



FedEx Corporation

Fiscal First Quarter 2024 Earnings | September 20, 2023

Forward-Looking Statements and Non-GAAP Financial Measures

Certain statements in this presentation may be considered forward-looking statements, such as statements regarding expected cost savings, the planned consolidation of operating companies, future financial targets, business strategies, management's views with respect to future events and financial performance, and the assumptions underlying such expected cost savings, targets, strategies, and statements. Forward-looking statements include those preceded by, followed by or that include the words "will," "may," "could," "would," "should," "believes," "expects," "forecasts," "anticipates," "plans," "estimates," "targets," "projects," "intends" or similar expressions. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from historical experience or from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, economic conditions in the global markets in which we operate; our ability to successfully implement our business strategy and global transformation program and consolidate our operating companies into one organization, effectively respond to changes in market dynamics, and achieve the anticipated benefits of such strategies and actions while managing related risks; our ability to achieve our cost reduction initiatives and financial performance goals; the timing and amount of costs related to our global transformation program and other ongoing initiatives; damage to our reputation or loss of brand equity; changes in the business or financial soundness of the U.S. Postal Service or its relationship with FedEx, including strategic changes to its operations to reduce its reliance on the air network of FedEx Express; our ability to meet our labor and purchased transportation needs while controlling related costs; a significant data breach or other disruption to our technology infrastructure; the impact of a widespread outbreak of an illness or any other communicable disease or public health crises; anti-trade measures and additional changes in international trade policies and relations; the effect of any international conflicts or terrorist activities, including as a result of the current conflict between Russia and Ukraine; changes in fuel prices or currency exchange rates; our ability to match capacity to shifting volume levels; the effect of intense competition; an increase in self-insurance accruals and expenses; failure to receive or collect expected insurance coverage; our ability to effectively operate, integrate, leverage, and grow acquired businesses and realize the anticipated benefits of acquisitions and other strategic transactions; noncash impairment charges related to our goodwill and certain deferred tax assets; the future rate of e-commerce growth and levels of inventory restocking; evolving or new U.S. domestic or international laws and government regulations, policies, and actions; future guidance, regulations, interpretations, challenges, or judicial decisions related to our tax positions; legal challenges or changes related to service providers engaged by FedEx Ground and the drivers providing services on their behalf and the coverage of U.S. employees at FedEx Express under the Railway Labor Act of 1926, as amended; our ability to quickly and effectively restore operations following adverse weather or a localized disaster or disturbance in a key geography; any liability resulting from and the costs of defending against litigation; our ability to achieve or demonstrate progress on our goal of carbon-neutral operations by 2040; and other factors which can be found in FedEx Corp.'s and its subsidiaries' press releases and FedEx Corp.'s filings with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date on which it is made. We do not undertake or assume any obligation to update or revise any forward looking statement, whether as a result of new information, future events, or otherwise.

FedEx reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP"). We have supplemented the reporting of our financial information determined in accordance with GAAP with certain non-GAAP (or "adjusted") financial measures. Reconciliations of non-GAAP measures used in this presentation to the most directly comparable GAAP measures are included below under "Appendix."

The financial targets and outlook provided herein and discussed during this presentation assume the company's current economic forecast and fuel price expectations, successful completion of planned stock repurchases, and no additional adverse geopolitical developments. FedEx's earnings per share and ETR forecasts are based on current law and related regulations and guidance. This presentation should be reviewed in conjunction with our first quarter fiscal 2024 earnings release and webcast of the earnings release conference call, which are available on FedEx's website at investors.fedex.com.



Mickey Foster

VP of Investor Relations

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Raj Subramaniam

President & CEO

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Key messages

- Entered the fiscal year with strength, delivering results ahead of expectations
- Making substantial progress on DRIVE, eliminating costs to deliver structural efficiencies
- Delivering innovative and data-driven solutions as we prepare for Peak season
- Increasing midpoint of adjusted FY24 EPS outlook range*

*Non-GAAP financial measure; see appendix for more information

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Results overview

Strong start to year despite continued demand softness

Q1 FY24 Results	
Revenue	\$21.7B (7)% YoY
Adj. operating income*	\$1.6B 29% YoY
Adj. EPS*	\$4.55 32% YoY

Q1 FY24 Commentary:

- Revenue down YoY as expected, driven by Express and Freight
- Ground delivered most profitable quarter ever, on an adjusted basis*, driven by yield improvement and continued cost reductions
- Achieved 200 bps of YoY consolidated adjusted operating margin expansion* as network realizes more efficiencies

*Non-GAAP financial measure; see appendix for more information

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DRIVE enabling cost savings across FedEx

G&A savings start to ramp in second half of FY24

On track to deliver targeted \$1.8 billion savings in FY24

FedEx Ground

- Lower third-party transportation rates
- Optimized rail usage
- Reduced Sunday coverage
- Consolidation of sorts

FedEx Freight

- Effectively managing cost base
- Completed planned closure of 29 terminal locations in August

FedEx Express

- Structural flight takedowns
- Hub & sort efficiencies
- Europe initiatives on track

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Strategic focus areas in FY24 and beyond



On track to complete One FedEx in June 2024



Targeted, ongoing rollout of Network 2.0 across U.S. and Canada



Accelerating the FedEx digital agenda

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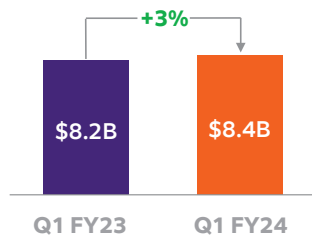
Brie Carere

EVP & Chief Customer Officer

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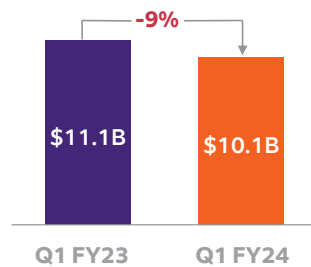
Transportation segment revenue performance

Remained consistent in our focus on revenue quality and being a valued partner to our customers



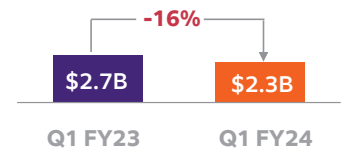
FedEx Ground

- Revenue increase driven by higher yield
- Sequential volume improvement, partially driven by market dynamics



FedEx Express

- U.S. domestic package volume declines moderated as expected
- International Export package volumes increased



FedEx Freight

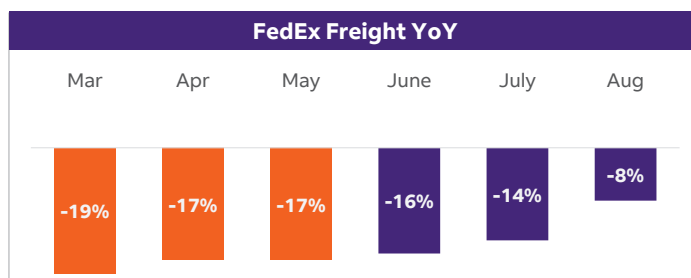
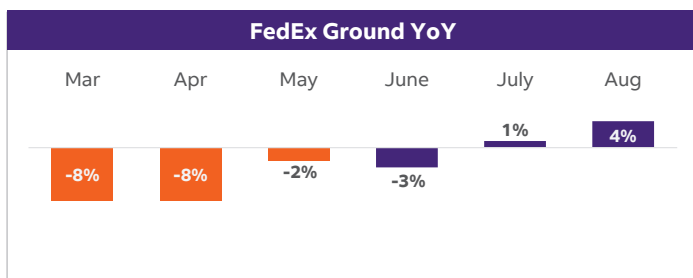
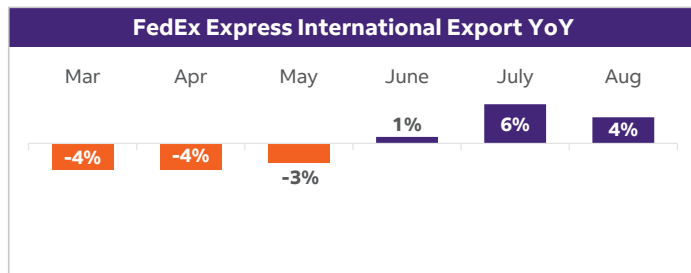
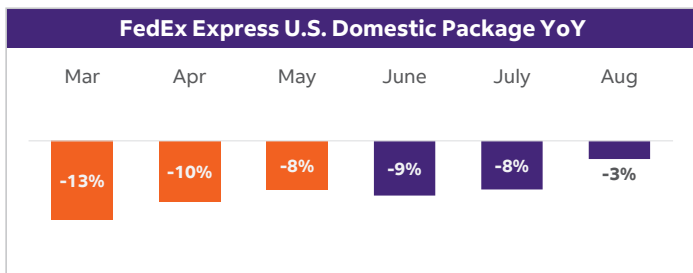
- Revenue decrease driven by lower volume and fuel surcharges
- Volume pressure skewed to the first half of the quarter

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Monthly volume trends: March 2023-Aug 2023

Volume trends improving sequentially

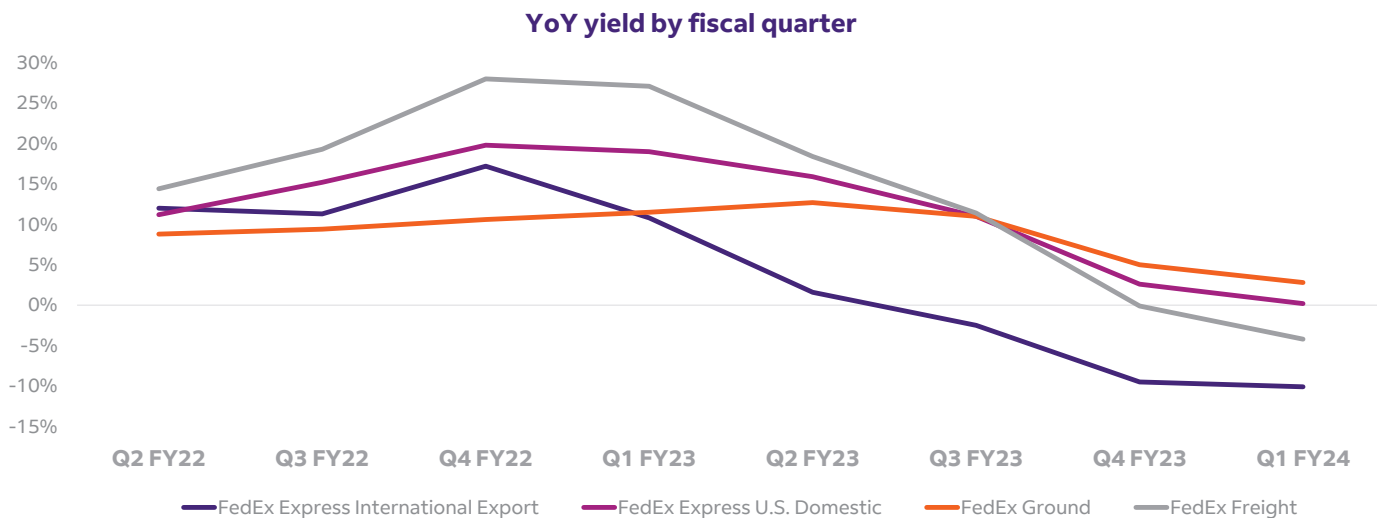
Q4 average daily volume Q1 average daily volume



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Transportation segment yield performance

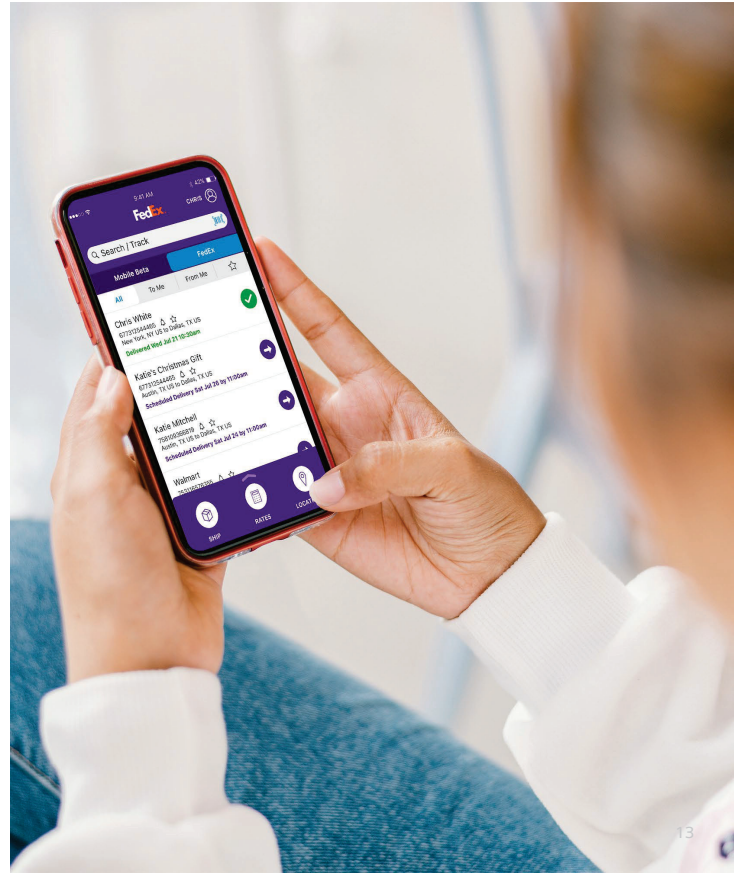
Ground yields remain positive; other service offerings pressured by lower fuel surcharges
International Export package yields constrained by mix shifts & lower demand surcharges



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Serving our customers

- U.S. service strong as volume picked up towards quarter-end
- Europe service KPIs improved, enabling share gains
- Rolled out Estimated Delivery Time Window (EDTW) to 48 countries
- Simplifying how we do business, particularly with small and medium customers
- Expanded My FedEx Rewards beyond the U.S. into ~30 other countries



John Dietrich

EVP & Chief Financial Officer

Financial priorities



Margin expansion



Consistent execution on transformation



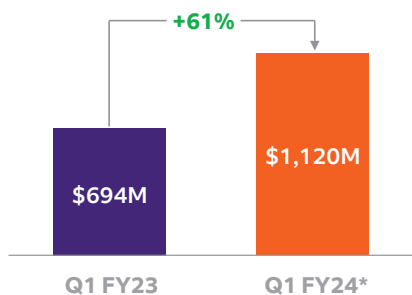
Deploy capital to highest return opportunities, including returns to shareholders



Open and transparent communication

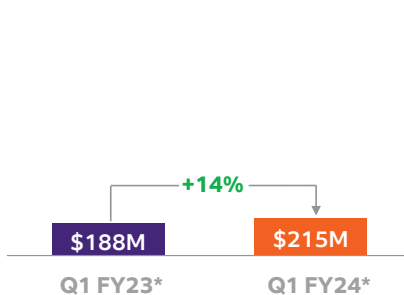
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Transportation segment operating income performance



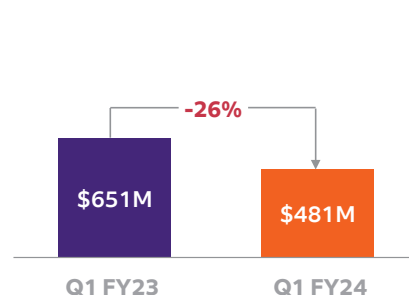
FedEx Ground

- Adjusted operating margin expansion* continues to be supported by yield growth and profit improvement actions
- Cost per package decreased more than 2% versus prior year



FedEx Express

- Improved adjusted operating margin* despite revenue decline
- Cost reductions remain key area of focus



FedEx Freight

- Operating margin decline driven by lower fuel surcharges and shipments
- Revenue per shipment declined due to lower fuel surcharges and weights

*Non-GAAP financial measure; see appendix for more information

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Updating FY24 outlook

	June 2023	Sept 2023
Revenue	Flat to low-single-digit % growth	Approximately flat
Adjusted EPS*	\$16.50-18.50	\$17.00-18.50
Effective tax rate**	25%	25%
Capital spend	\$5.7B	\$5.7B

Commentary:

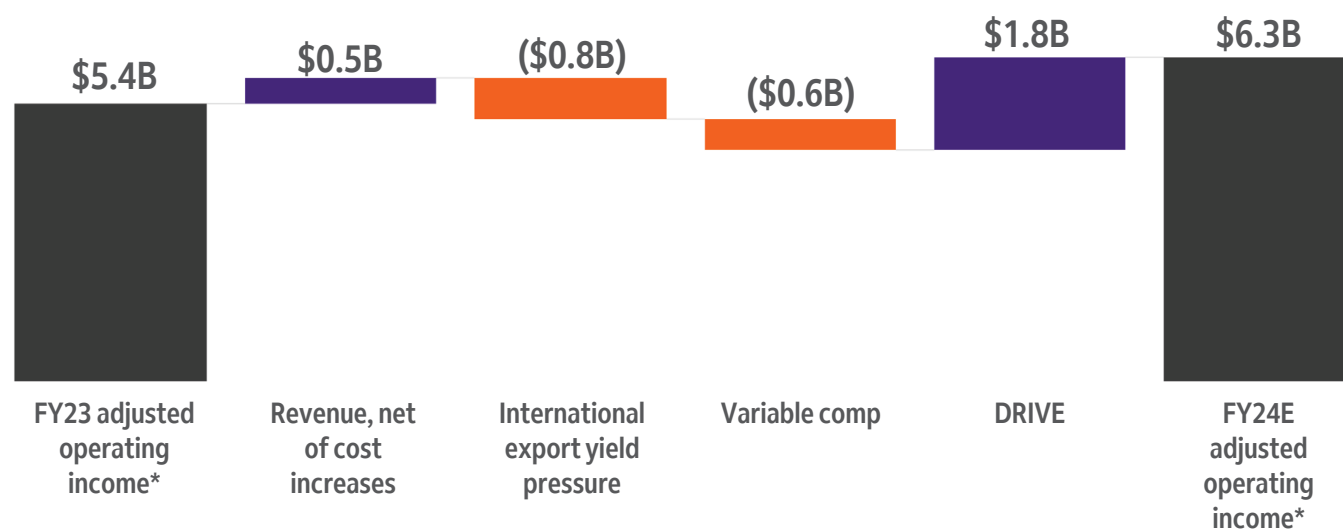
- Expect business conditions to remain uncertain in FY24
- No anticipation of demand recovery
- Continue to expect \$1.8 billion in DRIVE cost savings

*Non-GAAP financial measure; see appendix for more information

**Non-GAAP financial measure; prior to mark-to-market retirement plans accounting adjustments, which are impracticable to calculate at this time

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Illustrative midpoint FY24 outlook bridge

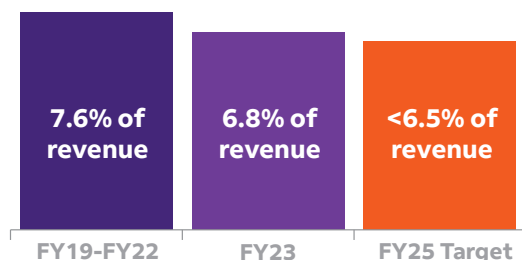


*Non-GAAP financial measure; see appendix for more information

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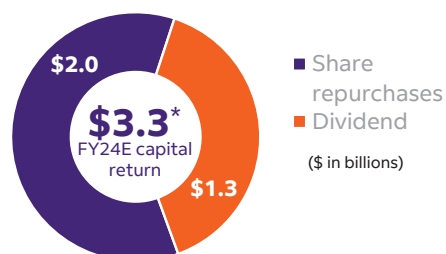
Reaffirming capital allocation priorities

Unwavering focus on efficient and responsible capital allocation



Lowering capital spend through FY25

- CapEx of \$1.3 billion in Q1 FY24
- Planning for lower annual aircraft CapEx; expected to be approximately \$1 billion in FY26
- ROIC metric added to executive compensation program



Enhanced capital return to stockholders

- Completed \$500 million accelerated share repurchase program in Q1 FY24
- Expect to repurchase an additional \$1.5 billion in FY24

*Reflects FedEx's share repurchase and dividend expectations for the remainder of FY24. Each quarterly dividend payment is subject to review and approval by our Board of Directors

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Q&A



Appendix

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Q1 FY24 reconciliation for FedEx Corporation

Dollars in millions, except EPS	Operating Income	Operating Margin	Income Taxes ¹	Net Income ²	Diluted Earnings Per Share
GAAP measure	\$1,485	6.8%	\$345	\$1,078	\$4.23
Business optimization costs ³	105	0.5%	24	81	0.32
Non-GAAP measure	\$1,590	7.3%	\$369	\$1,159	\$4.55

1,2,3 See "Footnotes for Non-GAAP Reconciliation Slides" below for details

Q1 FY24 reconciliation for FedEx Express segment

Dollars in millions

	Operating Income	Operating Margin
GAAP measure	\$205	2.0%
Business optimization costs	10	0.1%
Non-GAAP measure	\$215	2.1%

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Q1 FY24 reconciliation for FedEx Ground segment

Dollars in millions

	Operating Income	Operating Margin
GAAP measure	\$1,103	13.1%
Business optimization costs	17	0.2%
Non-GAAP measure	\$1,120	13.3%

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Q1 FY23 reconciliation for FedEx Corporation

Dollars in millions, except EPS	Operating Income	Operating Margin	Income Taxes ¹	Net Income ²	Diluted Earnings Per Share
GAAP measure	\$1,191	5.1%	\$279	\$875	\$3.33
Business optimization costs ⁴	24	0.1%	6	19	0.07
Business realignment costs ⁵	14	0.1%	3	11	0.04
Non-GAAP measure	\$1,229	5.3%	\$288	\$905	\$3.44

1,2,4,5 See "Footnotes for Non-GAAP Reconciliation Slides" below for details

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Q1 FY23 reconciliation for FedEx Express segment

Dollars in millions	Operating Income	Operating Margin
GAAP measure	\$174	1.6%
Business realignment costs	14	0.1%
Non-GAAP measure	\$188	1.7%

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FY24 earnings per share forecast

Dollars in millions, except EPS

Adjustments

Diluted Earnings Per Share

Earnings per diluted share before MTM retirement plans accounting adjustments (non-GAAP) ⁶		\$15.10 to \$16.60
Business optimization costs	620	
Income tax effect ¹	(145)	
Net of tax effect	\$475	1.90
Earnings per diluted share with adjustments (non-GAAP) ⁶		\$17.00 to \$18.50

1,6 See "Footnotes for Non-GAAP Reconciliation Slides" below for details

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FY23 operating income reconciliation for FedEx Corporation

Dollars in millions, except EPS

Operating Income

GAAP measure	\$4,912
MTM retirement plans accounting adjustment	-
Business optimization costs	273
Goodwill and other asset impairment charges	117
Business realignment costs	36
FedEx Ground legal matter	35
Non-GAAP measure	\$5,373

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FY24 outlook midpoint operating income forecast

Dollars in millions

Operating income (GAAP measure)	\$5,680
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Business optimization costs	620
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Adjusted operating income (non-GAAP)	\$6,300
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Footnotes for non-GAAP reconciliation slides

1. Income taxes are based on the company's approximate statutory tax rates applicable to each transaction.
2. Effect of "total other (expense) income" on net income amount not shown.
3. These expenses were recognized at Corporate, other, and eliminations, as well as FedEx Express and FedEx Ground.
4. These expenses were recognized at FedEx Corporate.
5. These expenses were recognized at FedEx Express.
6. The MTM retirement plans accounting adjustments, which are impracticable to calculate at this time, are excluded.