



FedEx Corporation

Fiscal 2023 second quarter earnings

December 20, 2022

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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, 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, effectively respond to changes in market dynamics, and achieve the anticipated benefits and associated cost savings of such strategies and actions, including our fiscal 2023 cost reduction initiatives and the global transformation program in support of our fiscal 2025 financial performance goals; our ability to achieve our fiscal 2025 financial performance goals; damage to our reputation or loss of brand equity; changes in the business or financial soundness of the U.S. Postal Service, 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 continuing effect of the COVID-19 pandemic; 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, including significant increases in fuel prices as a result of the ongoing conflict between Russia and Ukraine and other geopolitical and regulatory developments; 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; the future rate of e-commerce growth and our ability to successfully expand our e-commerce services portfolio; the timeline for recovery of passenger airline cargo capacity; 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; 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 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, no additional COVID-19-related business restrictions; and no additional adverse geopolitical developments. FedEx's earnings per share forecast is based on current law and related regulations and guidance. This presentation should be reviewed in conjunction with our second quarter fiscal 2023 earnings release and webcast of the earnings release conference call, which are available on FedEx's website at investors.fedex.com.

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Mickey Foster
VP of Investor Relations

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Rajesh Subramaniam
President & CEO

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Key messages

- Exceeded earnings target in a more challenged environment
- Accelerating FY23 cost actions
- Improved service & customer experience
- Moving with urgency on DRIVE initiatives

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Fiscal second quarter 2023 overview

Fiscal 2Q23 results		Commentary
Revenue	\$22.8B; (3)% YoY	<ul style="list-style-type: none">• Revenue pressured by softer global demand; FedEx Express down while FedEx Ground & FedEx Freight up• Volumes down YoY across all transportation segments• Adj. operating margin* down (180) bps driven by volume weakness partially offset by higher yields and cost actions
Adj. operating income*	\$1.2B; (28)% YoY	
Adj. EPS*	\$3.18; (34)% YoY	
		<ul style="list-style-type: none">• Exceeded Q2 FY23 earnings expectations

Taking cost actions & improving service levels while navigating a dynamic operating environment

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

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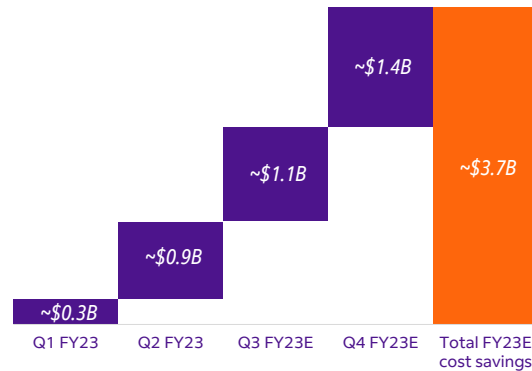
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Accelerating progress on FY23 cost reduction plan

Cost savings vs. June plan

Expected FY23 cost savings	~\$3.7B
Q2 FY23 savings	~\$0.9B
FY23 YTD savings	~\$1.2B

FY23 cost out to ramp in 2H FY23



Moving with speed and agility to reduce cost base in near-term

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Commitment to service

FedEx Ground: delivering exceptional performance during Peak

- U.S. Ground time in transit: 2 days
- On-time service reached pre-COVID levels

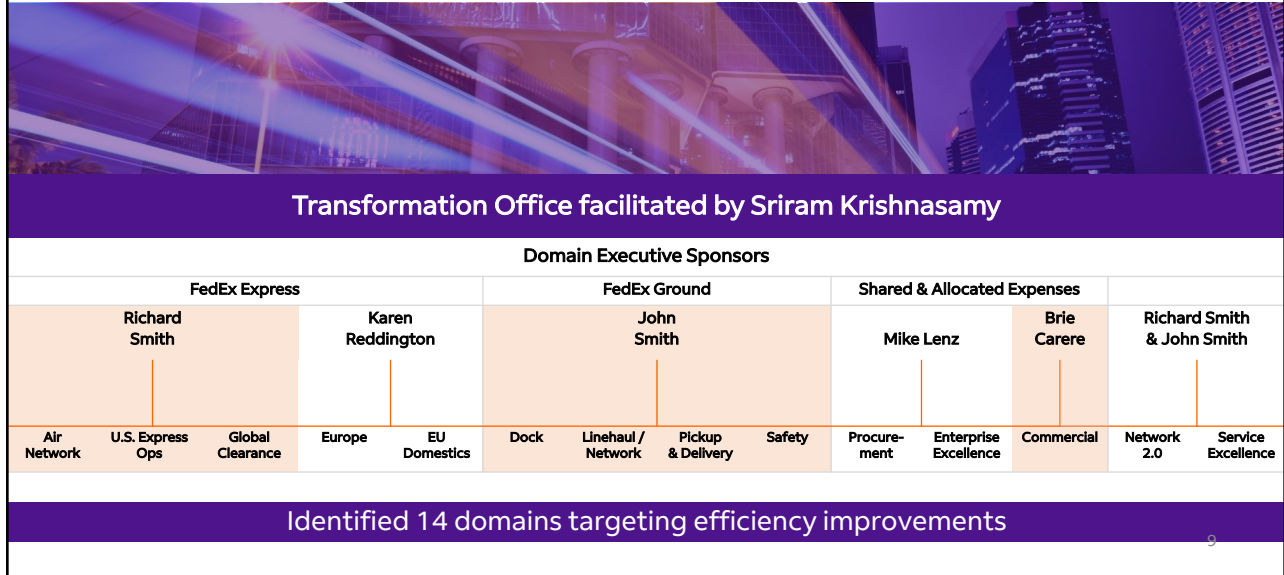
FedEx Express: continued service momentum

- Highest U.S. domestic service standard in market
- Global service levels improving



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DRIVE program building momentum



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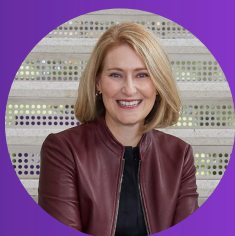
DRIVE progress highlights



Expect to reduce more than \$4B in structural costs by FY25

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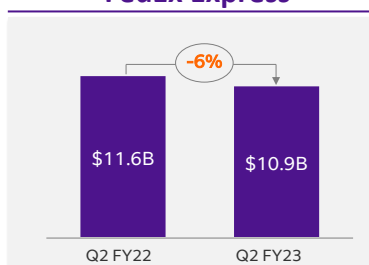


Brie Carere
EVP & Chief Customer Officer

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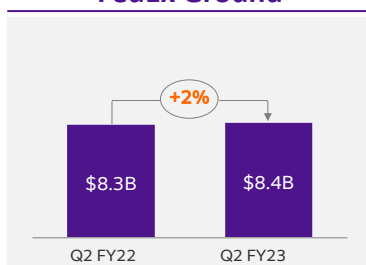
Transportation segment revenue performance

FedEx Express



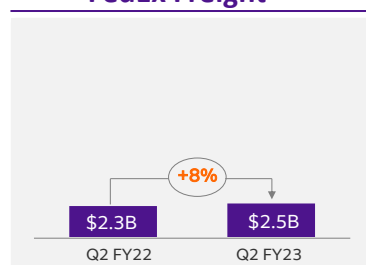
- Volume declines accelerated
- Solid wins in Europe; team building healthy pipeline

FedEx Ground



- Higher yields, driven by fuel surcharges, base rate increases and improved volume mix were offset by lower volumes
- Delivered strong service levels and best-in-market transit times

FedEx Freight



- Strong growth driven by our revenue quality and profitable growth strategy
- Operating environment beginning to moderate; pricing across the LTL industry remains resilient

Strong pricing discipline offset by volume weakness; solid service improvement has enabled a robust pipeline

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Revenue quality & pricing initiatives



Laser focused on high-value segments

- Small & medium-sized customers
- Intra-Europe & Intercontinental



Running proven pricing playbook

- General rate increases
- Technology enhancing revenue outcomes
- Rigorous surcharge implementation

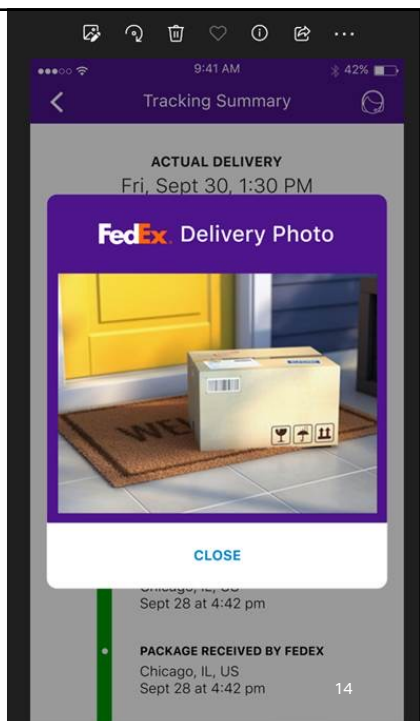


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Commercial momentum is building

- Service improvement momentum
- Differentiated value proposition
- Tailwinds created by lapping integration challenges



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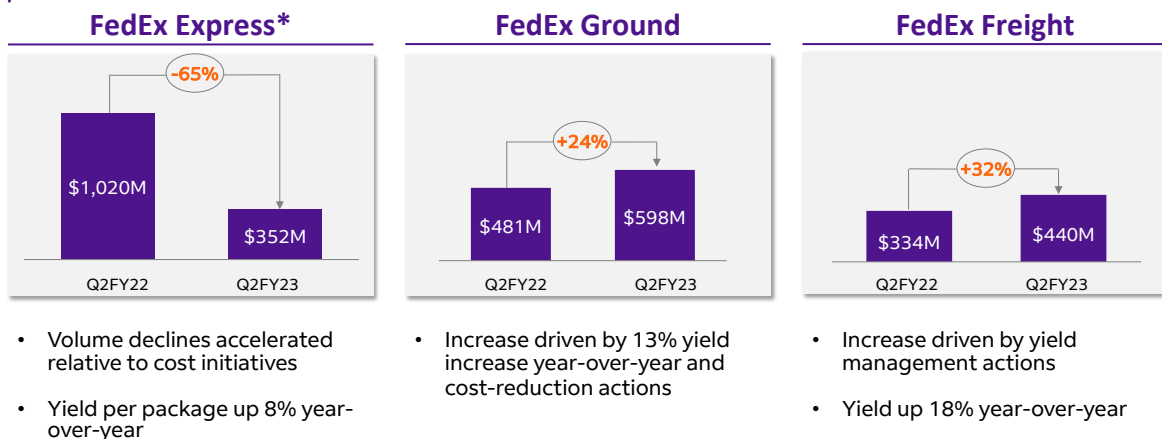
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Mike Lenz
EVP & CFO

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Transportation segment operating income performance



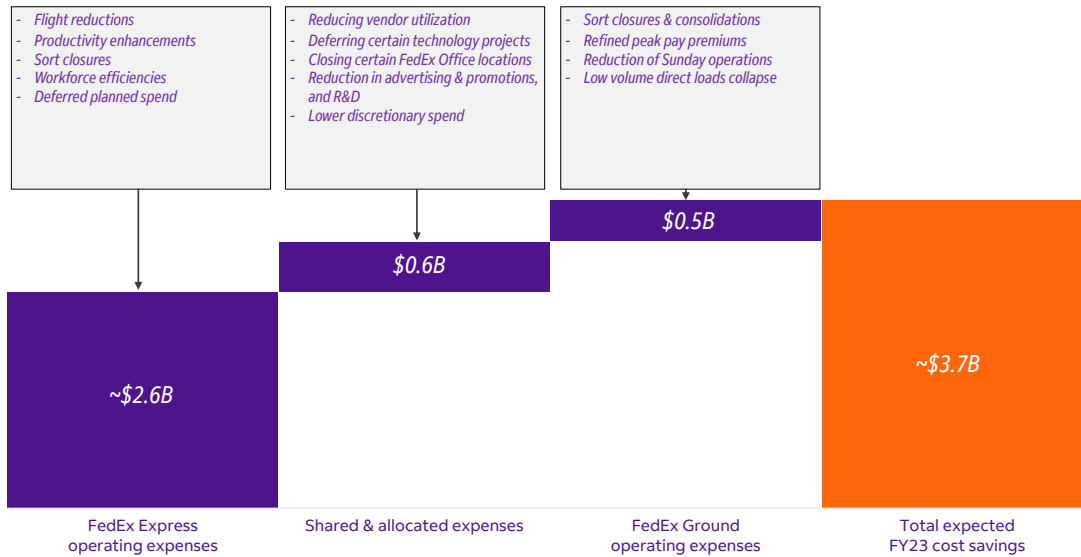
Strong quarter at Freight & Ground offset by weakness at Express

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

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Now expect FY23 cost savings of ~\$3.7B vs. plan



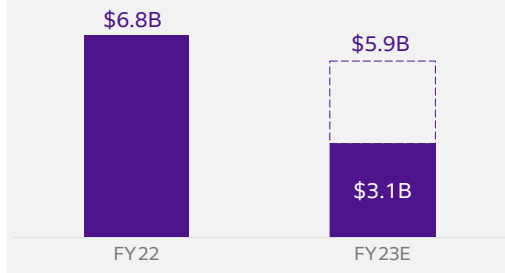
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Capital spend & return

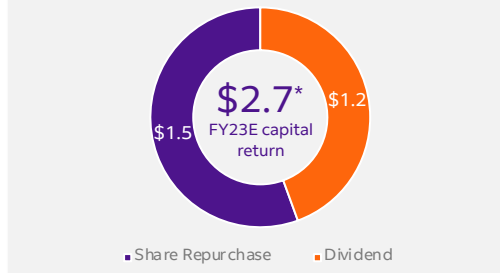
Reducing capital spend

- FY23 CapEx forecast reduced by \$400M; down \$900M vs. initial FY23 plan
- \$3.1B in CapEx spend year-to-date



Enhanced capital return

- Targeting \$2.7* capital return in FY23 through share repurchases & dividends
- Repurchased ~\$1.0B in Q2 FY23



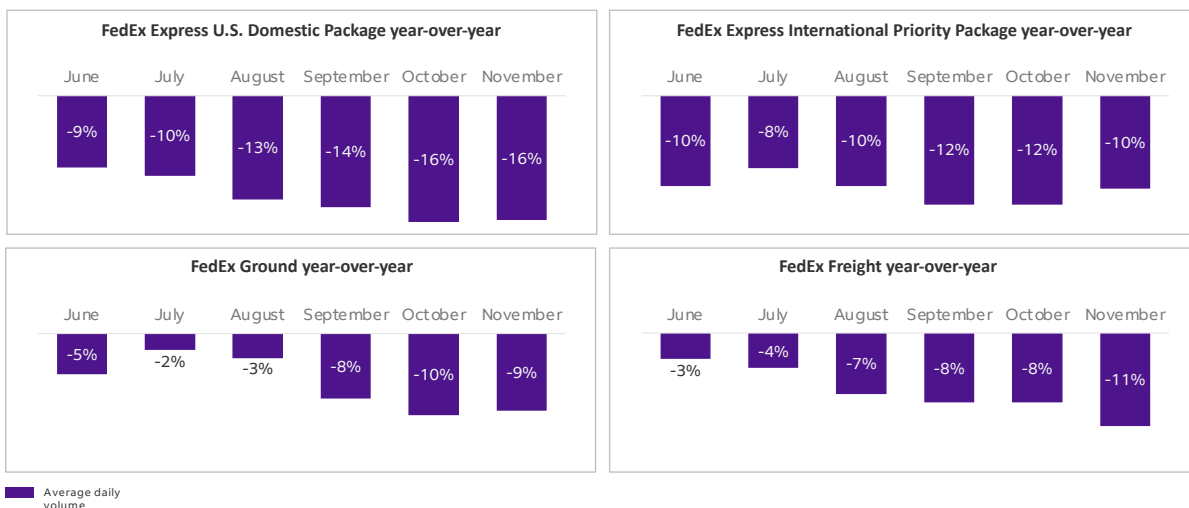
Committed to reducing capital intensity and returning capital to shareholders

*Reflects FedEx's share repurchase and dividend expectations for the remainder of FY23. Each quarterly dividend payment is subject to review and approval by our Board of Directors.

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Monthly volume trends: June-November 2022



Volume pressure accelerated into Q2 FY23

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Fiscal 2023 outlook

Outlook as of December 20, 2022

Adj. EPS*	\$13.00-14.00
Effective tax rate**	25-26%
Capital spend	\$5.9B

Key assumptions

- Volume:** dynamics remain fluid; expect softness to persist through balance of FY23
- Yield:** increasingly pressured as year-over-year fuel surcharge comparisons normalize and demand slows
- Cost reductions:** expect progress to accelerate in H2 FY23

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

**Prior to mark-to-market retirement plans accounting adjustments, which are impracticable to calculate at this time

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Q&A

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Appendix

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Q2 FY23 Reconciliation for FedEx Corporation

Dollars in millions, except EPS	Operating		Income	Net	Diluted Earnings
	Income	Margin ¹	Taxes ²	Income ³	Per Share
GAAP measure	\$1,176	5.2%	\$271	\$788	\$3.07
Business optimization costs ⁴	36	0.2%	9	27	0.11
Non-GAAP measure	\$1,212	5.3%	\$280	\$815	\$3.18

^{1,2,3,4} See "Footnotes for Non-GAAP Reconciliation Slides" below for details

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Q2 FY23 Reconciliation for FedEx Express Segment

Dollars in millions	Operating	
	Income	Margin
GAAP measure	\$341	3.1%
Business optimization costs	11	0.1%
Non-GAAP measure	\$352	3.2%

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Q2 FY22 Reconciliation for FedEx Corporation

Dollars in millions, except EPS	Operating		Income	Net	Diluted Earnings
	Income	Margin	Taxes ²	Income ³	Per Share ¹
GAAP measure	\$1,597	6.8%	\$336	\$1,044	\$3.88
MTM retirement plans accounting adjustments ⁵	—	—	65	195	0.73
Business realignment costs ⁶	44	0.2%	10	34	0.13
TNT Express integration expenses ⁴	34	0.1%	8	26	0.10
Non-GAAP measure	\$1,675	7.1%	\$419	\$1,299	\$4.83

^{1,2,3,4,5,6} See "Footnotes for Non-GAAP Reconciliation Slides" below for details

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Q2 FY22 Reconciliation for FedEx Express Segment

Dollars in millions	Operating	
	Income	Margin
GAAP measure	\$949	8.2%
Business realignment costs	44	0.4%
TNT Express integration expenses	27	0.2%
Non-GAAP measure	\$1,020	8.8%

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FY23 Earnings Per Share Forecast

Dollars in millions, except EPS	Adjustments	Diluted Earnings Per Share
Earnings per diluted share (non-GAAP) ⁷		\$12.50 to \$13.50
Business optimization costs	\$150	
Income tax effect ²	(35)	
Net of tax effect	<u>\$115</u>	0.45
Business realignment costs	\$16	
Income tax effect ²	(4)	
Net of tax effect	<u>\$12</u>	<u>0.05</u>
Earnings per diluted share with adjustments (non-GAAP) ⁷		\$13.00 to \$14.00

^{2,7} See "Footnotes for Non-GAAP Reconciliation Slides" below for details

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Footnotes for Non-GAAP Reconciliation Slides

1 – Does not sum to total due to rounding.

2 – Income taxes are based on the company's approximate statutory tax rates applicable to each transaction.

3 – Effect of "total other (expense) income" on net income amount not shown.

4 – These expenses were recognized at FedEx Corporate and FedEx Express.

5 – The MTM retirement plans accounting adjustments for the second quarter of fiscal 2022 reflect a noncash loss associated with the termination of a TNT Express European pension plan and a curtailment charge related to the U.S. FedEx Freight pension plan.

6 – These expenses were recognized at FedEx Express.

7 – The MTM retirement plans accounting adjustments, which are impracticable to calculate at this time, are excluded.

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