



# DRIVE

Investor Update

April 5, 2023



# Mickey Foster

Vice President, Investor Relations



# 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, 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; our ability to achieve our cost-reduction initiatives and 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 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 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.

Certain of the financial targets and guidance provided herein and discussed during this presentation reflect FedEx's expectations for future fiscal years and are provided on a non-GAAP basis as FedEx cannot predict certain items which are included in reported GAAP results. See "Appendix" below for additional information on non-GAAP financial measures and reconciliations of non-GAAP financial measures to GAAP financial measures. The financial targets and guidance 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, and is effective as of the date of this presentation

# Agenda



## WELCOME

Welcome

**Mickey Foster**

Strategy review

**Raj Subramaniam**

Customer

**Brie Carere**

Surface Network and Network 2.0

**John Smith**

Air Network & International

**Richard Smith**  
**Karen Reddington**

G&A and financial outlook

**Mike Lenz**

## BREAK

Q&A

Concluding remarks

**R. Brad Martin**  
**Raj Subramaniam**





# Raj Subramaniam

President & Chief Executive Officer



# Key messages



**Transforming unmatched network** to operate with more flexibility, efficiency and intelligence

---



**Consolidating operating companies into one organization,** facilitating DRIVE and Network 2.0

---



**Unlocking stockholder value** through cost savings generated by DRIVE transformation

---



**Providing a revised financial framework** to demonstrate benefits from transformation



# Creating a smarter, more efficient global network



## **Profitable growth**

Target strategic market segments to grow revenue and profit



## **Structural cost reductions**

Expand margins through lower cost to serve. Sustainably improve capital efficiency

**Digital DNA**

**Customer experience**

**Culture**

**Our long-term strategy will be enabled by DRIVE**



One vision | One team

**FedEx**®

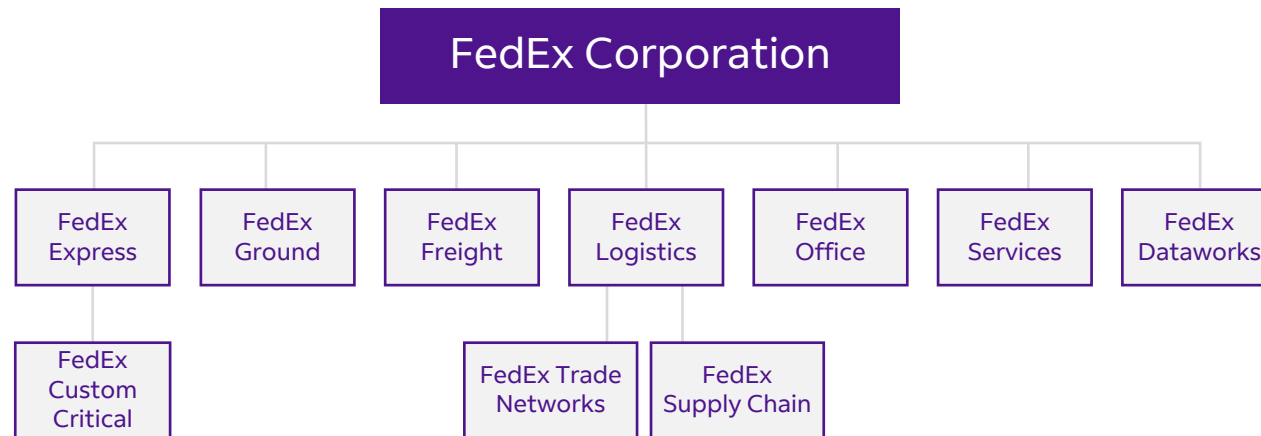




# Streamlining organization to achieve long-term strategy

## Current Structure

### Moving from individual operating companies ...



Vast global network result of **50 years of strategic development and investment**

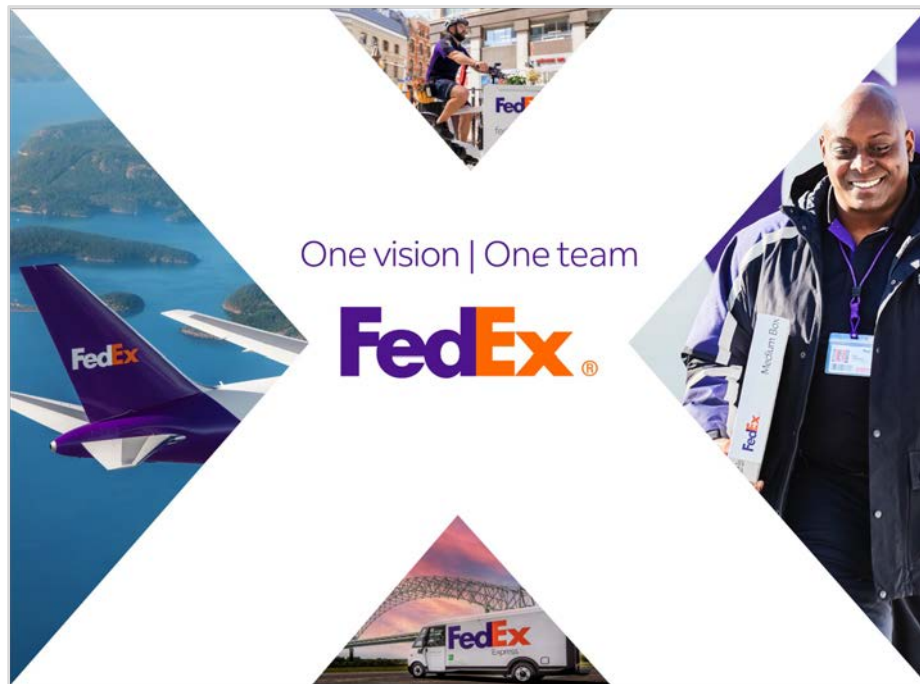
**Unmatched capabilities** with differentiated portfolio of customers

Right time to **leverage scale and assets** across the enterprise

Leverage strength of networks, people and assets into One FedEx

... to the future: One FedEx

## One FedEx



**Facilitates execution** of DRIVE  
& Network 2.0

**Reduces cost** to serve and  
**improves capital efficiency**

Streamlined structure  
**increases visibility**

One FedEx will be a leaner, more agile company



# **DRIVE** Framework

Our people, values  
and culture

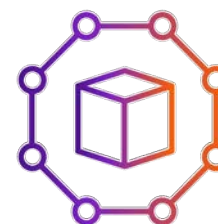
Technology-enabled,  
data-driven FedEx

Customer

Surface Network

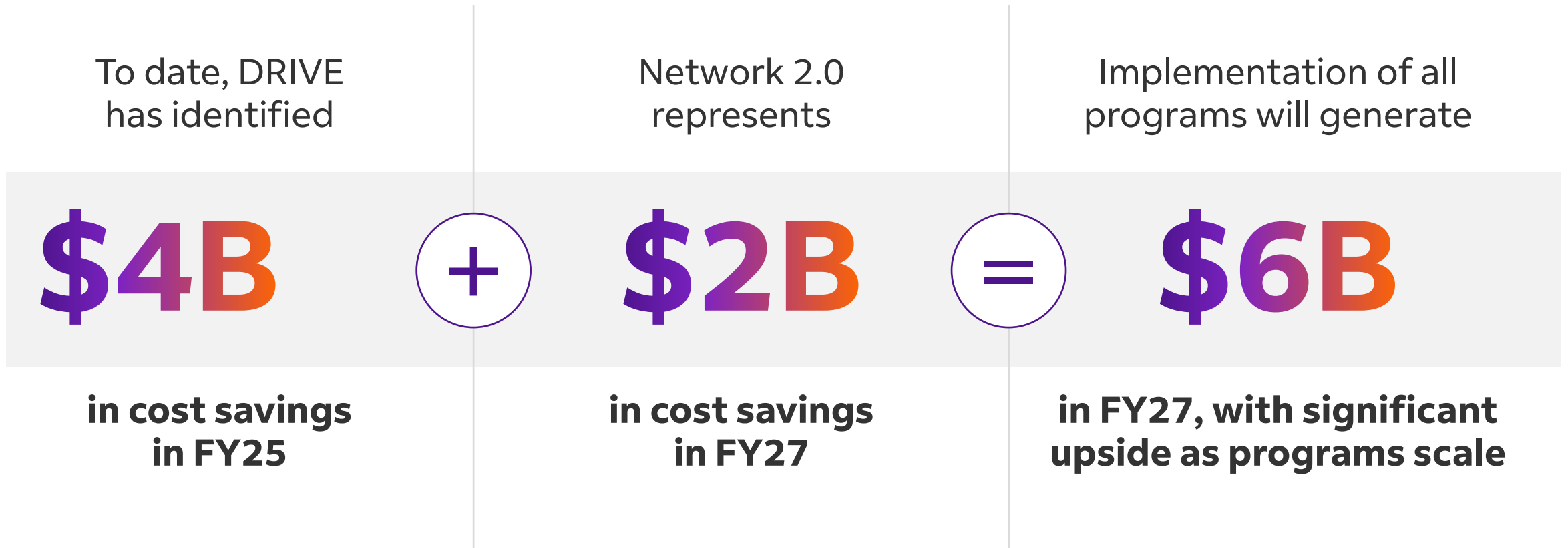
Air Network & International

G&A



**Network  
2.0**

# Building momentum with significant value potential



One FedEx represents significant cost savings creation opportunity beyond FY25



# Positioned to create stockholder value

- ① One FedEx transforms our operating model, enabling a more flexible, efficient, and intelligent global network

---
- ② Moving with urgency to deliver \$4B DRIVE cost reduction in FY25 with path to \$6B in FY27; demonstrating tangible progress

---
- ③ Significant margin expansion opportunity driven by reduced structural cost base and optimized network with lower cost to serve

---
- ④ Increased returns for stockholders

# **DRIVE** → Executive sponsors presenting today



## Customer



**Brie Carere**  
Chief Customer  
Officer



## Surface Network



## Network 2.0



**John Smith**  
President & CEO, U.S. and Canada Ground  
Operations (Elect) at FedEx Express



## Air Network & International



**Richard Smith**  
President & CEO, Airline and  
International (Elect) at FedEx Express



**Karen Reddington**  
President,  
Europe



## G&A



**Mike Lenz**  
Chief Financial  
Officer

DRIVE is a key enabler to deliver what's next





# Brie Carere

Executive Vice President &  
Chief Customer Officer



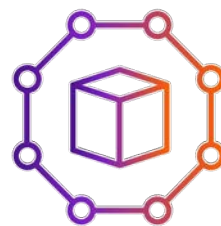
# **DRIVE** Framework

**Customer**

**Surface Network**

**Air Network & International**

**G&A**



**Network  
2.0**

# Key messages



Creating the world's smartest logistics network, enabled by flexibility, efficiency and intelligence

---



Creating differentiation to maintain market-leading yields

---



Improving profitability through targeted growth

# Well positioned to capture opportunity in a large and growing market

## **E-commerce remains the growth engine of parcel volume**

- ~90% of expected parcel industry growth comes from e-commerce\*
- Anticipate U.S. domestic e-commerce volume to grow at a 4-5% CAGR from CY22-26\*
- Profitable share opportunity in Ground market remains

## **B2B higher-margin verticals demand top-tier service**

- Target segments generate high double-digit margins
- Well-positioned to serve higher margin segments with excellent service

DRIVE rooted in customer-centric view to serve evolving markets



# Building on our market-leading value proposition



**Deliver  
outstanding  
experience**



**Differentiation  
for premium  
segments**



**Data-driven,  
personalized  
service**



**Market-leading  
yields**



# Deliver outstanding experience

## Best visibility experience in the market

- Estimated Delivery Date and Estimated Delivery Time Window enhancements

## Enable easy, self-serve problem resolution

- Self-serve solutions can reduce calls related to tracking, which make up 70% of call volume

## Improving the recipient experience at their doorstep

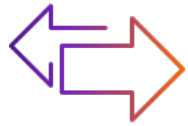
- >840M packages delivered globally with Picture Proof of Delivery available for recipients since launch

KPIs: Net Promoter Score and Net Service Level



# Differentiation for premium segments

## Focus on high-value segments



Business-to-business (B2B)



Healthcare



Small and medium businesses (SMB)



## Market leading value proposition for SMB



Weekend coverage



Faster service



Loyalty program



Earned discounts



Modern FedEx Ship Manager®

# Data-driven, personalized service



Balancing digital sales strategy and physical interactions



Building new capabilities for digital customer interactions



Digitizing customer journey



**Onboarding**



**Shipping**



**Receiving**



**Payment**



**Claims**



**Relationship**

**Digital customer journey**

KPI: Reducing commercial costs as a percent of revenue

# Market-leading yields



**General rate  
increases**



**Rigorous surcharge  
implementation**



**Win with  
the bundle**



**Dynamic pricing  
technology**





# John Smith

**President & Chief Executive Officer,  
U.S. and Canada Ground Operations  
(Elect) at FedEx Express**

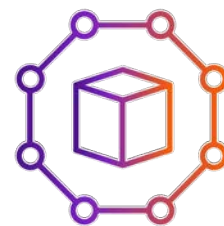
# **DRIVE** Framework

Customer

Surface Network

Air Network & International

G&A



**Network  
2.0**

# Key messages

- ✓ Optimizing operations to drive near-term efficiencies and respond to demand changes

---
- ✓ Structurally adjusting the network to improve asset utilization and efficiency

---
- ✓ Enhancing network planning and leveraging technology to further drive economies of scale and customer experience

---
- ✓ Creating transparency on performance metrics to continuously improve outcomes



# **DRIVE** → Initiatives to deliver \$1.2B in cost savings



**Ground linehaul  
operations**



**Ground dock  
operations**



**Ground P&D  
operations**



**Express U.S.  
surface operations**



**\$450M**



**\$300M**



**\$150M**



**\$300M**



**Safety**

**Improving outcomes**

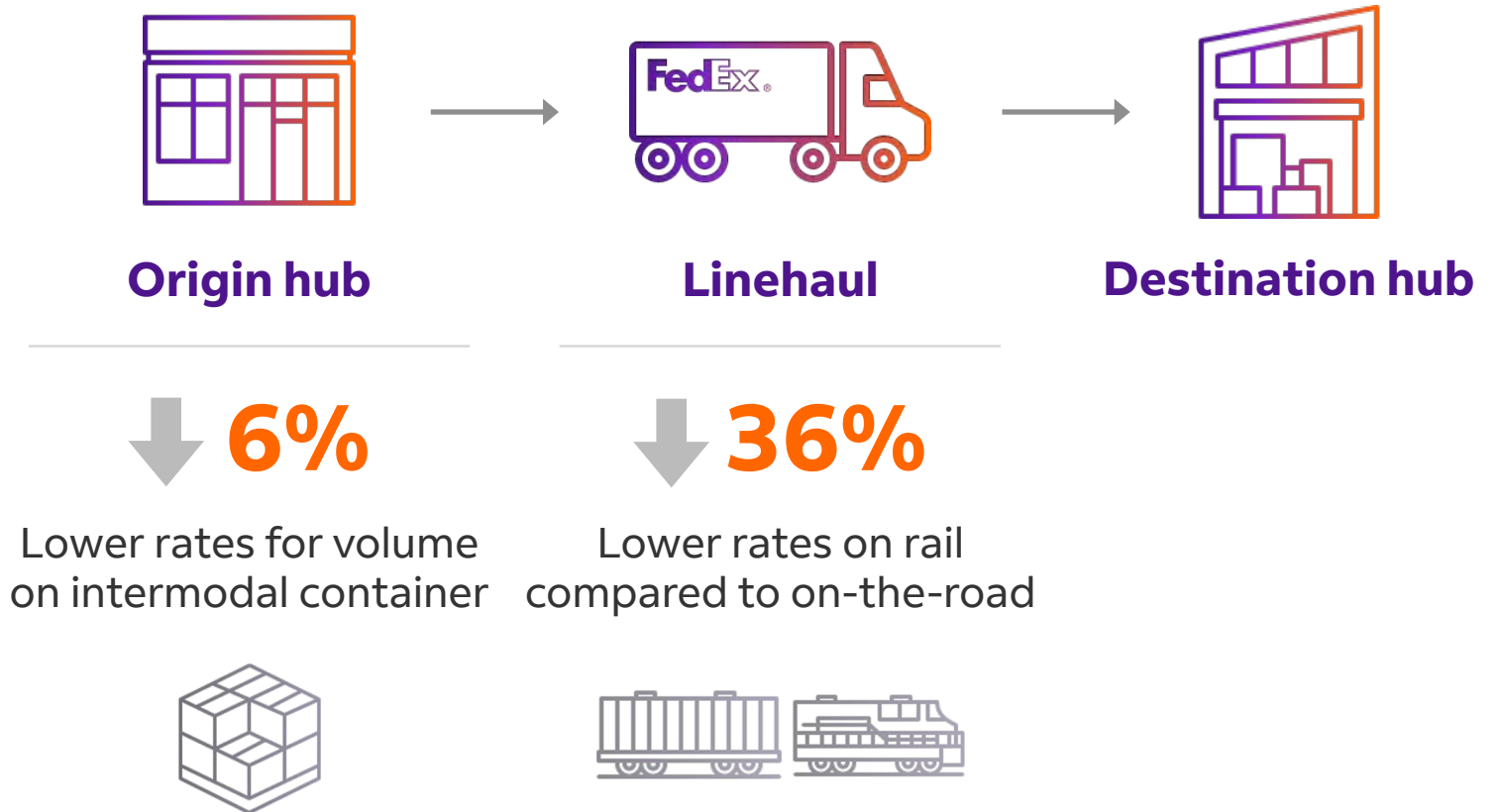


# Linehaul / network domain example: Increase use and efficiency of rail

## Actions we're taking:

- Increasing use of company-owned intermodal containers for 90% of rail volume
- Increasing miles on rail transport from ~8% to ~15%

**\$80M**  
of savings



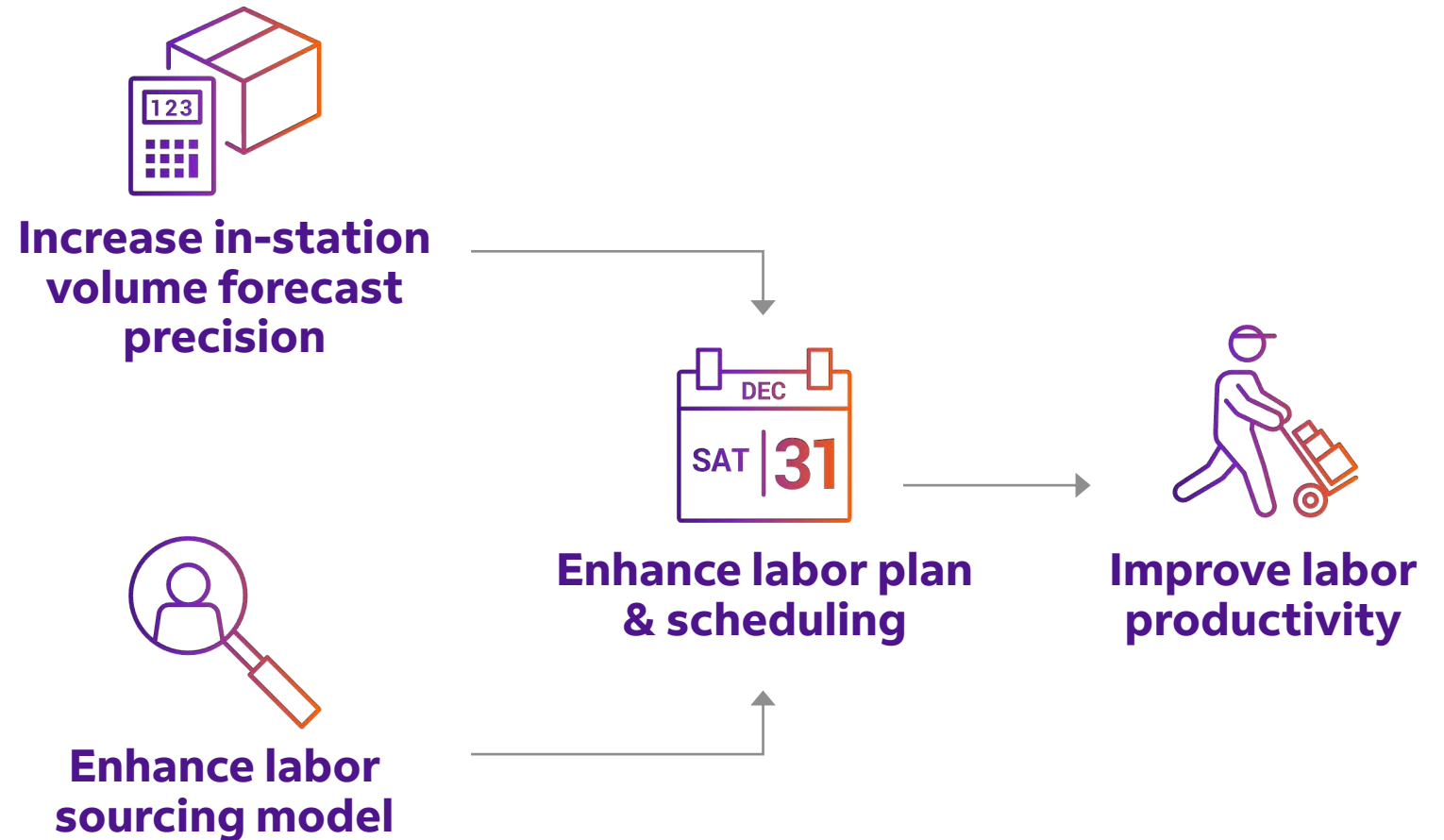


# Dock domain example: Improve labor efficiency via staffing and productivity

## Actions we're taking:

- Improving labor planning, staffing, sourcing and scheduling
- Implementing new technologies and processes to improve productivity

**\$200M**  
of savings



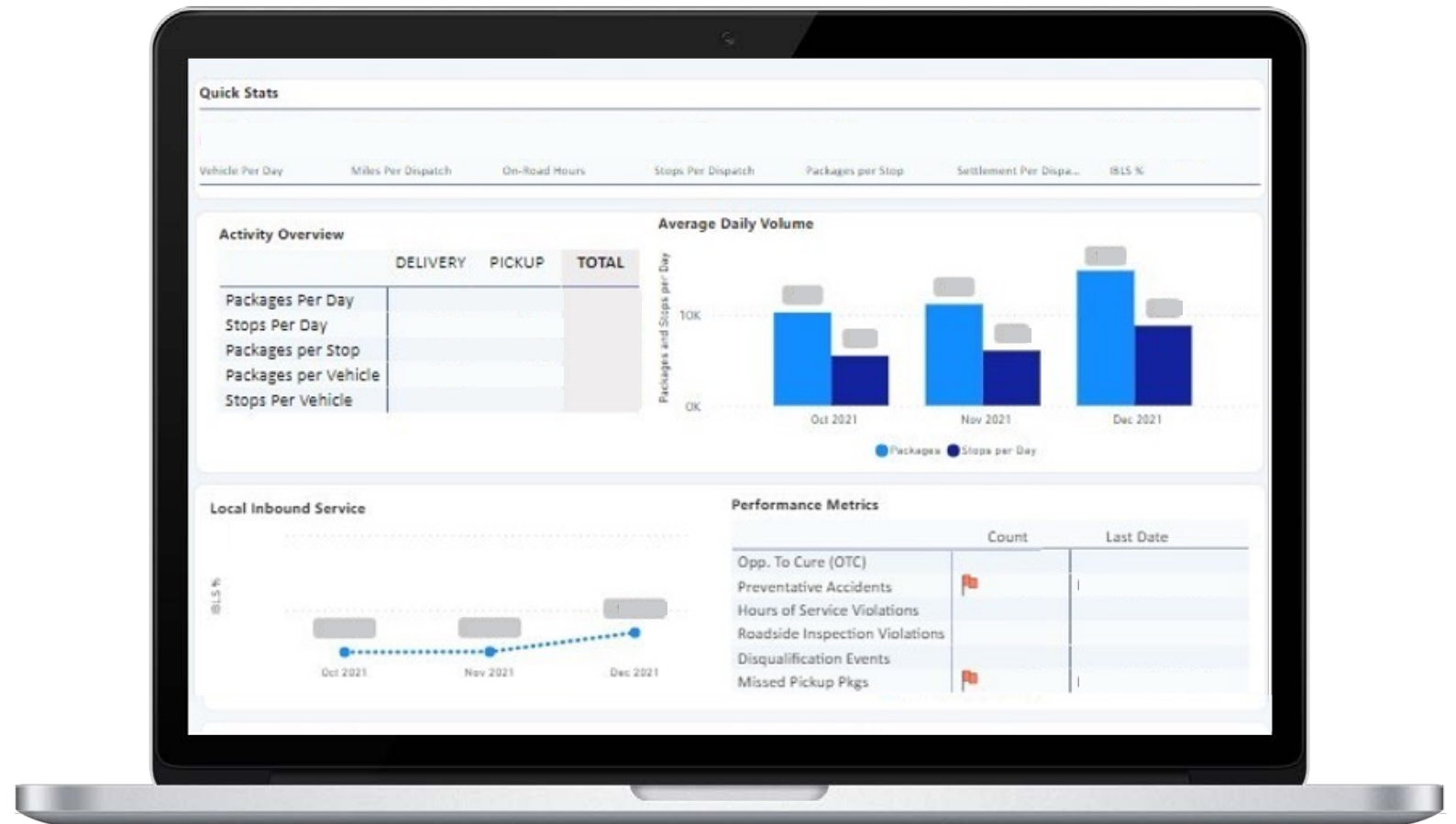




# P&D domain example: Service provider visibility to key operational data

## Actions we're taking:

- Building tech interface to increase visibility and communication with service providers
- Developing capabilities to better inform real-time decision making





# Express U.S. surface operations domain example: Improved asset utilization and efficiency

## Actions we're taking:

- Adapting flight schedule to drive structural improvements to our ground network
- Consolidating sorts and delivery routes to improve productivity and on-road performance

**\$250M**  
of savings



**Increased aircraft,  
sort and vehicle  
utilization**



**Optimized on  
road planning**



**Reduced  
operating  
expenses**

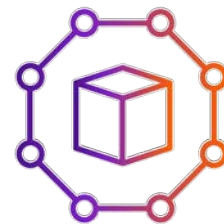
# **DRIVE** Framework

**Customer**

**Surface Network**

**Air Network & International**

**G&A**



**Network  
2.0**



# Interoperable network eliminates redundancy, generating \$2B in permanent cost reduction in FY27



**Enable one van,  
one neighborhood**



**Eliminate  
redundant linehaul  
and reduce  
empty miles**



**Capitalize on  
efficiency benefits  
of consolidated  
sort operations**



**Optimize between  
air and surface  
modes to balance  
service and cost**



# Network 2.0 will provide structural cost reductions across surface operations



## Pickup & delivery interoperability

**Now**

**P&D duplication**

**2.0**

One van, one neighborhood deployment targeting **15-20% efficiency uplift**



## Facilities footprint consolidation

**Now**

**~70% of buildings are within 20 miles of another FedEx facility**

**2.0**

Moving to a network design that results in **fewer locations**



## Linehaul optimization

**Now**

**Limited** coordination and visibility

**2.0**

Step-change **reduction of empty miles** in the linehaul network



## Common technology platform

**Now**

Tools and systems **built specifically for each business**

**2.0**

**Eliminate technology cost** associated with duplicative technologies



# Richard W. Smith

President & Chief Executive Officer,  
Airline and International (Elect)  
at FedEx Express



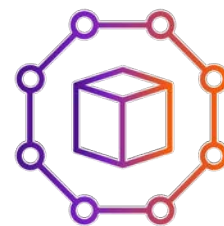
# **DRIVE** Framework

Customer

Surface Network

Air Network & International

G&A



**Network  
2.0**

# Key messages



Lowering cost to serve, optimizing operations and enhancing network flexibility

---



Reimagining unmatched air network, streamlining fleet and creating a more effective network

---



Accelerating digital capabilities, underpinning network design and global operations

---



Eliminating \$1.3B of cost from air network and Europe in FY25, driving margin improvement and profit sustainability

# Positioned to deliver transformational improvement



**Global Air Network**



**~\$700M**



**Europe**



**~\$600M**

**Tracked through KPIs that monitor success** (key indicators)

Cost per pound

Cost per available ton mile

Asset utilization



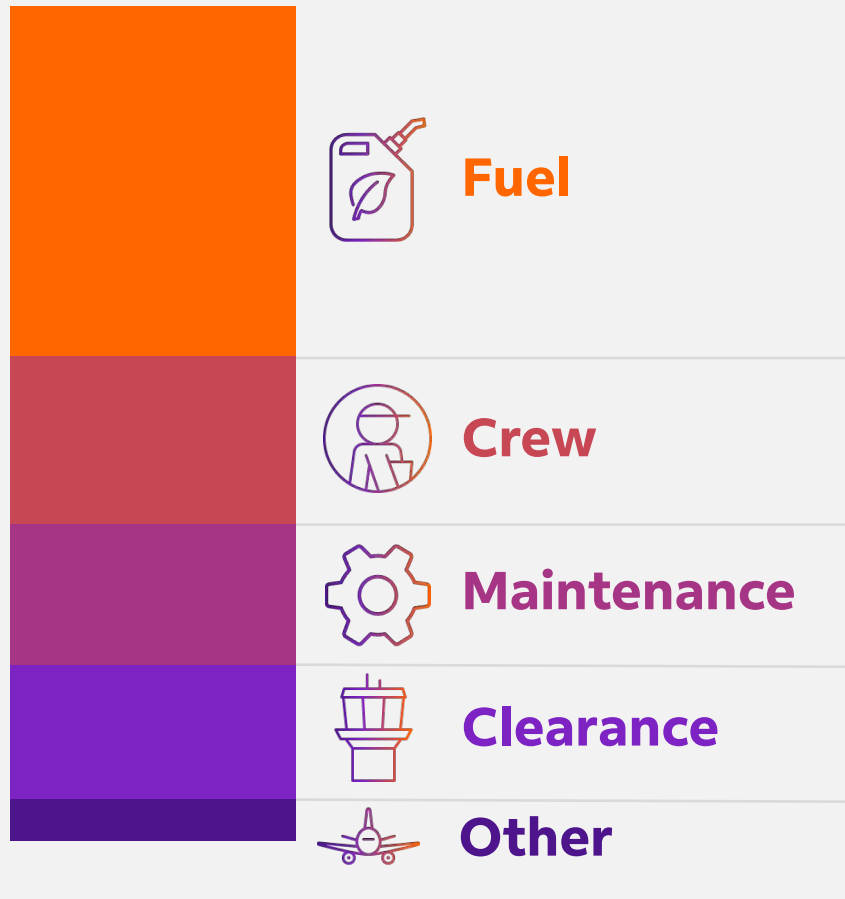


# Evolution of the FedEx Air Network

# Lowering cost to serve through structural improvements

**~\$700M**

in FY25



## Key cost-out drivers:

- Focusing flying on balanced lanes, consolidating for density and executing Global Partner Network as an adaptive capacity layer
- Leveraging more efficient aircraft types and adopting best practices in flight planning / operations
- Improvements in planning and scheduling processes and reducing flight hour costs
- Right-sizing maintenance facility footprint and rationalizing inventory / parts for efficiency
- Streamlining clearance / brokerage services and optimizing processes

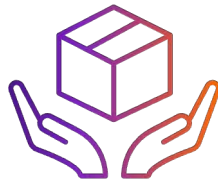


# Air domain example: Consolidating flights over Pacific to densify, rebalance and leverage partners

## Actions we're taking:

- Reducing frequencies, optimizing our network by consolidating volumes
- Increasing use of commercial alternatives, enabling asset reductions

**\$250M**  
of savings



**-30%**

Frequencies  
over the Pacific

Increased density  
Optimized routes



**+10**

Point-to-point  
connections

Increased partner  
capacity  
Asset-light



**More surface  
conveyance**



**More point-  
to-point  
connections**



**Better  
balanced  
lanes**



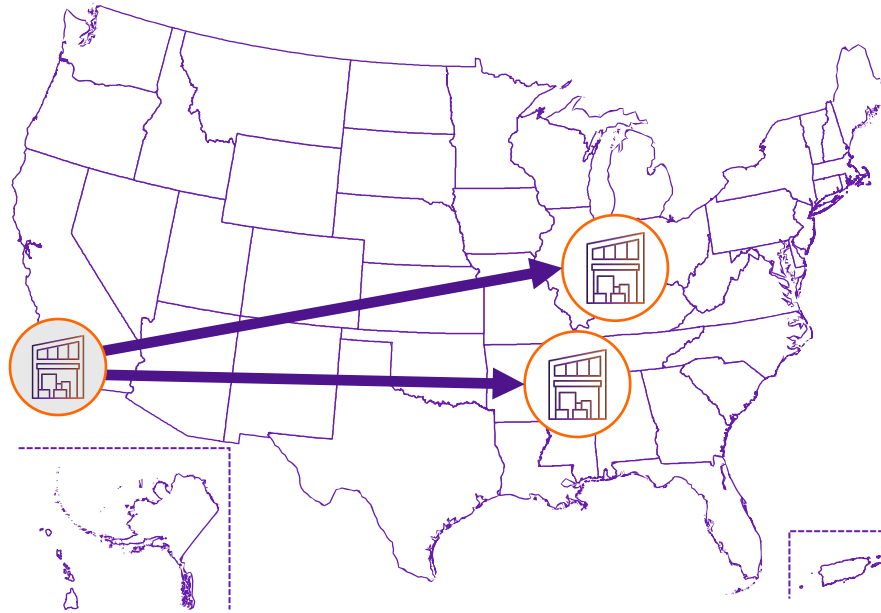


# Air domain example: Reducing maintenance footprint to match fleet strategy

## Actions we're taking:

- Shifting the way we do maintenance, matching our assets to the current and future needs of our modernized fleet
- Increasing our asset utilization in a cost-efficient footprint

**\$60M**  
of savings



Closing our hangar operations at  
LAX to increase utilization  
in Memphis and Indianapolis



**Maximized  
asset  
utilization**

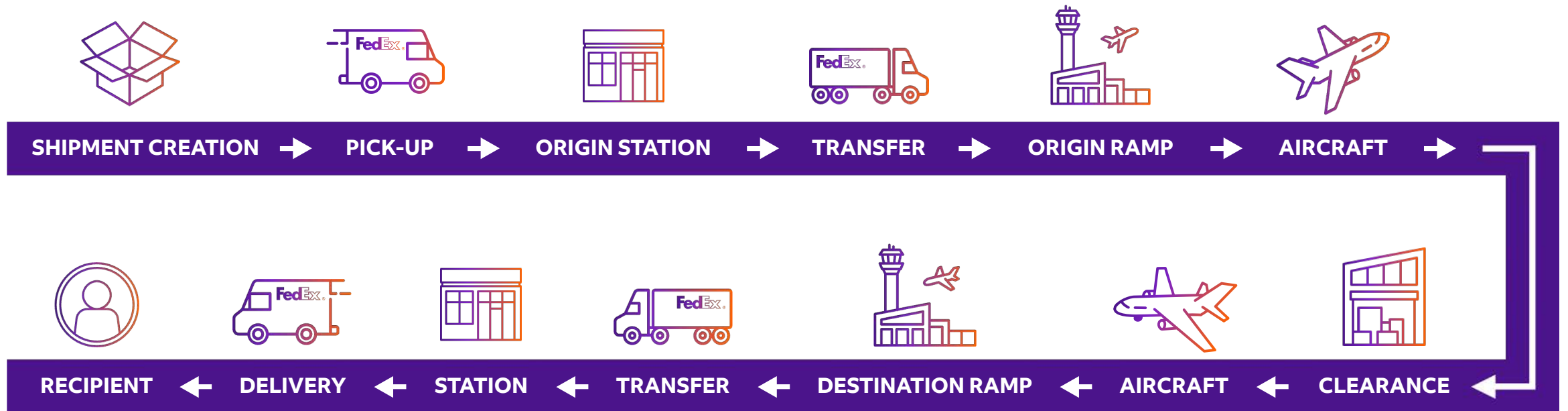


**Synergistic  
cost  
reductions**



**Unaffected  
aircraft  
availability /  
reliability /  
safety**

# **DRIVE** → Providing transformative improvement across the lifecycle of a package



## **Global air operations**

Optimizing fleet and network to enhance asset utilization

## **Express operations**

Streamlining operations network while leveraging existing network capacity to rationalize routes

## **Clearance services**

Evolving clearance footprint to enable global network of the future



# Karen Reddington

Regional President of Europe,  
FedEx Express

# Optimizing profitability across European networks

## Focusing Europe on execution and enhancing profitability



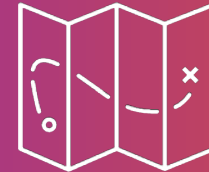
**Air**

**>750 flights  
per week**



**Road**

**28 road hubs and  
>50K connections  
per week**



**P&D**

**>600 stations  
across 32  
countries**



**Domestic**

**Lowering  
cost to serve**



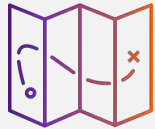
# **DRIVE** → Strong progress on identified opportunities

**~\$600M**  
in FY25



**Domestic**

- Targeting profitable revenue growth
- Restructuring the networks



**P&D**

- Improving route planning, sort processes, and work force management



**Road**

- Optimizing load plans
- Segregating freight and parcel to improve load factors



**Air**

- Right-sizing fleet by removing, redeploying and downgauging aircraft



Mike Lenz

Executive Vice President &  
Chief Financial Officer

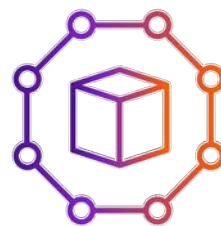
# **DRIVE** Framework

Customer

Surface Network

Air Network & International

G&A



**Network  
2.0**



# Key messages

✓ One FedEx eliminates overlapping expenses and activities

---

✓ Lower cost by leveraging our full scope and scale

---

✓ Streamlined structure enables technology estate simplification



# Building momentum with significant value potential



**Procurement**



**Functional excellence**



**Technology**



**\$600M**



**\$400M**



**\$500M**

# Driving global sourcing excellence



Comprehensive review to standardize and simplify major spend categories

---



Analytical and strategic approach to supplier engagement and innovation

---



Leverage global scale to reduce third-party spend



# Realizing functional excellence across the enterprise



**Leaner,  
nimble  
leadership**

Right “shape” of  
the enterprise

---

Centralized strategic  
decision making

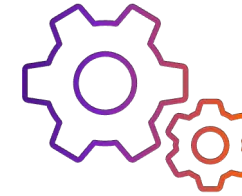


**Tech-enabled  
optimized  
processes**

Tech-enabled processes  
driving execution efficiency

---

Next-gen automation and  
analytics to enabling  
faster decision making



**Streamlined  
functions  
supporting  
operations**

Greater efficiency  
through right-shoring  
transactional capabilities

---

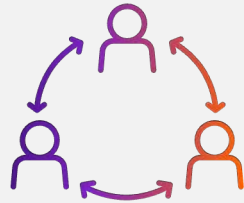
Centers of Excellence  
ensuring access to  
subject matter expertise

# Technology as a key enabler for the future



## **Simplified infrastructure**

Optimizing technology capabilities for a simpler and more modern FedEx



## **Develop common platforms**

Consolidating application footprint reduces complexity and drives better economies of scale



## **Centralized tech management**

Improving hardware and software asset utilization  
Aligning technology and licensing



## **Upskilled agile workforce**

Strengthening a world-class engineering workforce  
Modernized technology model driving faster digital and AI-based innovation








Fed

FedEx

## Value creation framework

# **DRIVE** → Value creation framework through FY25

(\$B)		Expected FY25 savings*
	<b>Surface Network</b>	<b>\$1.2</b>
	<b>Air Network &amp; International</b>	<b>1.3</b>
	<b>G&amp;A</b>	<b>1.5</b>
<b>Total</b>		<b>\$4.0</b>

## Highlights

- Moving swiftly to execute; will measure from FY23 baseline moving forward
- Network 2.0 to unlock \$2B of cost savings in FY27
- One FedEx is a key execution enabler with value creation opportunities beyond FY25

DRIVE value increases significantly in FY24 and is fully realized in FY25

\*FedEx continues to project costs of up to \$2B by the end of fiscal 2025 to implement its business optimization initiatives including the DRIVE and Network 2.0 programs.

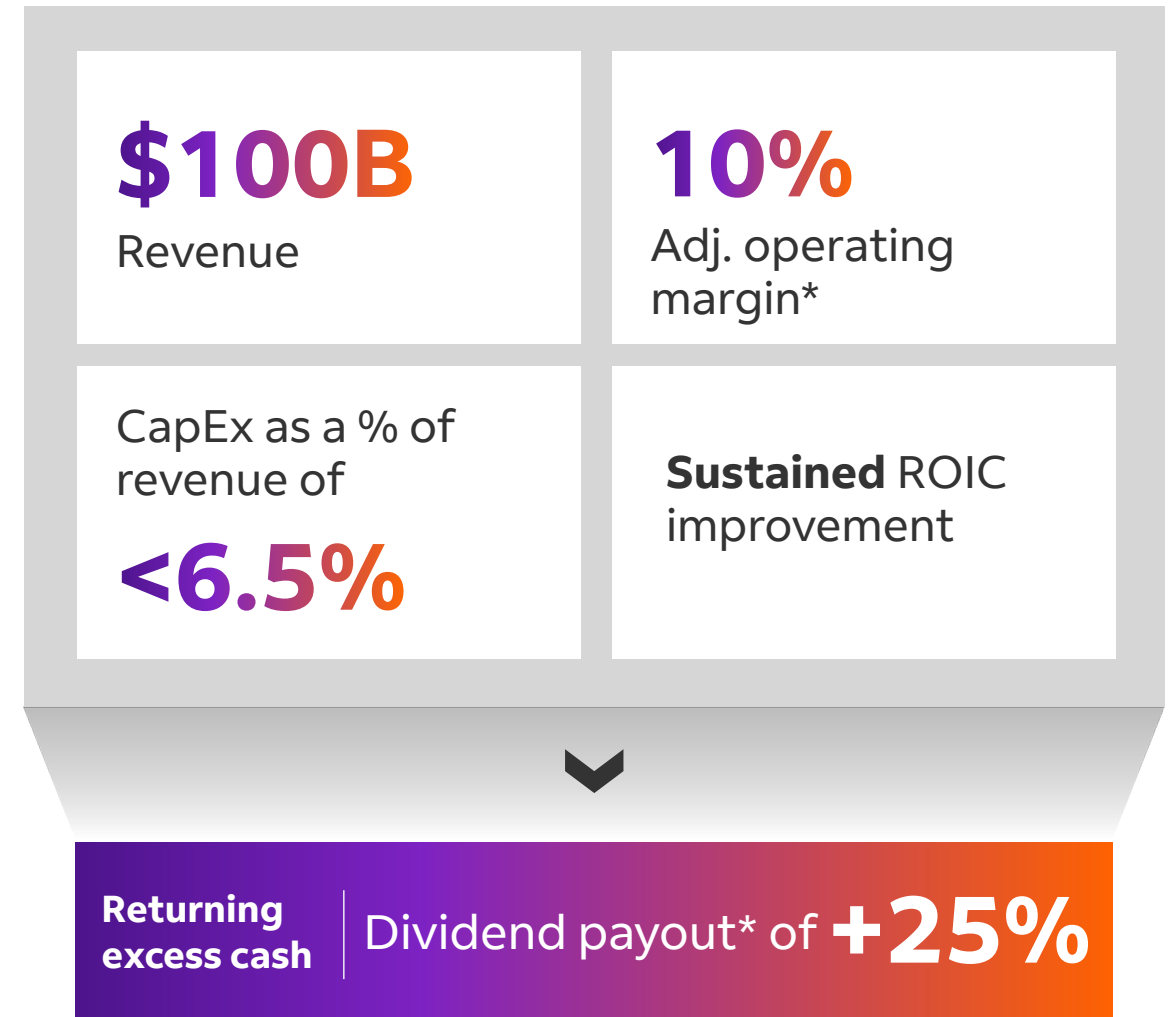
# New financial framework

## Potential tailwinds:

- Normalized e-commerce growth
- Improved Asia-Pacific trade flows
- Europe stabilization
- Growth increases in key segments

## Potential headwinds:

- Timing of demand growth
- Inflation
- Interest rates
- Geopolitics



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

# Aligning capital returns and performance with long-term stockholder interests

Committed to lowering capital intensity

**Declining CapEx as % of revenue**

in FY24 and FY25

Raising fiscal 2024 dividend

**~10% to \$5.04** per share

Modifying executive compensation program to include

**Return on invested capital**







## Q&A



R. Brad Martin

Vice Chairman of the Board



# Raj Subramaniam

President & Chief Executive Officer





Thank you.

**FedEx**®








# Appendix



# **DRIVE** → Evolving the framework for One FedEx

**New framing** of our *DRIVE* domains

## Domain Executive Sponsors

Surface Network (U.S. & Canada)	Network 2.0	Air & International Network		G&A	Customer
 John Smith		 Richard Smith	 Karen Reddington	 Mike Lenz	 Brie Carere
<ul style="list-style-type: none"><li>• Safety</li><li>• Linehaul / Network</li><li>• Dock</li><li>• Pickup &amp; Delivery</li><li>• U.S. / Canada Express Ops</li></ul>	<ul style="list-style-type: none"><li>• Network 2.0</li></ul>	<ul style="list-style-type: none"><li>• Air Network</li><li>• Global Clearance</li></ul>	<ul style="list-style-type: none"><li>• Europe</li><li>• EU Domestic</li></ul>	<ul style="list-style-type: none"><li>• Procurement</li><li>• Functional Excellence / IT</li></ul>	<ul style="list-style-type: none"><li>• Commercial</li><li>• Service Excellence</li></ul>

# Appendix

Our fiscal 2023 earnings per share (EPS) forecast is a non-GAAP financial measure because it excludes fiscal 2023 mark-to-market (MTM) retirement plans accounting adjustments, estimated costs related to business optimization initiatives in fiscal 2023, and fiscal 2023 business realignment costs. We are unable to predict the amount of the MTM retirement plans accounting adjustments, as they are significantly affected by changes in interest rates and the financial markets, so such adjustments are not included in our fiscal 2023 EPS forecast. For this reason, a full reconciliation of our fiscal 2023 EPS forecast to the most directly comparable GAAP measure is impracticable. It is reasonably possible, however, that our fiscal 2023 MTM retirement plans accounting adjustments could have a material effect on our fiscal 2023 consolidated financial results. The table included below titled “FY23 earnings per share forecast” outlines the effects of the items that are excluded from our FY23 EPS forecast, other than the MTM retirement plans accounting adjustments.

We have also provided forecasts for consolidated adjusted operating margin and adjusted dividend payout ratio. Our adjusted dividend payout ratio is calculated as cash dividends paid on our common stock divided by prior-year adjusted consolidated net income. We do not provide a reconciliation of these non-GAAP financial forecasts to the most directly comparable GAAP forecasts because we are unable to provide a meaningful or accurate calculation or estimation of reconciling items without unreasonable effort. For example, we will incur costs during future periods related to business optimization initiatives as well as other costs that are unrelated to our core operating performance and/or extraordinary in nature. We are currently unable to forecast the amount and timing of these additional costs. Additionally, we are unable to predict the amount of future MTM retirement plans accounting adjustments for the reasons discussed above. These items are inherently uncertain and depend on various factors, many of which are beyond our control, and as such, any associated estimate and its impact on our GAAP financial measures could vary materially.

Our non-GAAP financial measures are intended to supplement and should be read together with, and are not an alternative or substitute for, and should not be considered superior to, our reported financial results. Accordingly, users of our financial statements should not place undue reliance on these non-GAAP financial measures. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies’ non-GAAP financial measures having the same or similar names.

# FY23 earnings per share forecast

\$M, except EPS	Adjustments	Diluted Earnings Per Share
<b>Earnings per diluted share (non-GAAP)<sup>1</sup></b>		<b>\$13.80 to \$14.40</b>
<b>Business optimization costs</b>	<b>250</b>	
Income tax effect <sup>2</sup>	(60)	
Net of tax effect	\$190	0.74
<b>Business realignment costs</b>	<b>20</b>	
Income tax effect <sup>2</sup>	(5)	
Net of tax effect	\$15	0.06
<b>Earnings per diluted share with adjustments (non-GAAP)<sup>1</sup></b>		<b>\$14.60 to \$15.20</b>

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



# Footnotes for non-GAAP reconciliation slides

1. The MTM retirement plans accounting adjustments, which are impracticable to calculate at this time, are excluded
2. Income taxes are based on the company's approximate statutory tax rates applicable to each transaction