FedEx Investor Day Transcript – February 12, 2026

Welcome and thank you for joining us for the FedEx Investor Day. Please welcome to the stage Jeni Hollander, Staff Vice President, Investor Relations.

Jenifer Hollander
Vice President, Investor Relations, FedEx Corp.

Welcome, everyone, both here in Memphis and online. I'm Jeni Hollander, VP of Investor Relations, and we are delighted that you could join us today. Just a few reminders before we start. First, certain statements may be considered forward-looking statements as defined in 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 our filings with the SEC. The focus of today's event will be FedEx Corporation. We ask that you save any FedEx Freight specific inquiries for our FedEx Freight Investor Day, which is coming up in New York City on April 8.

Today, we are joined by FedEx Corp. CEO, Raj Subramaniam, and many of our business leaders across the company. As you can see from the agenda, we'll start with three presentations and a Q&A session followed by a short break. Then, we will reconvene for additional presentations and conclude with a final Q&A with all of our speakers ending around noon Central Time. For those here in Memphis, we will serve lunch following the session. Thank you again so much for joining us. In just a moment, we will welcome Raj to the stage. But first, let's kick off the day with a short video.

[Opening Video]

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

Good morning and welcome to our 2026 Investor Day. Thank you very much for joining us, and we're very excited to be here with you today. Here at FedEx, our vision is simple, to make supply chains smarter for everyone. That vision defines who we are. The industrial network that powers the global economy. Day in and day out, our unparalleled network moves the goods that matter most with the speed, precision, visibility, and reliability that modern commerce demands. This is an incredible responsibility and one that we don't take lightly. Across today's presentations, you will hear how every part of FedEx is sharpening its focus and strengthening the value of this industrial network through a better customer experience, a modern technology stack, and a structurally lower cost to serve.

Now let me start by grounding us in what makes FedEx indispensable and why we are so confident in our path ahead. For over five decades, FedEx has been transforming the world by connecting people and possibilities. From day one, we changed the world with Express overnight delivery. And today, we're transforming again, building the most flexible, efficient and intelligent network in our history. That work is rooted in the legacy that built this company. Fred Smith's vision created the foundation on which generations of FedEx team members have innovated, executed, and earned customer trust. We honor that legacy by carrying forward the People-Service-Profit principles that always define FedEx. Innovation, integrity, and a deep commitment to our people and our customers.

Today, FedEx operates one of the world's most valuable industrial networks, the backbone of global supply chains. We move high-value, time-sensitive and highly regulated goods that power essential industries like healthcare, automotive, aerospace, technology, and manufacturing. These are markets that reward the capabilities of an industrial network built for time-critical, high-value shipments, and they create meaningful opportunity for high-quality, profitable growth.

Few companies can match the physical infrastructure and the capabilities that we offer. FedEx connects more than 99% of global GDP, transports approximately $2 trillion of goods every year and delivers more than 17 million packages each business day. We have thousands of sophisticated facilities, a modern and flexible air fleet, hundreds of thousands of vehicles, and extensive regulatory and customs expertise that support global commerce. This infrastructure, plus the deep expertise that runs it, is what enables reliability at scale. It's also what allows us to take on the most complex time-critical shipments in the world day after day. And behind this network is our global team, more than 500,000 employees, whose commitment to safety, service, and excellence is at the core of the trust our customers place in us. Let's now take a moment to bring that to life.

[FedEx People Video]

Well, as you can see, our FedEx people are our superpower. And supported by their efforts, our advantage starts with something our customers cannot compromise on, and that is reliability. In the most complex supply chains, reliability and resilience are the difference between uptime and downtime, between on-time production and an expensive disruption. That's why customers increasingly choose FedEx, especially when reliability matters. As Brie will discuss, that reliability creates a massive competitive moat. It's reinforced by our scale, our expertise and the operating discipline we have built across the enterprise, and it shows up in repeatable execution for our customers.

FedEx is winning in some of the most attractive, fastest growing and most profitable segments of the global economy. We're fast approaching the FedEx Freight spin in June, which will create significant value for both companies and establish two respected independent industry leaders. As a result of that spin-off, FedEx Corp. will have two primary businesses, U...S domestic and international. Today, you will hear us speak to each of these businesses as they are industry leaders within their respective markets. Both our U.S. and international markets are expanding, which provides a solid foundation for growth.

Our portfolio is diversified with about 70% of revenue in U.S. domestic and 30% international, which gives us resilience across economic cycles and shifting trade flows. Historically, we have delivered strong growth with our core business growing revenue at a 6% CAGR since the turn of the century. We did this as we gained share through business cycles, navigated economic turbulence, and scaled our business to establish ourselves as the leading industrial network in the world today. The breadth and balance of this portfolio create a powerful and differentiated network, one supported by our customer-centric approach, world-class physical infrastructure, and increasingly elevated by digital and artificial intelligence. It is this digital intelligence layered on top of the network that drives differentiated outcomes, not only for FedEx but for our customers.

FedEx generates and processes two petabytes of data every day across our network. That data, combined with the right tools, powers our network and creates an increasingly predictive view of global trade flows. AI and data analytics are already informing network planning, forecast and routing, customer visibility. And we are seeing a strong return on these technology investments. These tools give us real-time visibility into capacity and trade patterns. They improve service, reliability, reduce unnecessary cost, strengthen customer supply chains, and unlock new revenue opportunities. Physical scale combined with our digital insight. Now, that is the foundation of our industrial network that powers the global economy.

Now, let me describe the transformation that's shaping the next chapter of FedEx. It's a shift from a collection of separate but powerful operations to one integrated, intelligent industrial network, one that delivers better service, runs on a modern technology stack and has a structurally lower cost to serve. This transformation has three tightly connected elements. First is network transformation, how we physically redesign the way packages move through our integrated air and surface network. Second is our digital transformation, which is underpinned by our digital backbone and AI capabilities. We are shifting human coordinated workflows to intelligent orchestration, standardized, digitized and AI-enabled, driving faster response, fewer exceptions, and lower cost to serve which will drive strong financial outcomes. And third is organizational transformation, wow we are coming together as a united company with a world-class workforce and culture. With One FedEx at the center, these three elements reinforce each other, and together, they unlock a superior experience for our customers and drive better financial results. That's how we will succeed and make supply chains smarter for everyone.

This is not theoretical. We've already made real structural changes to how FedEx operates. Over the last several years, we have built a new way of working with DRIVE, unified key elements of our air and surface operations on the Network 2.0 and strengthened the digital infrastructure that gives us visibility and control across the enterprise. From FY 2023 through FY 2025, we delivered $4 billion in structural savings across air, surface, and G&A. Network 2.0 and associated One FedEx initiatives are expected to deliver another $2 billion in savings by end of 2027. Through FY 2025, we

optimized hundreds of locations as we integrated U.S. and Canada express and ground surface operations. And we completed the Network 2.0 implementation in Canada.

DRIVE, which started as a structural cost reduction effort, now defines our planning, our decision making and our performance cadence. I mean, even as we navigate volatility, including meaningful headwinds tied to global trade policy changes, this operating model has helped us enhance profitability and service. Earlier, I described the transformation triangle, network, digital, and organizational with One FedEx at the center. Our strategic priorities through 2029 are the bridge from architecture to action. The four strategic priorities are how we activate that transformation, turning the elements of our transformation into an execution plan with clear accountability and measurable progress.

First, we're prioritizing growth in high margin verticals, targeting high-value B2B and specialized B2C as well as premium global airfreight. We'll concentrate our commercial energy where customers value speed, precision, visibility, and reliability over the lowest price. That includes healthcare where compliance and cold-chain capabilities matter deeply; automotive, where time-definite, cross-border moments keep production lines operating; aerospace and data center customers where uptime depends on precision.

Second, we'll build on our data and technology led advantage, scaling our digital backbone, AI and automation to enhance customer value and strengthen operational leverage as we move up the value chain. Technology and data are fundamental differentiators that elevate the performance and value of our entire industrial network and allow us to reach our full potential. We're operating in a world where the pace of change is increasing, and our data-driven solutions enable us to better support our customers irrespective of the operating environment.

Third, we will continue to transform our operations, modernizing and optimizing our leading industrial networks, so we better serve our customers at a structurally lower cost to serve. In the air network, we're evolving Tricolor to align aircraft type, operating model and demand, driving improved density, cost efficiency and flow through. In the surface network, we're modernizing facilities, consolidating where appropriate, integrating station footprints, and advancing Network 2.0. Internationally, the transformation is centered on Europe, which is our largest long-term value unlock. We're re-engineering the network with streamlining operations, driving end-to-end process efficiency, rightsizing our infrastructure and improving our service mix.

And fourth, we will deliver ongoing efficiency gains, continuing to embed the DRIVE way of working and the One FedEx operating model as permanent disciplines that support durable value creation across the enterprise.

Together, these priorities reinforce one another. They focus our commercial strategy. They power the network with intelligence. They keep driving structural costs of self-improvement. As the strategy takes hold, it enables us to move up the value chain and exert greater control over the physical and digital journey and capture value at every point along the way. And this will translate our transformation into profitable growth, higher margins, stronger cash generation, and increase returns.

I am certain that many of you have seen the announcement of our participation in a consortium that's making an offer for all shares of InPost.

InPost is a high growth, very profitable European out-of-home delivery enabler specializing in automated parcel lockers. It offers a broad network of lockers, pick-up and drop-off locations and doorstep delivery options, providing an innovative platform for profitable B2C growth. While high-value B2B verticals are a core priority within our profitable growth strategy, our commitment to providing excellent service to consumers around the world remains unchanged. InPost has a strong presence and highly profitable track record in Europe's out-of-home delivery segment, complementing our strategy well.

Together with InPost leadership and our fellow consortium members, we see a clear path to improving the efficiency of B2C last-mile operations, enhancing returns and better serving our global customers across Europe. This transaction is expected to be accretive to our earnings in year one after completion, which is targeted for the second half of calendar

year 2026. Importantly, FedEx and InPost will not integrate operations and will remain competitors, each operating in their markets and segments. Bigger picture, investing in InPost is a direct lever to help improve the financial performance of our European operations. It will allow us to participate strategically in the rapid growth of out-of-home parcel delivery across key European markets, taking a specialized approach to B2C growth on top of our ongoing focus on growing B2B high-value verticals. Wouter Roels, the President of our European operations, will discuss the commercial and financial dynamics of this transaction in more detail later this morning.

Now taken together our four strategic priorities, our participation in the consortium offers another lever to drive improved financial performance. Anchored on our solid performance in FY 2025 and a strong start in FY 2026, today, we're introducing our financial plan through 2029 for FedEx Corp., excluding FedEx Freight. Our strategy, structural advantages and strong operational execution give us the confidence in the financial performance we can continue to deliver over the long term. We expect revenue to grow at a compound annual growth rate of 4% over this period. This reflects continued growth across both our U.S. domestic and our international segments, with ramping contributions from higher-margin B2B and premium B2C. Importantly, we expect to deliver this growth with expenses growing below the (rate of) revenue growth, driving 200 basis points of adjusted operating margin expansion during this timeframe. This supports compound annual adjusted operating income growth from fiscal 2026 to 2029 of approximately 14%, once again excluding FedEx Freight. This higher profitability, as well as our continued focus on optimizing capital investments, is expected to generate $6 billion in adjusted free cash flow in 2029.

So, let me close with a few important takeaways. First, FedEx is an indispensable industrial network with unmatched global reach, reliability, and expertise. Second, our network, digital, and organizational transformations are well underway. These initiatives are redefining our intelligent industrial network with better service and modern technology stack and a structurally lower cost to serve. Third, we're executing a clear strategic agenda, growing high-margin verticals, build on our data and technology-led advantages, transform the network, and deliver ongoing efficiency gains. But what truly sets this moment apart, and what amplifies this effort is the role of digital intelligence. This is the force multiplier. It is reshaping how we plan, how we operate, how we serve customers, and increasingly how we create new services. That's what makes today fundamentally different from any previous phase of transformation.

These advancements will translate to a better customer experience and improved financial outcomes. We expect to deliver consistent high-quality growth. The structural improvements we're making will support stronger flow through and higher profitability. And by driving greater capital efficiency and better asset utilization, we will generate increased cash flow to support stockholder returns.

Thank you all for being here today. Now, you will hear directly from the leaders executing this transformation across our network, starting with Brie. Thank you very much.

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

Good morning. I'm excited to be here with you today to share our commercial growth strategy. Our growth strategy is fundamentally built on the trust that customers place in us every day around the world. The FedEx brand is synonymous with excellence. Every day, we connect 3 million shippers with 225 million recipients around the globe. Our value proposition is grounded in what matters most to our customers, trust, reliability, and unparalleled reach. Across the United States, our domestic portfolio delivers speed and consistency.

Beyond delivery, we bring visibility, data-driven optimization, and deep operational expertise. Internationally, we differentiate through global trade expertise, digital innovation and industry leading clearance capabilities. It sets us apart in every single market we serve. We simplify international commerce for our customers by managing regulatory complexity, reducing transit variability, and providing real-time insight from origin to destination. Our world-class logistics solutions help our customers run smarter, more resilient supply chains.

Looking ahead, we are driving disciplined growth by focusing on the segments where our differentiation matters the most to our customers, particularly high-value B2B, specialized B2C, all supported by a discipline and focused revenue quality strategy. Here in the U.S., our U.S. domestic revenue represents approximately 70% of our nearly $81 billion FEC revenue base. It has grown at a strong pace of approximately 6% CAGR since the turn of the century. This growth represents more than two decades of disciplined execution and a very strong value proposition.

B2B shipments represent about 45% of our U.S. domestic revenue base and are a key driver of revenue quality and market-leading yields. I know you like market-leading yields. International revenue accounts for roughly 30% of our consolidated FEC revenue, with 75% coming from B2B. As global trade evolves, we will be well-positioned to serve changing demand patterns. We, of course, are prioritizing intercontinental and cross-border revenue growth. Our commercial strategy is centered around the transportation of high-value goods. For more than 50 years, FedEx has built an unmatched global infrastructure. As we have mentioned, we are the heartbeat of the industrial economy. We focus where our reliability and scale truly matter, the world's most essential and high-value industries.

We are now at an inflection point in our history. Decades of capital investment have secured our market-leading position, and we have built meaningful capacity. Now we have the opportunity to optimize the full power of our network. Our surface capacity is currently – and our utilization is currently at levels that we have not seen since the pandemic. We will go with customers who value the speed, flexibility, and reach that our network provides them. This will provide strong yield performance, and we will continue to deliver superior value in the market.

We are very, very focused on B2B growth, especially four key verticals: healthcare, automotive, aerospace and the booming data centers market. Our target verticals represent a combined $130 billion of market opportunity, and these markets are growing faster than GDP. While each B2B market does have its own unique needs, what we see is that they share similar requirements for high-value, time-sensitive requirements, and they all require digital visibility, clearance expertise, and the ability to move large and complex items. We are targeting $6.5 billion of incremental B2B growth with $3 billion of that growth coming from new B2B volume. By capitalizing on this growth, we will expand our B2B share and drive significant operating leverage through to the bottom line.

Embedded in our B2B strategy is the growth in global airfreight. In our B2B strategy is the growth in global airfreight. Global airfreight is nearly $90 billion, and we are especially focused on the premium segment of this market, which is $22 billion. We currently hold a 12% share. Our Tricolor strategy is enabling growth and it's helping us maximize load factors and improving our asset utilization across our networks. Our airfreight strategy is still in the early innings, but I can absolutely tell you that it's working. Fiscal year-to-date, we have seen high single-digit revenue growth, and we've seen continued strong flow through to the bottom line.

Let's now take a closer look at our verticals. FedEx, as I have mentioned a couple of times, is now the world's leading transportation provider in the healthcare industry with over $9 billion of revenue. Our next major focus within this market is the pharmaceutical industry. This segment accounts for nearly half of the $80 billion addressable healthcare market, and we are currently making some great inroads. Our year-to-date revenue for pharma is $1.6 billion and it's up 9% year-over-year, again with great profit flow through. To compete in pharma, it requires a comprehensive parcel, airfreight, and digital solutions set, and we now have these three capabilities globally at scale.

Pharmaceutical companies also need extreme accuracy and reliability to deliver the lifesaving outcomes they need for their patients. The market response for FedEx focusing on pharma has been incredible. FedEx is the first integrator to achieve IATA CEIV Pharma level corporate certification. We received this certification across our network ramp and hub operations with 22 locations certified across the network. This confirms we meet the most rigorous global standards for handling time- and temperature-sensitive shipments.

Another key differentiator, our quality program. Over the last 18 months, we have strengthened our quality capabilities to meet the most rigorous requirements of pharmaceutical transportation bids, and this has enabled us to spur that growth that I talked about earlier. Our digital capabilities further accelerate our advantage. With our AI-powered Surround

platform, we can anticipate when a reroute is required, whether that's for weather, hub congestion or even traffic. The benefit of this solution is building much deeper customer relationships and retention. Healthcare logistics is really precision in motion, and FedEx sets that standard for safety, compliance, and reliability. For industry leaders like Bristol-Myers Squibb, FedEx sits at the heart of delivering for their patients.

The automotive vertical is a great example of our critical role in the industrial economy. It's a $25 billion addressable market, spanning OEM manufacturing all the way through aftermarket parts. It's also highly complex. Auto parts cross a border six or more times, making visibility and clearance expertise essential. This is where FedEx wins. Our global automotive revenue is $4.4 billion. As production returns to North America, our surface network gives us a clear advantage. We've expanded our Detroit facility. We're moving even closer to our customers and to their manufacturing footprints.

While the business remains largely U.S.-based, we are scaling our international capabilities with a very keen focus in Europe. Recently, a leading manufacturer needed a finished vehicle, moves from Southeast Asia to Europe on a holiday weekend. They called FedEx while the vehicle was still on the production line, and we had just days before a very large, very public international industry event. We have a fantastic special services division. This team assembled a cross-border, cross-functional team, and of course, that vehicle was delivered on time. This is the expertise, is why we are a trusted leader for folks like Cummins, Michelin and GM. And a great example of that is also that GM has named FedEx their supplier of the year for last six of seven years. We know automotive.

We will continue to bring new innovation to this market, including the expansion of our Saturday delivering offerings. We're going to move into aftermarket dealerships across the United States,

Data Centers. FedEx is enabling the AI revolution from the ground up. We are moving everything from high value semiconductor chips all the way to very large servers. We are extremely well positioned to benefit from the wave of capital investment that we've heard about across the world. Some estimates are between $500 billion and $525 billion of capital investment in this space in 2026 alone. So, we can conservatively estimate a $7 billion addressable transportation market, which is focused on data center and IT service equipment. These shipments are bulky. They are very high value, and they require the specialized expertise that we have had for decades.

A large amount of these components are produced in Asia and shipped into North America. We are the market leader on the trans-Pacific lane, and so we are poised to outpace market growth given our leading position on this lane. We've launched a new specialized data center sales team to establish FedEx as the leader. I saw it firsthand in Taiwan in January. This team is amazing. We are very excited about this opportunity.

Aerospace. Our aerospace revenue is nearly $1 billion, and we are gaining momentum in this $11 billion addressable market. We support the entire value chain from OEM airframes all the way to critical components suppliers. Moving an airplane engine requires care, and we offer white glove solutions that are not readily available in the market. For example, our International Priority Freight has the fastest transit times in the market. And for just-in-time needs, we have a service called FedEx Custom Freight, which has the highest boarding priority. It has the latest cutoffs, and it has custom delivery windows. We can move globally faster than just about anyone. The movement of high value goods is in our DNA. Let's now take a look at this in action.

[Life of a B2B Package Video]

In addition to our B2B verticals, we also create immense value for small and medium businesses around the world. In the United States, our unmatched surface network delivers a clear speed advantage. We have seven-day delivery and industry leading rural coverage. We pair this with best-in-class return solutions, transparent pricing, and digital tools that simplify shipping. They also provide real-time visibility, and all of this is integrated seamlessly within our customers' workflows. It is important to note that our commercial model is different for small and medium businesses. We support them directly with our commercial team.

Our loyalty program is the only in the industry, and it rewards customers for their shipping, which of course they love. This feature has helped support our growth. This fiscal year-to-date, we have grown 13% year-over-year.

Shifting now to B2C, we are focused on profitably growing our share of the $95 billion global market, where we currently have approximately a 30% market share. Our strategy is to prioritize the high value segments where our network provides a distinct advantage, long-haul, heavyweight, and cross-border e-commerce.

Unlike those focused on the last mile, our strength is end-to-end solutions. 70% of our ground service revenue comes from shipments traveling over 300 miles. Half travel more than 600 miles. This focus on higher-yielding goods where quality and reliability command a premium has made us the market share leader in this segment, and we still see room to grow.

We are also building new capabilities to help retail customers grow. A best-in-class returns experience is critical for retailers, it helps them increase conversion and build customer loyalty. To that end, we recently launched a new post-purchase digital platform in collaboration with parcelLab. This platform helps retailers simplify the entire post-purchase journey and addresses a U.S. market of approximately $500 million. When combined with our vast retail network and label-less return options, this creates a seamless experience for consumers. For us, it's also a smart investment. We love a return as it shows up in our network as a profitable B2B move.

We expect to deliver low single-digit growth in B2C volume through 2029 and are ensuring the growth is both sustainable and profitable. We are confident this focus on key B2B verticals, SMBs and high-value B2C is the right strategy, a strategy that will deliver strong financial outcomes. We are targeting a 4% revenue CAGR through 2029 or $13 billion in top line growth, and that is versus an assumed fiscal year 2026 baseline of approximately $85 billion for FedEx Corp., excluding FedEx Freight. We expect our U.S. domestic segment to generate $8 billion of revenue growth, up 4%, and our international segment will deliver $4 billion, also up 4%.

We expect an additional $1 billion will come from FedEx Office, Logistics, Supply Chain and Dataworks. Importantly for FEC, we expect incremental revenue to be split evenly between yield and volume, each contributing $6 billion through 2029. Through a disciplined and differentiated strategy, we will generate premium revenue and drive sustained strong bottom line flow-through. For the last 20 years, we have taken market share, while maintaining market-leading yields. Our customers feel the FedEx difference. They see the consistency of our service, the reach of our network, and the strength of the technology behind it. They choose FedEx because we help them compete and win. That trust drives deep demand, strong customer loyalty, and scalable long-term value creation.

The FedEx of tomorrow will build on these strengths, powered, of course, by our incredible team around the world who every day work to deliver the Purple Promise. The Purple Promise, of course, is to make every FedEx experience outstanding. From vaccines to high-value auto parts to GPUs, FedEx moves what matters most.

Thank you for your time and I will now turn it over to my partner, Vishal. Thank you.

Vishal Talwar
Executive Vice President, Chief Digital & Information Officer, FedEx Corp., and President, FedEx Dataworks

Good morning, everyone, and thank you for being here. At FedEx, our ambition is simple and bold: to make supply chains smarter for everyone. As Raj highlighted earlier, our scale is tremendous, which is a distinct competitive advantage. Our next era will not be defined by the scale of our physical assets alone, but by how we combine unmatched real-world network with the power of intelligence at scale.

We are creating an industrial network that can sense, decide and adapt more rapidly than ever. We are activating our physical network, data, and customer relationships not just to power FedEx. But to build and bring to market a new

generation of intelligent supply chain solutions. We are going beyond simply moving goods, to orchestrating commerce itself. Wherever you touch, every decision are a value driver for a more reliable, efficient and effective logistics.

We recognize that AI has the potential to be one of the greatest force multipliers in FedEx's history.

Our ambition has two tightly connected elements. One element is inside our core operations. We're building a more efficient digital supply chain, lowering our cost of sales, improving reliability, and making it more valuable for our customers to do business with us.

The other element is beyond FedEx. We are taking capabilities. We have proven inside our own operations and extending them outward, while simultaneously creating a new suite of solutions to solve for global supply chain inefficiencies. The ultimate goal is to put our intelligence to work, helping our customers and our partners, and helping them build smarter supply chains of the future. These elements reinforce each other. As we improve decisioning and execution internally, we create reusable capabilities that can be productized externally. This creates a powerful virtuous cycle: as we work with our customers, we learn faster, which in turn allows us to improve how we run our own operations.

To understand where we are going, it helps to be candid about where we are coming from. Under the company's former “operate independently” philosophy, FedEx accumulated significant complexity, including 7,500 applications across the enterprise and duplication across our workflows. In a world where conditions change daily and customers expect precision and transparency, that complexity is the opportunity our transformation is designed to capture. A key aspect of our ongoing digital transformation is moving from human-coordinated workflows to a more seamless and digitally facilitated orchestration. We are standardizing the work, digitizing the workflow, and embedding AI into the decision loop, so we can respond faster with fewer exceptions and lower cost. Big picture, we're taking a fresh look at all the opportunities across the organization.

We are digging into the guts of our operations to tackle the biggest challenges and constraints, to build a more resilient network and drive creative productivity and efficiency across FedEx. Our goal is practical: Simplify to automate. Modernize to accelerate. And use AI to execute at scale.

Let me outline in detail the areas of opportunity for value creation.

First, efficiency, taking structural cost out and freeing capacity across enterprise and operational workflows.

Second differentiation, improving service, reliability, and enhancing the customer experience by applying intelligence to the core FedEx network.

Third, new value creation. FedEx Dataworks – through FedEx Dataworks, we're extending proven FedEx intelligence to move up the value chain with customers, helping them coordinate their supply chains, and creating new high-margin digital revenue streams.

Efficiency starts with a basic premise you can't automate – you can't scale automation or AI on top of fragmented processes. Process simplification under One FedEx is what makes speed value possible. It reduces handoffs, minimizes variation, and creates clear, repeatable workflows that technology can automate.

For example, one way we are navigating global trade volatility is by transforming our demand and capacity management. We are shifting from static workflows to connected workflows that integrate dynamic, real-time market insights. This powers our teams to respond faster to market changes and adjust plans with more precision, increasing supply chain resilience. As our forecasting AI models become more sophisticated, this workflow will further increase our competitive advantage and enhance the customer experience. This is the pattern across the enterprise: simplify first, digitize the workflow next, and then embed AI so decisions improve continuously.

We are transforming our core operations by embedding predictive AI directly into our physical asset base. From aircraft and vehicles to our facilities. This approach maximizes our return through intelligent, dynamic orchestration. As a result, our physical network has become a strategic advantage. (Competitors) cannot easily replicate. And it has also improved customer experience and loyalty. For example, we have transformed our maintenance from a fixed schedule to a predictive science. By combining rich sensory data with proprietary AI models, we can anticipate equipment failures in our sorting systems before they occur. This shift is already saving us $10 million annually, and our goal is to scale it significantly across our network and set a new standard of service.

The success of this AI-driven intelligence was also proven during this year's peak. We experienced no significant technology disruptions, enabling our operations team to execute flawlessly amidst surging volumes and deliver strong service during our most critical period.

Turning to differentiation. This encompasses better execution and integration of the core FedEx network: premium solutions, more consistent service and faster recovery.

We are now deeply embedded in our customers' operations. When their ERP system processes an order, it routes through us. When their warehouse management system releases inventory, it routes through us. When their procurement agents make logistics decisions, they are accessing our intelligence. This deep integration, built over years, creates a powerful and sticky customer relationship that's not easily replicated.

We are already seeing tangible proof points of this. For example, because of the work that we've done in our data and technology capabilities, we have fundamentally modernized the shipment clearance process. In clearance, we have historically operated with massive fragmentation, with more than 470 different clearance applications. This meant we had digital initiatives we could not scale without addressing the root issue of duplication. By leveraging a streamlined, powerful suite of tools including EXPRESSCLEAR, Broker Butler and FedEx Import Tool, we sustain high performance through a massive surge in brokerage filings after the U.S. de minimis rule ended.

Our technology, combined with our experience and regulatory compliance, enabled us to ensure consistent compliant processing at scale, while improving the quality of customer data. As a result, despite the surge, we were able to maintain operations, make faster and more accurate decisions, and deliver for our customers.

This is exactly the kind of capability we focus on scaling: measurable, repeatable, and tied directly to superior customer service.

Now let's talk new value creation through FedEx Dataworks.

FedEx Dataworks generates 2 petabytes of data daily, capturing every scan, movement and customer interaction. The opportunity is not only the data volume; it's converting that information advantage into predictive signals and coordination capabilities that create value for customers. Dataworks, as I mentioned, is designed to move up the value chain. This is a fundamental shift for FedEx with combining our physical network and our expertise with our unique data and customer trust to create a new class of higher-value, higher-margin services. As a result, we are moving beyond delivery to becoming a true partner in orchestrating our customers' entire supply chains.

In today's dynamic world, customers expect faster, smarter, more resilient supply chains, which creates a significant opportunity for us. And the opportunity is massive because global supply chains remain fragmented. Most participants still optimize locally, lacking the shared visibility for effective end-to-end coordination. The result is a coordination gap that traps capital and causes systemic delays. Based on one estimate, the cost is staggering: An estimated $1.8 trillion is lost annually to inventory distortions like out-of-stocks and overstocks. FedEx has a differentiated right to win here, because we uniquely combine first-party operational data with the physical network required to execute actions, not just recommend them.

Entering this market will not only allow us to provide better solutions for our existing transportation customers, but it will also significantly expand our customer base into new segments. We expect value creation associated with Dataworks to evolve over time. We are focusing on data intelligence and insights. Turning FedEx operational signals into predictive insights and benchmarks embedded into customer workflows, including through partners and existing systems of record. Our recently announced partnerships with ServiceNow and Dun & Bradstreet mark the beginning of this journey.

Next, productize capabilities. We're extending proven internal tools like route planning, risk or customers' customs intelligence capabilities as modular offerings.

And finally, orchestration. We are coordinating action across multiple parties. This is a longer arc and we will be selective, prioritizing use cases where we can demonstrate measurable customer outcomes and attractive economics.

Now, let's shift to how we are executing the changes needed to deliver on our full potential. Our digital transformation execution engine is powered by four pillars, designed to improve FedEx for team members and customers worldwide, while also supplying – strengthening supply chains globally.

These include:

- One, reinventing business process to shape a unified One FedEx future state;
- Modernizing technology to integrate AI, data and engineering;
- Embedding and scaling AI through a strong data and responsible AI foundation;
- And lastly, building the talent and governance to sustain it.

Those are our strategic priorities for data and technology. They're also the execution engine that turns opportunities into measurable outcomes.

Strategic priority one is to reinvent the business process. We know complexity is the enemy of scale. You simply can't automate processes that vary widely, and you can't embed AI to get consistent results. Business process reinvention reduces fragmentation and complexity by creating digital-first roadmaps in a unified business architecture for One FedEx. It leads all transformation efforts by defining the preferred future state for processes and systems across the enterprise. As an example, we have consolidated nine sort processes into a single streamlined workflow and have simplified clearance processes by using digital self-service and AI to replace hundreds of legacy applications and we are well on a path to streamlining 100% of our enterprise workflows with scale adoption across all regions.

Strategic priority two is technology modernization, simplifying the estate, retiring legacy technology so we can move faster and operate more reliably. Simplifying our processes enables us to modernize our technology and eliminate complexity. We are actively replacing hundreds of redundant legacy systems with a more agile, cloud-first platform. This has already reduced our application footprint by 30%, with a plan to get to 50% by 2029 with near zero redundancy. This is how we reduce run-cost, improve resiliency, and increase speed to deliver new capabilities.

Strategic priority three is to embed and scale AI. And our AI journey is well underway. For years we have invested in predictive and prescriptive analytics, robotics, and automated systems to strengthen our operations. But the real shift began when we built Atlas, our enterprise data platform, which today houses a substantial portion of FedEx's data and supports more than 200 AI use cases across our business. By the end of 2027, we plan to consolidate 100% of our data into Atlas. This data foundation enables us to responsibly provide real-time predictive insights for every decision across the enterprise.

Now, as AI technology matures, we are moving beyond isolated projects to a single, unified AI foundation. This platform combines our trusted data and governance models with autonomous agents all guided by a responsible AI framework. This is how we scale these powerful capabilities across the business safely and without increasing risk.

Our system-level approach to trust is also why we have joined the Hedera Council. Alongside other industry leaders, we are helping govern a shared digital network where data is verified and trusted at a global scale. But our strategy is just not about building foundational technology; it's about applying it where it matters most. We are applying it to the toughest, most complex parts of our business, from customs clearance to air and surface operations.

By 2028, we will have AI integrated into more than 50% of our core operational workflows. This is where AI directly improves service, drives down cost, and creates a lasting competitive advantage.

Strategic priority four is our future-ready talent and accountability. We firmly believe that technology is only half the story and unlocking its potential starts with our people. This is why we have invested in a persona-based AI fluency program for 300,000 employees, complemented by advanced training for 100% of our technology specialists. We are also building accountability into the operating model through scorecards and governance that track adoption, performance impact, and risk controls. So, this transformation scales responsibly and delivers measurable outcomes.

Let me close with three key takeaways for you to remember.

First, our moat comes from a powerful combination: our physical network, which is incredibly difficult to replicate, and the massive stream of proprietary data that only this network can generate. We are embedding AI into this system, creating a defensible advantage competitors cannot replicate.

Second, we have two powerful growth engines. We're driving structural cost out of our core operations, while simultaneously building new high-margin digital revenue streams through FedEx Dataworks.

And third, we are delivering now. Our disciplined execution is already producing measurable results, from tens of millions in savings to outstanding peak performance, and this is just the beginning.

Thank you all for being here. We will pause now for a moment to set up Q&A where I'll be joined by both Raj and Brie. And thank you again.

QUESTION AND ANSWER SECTION

Jenifer Hollander
Vice President, Investor Relations, FedEx Corp.

I'm pleased to be joined on stage by Raj, Brie and Vishal for our first Q&A session of the day. This morning in our press release, we shared an update on our expectations for the third quarter. But given the longer-term strategic nature of today's discussion, we request that you refrain from asking questions about our near-term outlook and save those questions for our March 19 Q3 earnings call.

Additionally, we plan to host a larger Q&A panel with all of the speakers later this morning. So, for now, please focus your questions on the topics that we have just covered. For those of you in the room, raise your hand and a mic runner will come to you once I call on you. And please start by stating your name and your firm.

For those of you online, you can submit your questions via the Open Exchange Q&A portal. And with that, let's start Q&A. Let's start with Jon.

Jonathan Chappell
Analyst, Evercore ISI

Jon Chappell, Evercore ISI. Vishal, very interesting presentation. Two-parter. The new revenue streams, I understand that your customers are very interested in using your data to help with their supply chains. And there's a potential for you to sell your services to kind of help them. So, can you maybe explain how that's going to look? Is that going to be like a SaaS system? Is it just a fee? Is there going to be a percentage of productivity that you're getting for your customers that will flow then through the Dataworks revenue stream?

And then secondly, it seems like with this circuitous flow that you mentioned before, there's even more potential benefit to FedEx specifically from using your customers' data as well. So, is there any way to kind of quantify how that helps you once you have your customers' data, whether that's through efficiency or also through new customer wins?

Vishal Talwar
Executive Vice President, Chief Digital & Information Officer, FedEx Corp., and President, FedEx Dataworks

Jon, thank you for the question. And you're exactly right. I mean, the ways in which our customers are actually engaging with us and the potential that they see is across multiple spectrums. So, when we look at Dataworks, we actually look at it from three separate lines of businesses. Our first line of business, the way we look at is insights. We are creating a data graph that allows our customers and partners to subscribe to it for predictive signals and insights that they need for their business. And when you look at Dun & Bradstreet and what we've done with the retail momentum index, that's a good example of it. As that index gets subscribed, Dun & Bradstreet and us have the revenue share. So that's one element through which we will see revenue flowing into us.

The second thing is you mentioned about SaaS and software products. So, when we talk about productizing our internal capabilities and extending that outward, RouteSmart, which we use for last-mile planning, is a good example of it, which is a software solution. It's a SaaS-based that our customers can use. There's a lot of companies out there with private fleet who are extremely interested and don't have the scale to build this capability from scratch. And that will be more like a product revenue through RouteSmart. And there are other examples of that that we will do with clearance. We'll do the same thing. I spoke about Mobius, which is our internal predictive maintenance tool. There's a lot of manufacturing and companies out there that, again, don't have these capabilities that they want to leverage these. So that model will be more in the how you would see software solutions being prioritized.

When you get to our third line of business, which is the orchestration business, it'll be a combination of all of these. What we're finding increasingly interesting for our customers is, one, our deep expertise in supply chain domain. It's less about just the data that we bring in that third line of business, but we are building a platform that will help them coordinate their supply chain end to end from inbound to outbound through warehouse management, through transportation management, through inventory management and that is where the massive opportunity in supply chains inside our customer's environment is because they do not have the end-to-end visibility. And there we haven't yet locked in on what is going to be our exact pricing model, but that's what we are working on. It could be SaaS based, it could be outcome based, it could be fee based, but those are the things that we are working through. And right now, what we realize is the customers that are actually open to all of them because there's just so much value in that space.

Chris Wetherbee
Analyst, Wells Fargo Securities

Yeah. Hi. Chris Wetherbee from Wells Fargo. Brie, I was wondering if you could break down the revenue opportunity that you see over the next few years, particularly on the volume side. So, the 2% seems reasonable. Kind of what's the underlying macro assumptions behind that? And then maybe where do you see sort of the most interesting opportunities? And maybe a specific one on the data centers. Kind of what's in the number now, what is the growth opportunity going forward? I don't think there's much in the number now, but kind of curious how you think about that.

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

Good morning, Chris. So, from an underlying momentum perspective, we planned quite prudently from an outlook perspective. So, we did not change really any macro assumptions. We've got pretty conservative assumptions, I think, actually for U.S. consumer. Obviously, we did anticipate the improvement in PMI that we saw earlier this month, but we have not included any further improvements in our macro assumptions. So, from a B2B perspective, I think we're planning very prudently. From an e-commerce perspective, you will see that we did plan to grow slower than the total e-commerce market. That is intentional. It allows us to be really specific about where and when we want to play. It will allow us to take market share in the heavier weight, intercontinental, and long-distance e-commerce. But right now, what we see in e-commerce is actually the sub-pound and deferred market is the fastest growing segment and that's not really a priority for us. So, we're very focused on those two things.

From a data center perspective, we actually – in the front half of this year, it is not material. How I got asked that question a couple of times last night at dinner is we are starting to see a lot of customer demand. What is really excited about this market is that it's booming. And there are very few kinds of norms set. I was in Taiwan the first week of January and it was really interesting because I went in to do a bigger, longer-term conversation with a potential customer, and they wanted to ship a server that week. That's how quickly things are moving. When I asked about their clearance, how they wanted, who was the importer of record, who was going to be the pair, none of that was established. It was like what's easiest. And so, we really are excited about the space. We have this incredible team out of our Asia organization who has deep expertise, incredible relationships. And I really think this is a very significant opportunity for us to take a leadership position because you say the name FedEx and it opens every door in the space. They trust our reliability and our capabilities. So, not material to-date. And then when you look at the distribution from our B2B growth of that revenue, we really see it's pretty evenly distributed, but I will say healthcare is the largest proportion.

Richa Harnain
Analyst, Deutsche Bank Securities

Hi. Thanks. Richa Harnain with Deutsche Bank. So, another one for Brie. Brie, you said that utilization levels today in the network sort of rival what you saw during the pandemic. I found that really interesting, and that in my mind supports the 2% yield assumption that you have for your outlook over the next three to four years. Maybe can you speak to if you think that condition kind of exists across the industry? And then obviously, that helps from a mix perspective, you can be choosy like you just spoke about, about the volumes that you're bringing on and lean into higher-yielding business. But maybe talk about other tailwinds to the pricing story, ancillary pricing opportunities you see to enhance yields and how you can shift capacity in case the environment gets more competitive to sort of ensure that tightness is more durable.

Thank you.

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

Sure. Okay. Big question. Keep me honest if I miss any of the pieces. So fundamentally, how is – what's the capacity like in the market do we anticipate? What do we anticipate moving forward? So, as I mentioned, right now in the U.S. domestic market, our network utilization is at a very, very good place. We have not seen this utilization since the pandemic. We do anticipate with the continued improvement in Network 2.0 and Scott's going to come up here and talk about Network 2.0 in a minute that it will continue to improve. We're actually seeing right across the market, I think you've all seen the competitive headlines. We do anticipate that capacity will actually further tighten here in the United States. Rest assured, we have room for B2B. There's a lot we can do within our existing networks to flex. We can certainly move e-commerce onto our later sort. We have the ability to continue to grow and take market share from a B2B. So, I like what we're seeing. We think it's going to get better.

The pricing fundamentals, I think, Richa, was the second half of your questions. So right now, and I think I shared this last quarter that the fundamentals in the market are good. Year over year, we have absolutely seen a better pricing

environment. It's always competitive, but it is certainly better than it has been and we feel really good about it. I think what's really important is that you are seeing structural changes to pricing. My favorite example is the peak surcharge. I don't think it gets enough airtime. To make money in e-commerce, you have to account for the incremental costs, and to serve these customers well, you have to say yes at peak. Right? You can imagine this is the most important time for our retail customers, so to say that we're not going to surge with them is just not a sustainable business model.

Peak surcharges are a win-win. It lets them sell at Christmas and allows us to bring on the resources profitably to do that. So, from a pricing perspective, you are seeing structural changes. We've made significant improvements in peak, we've made significant improvement in what we call large, heavy, hard to handle.

Over 50 pounds, we are by far the market leader there, and these are very profitable packages. They're hard to move. Scott Ray, my friend, who's backstage will tell you they are very, very difficult and nobody else can do it like we do. So, we charge for that. So, I think that is really the most important structural change, is that we are really adjusting our pricing strategy to cover all costs to make sure that we're getting paid for our differentiation. And what's exciting is what we've learned here in the United States we're taking to Europe, we've taken to Asia. We no longer constrain ourselves to just peak surcharges at Christmas. We have to adjust when we've got capacity. So, I like the environment. It is competitive, rational, better than last year and we've made a lot of structural changes.

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

So, let me take one moment to brag on, Brie, here. I think revenue management is a very tricky business, especially in a network business like ours. And we have always done a very good job of that. And we kept our yields higher than the industry average for a long, long time. She's taken it to another level. We have got the best process in the business, and it's just a huge kudos to Brie and her leadership in making that happen.

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

Thank you.

Jordan Alliger
Analyst, Goldman Sachs & Co.

Hi. Jordan Alliger, Goldman Sachs. Just to follow up a little bit more on that specialized B2C or high-value B2C that you've been alluding to, can you maybe help me understand a little bit more what that is? Is that the heavier-weight stuff that you were talking about? And the TAM for B2C is very big. Like, how big of a chunk is this opportunity?

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

Yeah. So, great question. So, when we think about specialized B2C, there's a couple of things. There's two distinct ones. Small and medium customers who generally don't have multiple fulfillment locations and so they do tend to longer zones, which again, as we just talked about, is the vast majority. The second is anything and when we say heavyweight, like, we are the dominant market share leader for over 50 pounds. We are also incredibly competitive, two pounds and up. And so, we do look at sort of everything from a weight perspective is definitely a consideration. And then the third factor is what's the value of the good. Right? If you're shipping T-shirts, FedEx might not be for you. But if you are shipping Oura Rings, FedEx is for you. I know my friends at Oura would be okay with that one. So those are really the three components. And then you layer on the international element because again, we're very well positioned in luxury goods, which is a very nice segment in that. So, within the $95 billion, we've got 30% market share. And I see a good trajectory to take another couple of points over the period that we're talking about.

David Vernon
Analyst, Bernstein Institutional Services

David Vernon with Bernstein. Thanks for taking the question and thanks for hosting us over the Investor Day event here. So, as you think about the improvement in the international margins from 3.6% to 8%, can you talk a little bit about which regions are driving that? Is that in Asia-Pacific sort of maybe moderating because the trade flows in Europe are getting a lot better? And can you talk a little bit more specifically about how the commercial relationship that you envision with InPost is going to affect sort of margins, profitability, productivity inside of Europe? Thanks.

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

So, let me start and then Brie, you can add on here. I think of the $1.4 billion of improvement in international, ($650) million comes from Europe. So that's the centerpiece of the strategy.

Having said that, every part of the world is now an opportunity for FedEx, and we're going to grow everywhere. However, the trade patterns are very different, but it doesn't matter because of the scale network that FedEx already has. We're covering the globe. And so, you're going to see later on in the presentations how we're talking about the rest of the world.

And Richard's going to have a presentation about that. But we see significant growth in all parts of the world, but centered heavily on Europe, which is the majority of the profit improvement.

What was the second question? Sorry.

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

InPost

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

InPost. So yes, I think this InPost deal that we just announced allows us to focus our efforts on B2B, be the heartbeat of the industrial economy in Europe. This is a complementary skillset, so to speak. And when, after it’s closed, we expect it to be accretive year one. Anything you want to add?

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

No, I think that's well covered.

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

Okay. Thank you.

Jeffrey Kauffman
Analyst, Vertical Research Partners

Thank you very much. Terrific presentation. Thank you. I guess I want to ask a question about what's not being discussed. If you're saying we're going to be more selective about which pitches we swing at on the B2C, you have this big network of contractors and you got to feed that network. So maybe little later on we talk about how we're going to change that B2C like value delivery model. But if you're being more selective about your B2C pitches, what does that mean for how that network is going to operate and be more profitable than it was?

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

Yeah. Well, I think first and foremost, like we just talked about, the network is full, so we're feeding our contractors and they are very happy. We also think that we have the very best delivery model in the market. It is well positioned. And Scott will share from a Network 2.0 perspective. We've got the best of both worlds. We've got this fabulous contractor model that supports small business. These are entrepreneurial businesses. They show up for our customers. It's just – I just had a very large – well, we had a very large top to top with a retail customer on Monday, and it was their first peak with FedEx. And they were blown away that each of these business owners went into their stores, introduced themselves, made sure that they were well serviced. Capacity's at a good place. We are going to grow volume. We've got a very competitive contract with them. We feel really good about that relationship. I don't anticipate any concerns, and we are of course planning to grow.

Thomas Wadewitz
Analyst, UBS Securities

Great. Yeah. Thank you. Tom Wadewitz from UBS. So I guess I wanted to ask a little bit about the kind of sensitivities, like if things don't develop quite as you anticipate, the 2% volume versus 2% price or revenue per piece, which are you going to kind of favor if the market doesn't grow as much or share gain? Like, if that volume is weaker, will we get – will you say we really needed 2% price? And then maybe for Raj. So that's for you, Brie. And for Raj, 200 basis points of margin improvement, that's pretty powerful for earnings. What if the 4% revenue growth is 2%, right, because the volume's not quite there. Are there levers to still get that 200 basis points of margin? Thank you.

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

We're going to have a balanced growth strategy. I think we have planned very prudently. I am confident that we can deliver both your yield and your volume. As I mentioned, we are going to go slower than market in B2C. So, I'm comfortable with this. I think we can do the 4%.

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

And I think the quality of our revenue management practices is so high now that we can manage this mix very effectively. And the whole point of the transformations that I talked about is to build resiliency. And we have demonstrated that amply in fiscal year 2026. This has been a most challenging set of circumstances that I have encountered in recent past in terms of the changing dynamics of trade. And yet, here we are delivering. This would be a very different scenario a few years ago, which is only because of the transformations that are under way. And these transformations are only gathering strength as we move – early innings on multiple levels. So, I'm confident that we can adjust to the market dynamics and by CY 2029, these outcomes look well within reach.

Thomas Wadewitz
Analyst, UBS Securities

Do you think you can offset if you don't get the revenue peaks (unintelligible)?

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

We can manage through it, but I think we can get to the place, the targets that we talked to, by CY 2029.

Thomas Wadewitz
Analyst, UBS Securities LLC

Yeah. Thank you.

Jenifer Hollander
Vice President, Investor Relations, FedEx Corp.

This will be our final question for this Q&A session. Ken?

Ken Hoexter
Analyst, BofA Securities, Inc.

Thank you for the last question. Ken Hoexter from Bank of America. So maybe I'll take Tom's question to maybe the other side, is the operating leverage. Right? Just if you see maybe an acceleration of cost cuts, is it just operating leverage that you're using to get the 200 basis points? Can you talk about the split to get the operating leverage and maybe what the potential is for higher? I remember being at a FedEx Analyst Day 25 years or 20, whatever, years ago, where FedEx targeted double-digit margins. So, is that just getting leverage to get there or are the cost cuts that can get you maybe to the upside? Thanks.

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

Well, I think I'm going to point to the same answer I just gave you that what gives us confidence is really the transformation that's underway at FedEx and underpinned by the changes that we have in the network transformation and the digital transformation and organizational. These are idiosyncratic advantages for FedEx because we are in the middle – and these are obviously significant upsides yet to come.

So, the simple formula of 4% CAGR on revenue growth and 2% CAGR on expense gives you the 200 basis points improvement. And I think we can do that. And it's just – we have a lot of confidence we can get this done. Again, it's all – the revenue assumptions here are very prudent and we can be targeted. The capacity environment allows us to do so. The pricing environment allows us to do so. But the market environment, especially focused on industry verticals that Brie talked about, I'm confident on the execution on our part, on the things we control, we put it together, that's what happens. And we're very confident of generating that $6 billion of free cash flow as well.

Great. Well, thank you, everybody, for the questions. Thank you, Raj, Brie and Vishal, for the answers. We're now going to take a 20-minute break and then we will see you back here shortly.

Thank you very much. Thank you.

[Break]

Emcee

And now please welcome Kawal Preet, Executive Vice President, Planning, Engineering and Transformation to the stage to begin the second half of our program.

Kawal Preet
Executive Vice President, Planning, Engineering & Transformation, FedEx Corp.

Good morning and welcome back. I am Kawal Preet and I lead Global Planning, Engineering and Transformation at FedEx. I moved into this role in October. I've spent close to three decades in Asia with FedEx serving in engineering and operations. And more recently as the Regional President of Asia-Pacific. This is a new role at FedEx. And let me tell you why it was created. It's about designing and building the FedEx of tomorrow. FedEx has long been the heartbeat of the industrial economy. We move what powers factories, data centers, hospitals, AI and supply chains around the world. In a world focused on “want it now”, people forget the close to 10,000 or so miles of commerce where goods move across the globe. That's what we do best. We connect every point to every other point, physically and digitally at global scale. And that infrastructure built over decades is more critical to the global economy than ever.

FedEx has one of the world's most advanced transportation and logistics network. And my team's mission is to transform and unlock its full potential. As the world re-globalizes, we are moving beyond managing the pieces of the system to designing, building, and orchestrating the entire system for constant agility, ensuring we stay ahead of the world in motion.

What we are doing at FedEx is a fundamental shift in how FedEx is creating value, resulting in a stronger enterprise and enabling resilient supply chains. My organization is responsible for designing the global network and driving the strategic transformation that is reshaping how FedEx operates worldwide. We build the architecture that enables FedEx to move smarter, faster, and with even greater precision. As Raj outlined, we are moving from strong but largely independent operations to one unified technology powered industrial network, a network defined by best-in-class service, a modern technology stack, and a structurally lower cost to serve.

The world we operate in—defined by trade volatility, geopolitical shifts, labor constraints, inflationary pressures, and supply chain reconfiguration—demands a different architecture. That is why transformation is essential and an enterprise priority at FedEx.

And it's anchored around three interconnected elements:

First is our network transformation—Through disciplined planning and execution, we are optimizing how parcels and freight flow through our global air and surface network, enabling greater efficiency, agility and profitable growth at scale.

Second is our digital transformation—Data, AI, and technology power greater speed, increased visibility, and more agile real-time decision-making across the business.

And third, is our organizational transformation—Aligning as one FedEx team unified by our People-Service-Profit philosophy and guided by our culture values.

DRIVE is foundational to our execution. DRIVE creates the operating discipline for our transformation and is a core responsibility of my role as Chief Transformation Officer. DRIVE creates the rigor on prioritization, sharpens value delivery, and ensures accountability across the enterprise. The outcome: we delivered $4 billion reduction in structural costs between FY 2023 and FY 2025.

This is a new era for our network. Because historically capacity was added independently across our networks, each operating company solved for its own needs, creating overlap, complexity, and a structure that was never designed as an integrated system.

We are fundamentally reimagining and redesigning the FedEx network for the future. One that delivers in any environment with the hallmarks of:

- Best-in-class customer experience that is simple, differentiated, and seamless across services and geographies. No matter what or where.
- AI is embedded end-to-end physical and digital AI integrated across processes, operations and systems strengthening decision making and network performance.
- And finally a structurally lower cost to serve, achieved through integrated end-to-end design, capacity rationalization, improved density and relentless execution excellence.

We are already seeing early results. For example, pickup and delivery cost is down by about 10% in our integrated U.S. markets. And hub productivity in Europe is up by approximately 20%. These are tangible proof points that an integrated end-to-end network design drives real and measurable performance gains. This is the first time FedEx has taken a truly centralized approach to how our network is designed, built, and operated.

Let me start with how we are reimagining our air network. Tricolor is our global redesign of the intercontinental air network across three distinct systems:

First, our Purple system, which is designed to serve the priority parcel service with our fastest delivery commitments with premium yields. With our Purple network, we move our highest value shipments on FedEx owned aircrafts through our premium night sorts. This is what the network was originally designed to do.

Second is our Orange system, which focuses on Priority Freight. A 2- to 3-day network or a truck-fly-truck system where we fly into our day sorts.

And White is our partner network. Mostly a point-to-point system moving deferred parcels and freight.

The Tricolor network allows us to deploy our aircraft to the highest return lanes and services with the focus on growth in premium parcel and freight.

Our Priority Freight and deferred traffic flows become way more efficient, often connecting into the vast networks that we have on U.S. surface and Europe. So that's our truck-fly-truck system. This brings the added benefit of fewer handles, fewer miles flown, sweating our assets during the daytime and processing the volume off cycle.

And as we scale Tricolor, we are pulling volumes out of our network, onto our surface network where it makes sense. And we are backfilling the air system with more accretive international airfreight as well as U.S. domestic B2B volumes. This improves the payload utilization on the flights we operate and drives down unit costs.

By differentiating flows by cost and speed, we are aligning premium express, priority freight and deferred services to the right aircraft and capacity type in the right lanes at the right cost. It also positions us for growth with advanced technology and planning tools that dynamically plan and optimize capacity against the demand forecast, we are transforming how our air network is designed and executed.

Now, you all will agree that density is destiny for network operations. Engineering the right product flows into the right network with fewer miles traveled and fewer touches, all enabled by technology increases density, enhances our flexibility and fuels profitable growth.

Between FY 2026 and 2029, Tricolor is expected to generate meaningful, incremental revenue and operating income growth. And you will hear later from Richard on how Tricolor is driving higher revenue and improved profitability for our international business.

Next, we are transforming our surface network. Network 2.0 is creating an integrated parcel network across the U.S. and Canada. One truck, one neighborhood, unifying and streamlining legacy Express and Ground operations. We are consolidating stations, upgrading hubs, and modernizing our tech stack. These changes fundamentally alter how the surface network operates.

Network 2.0 creates one integrated air and ground linehaul system, that is foundational for global growth with streamlined enterprise capabilities. Post Network 2.0, with an integrated air and surface network, we will be able to move more volume from air onto surface while preserving our customer commitments. Scott will provide a closer look at this transformation in action.

Similarly, across Europe, we are simplifying a complex legacy footprint into a more productive, integrated network. This network includes fewer hubs, which are more strategically located, right-sized stations, and a sharper focus on higher value international shipments. Wouter will discuss our Europe strategy in more detail.

Now automation has always been integral to our operations. My portfolio also includes the global assets and infrastructure function. Responsible for setting the strategy and global standard for our operating facilities and ground fleet.

This is the first time we are taking an enterprise view across our physical operating assets on the ground, which creates synergies for us. As some of you saw yesterday at our Memphis hub, we are working on our plans to scale physical AI solutions across the network, starting with automated trailer unloading and loading operations.

Over the next few years, we will deploy this technology across thousands of dock doors in more than 20 hubs in the U.S. We're also testing autonomous trucking technology in the middle-mile linehaul, where it is safe and practical. These are the types of solutions that mark a step-change in how we move and process volume.

We are building the digital backbone that powers the enterprise. Our FedEx route optimization technology is a prime example. Originally deployed in our legacy Ground network, it has now been enhanced and deployed across our surface network in the U.S. and Canada. The rollout has been so successful that we recently expanded this technology in Europe where it is already improving route efficiency.

We're doing the same across our sort and linehaul technology as well. Thus, creating a global, intelligent, and connected ecosystem powered by AI, enabled by harmonized processes and unified data. This is digital innovation scaling globally.

These changes are driving smarter network and linehaul design, denser routes and prioritization of high value shipments. The financial benefits are strong:

- Tricolor delivers performance and density improvements and enables growth opportunities that benefit the bottom line.
- Network 2.0 is designed to unlock $2 billion in savings by the end of 2027, driven by significant efficiency gains across pickup and delivery, linehaul, facility optimization and consolidation, and One FedEx organization.
- And Europe's transformation drives significant improvement to the adjusted operating income over the coming years.

The redesigned network is built to win. It's a smarter, more capable and more profitable FedEx network engineered for the realities of today and the opportunities of tomorrow.

Raj earlier described our transformation as a triangle, the convergence of network, digital, and organizational change. These are not parallel work streams. They reinforce each other. They accelerate each other, and they scale together. DRIVE is how we turn strategy into measurable outcomes. It enables us to collaborate seamlessly across regions, across functions. It accelerates outcomes with disciplined prioritization, optimizes investments for the greatest enterprise value and delivers results with transparency and accountability.

We have a consistent and systematic approach using cross-functional transformation metrics and change management across the enterprise. DRIVE is our enterprise engine for execution and end-to-end strategic accountability framework that governs our flagship initiatives, including Tricolor, Network 2.0 and Europe.

In closing, what energizes me in this role is not just the ambition of our goals, but the incredible power of our network, which is a living equation of possibilities. Every hub, every station, every route, and every digital link amplifies value. And with integrated end-to-end design, consistent global processes and disciplined execution at scale the economics compound.

What gives me the greatest confidence, however, is the team behind this work. This new planning, engineering and transformation organization brings together some of the brightest minds, engineers, planners, and technologists in the industry. People who understand the network at the most granular level. And who also see the system as a whole. These are leaders who know how to simplify complexity and turn strategy into results. They are unlocking the full value of our network and creating a structurally stronger enterprise for the long term.

And now Scott will walk you through how we are scaling Network 2.0 across the U.S. and Canada and how this enterprise strategy is translating into daily operational excellence on the ground. Thank you all.

Scott Ray
Chief Operating Officer-elect, U.S. and Canada Surface Operations, Federal Express Corp.

Well, thanks, Kawal, and good morning to all. I'm Scott Ray, Chief Operating Officer and President of U.S. and Canada Surface Operations. I'm responsible for our surface network, including the execution of Network 2.0. I've been with FedEx for nearly 40 years, most of that in operations, including serving as COO at FedEx Ground. I've experienced firsthand what happens when you redesign a network the right way. You get a safer, more efficient operation that delivers better service at a lower cost.

Now you've heard Raj frame the transformation triangle. You've heard Vishal on a digital backbone. And you've just heard Kawal describe the architecture of the redesigned network. My role is to execute this network redesign, one station, one route, and one neighborhood at a time.

Now, Network 2.0 is our multi-year effort to transform how we pick up, transport, and deliver packages by integrating our legacy Express and Ground operations into one unified surface network. The concept is pretty straightforward. Our customers don't need both an Express and a Ground truck in the same neighborhood on the same day. And they don't need to separate their express and ground packages for two separate pickups. They need simplified interactions and outstanding experiences. And Network 2.0 is providing just that.

Here's our execution progress and results to-date:

- We now have about 25% of our eligible U.S. and Canadian average daily volume flowing through hundreds of Network 2.0 optimized facilities.
- We've optimized over 360 stations while closing over 200. And in the markets, we've completed, we're seeing about a 10% reduction in pickup and delivery cost, higher stop density and fewer duplicate routes.

Canada is our largest geography that we've fully integrated to-date. And although U.S. integration started in smaller markets, our ongoing, optimizations of large U.S. metros like San Francisco have been very successful.

We are proud that we have maintained industry-leading service levels through these Network 2.0 optimizations. We have done this by prioritizing service, establishing dedicated routes for high priority services and customers, and leveraging our local market knowledge to determine optimal fit based on location, local nuances and timing.

One size certainly does not fit all markets. This type of agility has been key during both planning and implementation, given the high operational complexity of an integration of this magnitude. And the result is clear. One truck, one neighborhood equates to measurable cost reductions, fewer miles, and consistent service at scale.

Now we started the Network 2.0 with careful proof-of-concepts and early integrations. Now the objective is to safely scale the integration over the next year and a half, while continuing to deliver the strong service that our customers expect. The program has progressed as planned:

- During the first phase in FY 2024, we proved the modeling process in smaller markets and developed a planning and governance structure.
- During the second phase in FY 2025, we scaled to more markets and redefined the playbook, adjusting based on lessons learned.
- And finally we're entering a final phase in FY 2026 and in the calendar year 2027. We are focusing on the larger metros and geographic areas to scale the rollout to completion.

As we scale Network 2.0, we expect that around 65% of the average daily volume will be flowing through optimized facilities during our 2026 peak season. By the end of 2027, we will optimize more than 900 stations and we will close a little over 475, which represents about approximately 30% reduction in our facility footprint.

Now, I want a level-set on where we are today with our cost reductions and the cadence of those savings as we move ahead through the integration. As we think about our $2 billion savings target by the end of 2027, there are several drivers. Pickup and delivery optimization is the primary driver, which represents the majority of our savings. The remaining savings will split about equally between the reduced facility footprint and One FedEx savings as we reduce SG&A expenses that were necessary to facilitate duplicative networks.

Our progress on these savings is underway and by the end of the calendar year 2026, we expect to achieve nearly $1 billion in savings. We expect to achieve the full $2 billion benefit by the end of calendar year 2027.

Now as the network scales, single, simplified global technology solutions are enabling cutting-edge efficiency and effectiveness. We've invested and successfully implemented new technologies to advance our capabilities, improve customer service, and capture additional operational efficiencies.

There are two areas where tech is critically important to Network 2.0.

First, let's talk about the last-mile efficiencies. Now, Kawal mentioned FedEx route optimization or FRO, which actually optimizes much more than just the route that a driver takes. It enables better service area planning and denser, more efficient vehicle load and route planning. And we're enhancing these route optimization tools to recognize and prioritize high value traffic, such as healthcare and critical B2B shipments, which Brie discussed earlier.

Second, there are unified real-time network tools as we work across air and surface operations to share data and models to act as a single North America transport network. Tools like network monitor, which provides real-time visibility of packages flowing through our network, are now available to all field management, empowering better forecasting and planning on the ground.

With the help of technology and automation improvements, our operations leaders, dispatch teams, and linehaul planners can now see real-time load factors by lane and facility. They can see weather impacts and congestion and performance by lane, route and station. Predictive analytics flag potential issues. And our tool suggests reroutes before delays become customer problems.

For example, when severe weather hits or there's an unplanned disruption, we can increasingly rebalance volume across routes and assets rather than reacting after the fact. We can shift volume between air and surface, between lanes and between facilities to protect service and reduce cost. The result is better asset utilization, faster recovery from disruptions, and lower contingency costs due to less ad-hoc purchase transportation.

Now consolidating these operations means significant changes for our employees and service providers alike. And we have been very thoughtful and intentional in how we ensure that they are informed, prepared and engaged in driving the changes forward. This means communicating frequently and celebrating the many ways that an optimized network benefits them.

For example, the tools I just discussed help operators all the way to the front lines, whether that's through the routing load balancing or real-time visibility, to answer customer questions or address concerns. Routes are more efficient and more predictable. And over time, automation and physical AI will help reduce the most repetitive, physically demanding tasks.

Furthermore, our leadership teams are finding immense value in the consistency that comes with a unified playbook, consistent KPIs, and a standard process across what used to be two separate networks. Tens of thousands of our team members have been trained for the integrated model with support from the DRIVE governance that Raj and Kawal described. And when we meet with frontline teams in the integrated markets, they talk about how Network 2.0 has resulted in consistent metrics, more predictable outcomes, and better service. Now that's exactly what we want, technology and network design that empower our people to deliver better outcomes for our customers.

To close, we are transforming the FedEx surface network into the smartest, the most efficient and most flexible integrated network in the industry. It is predictive, using data and AI to anticipate issues and maximize efficiencies. It's automated where it matters, in planning, routing and most repetitive physical tasks. And continuously improving, as DRIVE, our planning suite and frontline feedback push the network to get better every single day. The outcomes are clear: better service quality, consistent profitability, and fewer miles with a smaller footprint as we densify and consolidate routes. This is how we turn FedEx's unmatched network into a flexible profit engine.

And with that, I'll hand it over to Richard to talk about how we're applying the same principles to our international and air network. Thank you.

Richard Smith
Chief Operating Officer - International, Chief Executive Officer - Airline, Federal Express Corp., & Director, FedEx Corp.

Thanks, Scott. Good morning. I'm Richard Smith, Chief Operating Officer for International and CEO of the FedEx Airline. It's great to be here with all of you today. Our international network moves trillions of dollars of goods, as you've heard, across some of the world's most critical industrial supply chains. As Raj, Vishal and Kawal have outlined, we're transforming our network, which gives us unmatched scale with greater precision and better profitability. My role is to make that shift real across our international and air networks by using our global reach more strategically, supporting the industrial verticals Brie described, and delivering the structural profitability improvements embedded in our long-term plans.

What differentiates FedEx internationally comes down to scale, flexibility and technology. By scale, I mean our unmatched physical scale, paired with differentiated customs and brokerage capabilities, increasingly enabled by AI and digital tools as you heard a lot about from Vishal earlier. We're one of the largest entry filers in the entire world with deep brokerage expertise and an incredibly rich dataset around commodities being both exported and imported. This is allowing us to assist our customers in new and differentiated ways as they navigate increased complexity and friction in the global trade environment. We're reducing that complexity and friction for them rapidly.

When it comes to physical network flexibility, Tricolor and Network 2.0 give us more levers than ever to align cost with value on a lane-by-lane basis. Regarding technology—predictive routing, AI forecasting, and visibility capabilities like

FedEx Surround and our planning suite enable us to run the network better and help customers manage their supply chains more intelligently. Every mile we fly, every sort we run, every shipment we move can be smarter and more profitable because of this combination.

If you look at the history of FedEx internationally, we can break it down across three phases:

First, expansion, the building out of our network to every major economy, establishing gateways, routes and capabilities. So, we could say yes to customers almost anywhere. Five decades of investment created unmatched global scale, a durable competitive moat.

Second, integration, most notably through the TNT acquisition, which gave us a powerful European surface infrastructure. Over recent years, we focused heavily on integrating those assets and operating as One FedEx.

We are now in the third and exciting chapter of transformation. On the network side, we have Tricolor, the Europe network transformation and the linkage to Network 2.0 in the U.S. and Canada. On the digital side, we're using advanced planning and data-driven solutions to better match capacity and demand. And on the organizational side, we're moving towards one operating model worldwide, underpinned by DRIVE, our accountability framework, which will simplify our processes and strengthen accountability.

We're turning global reach into financial returns, evolving to deliver consistent, profitable, high-value international growth. We have a clear roadmap to strengthen our international performance while maintaining outstanding service for our customers. We're focused not only on what's within our control, but on flexing our network to match the evolving global trade landscape.

Our strategy is centered on three priorities:

First, we're executing a focused Europe transformation, shifting to a higher-value mix, optimizing the regional network and driving process efficiencies to structurally improve financial returns.

Second, through Tricolor, we are improving the economics of our international service portfolio by driving growth through premium air freight, lowering the cost to serve, and redesigning the global air network to emphasize speed, flexibility and density. This enables improved profitability while maintaining service quality.

Third, we are diversifying lanes in line with shifting trade patterns, selectively growing revenue and market share on new and emerging lanes where we can compete profitably and deploy capacity more efficiently, largely now thanks to that Tricolor flexible system. These results are driven by execution through better mix, efficiency and utilization of our aircraft.

Executing this strategy requires a clear view of how global trade is evolving because those shifts determine how we deploy capacity and capital. Manufacturers are diversifying supply chains from single-country models to distributed networks as near-shoring and friend-shoring reshapes global trade flows. As our customers are global, we are everywhere they want us to be. This is where FedEx's redesigned network is a real differentiator. Tricolor allows us to participate in the freight recovery selectively and profitably, and improve density across lanes as you heard about from Kawal. And this is without adding disproportionate new capacity. It makes us much more nimble and flexible.

As you can see on the slide, in Q2, we've reduced our trans-Pacific outbound Purple and White Tail capacity by about 25% and nearly 35%, respectively, to mitigate the impact of global trade policy changes. We're dynamically reallocating capacity toward faster-growing trade lanes such as Asia-to-Europe and intra-Asia. In fact, we partially offset the trans-Pacific capacity reduction, I mentioned by increasing our Asia-to-Europe Purple Tail capacity by 20% year-over-year, providing faster service for premium growth on that lane while reducing flexing down White Tail capacity by nearly 30%. Because we control both the air network and the surface infrastructure, and because we're building an AI-enabled planning layer on top of it, we can reallocate capacity to new corridors faster than our competition.

Broadly speaking, we're seeing strong growth out of Southeast Asia, particularly Vietnam, along with markets like India and Mexico, as customers reposition supply chains. We're also seeing significant momentum in markets in the Middle East, such as Saudi Arabia and the United Arab Emirates, strong inbound markets. And we are continuing to take profitable share in Europe. Our actions have already delivered improved outcomes, particularly as global trade has evolved quickly this year. Trade is moving and our network is being adapted in real-time to maximize utilization, improve densities, and enhance profitability.

As trade patterns shift, how we manage the portfolio across regions matters more than ever. All of these regions and the countries within them are in differing phases of development, with different growth opportunities for FedEx. They are not monolithic, and our strategies are tailored to the realities of each market. Our international portfolio is much more diversified than it used to be with a more targeted approach by region. LAC, Latin America and the Caribbean, benefits from nearshoring into Mexico and broader Latin American B2B trade leveraging Network 2.0 on the ground in the United States and Canada.

Here's our LAC President, Luiz Vasconcelos to share more.

[LAC VIDEO]

LAC is a diverse and dynamic region made up of 50 countries and territories across four sub-regions: Mexico, the Caribbean and Central America, the Andean South Cone, and Brazil. We are the near-shoring bridge between North America, Europe, and Asia. Across the region, we serve a wide range of industries from automotive and high tech in Mexico to pharmaceuticals and medical devices in Caribbean and Central America. We also support e-commerce, perishables, specialty flowers and advanced manufacturing across South Cone and Brazil. We continue to invest in connectivity, including new routes through Miami. At the same time, our extensive physical network and digital capabilities allow us to support large B2B customers while also enabling small- and medium-sized businesses to participate in global trade.

[END LAC VIDEO]

Thank you, Luiz.

In MEISA, Middle East, Indian Subcontinent and Africa, we offer expanding B2B opportunities, including increasing manufacturing exports from India as well as emerging premium cross-border e-commerce. Let's hear from MEISA President Kami Viswanathan now.

[MEISA VIDEO]

The MEISA region is one of the most dynamic in the world today and a key strategic market for FedEx, with massive growth opportunity, particularly in India and the Middle East. Global supply chain shifts are leading to increased manufacturing and export growth from India in high-value B2B verticals.

Saudi Arabia and the UAE are diversifying away from oil and gas and focused on industrial and trade growth. And rising consumer demand makes these markets attractive for high-end e-commerce. We launched a Purple Tail freighter connecting the U.S. and EU directly to Riyadh and onward to Asia connecting the GCC markets via our Middle East road network.

We established a strong position in India in FY 2025, with 40% outbound revenue growth, taking 8% market share. India is our fastest growing market and building on the great traction we have had, we have tailored strategies in place to accelerate growth across segments. We're seeing growth in high value sectors like aerospace, automotive and industrial

parts, where customers rely on FedEx's precision, reliability and global connectivity to navigate complex cross-border logistics. Medical devices and clinical trials is another high-growth area for the region.

The MEISA region grew at 25% in outbound revenues last year. What really excites me about the MEISA region is that we have a long runway to grow and take share profitably, and we are well-positioned to expand markets, develop capabilities and achieve transformative growth.

[END MEISA VIDEO]

Thank you, Kami.

Asia-Pacific remains the world's manufacturing hub and a key growth engine. In fact, around 60% of global GDP will come out of this region, especially in high value, parcel and freight. Our APAC president, Salil Chari, provides a great overview in this video.

[APAC VIDEO]

APAC accounts for roughly one-third of global GDP and will account for nearly two-thirds of the global middle class by 2030. Asia makes up about 60% of global manufacturing. And in air cargo, APAC represents 47% of the global outbound market and grew 15% in 2024. China, of course, is a critical market, but it is only 30% of APAC roundtrip revenue, meaning majority of our revenue is coming from outside China. We built a deep 40-year foundation across the region with an extensive air and ground network serving 44 countries and territories, supported by 2,500 monthly flights and four regional hubs.

B2B continues to thrive across Asia-Pacific. In fact, approximately 75% of our revenues come from B2B. That's why we are doubling down on B2B, leveraging our vertical expertise, customized solutions and One FedEx collaboration. Other priority verticals include aerospace, automotive, and industrial and healthcare. We also target high-value B2C, where speed and reliability is important, and this segment commands strong yields.

Looking ahead to FY 2029, our growth plan is powered by three engines: to capture China and Asia's high value e-commerce export growth, while penetrating additional emerging markets like Southeast Asia, scaling higher value capabilities through investing in vertical-led differentiated offerings.

And lastly, multimodal solutions and clearance solutions to win in the air freight market and monetize our global clearance capabilities. What excites me is the vast potential of Asia-Pacific, the fact we're not just the world's growth hub, but a leader in transformative technologies, including AI. And with 18 of the world's 20 fastest growing trade corridors in Asia-Pacific, we're boldly, decisively ready to lead the future of global commerce.

[END APAC VIDEO]

Thanks, Salil.

So, Luiz, Kami and Salil are here. I hope some of you got to meet these amazing leaders last night. I'm so proud and honored to be on their team.

Now, let's talk Europe. Europe is both a major end-market and a critical connector as the world's largest trading market. You'll hear from Europe President Wouter Roels next, who's also here and I know some of you got to meet him last night. By balancing growth and profit across all of these regions, we're creating resilience. When one trade lane is under pressure, others can offset it. The goal is not just higher earnings, but more predictable earnings across cycles.

Among our core regions, Europe deserves special attention because it's such an important part of our story, and one of the largest profit improvement opportunities. Over the past two years under Wouter's leadership, the team has strengthened the network, leveraging key parts of our integrated network footprints and restoring service levels. They've delivered substantial cost savings and achieved the best service levels in years. That service improvement has supported 10—count them, 10—straight quarters of profitable share gains in the high value segments we care most about, especially international export and cross-border e-commerce.

The next phase, though, is where the real transformation happens:

- Rebalancing the mix away from low-yield domestic towards higher-value cross-border.
- Reengineering the surface network and modernizing hubs and stations.
- And simplifying service offerings so Europe runs on a single, modern tech stack.

Wouter will show how this leads to a multi-year structural profit improvement in Europe. Bottom line, we're playing the entire board, ladies and gentlemen, everywhere trade is happening, and there are no gaps in our global game.

Now, I want to spend a moment on our air fleet, which is, of course, a critical component of our unmatched infrastructure and an important enabler of our enterprise success. A key element of this in the near term is our MD-11 strategy. Safety comes first, always, and we maintain these aircraft to the standard of “Safety Above All”. We continue to work closely with Boeing and the FAA and the NTSB, the regulators, and I am confident that we are on a path to returning these aircraft safely to service over the course of this fiscal year.

As Network 2.0, Tricolor and our hub modernization change how volume flows through the system, we are taking a centralized approach to ensure that our air fleet remains aligned with our needs. Looking ahead over the next 10 years, our direction is clear: We are prioritizing international routes with high-capacity, high-efficiency, modern aircraft like the Boeing 777 freighters, the types that give us better economics per trip, increased fuel efficiency and structurally lower maintenance costs over the long run.

Importantly, we will do this while staying disciplined in our capital. Our commitment is to keep annual aircraft and related CapEx at or under $1 billion annually. This evolution will also create opportunities to optimize total hours flown and the size of the U.S. domestic jet fleet needed to support our long-term goals.

Pulling this all together, we expect improved financial outcomes marked by sustained and profitable growth. We expect to grow international revenue at a 4% compounded annual growth rate through 2029 with international package volume growing a low-single-digit percentage annually, and with higher yield. At the same time, we expect international air freight volume will grow faster as Tricolor drives share gains by improving the competitiveness and economics of our service portfolio.

And across regions, Asia-Pacific remains the growth leader, supported by favorable demand trends and strong execution. We expect that revenue growth to translate into meaningful adjusted operating profit growth with a CAGR 30% through 2029, and about 440 basis points of adjusted margin expansion over that period.

I just took you through the how of it. So just know that we remain committed to continuous improvement in the International and Airline segment, doing our part for the enterprise with a sustained focus on improved mix, increased efficiency, and better asset utilization across our network.

FedEx has always connected the world. Now we're transforming the network behind that promise to be smarter, more efficient, and more profitable. We're leveraging unmatched global reach, strengthening local capabilities, and using data and technology to drive sustainable profitability. Europe's transformation, of course, is one of the most important pieces of that story. It turns what was once a complex, under-earning region into a key contributor to the international portfolio, lifting the entire segment.

The next era of FedEx global growth won't be defined by just scale. We've built the scale. It will be defined by leveraging that scale to create greater value for our customers, our shareholders and our team members. Or as I consider them, all of my bosses.

With that, let me hand it over to Wouter to take you inside the European transformation. Thank you for your attention this morning.

Wouter Roels
Regional President, Europe, Federal Express Corp.

Thank you, Richard. And good morning. My name is Wouter Roels. I'm the Regional President for FedEx in Europe. I have the privilege of leading a dedicated and resilient group of team members who are eager to drive increased success in Europe.

Europe is one of the most important and diverse logistics markets in the world. With a population of over 740 million, Europe accounts for approximately 30% of global imports and exports, making it the largest single market importer and exporter in the world, and therefore an essential part of the FedEx global network.

It is also FedEx's largest lever for international operating income improvement. The transformation triangle that Raj described and introduced with One FedEx at the center and powered by DRIVE, absolutely captures the journey we're on in Europe. And my message today is simple; we are reengineering this region for performance and profitability at the right scale. And the results are already visible.

Now, to understand the opportunity you have to start with the footprint and business mix we have in Europe. Having the right scale, particularly in large economies, is key to being able to provide customers with the right service at the right cost.

Our surface network consists of 27 road hubs and more than 500 stations, many built for a specific country rather than what a pan-European network needs. This scale includes significant domestic footprints in key markets such as the UK, France and Italy, which also enable our international service coverage.

Now, historically, our European volumes have been strongly weighted toward domestic shipments. Our future success is centered on shifting that balance towards more profitable cross-border and intercontinental shipments while reducing capacity and maximizing utilization. These cross-border shipments come with yields that are multiple times higher than domestic. Furthermore, by modernizing the network footprint and the processes, we will continue to drive down unit cost.

So, in short, the opportunity is both large and clear: We will integrate and modernize the footprint, simplifying hubs and stations. We will rebalance the business mix towards higher value cross-border and B2B shipments. And we will drive end-to-end process efficiency that lowers our cost to serve.

Since FY 2023, we've been on a very deliberate and sequenced path, because turning around the business of this scale and complexity requires getting the fundamentals right before pushing for growth. We're now well into the three-phase transformation.

Phase one, was the turnaround. DRIVE as a program came at the absolute right time for Europe and as a way of working. We evolved from managing and focusing on integration to rigor and value creation. Under DRIVE, we delivered on our $600 million cost reduction commitment through FY 2025 through tax simplification, station process optimization, dimensional pricing capture, and overhead reductions. This work was difficult, but it was essential to drive improvements and create a stronger foundation. Nevertheless, we were still faced with a fragmented business, landscape across countries and even within a country.

This led us to our next phase of the evolution reorganization, which has really been underway since FY 2025. We have to bring a network approach to Europe across organizational structure, processes, and how we manage business performance day to day. We revamped our leadership team and started managing Europe as a network rather than as a collection of local businesses. We introduced common productivity tools, processes and automation, largely drawn from the best practice at FedEx surface to manage the business daily to consistent metrics. As part of One FedEx and thanks to excellent collaboration with the surface team, we were able to leverage their tools and bring them to Europe as best practices at pace.

We streamlined our back office, taking control of our overheads and have continued to stringently control our costs. In effect, we have simplified the organizational structure. We've improved data visibility so that now performance is easier to see, plan and manage. As our frontline team members now tell us, we all wake up to the same FedEx newspaper every morning that shows us our performance of the previous night.

We're capturing the benefits of these actions. On the back of better physical service, we've had 10 consecutive quarters of accretive international revenue share gains. Customers are drawn to our differentiated value proposition and improved service. And in addition to solid growth, the simple organizational structure enabled by data insights and operational discipline, it's allowed us to significantly improve productivity. As an example, in our hubs, we've improved productivity by approximately 20 percentage points year-over-year.

Now with a stable foundation, we're now in our third phase transformation and well-positioned to unlock greater structural value. We are scaling to a higher-value international mix. We are reengineering the network and we're driving process efficiencies through digitization, so we can operate Europe as one business running on the best of FedEx data and technology. This turnaround is not theoretical: It's visible in the numbers and in daily operations. And now we're accelerating.

We're framing our Europe strategy around three pillars enabled by the modernization that Raj and Vishal have described.

Number one, scaling to a higher-value international mix. We want to grow in the shipments where FedEx is strategically well-positioned: B2B, high-value cross-border e-commerce, and intercontinental express freight.

Number two, we're reengineering the network itself. We're redesigning road hubs, stations and the flows, and we're powering them with the latest in FedEx data and technology so that we can drive productivity as we move shipments end to end from pick-up through delivery.

And number three, we're driving end-to-end process efficiencies. We're simplifying the operations through standardized best practices, making it easier for our team members to consistently deliver excellent service and an outstanding customer experience. As a result, we expect Europe to be the key driver of adjusted international operating margin through 2029, contributing about $650 million over that time period.

We've already started to deliver on our mix strategy by executing a focused set of commercial and growth programs. Our mix shift is driven by multiple levers, expanding in regulated time-critical verticals like healthcare, as Brie spoke about, supported by consistent high-service performance. We're targeting high-value cross-border e-commerce flows, where network reach and reliability matter most. We're simplifying and digitizing the customer experience from onboarding to collection, and the support journey customers receive throughout. And by improving data insights, surcharge processes, and driving a mix shift, we are driving higher yield quality, growing the right volume, not just more volume. To date this fiscal year, we've shifted the mix by four percentage points.

Now, to fully capture this value, we also need a network that is optimized for these flows. This brings me to our second pillar, re-engineering the network for performance.

We are fundamentally redesigning how the European network is structured and operated every day. Basically, we're reducing the legacy in-country domestic networks, and redeploying that capacity to support higher-profit international business. We started by redesigning the backbone of this road network. We enhanced our international road hub in the Benelux. We built a new road hub in Northern Italy, and we've announced plans for a hub in the UK. But subsequently, we've reduced capacity in these domestic businesses. In the UK, we reduced capacity by 30%. In Italy, we closed our primary domestic hub, and we reduced capacity by 20%. Most recently, we've announced our plans to optimize the French network.

So, our network re-engineering focuses on three core actions:

- Footprint optimization, we're moving to fewer, more automated road hubs, and a right-sized station network footprint.
- Flow redesign, we're simplifying linehaul patterns, and we're creating more direct, efficient routings that reduce hub touches.
- And we're doing in-station process redesign, again, reducing touches, improving the layouts, and increasing sort productivity.

As a result of these actions, service performance has significantly improved already, and will continue to benefit as we give our team members better tools and processes to deliver service excellence every day. Hub productivity will be further improved with improvement in packages handled per labor hour. Connectivity in the road network will be improving as flows become more direct. And with all of this, the network will be better aligned to growing high-value cross-border and B2B volumes.

Re-engineering this network creates the physical foundation for performance. To fully unlock the potential, we also need simpler, more integrated processes, which brings me to the third pillar, end-to end process efficiency.

As we're redesigning the network, we're deploying the FedEx global pickup and delivery ecosystem across Europe. We're fundamentally changing how we plan, load, route, and execute on our ground or surface operations. By moving to simplified technology, we enable smarter route design, intelligent load sequencing inside our PUD vehicles, making execution easier for our couriers, while structurally improving service reliability and cost performance. This is a redesign of how ground operations runs day-to-day. By removing friction from execution, we improve the customer experience, while also enabling our frontline team members to operate with greater consistency and confidence.

Capabilities like a FRO or FedEx Route Optimization, as have been mentioned, are currently being deployed in France, and we've got a broader rollout plan to take them to the rest of our European business, making our network more predictable and executable. In parallel, we're also transforming how we manage the reliability of our physical infrastructure. AI now continuously monitors the most critical operational signals and translating that into actionable insights. The next step is the deployment of smart sensors, allowing us to enable predictive maintenance and shifting the network from reactive recovery to proactive prevention.

Together, these capabilities increase uptime, stabilize execution, and create the right scalable foundation for sustained growth across Europe.

As all these changes take hold, our teams are working with more modern and reliable tools. End-to-end process visibility across the operation is improving. Processes are standardized across countries, and decision-making is faster and more data-driven. The organization is better positioned to scale, while continuing to enforce strong cost controls. This all makes Europe simpler to run, and easier to grow profitably.

Now, we've already proven the success of this approach in one of our largest international domestic markets, the United Kingdom, which is an instructive case study to demonstrate how the strategy works. The UK was one of the most challenging markets, with four business units arising from multiple acquisitions, resulting in high complexity, high cost and

a duplicative footprint. Over the past few years, we've successfully right-sized the network, consolidating hubs and simplifying the operating model. We closed 40% of our total stations and one hub, while at the same time growing revenue over the last three years.

We moved to one operating model, one technology stack, one value proposition, creating a common way of working, and retiring legacy systems. As a result, we've already delivered substantial annual operating income improvement of over $100 million from our baseline in FY 2023 through to FY 2025. So, the UK has proven that we can redesign a domestic network to be leaner, more connected and more digital, and yet at the same time improving service and profitability.

The next big step of our transformation is France. We've recently announced our plans to transform our ground operations, which will improve the experience for our team members, contractors and customers. We're designing a future footprint around an optimized hub-and-spoke model. We will have a fully integrated, single-value proposition for our domestic and cross-border network. And as we're investing to upgrade our core stations to improve throughput and productivity, we're also optimizing our station footprint. And we expect to reduce the overall count by 17 stations on top of the 48 stations we closed in 2024. This is an overall net reduction in station footprint of 43%. And we're simplifying linehaul, standardizing our operations, and moving to one unified tech stack, driving other benefits. As an example, by enabling loose loading in our stations, we've set an ambitious goal of reducing linehaul miles driven by 30% – by up to 30% by 2029. So, across the three markets, UK, Italy and France, we're following the same principles, simplify, modernize and align the network of the product segments where we can grow profitably and win profitably.

Now, let me talk in a little more detail as well about how InPost fits into our European strategy. InPost is a leading European e-commerce solutions enabler, specialized in out-of-home delivery and automated parcel lockers built around the scaled automated parcel machine network and the digital proposition that goes with it. Building on its innovative strength, InPost has expanded into Western Europe, quadrupling volumes between 2020 and 2025, supported by strong tailwinds, including rising customer demand for speed and convenience, attractive pricing for merchants, and this shift towards more sustainable delivery solutions.

InPost performance reflects the strength of the model. In 2025, InPost delivered 1.4 billion parcels, representing a 25% year-over-year growth. And they're doing this very profitably, delivering adjusted EBITDA margins of 29% through the first nine months of the year. In short, this is a scaled, high-performing last-mile platform in a market with strong tailwinds for convenience and out-of-home delivery. This minority investment will have significant strategic benefits for FedEx. It strengthens our access to a leading customer-centric set of last-mile solution capabilities, an area where out-of-home delivery is increasingly the preferred option for many consumers. There is a clear runway to expand the model, and reach more customers across Europe, including markets that remain underpenetrated today. The model is scalable. More density drives higher utilization, and that supports stronger economics over time. Most importantly, for FedEx, this investment opens doors. Upon completion of the transaction, we will enter into commercial agreements in accordance with applicable antitrust laws that are expected to yield benefits on both sides.

InPost gains access from our broad network and our customer reach, and we will benefit from InPost's out-of-home scale and last-mile B2C capability. This is one of the ways we plan to ensure we can deliver on Europe's improvement potential. Now financially, we also like this opportunity. Given the timing of regulatory approvals for the transaction, contributions from InPost have not been embedded in the 2029 targets that we're sharing today. That said, we expect the investment to be accretive to earnings one year after completion, with attractive return characteristics, supported by strong cash generation, and a clear growth runway. And longer-term cash flow characteristics and growth trajectory enhance the opportunity.

The operating model is also clear. InPost will remain independently run by its current CEO and leadership team. There'll be no integration, and commercial agreements will be done on an arm's-length basis. InPost will continue to be a competitor and standalone business with its own customer segments, operations, and our financial investments will be reported below the line in other income. So, the key point is this, InPost is a strong, profitable and growing business, and the partnership is structured to create value on both sides.

In closing, let me leave you with three thoughts:

- Europe is FedEx's largest lever for international profit improvement, and it's already delivering tangible performance gains.
- We are building a leaner, more connected and more digital network that is fully aligned with the global strategy that prior speakers have laid out.
- The momentum is clear, the foundation is strong, and the plan is clear. The early results give us confidence in the path to substantially improved performance.

Thank you for your time today. And with that, I'll hand it over to John.

John Dietrich
Executive Vice President & CFO, FedEx Corp.

Thank you, Wouter. And good morning, everybody. It's great to be with you today.

As we've been talking about throughout the morning, FedEx is at a pivotal point in its history. Over the past three and a half years, we've grown adjusted operating income, significantly lowered our CapEx to revenue intensity, and generated over $12 billion in shareholder returns, all despite numerous and unprecedented demand shocks and unique challenges. And what stands out is the resilience of our business over this period of time. We've spent the last 50-plus years investing in and building the world's largest and most efficient global industrial network, a network that is the foundation of a flourishing global industrial economy, and a facilitator for the most efficient transportation of high-value goods.

Now, with our assets and capacity firmly established, we're entering a new era of value creation that is squarely focused on three foundational principles.

The first begins with expanding operating margins and growing operating income. This is centered on a balance of driving our premium revenue with a competitive cost structure and leveraging technology to support steady growth and margin improvement.

Second is to continue to lower our capital intensity and improve our ROIC. This will involve a disciplined approach to capacity management and deploying our capital on the highest-return areas of our business, such as with Network 2.0 and our U.S. domestic surface network. These initiatives will drive increased flow through to the bottom line and boost ROIC. As I'll talk further about in a minute, we've already made significant progress in lowering our capital intensity, and we plan to maintain this lower ratio in the years ahead compared to our history.

And as a result of these efforts, our third principle is to significantly and sustainably increase free cash flow. This will ensure we continue to return value to shareholders and invest in the business, all while maintaining a healthy investment-grade balance sheet. Before we dive into our earnings and cash flow targets, I want to start with our top-line assumptions which support our financial forecast.

As Brie mentioned, we're assuming a 4% revenue CAGR growth through 2029. This translates into $98 billion in consolidated revenue versus our $85 billion FY 2026 baseline, excluding FedEx Freight. This top line growth will be driven by a combination of disciplined and prudent yield growth of 2%, coupled with 2% volume growth. This will result in $6 billion from yield growth, and $6 billion from volume growth for our new U.S. domestic and international segments, with half of that incremental volume-related revenue coming from higher-margin B2B services. We're also assuming $1 billion in revenue growth from our corporate and other segment, which includes FedEx Office, FedEx Logistics, FedEx Supply Chain, and FedEx Dataworks.

Now turning to our specific 2029 targets, I'll start by noting that all these targets refer to FedEx Corporation only and exclude FedEx Freight. And that's in anticipation of the spinoff of our Freight business on June 1. I'll also note that for our FY 2026 baseline, we are assuming that the midpoint of the FY 2026 outlook range that we provided to you in December. With that in mind, in 2029, we expect FedEx Corporation to achieve $8 billion in operating income, and an operating margin of 8%. We expect to expand operating margins by 200 basis points when compared to our midpoint FY 2026 estimate of $5 billion in adjusted operating income, and a 6% adjusted operating margin.

Now, this margin expansion will be driven by our focus on premium revenue growth, along with disciplined management of our expenses. And taken together with our expectations for balanced revenue growth, this supports our outlook for a 14% adjusted operating income CAGR, allowing us to deliver $3 billion of incremental adjusted operating income in 2029.

And we're also introducing a 2029 GAAP earnings per share target of $25, excluding FedEx Freight. This compares to $15, which is our FY 2026 adjusted EPS estimate for FedEx Corporation, excluding Freight based on the midpoint of our current FY 2026 outlook range. This 2029 EPS target is supported by anticipated improvement in operating income along with share repurchases that are designed to offset dilution. I should also note that this outlook does not anticipate any further changes, material changes to the global trade policy environment.

So, let me now break down these consolidated targets for you into our two new reporting segments that primarily drive our financial performance. Starting with our U.S. domestic segment.

Our U.S. domestic segment currently has $56 billion of revenue base that we expect to grow at a 4% CAGR, or $8 billion to reach $64 billion in 2029. This expected revenue growth will translate into $6.4 billion in operating income, and an increased operating margin of 10% versus our expected FY 2026 baseline of $5 billion in adjusted operating income at an 8.9% adjusted operating margin. And we'll achieve this by continuing to execute on our Network 2.0 and associated One FedEx initiatives, which represent a cumulative $2 billion in annualized cost savings as Kawal and Scott detailed.

In addition, and as you've heard throughout the morning, we'll rigorously focus our top line growth on expanding yields and continuing to win share in the B2B market, which comes with very strong incremental margins. Our U.S. domestic segment will also benefit from our targeted longer-haul and heavier-weight B2C shipments that Brie talked about and which will support both improved top- and bottom-line performance.

And also, as Brie discussed and based on our high current capacity utilization, we're prioritizing volume that best fits our network and that we're able to price at margin-accretive rates. Our strong surface capacity utilization in the U.S. and Canada demonstrates that our network is right-sized, allowing us to leverage our assets for greater profitability. And simply put, we'll be strategically positioning our existing assets toward the market segments we want to compete in, and which are best suited for our cost structure.

As a further point of clarification and to reflect the digital transformation strategy that Vishal covered, we'll be reclassifying approximately $200 million of data and technology-related costs from FedEx Dataworks business into our U.S. domestic segment. Now, this will represent a roughly 40-basis-point headwind to the U.S. domestic segment, while at the same time creating a $200 million operating income tailwind to our Corporate and other segment. All of this is factored into our 2029 targets.

Now, as Richard and Wouter discussed, our biggest area of opportunity for continued improvement is in our international segment. Our international segment has current revenue base of $25 billion, which we expect to grow at a 4% CAGR, or $4 billion to reach $29 billion by 2029. We expect our international strategies to result in segment operating income of $2.3 billion, and operating margin of 8% in 2029. Now, this compares to $900 million of adjusted operating income, and 3.6% margin in FY 2026. There are several drivers of this improvement that we've talked about, and Wouter discussed.

And first, as you heard from Wouter, over the past two years, we've improved our service offering and structurally lowered our cost to serve in Europe. This has steadily improved our top-line performance and improved financial outcomes. And

we'll continue leveraging this momentum, and we'll do this with a focus on continued growth in the premium cross-border and intercontinental segments of the European market. And we'll also be growing our international airfreight business through Tricolor, which is already translating into very strong incremental profit flow through.

Now, in total, we expect to achieve approximately $650 million in operating income improvement by the end of 2029 from Europe. And this is an idiosyncratic lever for FedEx, given our further transformation opportunities on the continent. Other regions as well will continue to meaningfully support international profitability, including APAC, through the trans-Pacific and intra-Asia revenue growth, as well as our Americas regions, especially as these emerging markets are seeing the benefits from the current re-globalization of trade.

I'd now like to turn to our 2029 operating income bridge. And I'll start from our baseline of $5 billion of adjusted operating income for FY 2026. We're assuming that volume-related revenue growth contributes $2 billion of adjusted operating income flow through. This reflects our commitment to driving strong incremental margins based on a modest 2% volume revenue growth assumption.

Next, we anticipate $6 billion of yield benefit from improved pricing, including through base rate improvements and higher surcharge capture. The value we deliver in the marketplace is really second to none, and we view our expectations here to be prudent and reflective of our disciplined approach to revenue quality management that Brie discussed.

And finally, taking into account Network 2.0, One FedEx, Europe and other structural cost reductions, including the benefits from our continued deployment of technology to reduce our cost to serve, we anticipate overall net cost inflation of under 2%. This translates to increased expenses of approximately $5 billion between FY 2026 and 2029.

Now, importantly, and as reflected on the bridge, we expect yield to outpace this net cost inflation, and reflecting our approach to disciplined yield growth and execution on our cost strategy programs. All these factors ultimately translate into a consolidated adjusted operating income CAGR of 14% and a consolidated operating income target of $8 billion in 2029.

So, I'd now like to talk about our continuing focus and prioritization on lower capital intensity and higher ROIC. As many of you are already aware, we've significantly reduced our CapEx over the past several years and will continue to focus on reducing our capital intensity in the years ahead. By 2029, we expect our CapEx to revenue ratio to be approximately 4%, which is well below historical levels. And just for context on that point, excluding FedEx Freight, this ratio was approximately 8.6% in FY 2020, 7% in FY 2023, and 4.6% in FY 2025. With respect to aircraft, we'll achieve our commitment of bringing aircraft CapEx to $1 billion or below this fiscal year. And as Richard discussed, we expect aircraft CapEx to remain at or below $1 billion through 2029, which will further support free cash flow expansion. Moreover, our 2029 CapEx plan assumes 90% of our capital investments will be for maintaining our network, modernizing our equipment and facilities, and other efficiency-related needs of the business, and this is versus further capacity expansion.

In other words, our existing capacity is adequate to handle the volume growth embedded in our assumptions between now and 2029. We'll be further prioritizing our capacity towards B2B volumes and higher-value B2C goods, which contrast FedEx from other parcel delivery providers that operate in the lowest-value segments in the market.

Now, ensuring that our business generates significant shareholder returns is also a top priority, and we'll be leveraging the scale and scope of our business to drive unprecedented shareholder value in the years to come. With that in mind, we expect to drive 200 basis points of ROIC expansion versus FY 2026 pre-spin consolidated ROIC of about 9%, and we expect this to be driven primarily by improved adjusted operating income.

Now, finally, and most importantly, we'll leverage our improved operating income and lower CapEx to drive $6 billion in adjusted free cash flow in 2029. This compares to our expectation of $3.8 billion for FedEx Corp., which includes FedEx Freight, in FY 2026. And embedded – as a bit of an update, embedded in the FY 2026 baseline is our updated expectation for FY 2026 CapEx of $4.3 billion, which is a $200 million reduction from our prior $4.5 billion expectation that

we shared with you last quarter. I'll also note that in FY 2025, we achieved a 90% adjusted free cash flow conversion for net income, and our 2029 target assumes $6 billion in adjusted free cash flow with 100%-plus conversion. So, in total, we expect to generate a cumulative $16 billion of adjusted free cash flow from FY 2026 through 2029. This anticipated strong free cash flow should signal our concentrated effort in shifting from the necessary era of network expansion to a new era focused on financial returns on over half a century of investments.

Our balance sheet remains strong with our current investment-grade credit ratings of BBB and Baa2, which we expect to maintain both before and after the spin of FedEx Freight. In addition, and as we mentioned in December, FedEx Corporation will retain up to a 19.9% stake in FedEx Freight, which we plan to monetize within 12 months, following the separation. And we'll use these proceeds to pay down debt and ensure the spin-off is a tax-efficient and leverage-neutral event for FedEx Corporation.

So, with our expected free cash flow improvement, we'll also continue to take a prudent approach to cash deployment, and consistent with our strategy in recent years, we plan to continue increasing our dividend, evaluating further stock repurchases, and maintaining our strong balance sheet, all while continuing to invest in the business, and exploring accretive M&A opportunities that add value to the strategic priorities we've laid out today.

The FedEx Freight team will be sharing more details on their business outlook at the FedEx Freight Investor Day on April 8 in New York City. I hope you can all join. But in conclusion, and as I hope you can sense from our presentations today, the entire leadership team is extremely excited about the future of FedEx. Looking forward to 2029, we're sharply focused on the principles I've shared with you today, namely improving profitability as reflected in our operating income and margin targets, lowering capital intensity, and improving ROIC with a disciplined approach to capacity utilization, and significantly and sustainably expanding adjusted free cash flow. And taken together, these priorities will ensure value creation for all our shareholders.

So, thank you for this opportunity to share this additional information with you. And now, I'd like to just take a moment for the stage to get reset for our Q&A, and I'll be joined by my colleagues. Thank you.

QUESTION AND ANSWER SECTION

Jenifer Hollander
Vice President, Investor Relations, FedEx Corp.

I'm pleased to be joined on stage by all of the speakers for our final Q&A session. As a reminder, please raise your hand if you have a question, and a mic runner will come to you. And again, please save any questions about our near-term outlook for our March 19 earnings call. Once I call on you for your question, please state your name and firm. So, now, let's go to our first question. Ari?

Ariel Rosa
Analyst, Citigroup Global Markets

Hi. Thank you, and thank you for the comprehensive presentation. So, I wanted to ask about the high-value areas that you're targeting, maybe this is best for Brie. How do you think about competition in those verticals? What has prevented you historically from kind of gaining more share in those verticals that you're now able to achieve? And then, as we think about the yield contribution, how much of that is coming from kind of business mix and that shift towards that higher-value business? Thanks.

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

Okay. Great question. I think I'll try to answer all of it. So, I think, first and foremost, we've a very strong position in B2B, and obviously that is our core roots and our foundations what the company was built on. If you think about sort of the momentum in the market pre-pandemic and the growth of e-commerce, we absolutely had to focus on getting the right model and the right structure in place. It was existential. It was a massive part. I think I've shared with you that more than 95% of the growth in the market, sort of pre-pandemic, was e-commerce, and it was coming into the network, and we needed to focus on how to profitably manage that. We now have the market-leading value proposition. We've got our arms around it. We had a very successful peak. I feel very good about how we're going to profitably manage controlled growth in e-commerce. That allows us now to double down on what is our core, which is B2B.

To answer your second question about how are we thinking about taking share, well, first and foremost, our commercial model is different than our two primary competitors. We have a single commercial approach to both parcel and airfreight. I mentioned this earlier in my opening remarks, but that Tricolor strategy and our expanded airfreight focus really does matter. Customers would prefer a single provider for their parcel and their airfreight when we think about going to market.

So, that is different. From a visibility perspective, the work that we have learned from Surround, and we talk about – I'm sure it sounds like we talk about visibility a lot. It is a massive part of our value proposition. And being able to have the Surround platform and all of our tools across both parcel and airfreight, that's a unique differentiator.

And then third, we like our value proposition. There's a lot that we do that our competition can't do. As you heard, we're going to continue to invest. We've got some incredible work going on with clearance that we're very excited about. So, I feel really good about the position we have, and we're being thoughtful. It's 4% growth. So, I think it's controlled, it's prudent, it's disciplined, and we feel good.

I think there was a third part...

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

Yield.

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

Yield. Yes, we like yield growth from...

Ariel Rosa
Analyst, Citigroup Global Markets

The uplift. How much of the uplift is captured by that?

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

Okay. So honestly, from a yield growth perspective, we are expecting 2% versus the baseline from both B2C and B2B. You did hear in my opening remarks that we're going to grow slightly faster in B2B, and we're going to take $6.5 billion from a B2B perspective. So, it absolutely is an influence, but we need both segments to perform, and we're going to put pressure on yield growth in both segments.
Great question. Thank you.

Ravi Shanker
Analyst, Morgan Stanley & Co.

Great. Thank you. Ravi Shanker, Morgan Stanley. John, two for you maybe. One housekeeping one, can you confirm if your 2026 and 2029 guides are June year-ends or December year-ends? And also, second, can you remind us, you got an incremental margin question before, but what is the contribution margin difference between volume and yield? So, when you think of a 50-50 split contribution to revenue, $6 billion each, why not turn the dial a little bit more towards yield given that it seems like it's dropping to the bottom line better? Thank you.

John Dietrich
Executive Vice President & CFO, FedEx Corp.

So, I'll start with your first question. The first question is, FY 2026 is based on our current fiscal year and FY – or excuse me, 2029 is based on the full calendar year. Now, with respect to your second question, I'm sorry, can you just take...

Ravi Shanker
Analyst, Morgan Stanley & Co.

So, you have 50-50 contribution of $6 billion of revenue from volume and from price.

John Dietrich
Executive Vice President & CFO, FedEx Corp.

Yeah.

Ravi Shanker
Analyst, Morgan Stanley & Co.

So, what is the contribution margin difference between the revenue that comes in from volume versus from price? And why not turn the dial a little more towards price because of the EBIT...?

John Dietrich
Executive Vice President & CFO, FedEx Corp.

Well, I understand. Yeah, of course, to Brie's point, yield is desirable, right. We do a great job of having yield flow right to the bottom line. So, I think striving for a nice balance of both volume and yield is our goal. But yeah, we're always looking to get more yield, if we can, in the marketplace.

Brian P. Ossenbeck
Analyst, JPMorgan Securities

Hi. Good morning. Brian Ossenbeck from JPMorgan. One housekeeping and a Europe question. So, just on the other revenue growth, is there anything in there for Dataworks or NOVA in terms of the higher-margin stuff you're potentially doing with other customers? So, just to clarify on that. And then, just Europe, as you mentioned it's complex, it's been under-earning for a while. What is the path to improvement from here? Is it linear now that you've gone through the transformation and the reorganization will take time, where you need to get some of that operational stuff done before you can take market share? And then, just thoughts on competitive dynamic, because I would expect your competition is not going to sit there and just let you take that from them.

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

I'll answer the first one. I think there's minimal revenue dialed in on Dataworks right now. If we accelerate that, that's obviously an upside to these numbers. Second question was on Europe, right?

John Dietrich
Executive Vice President & CFO, FedEx Corp.

Yeah.

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

Okay.

Wouter Roels
Regional President, Europe, Federal Express Corp.

Yeah. Thanks for the question. I guess maybe first off, let me pick up on some of the comments John made is on the back of better service, we've grown the business. We've translated that with higher productivity into improved financial outcomes, and they're incrementally improving and building on each other. So, that's already the last two years. I think your question also is, is the $650 million backend loaded? No, it's not. Yeah. So sequentially, it's being delivered.

Overall, if you look at the European transformation program, as you've mentioned, it's quite broad based. There's a lot of changes happening from an infrastructure point of view, from a value proposition point of view, organizational, that it's not a flick of the switch. We're incrementally bringing capability to market to our team members who are testing it at the moment. We've got FedEx Route Optimization piloting in France for the last two months. It's as good to go to be scaled up to the rest of Europe. So, we've got a lot of control of this transformation. And we're using DRIVE, and the KPIs we have in DRIVE and the KPI framework of DRIVE to kind of manage and monitor the execution. So, I feel confident with the momentum we've built. It's not backend loaded. We're monitoring the top line, the bottom line performance every day. The majority of the benefit is coming from the cost side. And we're making sure that we monitor the productivity that we're seeing at every station, at every hub on a daily, weekly cadence to make sure we're monetizing this.

In terms of competition, I think the other thing I'll say is, if you look at our market share today in Europe, from an intercontinental perspective versus what we have intra-Europe, our intra-European market share, whether it's parcel or freight is a fraction of what our intercontinental is. We have a lot of share opportunity to have. Our customers are happy with the quality we're giving, and with the uniqueness of our network as well. Our road network spans from Turkey to the Nordics to Portugal. With time committed, with the same visibility tools that Brie was talking about, we've one face to the customer, which is a unique offer on the European landscape. So, we feel confident that we can get that share gain, as we've shown in the last 10 quarters, right. There's nothing to drive confidence like building the momentum that our organization has done. And I'm incredibly proud of what the European team members have shown in terms of resilience and commitment to this journey ahead.

Richard Smith
Chief Operating Officer - International, Chief Executive Officer - Airline, Federal Express Corp., & Director, FedEx Corp.

I'll just add one thing to that, which is Wouter, Brie, Raj, all of us have said in with large customers in Europe, we have a phenomenal sales team over there that knows that market quite well. And again, as evidenced by the 10 consecutive quarters of taking share, the customers are excited that FedEx has arrived in Europe. So, that's another thing we hear quite frequently from these customers.

They're excited to have us there in the market playing at the level we're playing at now with service levels and efficiency, so.

Wouter Roels
Regional President, Europe, Federal Express Corp.

Yeah.

Stephanie Moore
Analyst, Jefferies

Hi. Good afternoon. Stephanie Moore with Jefferies. As you look at your 2029 targets, I think you've been very clear that especially on the top line growth, that you're being prudent in your underlying assumptions, especially given your view on the macro. So, if you do end up seeing performance a little bit better than you expected, whether it's macro or your own doing, how would you balance that outperformance and additional investments and reinvesting back in the business, especially given your point about capacity being in a pretty good spot? Thanks.

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

So, let me take that one. And I think, first of all, from a planning perspective, we wanted to be prudent here in terms of how we think about it, because we think because of the significant transformation underway, we can generate a lot of operating income growth. If the numbers are higher, obviously that contributes significantly to the bottom line, and we will be very, very prudent in how we take capacity in this. I think we have enough and more capacity to adjust to another – a few more points of growth, because there is opportunity to change the mix even more. That's what our focus is going to be. And also, we have opportunity to leverage the assets that we have in off-cycle as well. So, we don't expect in this timeframe to have significant additional capacity, even if there's some tilt in the volume growth in this timeframe. I think that's what you're asking, right? Okay. Thank you.

Jason H. Seidl
Analyst, TD Cowen

Thank you. Jason Seidl, TD Cowen. I want to go to Scott. Scott, you said you've optimized 25% of U.S. and Canada already, and 65% by the end of the year. But that you've already seen a 10% reduction in the P&D cost, but those are smaller facilities. Is there any reason to believe that that number would be different when you push the optimization onto the larger facilities? And then, a quick question on sort of InPost. Is sort of the ownership structure at InPost done more to make sure that it clears the European regulatory hurdles?

Scott Ray
Chief Operating Officer-elect, U.S. and Canada Surface Operations, Federal Express Corp.

Yeah, I'll start. Thank you, Jason. Great question. Yeah, I think on average, that's what we've seen so far through the first 25% of the volume optimization. I do think that there is some upside there, particularly if we get into larger markets. I know as our team members continue to get more comfortable with the new technology rollout with FedEx Route Optimization, particularly in our legacy Express network, and we're seeing good gains in that. And that, right now, I think it's really where we're focused at right now as it continues training education. And as the network continues to optimize and gets more stabilized, we do believe we're going to continue to see more improvement.

John Dietrich
Executive Vice President & CFO, FedEx Corp.

And I'll take the question on InPost and the regulatory considerations. Of course, in a transaction like this, there are regulatory considerations. But really, the deal structure was designed around what's in the best interests of the players

that are participating. And from our standpoint, both a prudent investment, as well as a commercial agreement that will benefit us, so. But the regulatory process will take its course.

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

Yeah. If you think about it, in the marketplaces we're talking about, in the domestic segment, in the out-of-home segment, our market share is zero or close to zero. So, that's where the starting point is. Okay.

Conor Cunningham
Analyst, Melius Research

Hi, everyone. Conor Cunningham at Melius Research. Love the free cash flow conversion commentary. So, maybe I'll start with that. So, you're talking about a 10-point improvement from where you are today to over 100% in 2029. Again, makes sense. All the transformation efforts are going to be massive tailwinds. But can you just talk about, one, the ramp of how that looks, is it big, is it bac-end weighted as to the previous question? And then, are you willing to protect the cash flow number just with CapEx in general? And then, sorry, just one more. All the investments that you are making right now are outside of the aircraft, it's automation facility-related high-return stuff. So, it doesn't seem like 100% is your final destination here. It seems like there's a lot more upside there. So, if you can just talk about that high level.

Thank you.

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

I'll let John answer the question, but we're all so happy with the cash flow conversion.

John Dietrich
Executive Vice President & CFO, FedEx Corp.

Yeah. I'll certainly hit the first one. Look, we're providing to you today our long-term outlook through 2029. We look forward to providing you more details on our journey along the way. But we're here to talk about kind of the destination where we are. So, we've laid out our CAGR objectives and how we get there in all the main categories. So, I'll just leave that there. If I understood your other question on CapEx, look, we're aggressively managing our CapEx. We're committed to enhancing free cash flow. It's a priority of ours. I think we've done a really good job if you look at some of the history on how we brought CapEx down to where we are today, let alone our targets going forward. We have levers we can pull to manage our CapEx as we move forward in our journey here. And so, I think I covered two of those question.

I'm not sure the third one.

Conor Cunningham
Analyst, Melius Research

(Unintelligible)

John Dietrich
Executive Vice President & CFO, FedEx Corp.

Yeah. Yeah. So, from a CapEx standpoint, really it's to maintain our network in terms of what we currently have today, 90% of our CapEx is dedicated to maintaining our network, modernizing and updating our equipment, and not dedicated to expansion, right? So, it's to continue to leverage technology and all the things that we've been talking out through the

day. And for the remaining 10%, there may be markets we need to emerge in, and Wouter and Richard talked about some of them, remaining 10% is available to us for that.

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

Well, this is a structural change of FedEx and, as I said, it's in one of themes is this is a gift that's keep on giving even beyond 2029.

Eric Morgan
Analyst, Barclays

Yeah. Thanks. Eric Morgan from Barclays. Thanks for the presentations. I had another one for Scott, Network 2.0. I think you called out pick-up and delivery is kind of the biggest opportunity through 2029 for that initiative. Can you just speak to maybe the linehaul side, I know there are a couple of references to shifting, air to surface where it makes sense. How kind of automated is that? What's the opportunity there? And how I guess, what's kind of contemplated in the 2029 outlook?

Scott Ray
Chief Operating Officer-elect, U.S. and Canada Surface Operations, Federal Express Corp.

Yeah. Great question, Eric. Thank you. Yeah. So, from a node connection, naturally we have more nodes that we're connecting with the airline in this new transformed network. But that was baked into our business case that we originally laid out. We do see opportunities as we continue to work on our – I'll say technology to help us with the integration and flow of our packages. You heard me talk about network monitor, it's more of a visibility tool, but also looking at the opportunity to help at origin to be able to put the package not only in the right network but in the right lanes. And we see opportunity to continue to drive efficiencies in that space as well.

Richard Smith
Chief Operating Officer - International, Chief Executive Officer - Airline, Federal Express Corp., & Director, FedEx Corp.

And I'll just add that it's connected to your question about CapEx as well, because the dollar of CapEx is not a dollar of CapEx. So, when you're automating these facilities, particularly your sort facilities in one integrated network now, there are upstream and downstream benefits of those sort locations being much more automated and technologically advanced and efficient. So that's why we're so focused on that part, because there's benefits to the pickup and delivery operations, there's benefits to the aircraft CapEx side.

If your facilities can't process the volume as efficiently, if they can't make all the splits, you actually drive up your aircraft CapEx artificially. So that's why we're so focused on that.

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

And it is also important to note Kawal's role here as she had so eloquently covered in her presentation. This is now we were able to do this optimization end to end.

Kawal Preet
Executive Vice President, Planning, Engineering & Transformation, FedEx Corp.

And if I can build on that, Raj, so to Scott's point, we are planning to deliver $2 billion by the end of 2027, which includes not just pickup and delivery, but also facility optimization and One FedEx. And I think some of you saw our automation

show displayed at our Memphis hub, and a lot of those units like robotics and IBIS play a big role in us being able to deliver those things.

John Dietrich
Executive Vice President & CFO, FedEx Corp.

And if I could, at the risk of piling on just a little bit.

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

Pile on.

John Dietrich
Executive Vice President & CFO, FedEx Corp.

We talked about One FedEx and bringing Network 2.0, the two companies together. This is another area when we're talking about capital, we've instituted an enterprise wide capital review board. In the past, it was two separate companies that would make their own capital decisions, not knowing what the other company was doing. And now there's a much more consolidated, coordinated effort on CapEx discipline.

Donald Broughton
Analyst, Broughton Capital

Donald Broughton, Broughton Capital. Help me with math here. So, Raj, I know Raj is going to deliver because he did that, what he said he's going to do in 2022, he's done, cash flow. So, he said you're going to get us to $98 billion in rev and 200 basis points margin improvement by fiscal by calendar 2029. Now Scott you said you're going to get us $2 billion I'm guessing that's in run rate from Network 2.0 by the end of 2027. So that's $2 billion – that's 200 basis points. So there is going to be more than that then if the rest of the savings you described is, it’s not 200 basis points, it’s...?

John Dietrich
Executive Vice President & CFO, FedEx Corp.

So, look, as we've laid out and as we've frankly discussed in the past not every dollar savings, structural cost savings necessarily flows through to the bottom line, There are other offsets to that including some of the business expense cost, as I look around with my colleagues here. There's also some DRIVE initiative costs, there's some IT expense that goes into it, as well as some inflation as well. So those are some of the offsetting to some of the – I guess, I'd say, lack of flow through. But we're really excited about the opportunities we have had and being able to deliver.

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

And net-net we're at 2% CAGR on our cost base, that's where the (unintelligible). Yeah.

Jacob Lacks
Analyst, Wolfe Research

Thanks. Excluding transformation savings, do you think you can be price-cost positive in the domestic segment moving forward? And then maybe can you help us break out the $650 million of Europe earnings improvement? How much of that is achievable through cost reductions? How much is dependent on mix and other pieces?

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

OK—your question.

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

Yes. That's the goal. Absolutely. As said on the bridge, that is absolutely our intent.

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

Wouter?

Wouter Roels
Regional President, Europe, Federal Express Corp.

The majority is cost. But there is a mix component in there as well.

Jenifer Hollander
Vice President, Investor Relations, FedEx Corp.

Okay, Ken?

Ken Hoexter
Analyst, BofA Securities

Thanks, Jeni. Hi. Ken Hoexter again from BofA. Raj, I think last – maybe a little while ago we talked about how when you roll out Network 2.0 for each region there was a cost involved but that we shouldn't expect to see the cost disappear very quickly because you want to ensure quality and then as you are roll out new markets there is new costs. Have we hit that peak inflection point and do we start to see those costs roll off? Like is that something that, now that we're halfway I guess, we'll be halfway through the year, does that start to accelerate and we can start to see real flow through on the gains?

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

Yes.

Ken Hoexter
Analyst, BofA Securities

And then – I am sorry if I can just get two clarifications. John, you mentioned, I think you said the buyback was just to offset stock issued, is there no buybacks for the $16 billion, is that upside potential of buyback?

John Dietrich
Executive Vice President & CFO, FedEx Corp.

I am sorry, the stock buybacks we've included in our 2029 outlook includes stock buybacks to avoid dilution but not more.

Ken Hoexter
Analyst, BofA Securities

Not more, right?

John Dietrich
Executive Vice President & CFO, FedEx Corp.

Yeah.

Ken Hoexter
Analyst, BofA Securities

And then, there's just two clarification if I could. The other one was, Jeni I know you said keep it long-term, but if you're talking about 3Q beat, does that mean if you're keep talking to the midpoint that you're expecting a 4Q miss, or does that mean the CAGRs that you're talking about are actually lower than you're talking about because you're off a higher base? I I know you want to keep it longer term, but I think that sets the base of 2026. Thanks.

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

Well, let me on the Network 2.0, I think we are going to start seeing benefits. Obviously, we are already seeing benefits now. And there is just obviously new markets we're rolling, there's some investment but there have been getting the benefits are the ones that we have rolled out. So, we will see $1 billion of benefit in calendar year 2026. So that'll be a good starting point to go into the next year. So that's in there.

As far as your other question, listen, we have given a number in the last quarter, that's where we base everything off of. We want to – we will just hold on to that, and we will update you when we get to the March earnings call. I think that'll be a more disciplined way of doing this. Thank you.

David Vernon
Analyst, Bernstein Institutional Services

Hi, David Vernon from Bernstein, so maybe John along the lines of $16 billion of free cash flow, which is kind of more than FedEx did from 2000 to 2020, I think. Can you have some more helpful guidance on how to think about what you are going to do with that? Is there been a payout ratio established for maybe dividends and how to think about growing dividends, are you expecting the leverage in the business to kind of stay at the certain level when your credit metrics get better, are you going to be maintaining leverage, is there going to be even more cash? If you could just give us some guideposts for how to think about modeling the cap table in 2029, that would be very helpful.

John Dietrich
Executive Vice President & CFO, FedEx Corp.

Yeah, I think for the dividend, we would expect to continue to grow the dividend in line with what we've done most recently. We're not putting out a particular ratio, but I think it's fair to say we'll continue to grow the dividend in line with what recent past has been. With regard to share repurchases, we're going to continue to evaluate that as the opportunities present themselves. Bolt-on M&A opportunities may be an opportunity as well. So, all those things are factoring in, all while ensuring we're maintaining a strong balance sheet.

Now, with regard to your question on leverage. We're planning to stay leverage neutral, at least for the near-term. The FedEx Freight spin is designed to allow us to stay leverage neutral. And so, I'm not expecting any major challenges there,

but we're going to be exploring all options. I think one of the great things about this strong free cash flow position is it gives us a lot of optionality and we're going to be exploring it on all the fronts I just talked about.

Chris Wetherbee
Analyst, Wells Fargo Securities

Thanks. Chris Wetherbee from Wells Fargo. So maybe Brie one for you, and then, one on the aircraft fleet I guess. Pricing – I guess I'm coming back to the sort of price-cost dynamic. Is there a difference in domestic versus international, in your opinion, the ability to get price here versus there? And then as we think about the aircraft fleet, I know, John, you noted, I don't think you need more capacity to handle the volume that you guys are thinking about. But how does that look in fiscal 2029 from an aircraft perspective, do we have the same amount of planes, roughly speaking do you draw that down at all, you know, maybe Richard's perspective would be great. Thank you.

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

Brie first.

Brie Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

So, from a price perspective, yes, there are going to be different levers that we're going to pull from a pricing perspective. You heard Wouter's focus in particular from an international perspective. One of the biggest yield levers that we're going to pull is that we are going to shift that mix shift, especially in our European division.

As we talked about, the TNT was a collection of domestics. We now have the strength to enter Europe. We have tremendous market share potential. And so one of the primary drivers you are going to see is you're going to see actually and that's actually why you're not seeing total international grow even faster from a volume perspective because we're going to hold and potentially reduce volume in some of those domestics to make room for intra-European. That also has a pretty significant yield power.

In addition to that, we are looking at our weight in the international market with the change of the de minimis, there is a good balance there and Richard and I talk about it and Kawal all the time about having the right mix of freight and parcel. It is something we think about a lot from a density perspective, but in international we also believe that on the parcel side, I've got some weight opportunity as we really focus on B2B.

So, and then I guess third from an international perspective, as Raj called out, our pricing team is now global. The programs and the learnings that we are executing here in the U.S., we have brought them into one of the things that we did recently is the DIM capture in Europe, all of the programs and the technology we've rolled out here in the U.S. to capture all the correct dimensions. We're rolling out in Europe. That's very powerful.

So internationally have sort of those three things. Domestically, it is a little bit more focused on making sure that we really stay focused on that e-commerce higher value. There's probably some trading or at least some very serious GRI conversations that we're having with new customers. And then the B2B mix shift is, we've seen tremendous momentum as we've talked about this. We've refocused the sales team. They have a new compensation structure. We've put in new hunter models here in the United States. So, we've got reps that are dedicated to B2B. So those are some of the levers we're going to use domestically.

Richard Smith
Chief Operating Officer - International, Chief Executive Officer - Airline, Federal Express Corp., & Director, FedEx Corp.

So, on the fleet side, in terms how I'm thinking about fleet, it's actually very tied to what Brie was talking about in terms of the mix. You heard Kawal talk a lot about how Tricolor is densifying the network so we can absorb that growth and with a better mix, that healthy mix of bricks, pounds of bricks and pounds of feathers, as we call it, sometimes with freight and parcel, we can easily absorb that growth without having to add a lot of capacity.

We also, of course, can lean into variable capacity and what we call the white network, like a freight forwarder. I've taken the saying we can do anything a freight forwarder can do. They can't do anything we can do. So, in terms of what that means for the fleet, because there are obviously puts and takes there with us needing to retire the MD-11s in the 2032 timeframe I've communicated, because we are highly confident in the safe return of those aircraft.

I'll just add here, as an aside, the regulators, the FAA, the NTSB and Boeing as the supplier have just lauded the diligence of our maintenance operation that's out in the public domain. You may have read some of those pieces where they've lauded the diligence of our maintenance operation, our crew training on that aircraft, as well as the technology we've put into it. So, we're confident we can fly that to 2032, but we're obviously retiring it, right?

We are going to keep that aircraft and related capital below a $1 billion as I said, that's going to allow us to do that, absorb the growth through better mix and densification. And I'll just point out that since 2022, we've actually reduced the fleet by 6.5%. So, we know where we're going. We know how to absorb this growth with our flexible system. I think I'll use the word John used, we have a lot of optionality and how we flow that growth.

And then as we get further along in Network 2.0 and the benefits of what Kawal and her team are doing with the true end-to-end planning of the air and surface system as one in a way that we never have. There could be implications for the domestic fleet, but it's a little early innings to say what those are. And that would be different gauge aircraft. You're talking Boeing 767s, Boeing 757s, in that theater, largely versus the MD-11s and the more efficient and larger Boeing 777s that we operate in the intercontinental theater.

Jason H. Seidl
Analyst, TD Cowen

Thank you. Jason Seidl, TD Cowen. You showed us a lot of good technology last night, especially with the robots on the loading and unloading site. How much adoption is built into that look out to 2029 for this technology, specifically around headcount, right? Because if you look at some of those unloading robots, that could really help you out in terms of your productivity.

John Dietrich
Executive Vice President & CFO, FedEx Corp.

Yeah. I'll just say that our outlook is not dependent on or factoring in any material numbers with regard to that kind of automation. It's a little bit of a longer game. But, look to the extent that technologies are ready for us, we're looking to take advantage of them, to complement our employee base, make their – I'm sorry?

Jason H. Seidl
Analyst, TD Cowen

It’s potential upside?

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

It’s potential upside. But let me also take a minute here for Kawal. She's actually weighing on the technology itself.

Kawal Preet
Executive Vice President, Planning, Engineering & Transformation, FedEx Corp.

Absolutely. So, we are in the early innings of that technology, but I'm really excited. I'm sure you are as well, based on what you saw. And it's about taking those repetitive, unpredictable tasks that we have in our operations and automating them, making sure it's very safe for our employees as these technologies are inducted into our operations.

Richa Harnain
Analyst, Deutsche Bank Securities

Maybe to ask another one on technology, I mean along with your good service, you have talked about how your technology also helps you have a competitive edge in the market. So maybe Vishal, I know Brie talked about like the incredible work you guys are on doing clearance. But maybe you can speak to that what is the technology you are introducing to the market? How is it better than what your peers might have on the market? And how is it allowing you to win share and maybe demystify some of the clearance that I can imagine is very difficult right now for your customers?

Vishal Talwar
Executive Vice President, Chief Digital & Information Officer, FedEx Corp., and President, FedEx Dataworks

Sure. So, Richa, thank you for that question. On the topic of clearance, so if you look at clearance and if you've followed what's happened in the last 12 months or so on how we've performed in clearance versus some of the others, you'll see that despite the surge and all the volatility that existed, we have absolutely kept our operations going. The reason we were able to do that is because we took a unified approach to looking at the clearance process end to end. And while it's technology, it still starts with business and looking at the process end to end. We're looking at the front end all the way down to the brokerage end. We've also started to build out a clearance platform, and we started to infuse AI both in terms of, at the initiation of the process. And when you look at HFS goal's classification, how do you get and tap into technologies that allow us to get cleaner data into the system, so that the flow through then continues to happen in the backend part of the system as well.

So, embedding AI into the process flow, integrating the process flow is one way through which we've absolutely been able to deliver consistent and more reliable service through the entire volatility that has happened in the landscape over the last 12 months. That same mindset is how we are applying to all other areas of opportunity inside the business as well. If – you would have seen yesterday's SenseAware which is, you know, when you look at what we've built with SenseAware where we've combined both traditional and physical side of embedding sensors on top of high value mission-critical shipments to have a full visibility into the health of the shipment throughout its entire journey and be able to intercept at times when it needs interception, I mean, that is capability that does not exist in the market today.

And our goal is to keep finding opportunities like these where we can use technology to differentiate, to deliver not just a better customer experience, but also make our operations to be unmatched. And when it comes to the combination of physical and digital, we see tremendous upside and potential over the next few years.

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

Let me take this opportunity to call out Lisa Lisson in the back. Some of you may remember yesterday. This has been a year where tremendous changes in the trade environment and especially in the clearance and the physical movement of goods through borders, which I mean, we've managed it absolutely brilliantly and thanks to Lisa's leadership.

Jordan Alliger
Analyst, Goldman Sachs & Co.

Hi, Jordan Alliger at Goldman Sachs. Yeah, it seems like, for Network 2.0 and maybe for the company, the whole concept of one truck per van, or one truck per neighbor per day is kind of really important. So, I guess my question is how close are you, I know you gave percentages, but maybe said another way when you do volume optimization through Network 2.0, are you at one truck per neighborhood, maybe Canada is the reference point, I don't know?

Scott Ray
Chief Operating Officer-elect, U.S. and Canada Surface Operations, Federal Express Corp.

Yeah. So, it's not going to be perfectly one truck per neighborhood, but that's the aspiration. We want to try and reduce the amount of duplicative routes that we have in a neighborhood or in a service area. We are seeing, as with that 10% P&D efficiency improvement we're seeing, it is a route reduction initiative. So, we are seeing that take place and we're only 25% right now but that will continue to build, I think Raj mentioned it earlier when you see 25% that's optimized now and we're getting ready to ramp up another 40% to the 65%. That 25% will continue to get better and more optimized and more efficient as the 40% is being onboarded.

And that's just going to be a flywheel effect as we move forward. So, we look to continue to reduce routes in specific areas at the same time creating the efficiencies and more importantly, improve service and improve customer experience. We talk a lot about the delivery side, but the pickup side is huge. Getting to a single-point pickup where the customers do not have to segregate the volume out is a huge customer experience touchpoint, and we're seeing pretty significant improvement and feedback from our customers.

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

Well, you mentioned Canada. It's a perfect case study, to be honest with you. We now have some data behind us, history behind us here. The service is improving. The productivity is improving and our operating profit is improving significantly and the more to come.

Brie A. Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

Pick-up was the largest gap that we had versus the competition. It was the one feature that our primary competitor had a single pick-up for small and medium business. This is a really big deal for small customers. You do not want to have two drivers at the end of your shift when you're trying to go home to your family. This is a big deal for our small business customers.

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

Game changer.

Thomas Wadewitz
Analyst, UBS Securities

Great. Thanks. Tom Wadewitz, UBS. So, Raj, you had pretty enthusiastic comments about InPost, there you're pretty positive right and you're spending a couple billion dollars. So that's obviously good. But how do we think about this? Is this optionality for you in the future and the benefits are kind of incremental? Or is this something that I know you haven't put it in the plan, but if a problem in Europe is too much domestic traffic, maybe too much B2C, it seems theoretically you could have a step change where you shift a portion to InPost and at that steps up and makes it more like B2B traffic and steps up the profitability. So really, it's just kind of like do you view this is kind of incremental with some optionality or is this like, hey, when we get to the commercial agreements, this is kind of step-change impact in Europe?

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

Well, the short answer to your question, I think, it's a step change. I view this as a very important move for us in Europe. And we have obviously two parallel objectives. One is financial. We think it's a great company with great – you can see the growth that they have and they're really changing the face of e-commerce with especially the consumer experience. They have a fantastic NPS score, actually. And so, it is the end-to-end experience that they provide with lockers being that bigger, one big option at the end. So, we see this as a good financial investment as well as a good strategic investment.

From a strategic point of view, again, allows us to focus in on the B2B and be the heartbeat of the industrial economy in Europe. While at the same time the commercial agreements are, we were able to hand off this as you call it, a B2B move for some of these e-commerce parcels. Plus, they have an opportunity to move some on linehaul as well. So, there is a give and take in these commercial agreements. So, we look forward to getting this closed and moving on.

Wouter Roels
Regional President, Europe, Federal Express Corp.

Raj, can I?

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

Yes, please.

Wouter Roels
Regional President, Europe, Federal Express Corp.

I think you saw Brie show before that 75% of our international business is B2B. Actually, in domestic and Europe, it's more. So, we do not have a large domestic B2C component in Europe. As Raj mentioned, the opportunity here really is using our broad road-based network in Europe, but now connecting it for us with a best-in-class, final-mile cost point and experience, but both for intra-Europe but also for all the volume coming in from whether it's Asia or the U.S., that's where the opportunity is.

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

Great point.

Ariel Rosa
Analyst, Citigroup Global Markets

Hi. Ari Rosa with Citi. Thank you for letting me get a second one. And I'm curious on the bridge to 2029. Between the volume, cost, and yield piece. I'm just curious to hear your thoughts on where you see the most upside or which of those three buckets you – if you were to outperform for 2029, where do you think would most likely come from?

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

I think the short answer is an extra percent in yield with the biggest upside to the numbers.

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

Yeah, we're focused on all of the above, but yield is, of course, a focus of ours, our pivot to B2B. But so, some of the questions that were asked earlier, well, what if some things don't play out the way we might hope? We're religiously focused on cost and delivering and lowering our cost to serve and such. That will be as well positioned as possible to take advantage of the revenue environment and be adaptable to capture both the upside and manage through any shortcomings.

Brian P. Ossenbeck
Analyst, JPMorgan Securities

Thank you, Brian Ossenbeck from JPMorgan. So, two quick ones here. One again for Brie on maybe to ask about core pricing, though? I don't think we've talked about that, but it seems like utilization is pretty high, competition is more disciplined. So, what are your thoughts on core price, especially as some of these areas, you're looking to gain more market share and maybe upsell the mix a little bit? So how do you see core price? What's in the numbers and your expectations? And then, Scott, just for you in terms of that Network 2.0 and it was a big lift to get to 65%. But have you thought about beyond that? And maybe you can define what eligible volume is, in terms of like the broader network itself, also you can put some context around that that? Thanks.

Brie A. Carere
Executive Vice President & Chief Customer Officer, FedEx Corp.

Yeah. So, as I mentioned I do think from year-over-year perspective we have seen, solid improvement in the pricing environment, and that is not only as I talked about kind of some the structural changes, and I do think FedEx is leading the way there with that discipline. But we are seeing improvement in the core pricing. The one reason I'm sure you're asking is like, why isn't it three? Why isn't it four then? So, the one thing that we do have from a pressure perspective, and this is not a FedEx issue, this is a market issue, is that the biggest customers in the market do get bigger. We have done an outstanding job, a huge shout-out to my sales teams. I mentioned SMB, we grew 13% sort of the high end of the middle customer and the bottom end of the large customer. That portion of the market over the last 15 years is shrinking. That's not a FedEx thing. You can go and think of how many retailers don't exist that did exist 15 years ago.

So that is sort of the one headwind that we see right now from a pressure on yield. But for the customers that we do have, we feel like our core pricing is strong. We're just seeing a little bit of that medium customer, for lack of a better term, is as a proportion is a headwind. A great question.

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

Scott?

Scott Ray
Chief Operating Officer-elect, U.S. and Canada Surface Operations, Federal Express Corp.

To answer your question about Network 2.0, so yes, the next 40% is a big lift that we're about ready to start encountering here in March as we stand up five districts in the month of March in two different phases, and we will continue all the way to peak to get to that 40% – extra 40% to the 65%. And then through the first eight months of next calendar year, we'll complete the 100% integration.

Now to get a little bit more specific, there are certain locations in certain geographies that it doesn't make sense at least with the footprint of the facility. A good example is New York City. We've got four or five facilities in downtown Manhattan that has a footprint that really is not conducive to the package characteristics that we would want to blend in or optimize. There are a handful of those in several of the larger metro areas. What the plan is will be to go back later on as we continue to optimize as to address those facilities over time. But that will get us to basically 100% in-network integrated.

Jenifer Hollander
Vice President, Investor Relations, FedEx Corp.

This will be our final question.

Reed Seay
Analyst, Stephens

Hey, guys. Reed Seay from Stephens. We talked about moving some of the costs from the Corporate and other into the domestic parcel, and some of that was associated with Dataworks and some of the technology side. Should we expect some of the revenue to also move into the domestic parcel side? And does that have anything to do with the 2026 targets? And what type of role does that play with the profitability targets?

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

Yeah. I think revenue not necessarily shifting. It's more of an allocation on the D&T side as to where those resources are being dedicated. So, to the extent that those resources are generating more efficiency, more customer experience, better customer experience, that will flow through the revenue and providing the service. And then the other division of the Dataworks' expenses will be for Corporate and other for the growth that Dataworks will see in the years to come.

Reed Seay
Analyst, Stephens, Inc.

(Unintelligible)

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

Yeah. It's not a shift of revenue as well as it's a frankly, as I mentioned a bit of a headwind to the U.S. domestic because it's more cost taking on by FEC, so but yeah no we expect to get significant benefit from those investments.

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

Yeah, this is about externalizing our services from Dataworks so the cost and revenue will be now nicely sit, we can just monitor and manage that.

Jenifer Hollander
Vice President, Investor Relations, FedEx Corp.

Great. Well, thank you to all of our speakers and to all our participants and now I'll pass it over to Raj.

Rajesh Subramaniam

President, Chief Executive Officer & Director, FedEx Corp.

Thank you. Well, thank you again for joining us on our 2026 Investor Day. I think you heard today about the rigor, about the accountability, the unwavering commitment that our teams have brought to the work. The charge is very simple, and one or late founder felt deeply to his core: I will make every FedEx experience outstanding. As the industrial network powering the global economy, FedEx is extremely well positioned to make supply chain smarter for everyone as we all get ready to depart, I hope you are left feeling the same enthusiasm and conviction that continues to excite all of us here every single day. Thank you all for coming and safe travels. Thank you very much.