic control. Also, which we expect to be a near-term issue because of the agreement that was reached with the Senate last night, which we expect to be implemented in the coming days, not weeks here.

So, all those things taken together are factoring in. And that all said, none of that detracts from what I said earlier about our expectations for Q2 and having both sequential and year-over-year improvement for Q2.

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Just one more thing. I met with the Senior Executives at Boeing yesterday, and there is a deep sense of cooperation, urgency, working with the regulators to get through this period as quickly as possible, putting safety above all, like John just said.

Dan Moore
Analyst, Baird Global

Yeah. Good to hear. And great context again. Automation and AI. One of the major themes that's emerged over the last couple of years is the rapid evolution of automation. I don't mean that really in a buzzword sense, but in a more practical operational way. It's becoming increasingly clear that automation will play an extraordinary role in the future of the industry, not just in air freight, but across all modes of transportation. We've got a recent article from The New York Times on Amazon's efforts to meaningfully reduce costs, which I think underscores how quickly this landscape could be changing. What is FedEx doing today to embrace automation in a way that creates unique, durable advantages in the business?

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Well, this is a very important point. So let me address two points here. One is AI and one is automation and sorting automation. FedEx is – this is not new to FedEx. We have been in this process for some time. If you go to some of our newer hubs, especially the U.S. ground hubs, its completely automated. It is like it comes in one side, it comes to the other side, no human being touches it, except two spots: truck unloading and truck loading. Those are the two most complicated physical AI problems to solve for.

Can you imagine playing Tetris with packages of all different sizes and shapes, weights, everything? And we are solving that. And at this point, we are actually testing those as well. So, the hub itself, as it comes in through one end, comes out the other end in a matter of minutes, fully automated, two pieces, truck unloading, truck loading, being worked on. We also now, if you come to our Investor Day in Memphis hub, you will see we can see the modernization of our hub that is happening there as well.

And so, automation is a big part of how we want to go forward, work hand in hand with our team members, make their jobs easier, and especially work on some of the more difficult problems of AI and physical AI at that. And I think we have a good track record in this regard and again, look forward to even more as we go forward.

On the overall AI space, it's critical that people understand that fuel for AI is data and that having data organized and engineered is a necessity. When people think about AI, a lot of people think about back-office efficiencies. That is fine. I

mean, that's a necessary condition. I'm not even excited. You got to do it. But what I'm excited about is how we're using the data that we already organize and the logistics intelligence that we have to differentiate and offer new value for our customers.

Healthcare is a classic case in point. We now are the largest provider for the healthcare industry, and we were number two, three years ago. We leapfrogged. The reason we did that is because of our superior data and technology tools. Fully 40% of our healthcare revenue now is supported by this new evolution.

And then thirdly, on this ladder here, there is a value creation opportunity on its own because of the logistics intelligence. We just announced a partnership with ServiceNow, for example, where they are a workflow for the enterprise. So, they think of them as a horizontal. And one of the parts of the horizontal is supply chain. We are the vertical that plugs right in. So, we are working together with them to create new value and provide new services for our combined customers.

So, there are many aspects of this. We will talk a lot more about it when we see you in February,
but it is quite exciting.

Dan Moore
Analyst, Baird Global

FedEx Freight, planned spin-off. As we look ahead, one anticipated development that I think is on the minds of a lot of investors is the plan spin. Can you talk about the strategic rationale for the spin? How do you expect it to create value both operationally and for shareholders?

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Let me lead off, and then I'll turn it to John. I think that ultimately, we are on track, and the goal is to create two world-class companies and create value for all our stakeholders. On the Freight side of the house, the focus that we're going to have on Freight with the right technology platform for freight that enables Freight to provide a better customer experience, the right set of sales force to, again, draw the small and medium customers into the Freight organization is a value creation opportunity. And then we focus the FEC on its core as well. And I think there are two significantly exciting opportunities going forward. I don't know, John.

John W. Dietrich
Executive Vice President & CFO, FedEx Corp.

No, Raj, I agree completely. I mean, the underlying philosophy was value unlocked for our shareholders and to allow each company to continue to focus independently on growing in a profitable way and leveraging their strengths. And for Freight, I'll start with the management team that we've assembled. We completed the senior management team led by John Smith, who is an experienced leader and helped build the freight LTL business to what it is today.

Recently announced the Marshall Witt, who's the CFO, Eddie Klank, our HR and General Counsel, Clint McCoy, who's our COO. These are all very seasoned veterans. And Freight will be able to focus its investment dollars and its equity capital for employees to incent our employees specific to the freight business independently. And FEC allowed to continue to grow and pursue the strategic initiatives that we look forward to sharing more with you about at Investor Day.

Dan Moore
Analyst, Baird Global

This has been great. I think you have two Investor Days.

Stephen Hughes
Staff Director, Investor Relations, FedEx Corp.

We do.

John W. Dietrich
Executive Vice President & CFO, FedEx Corp.

We do.

Dan Moore
Analyst, Baird Global

Reminder, when and where?

Stephen Hughes
Staff Director, Investor Relations, FedEx Corp.

February the 11th and 12th, we will have an Investor Day for FEC or FedEx Corporation without Freight.

Dan Moore
Analyst, Baird Global

Yeah.

John W. Dietrich
Executive Vice President & CFO, FedEx Corp.

That will be in Memphis. And then sometime in the spring, we will have an Investor Day in New York focused specifically on FedEx Freight.

Dan Moore
Analyst, Baird Global

Gentlemen, this has been great. Really appreciate your time. Thank you so much.

Rajesh Subramaniam
President, Chief Executive Officer & Director, FedEx Corp.

Thank you very much. Appreciate the attention. Thank you, everybody.

John W. Dietrich
Executive Vice President & CFO, FedEx Corp.

Thank you.