



FedEx Corporation

Fiscal Third Quarter 2023 Earnings | March 16, 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, 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 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 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; noncash impairment charges related to our goodwill and certain deferred tax assets; 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 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 third quarter fiscal 2023 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



Exceeded our earnings forecast in what remains a challenged demand environment



Maintained outstanding service throughout Peak



Gaining traction on cost initiatives



Raising FY23 earnings outlook

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Fiscal third quarter 2023 overview

Demonstrating continued progress on transformation while navigating a dynamic operating environment

Q3 FY23 results	
Revenue	\$22.2B (6)% YoY
Adj. operating income*	\$1.2B (20)% YoY
Adj. EPS*	\$3.41 (26)% YoY

Commentary:

- Volumes down by a low double-digit percentage YoY across all segments
- Volume declines partially offset by higher yields at Ground, U.S. Domestic Express and Freight
- Revenue decrease most pronounced at Express
- Ground and Freight effectively flexing cost structure, supporting margin expansion

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

Accelerating progress on FY23 cost reduction plan

- \$1.2B of total enterprise YoY cost savings in Q3 FY23
- Express remains the greatest area of opportunity; cost base is constrained in the short term



- **In Q3 FY23, mitigated 45%* of total revenue declines on an adjusted basis, a significant improvement vs. H1 FY23, driven by:**
 - 8% reduction in flight hours
 - 4% reduction in salary and benefit expenses
- **Expect to accelerate progress in Q4 FY23**
 - Expect to see sequential operating profit and margin improvement

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

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DRIVE program building momentum

Transformation Office facilitated by Sriram Krishnasamy

Domain Executive Sponsors

FedEx Express		FedEx Ground	Shared & Allocated Expenses		
Richard Smith	Karen Reddington	John Smith	Mike Lenz	Brie Carere	Richard Smith & John Smith
Air Network	Europe	Dock	Procurement	Commercial	Network 2.0
U.S. Express Ops	EU Domestics	Linehaul/Network	Enterprise Excellence		Service Excellence
Global Clearance		Pickup & Delivery			
		Safety			

Additional details to follow at DRIVE Program Update scheduled for April 5 in NYC

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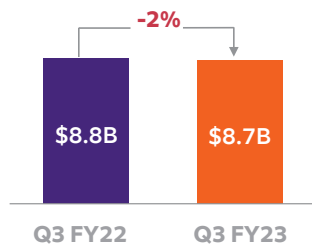
Brie Carere

EVP & Chief Customer Officer

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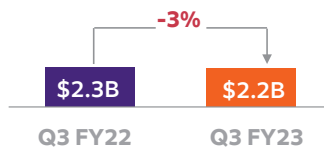
Transportation segment revenue performance

Ground and Freight yield supported margin expansion; Express environment remains constrained



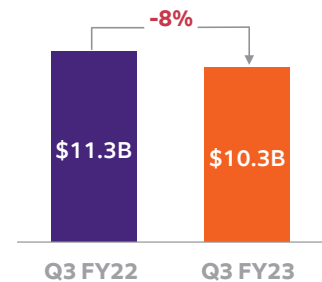
FedEx Ground

- Double-digit yield improvement, driven by product mix, fuel and large package surcharges
- Strong Peak service with service provider businesses delivering reliable and consistent service



FedEx Freight

- Double-digit yield improvement driven by revenue quality
- Operating environment continues to drive softer volumes; pricing across the LTL industry remains strong

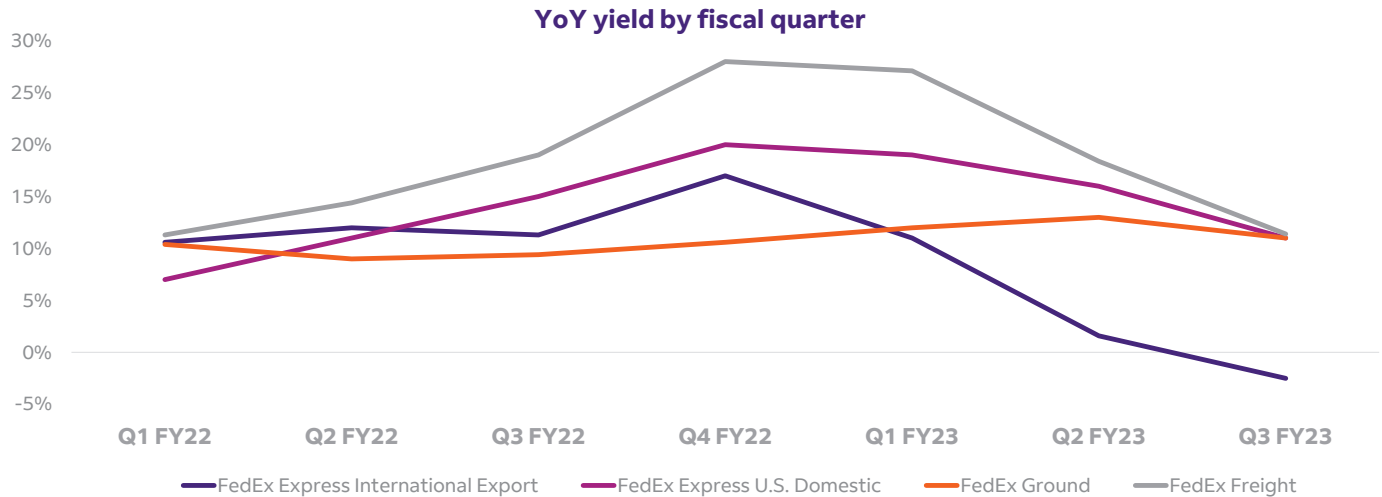


FedEx Express

- Revenue decline primarily driven by lower volume
- Yields held back by International; lower Peak surcharges particularly in AMEA and Europe

Transportation segment yield performance

Yield pressured across segments but remained a partial offset to volume weakness



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Delivered successful Peak with outstanding service

FedEx Ground

- Achieved pre-pandemic service levels
- Delivered with an average transit of 2 days in the U.S.
- Maintained advantage of being faster to more locations than our nearest competitor's ground service

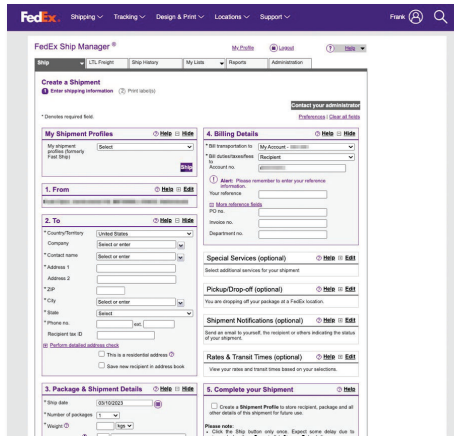
FedEx Express

- Approaching pre-pandemic service levels, notably in Europe
- Reopened Duiven, Netherlands road hub

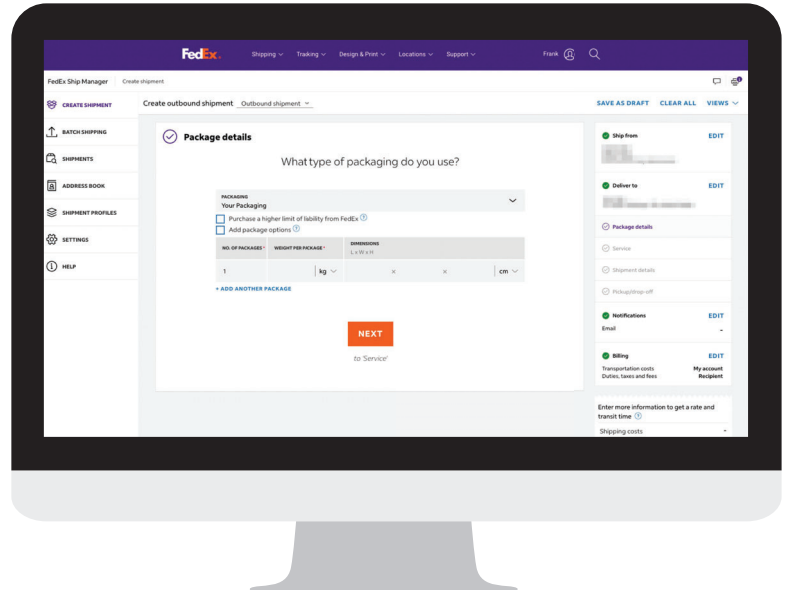
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FedEx Ship Manager® gaining traction

Online tool now fully modernized to make shipping more efficient, highly personal, and easier to use for all customers



Previous FedEx Ship Manager®

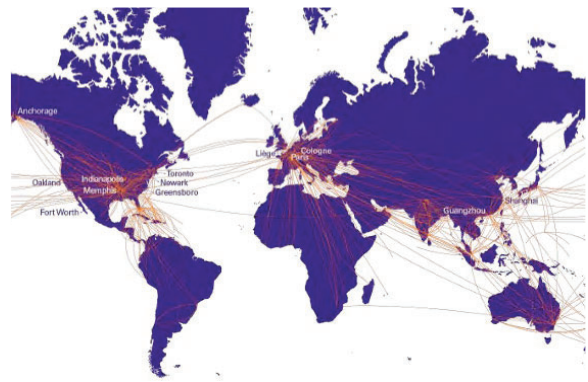


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Commercial momentum and innovation driving improved customer experience



Picture Proof of Delivery (PPOD) allowing customers and businesses to shop and ship with confidence



Expanded **estimated delivery time window** offering internationally to 13 countries

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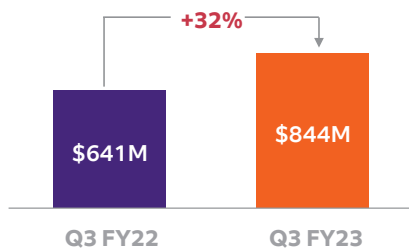
Mike Lenz

EVP & Chief Financial Officer

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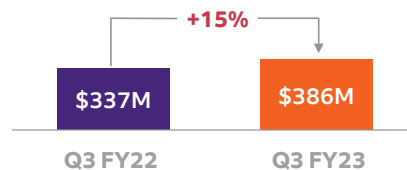
Transportation segment operating income performance

Another strong quarter at Ground and Freight, offset by weakness at Express



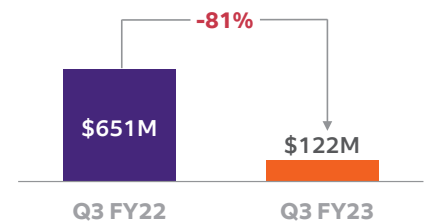
FedEx Ground

- Improvement driven by 11% revenue per package increase YoY and cost reduction actions



FedEx Freight

- Increase driven by yield management and cost reduction actions
- Revenue per shipment up 11% YoY



FedEx Express*

- Volume declines exceeded cost reduction actions
- Package yield up 11% YoY in the U.S.; down 3% in International Export

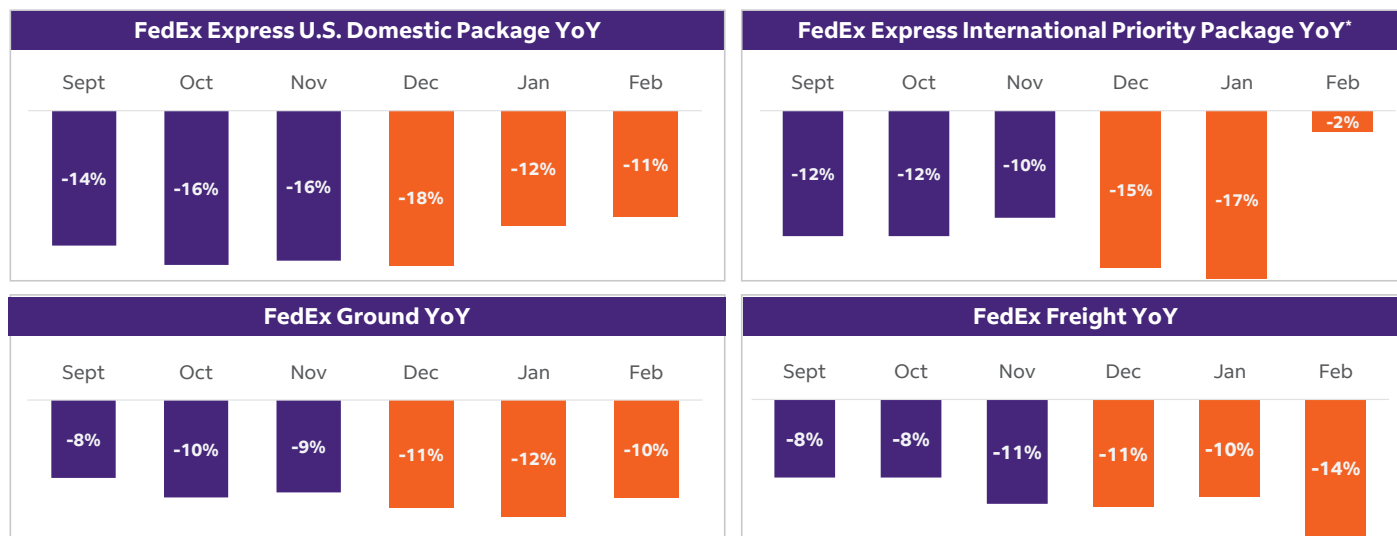
*Non-GAAP financial measure; see appendix for more information

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Monthly volume trends: Sept 2022-Feb 2023

Volume environment remained challenged

■ Q2 average daily volume ■ Q3 average daily volume

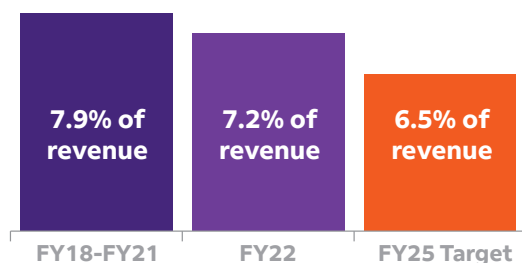


*FedEx Express International Priority Package YoY performance impacted by the shift of Chinese Lunar New Year from February 2022 to January 2023

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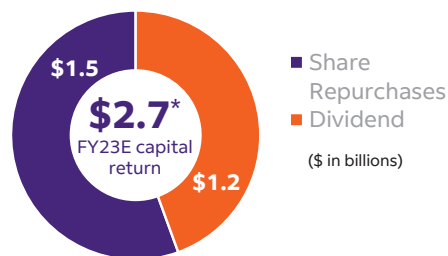
Lowering capital intensity with higher returns to stockholders

Unwavering focus on efficient and responsible capital allocation



Lowering capital spend through FY25

- FY23 CapEx guidance \$900M lower year-to-date
- Expect FY24 CapEx flat vs. FY23
- Committed to reducing intensity through FY25 and beyond



Enhanced capital return to stockholders

- Successfully completed a \$1.5B accelerated share repurchase transaction in Q3 FY23
- Targeting \$2.7B* capital return in FY23 through share repurchases and dividends

*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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Raising FY23 earnings outlook

	December 2022	March 2023
Adjusted EPS*	\$13.00-14.00	\$14.60-15.20
Effective tax rate**	25-26%	25-26%
Capital spend	\$5.9B	\$5.9B

*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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Celebrating 50 years of driving what's next

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Appendix

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Q3 FY23 reconciliation for FedEx Corporation

Dollars in millions, except EPS	Operating Income	Operating Margin ¹	Income Taxes ²	Net Income ³	Diluted Earnings Per Share ¹
GAAP measure	\$1,042	4.7%	\$251	\$771	\$3.05
Business optimization costs ⁴	120	0.5%	28	92	0.36
Business realignment costs ⁵	3	—	1	2	0.01
Non-GAAP measure	\$1,165	5.3%	\$280	\$865	\$3.41

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

Q3 FY23 reconciliation for FedEx Express segment

Dollars in millions	Operating Income	Operating Margin
GAAP measure	\$119	1.2%
Business realignment costs	3	–
Non-GAAP measure	\$122	1.2%

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Q3 FY22 reconciliation for FedEx Corporation

Dollars in millions, except EPS	Operating Income	Operating Margin	Income Taxes ²	Net Income ³	Diluted Earnings Per Share
GAAP measure	\$1,326	5.6%	\$263	\$1,112	\$4.20
Business realignment costs ⁵	107	0.5%	25	82	0.31
TNT Express integration expenses ⁶	29	0.1%	6	23	0.08
Non-GAAP measure	\$1,462	6.2%	\$294	\$1,217	\$4.59

2, 3, 5, 6 See "Footnotes for Non-GAAP Reconciliation Slides" below for details

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Q3 FY22 reconciliation for FedEx Express segment

Dollars in millions

	Operating Income	Operating Margin ¹
GAAP measure	\$520	4.6%
Business realignment costs	107	0.9%
TNT Express integration expenses	24	0.2%
Non-GAAP measure	\$651	5.8%

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

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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		\$13.80 to \$14.40
Business optimization costs	250	
Income tax effect ²	(60)	
Net of tax effect	\$190	0.74
Business realignment costs	20	
Income tax effect ²	(5)	
Net of tax effect	\$15	0.06
Earnings per diluted share with adjustments (non-GAAP)⁷		\$14.60 to \$15.20

^{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
 5. These expenses were recognized at FedEx Express
 6. These expenses were recognized at FedEx Corporate and FedEx Express
 7. The MTM retirement plans accounting adjustments, which are impracticable to calculate at this time, are excluded
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