

<b>Company: FedEx Corporation</b>	<b>Ticker: FDX</b>	<b>Current Price: \$ 242.69</b>	<b>Industry: Industrials</b>	<b>Sub Industry: Integrated Freight and Logistics</b>
Target Price: \$277.23	TTM P/E: 12.88		Beta: 1.30	Market Cap: \$64.47B
Stop Loss: \$194.15	Forward P/E: 12.68		Credit Rating: BBB	Avg Vol (12 M): 1.028M
52 Week High/ Low: \$319.90 / \$ 216.34	EPS: \$17.68		Rating Outlook: Stable	Dividend Yield: 1.15%

#### Company Background:

**FedEx Corporation** is an international logistics and transportation provider for businesses, consumers, and governments alike. FedEx provides a number of services such as logistics planning, "last mile" delivery, "LTL" transit, and international and regional express shipping. Their subsidiaries include FedEx Express, FedEx Ground, FedEx Freight, FedEx Logistics, FedEx Office, and FedEx Services.

#### Industry Outlook:

FedEx operates in the Courier & Local Delivery Service industry. This industry is largely dominated by two companies in the United States, FedEx and UPS, which make up over 82% of the industry's revenue. Internationally, Deutsche Post Group (DHL) is also a significant player. This industry saw a great deal of success over the past 20 or so months as the increased demand for e-commerce and contactless delivery drove deliveries for packaged goods. There are high barriers to entry in this industry as the key players cover nearly 100% of all businesses and residencies in the United States and almost every country on the globe. Key external drivers for this industry are the number of businesses and e-commerce sales growth. As the demand for e-commerce continues in the future, setting up an individual business will become easier and drive further demand for shipping products. As a result, players in this industry will have to innovate their services and become more autonomous, efficient, and environmentally friendly.

#### Investment Thesis:

FDX is one of the strongest and most prominent players within its industry. We believe that FedEx is a great investment opportunity for the following reasons. First, FDX has been making significant investments in technology and innovations to increase efficiency and reduce costs related to their business. Secondly, they are positioned for significant growth due to acquisitions, pent up demand due to Covid-19, Globalization, and e-commerce growth. Lastly, we believe that FedEx truly has a superior transportation and logistics network worldwide. They currently operate in almost every country on the planet and are expanding their infrastructure to provide truly seamless shipping for their customers.

#### Investment Risks:

- **Technology Risk-** FedEx's logistic and transportation network relies heavily on data and information exchange. Due to this importance, this places their operations as significant risk for cyber attacks and software malfunction. Due to these possibilities, FedEx has invested in state of the art cybersecurity protection and insurance from loss of operations.
- **Contract Risk-** The FedEx Corporation has a significant revenue source from their contract with the United States Postal Service. Due to the risk of non-renewal, FedEx is diversifying their revenue stream to divert the importance of said contract.
- **Labor Shortage-** Dependence on sustainable labor supply could place FedEx in an undesirable state if the labor market becomes tight. Almost 49% of their costs come from their salaries and employee benefits.
- **Political Risk-** 30% of revenues come from international revenue streams, meaning this places FedEx at trade risk between countries. Trade restrictions or taxes could significantly reduce demand for exporting/importing goods to different nations. To mitigate this risk, FedEx is diversifying its revenue streams across the globe to supply a variety of services and geographic locations.

#### 3-5 take away from last quarter investor call transcript:

- Began operations at a state-of-the-art hub in California that has automated package sorting to be more efficient in the face of boosted e-commerce demand
- Revenue is expected to pass \$90 billion for the first time in FY22
- Shipping rates will increase by an average of 5.9% in January 2022 to offset increased costs
- Expect global air capacity to fully recover by 2024
- B2B volumes continue to recover as inventories get replenished

#### Financial Performance:

	2016	2017	2018	2019	2020	2021	Q1-2022
Revenue	50.37B	60.32B	65.50B	69.69B	69.22B	83.96B	20.92B
Operating Profit	14.46B	16.78B	17.80B	18.18B	16.96B	21.75B	4.48B
Net Income	1.82B	2.997B	4.57B	.540B	1.28B	5.23B	1.11B
Revenue Growth %	6.14	19.76	8.51	6.48	-68	21.23	13.00
EBITDA%	11.33%	12.36%	15.88%	14.90%	14.27%	15.69%	12.00%
Operating Profit %	9.96%	8.95%	8.75%	7.49%	5.66%	6.01%	6.79%
Net Income Margin	6.00%	5.40%	6.40%	5.90%	3.6%	5.8%	5.48%
D/E	.99	.92	.85	.99	1.96	1.50	1.49
EPS (Diluted)	10.80	12.01	15.31	15.57	9.51	18.23	4.37
PE Ratio	15.28	16.14	16.27	9.91	13.73	17.21	12.88
Current Ratio	3.91	1.59	1.39	1.45	1.58	1.51	1.51
ROE	13.20%	20.08%	25.77%	2.91%	7.13%	24.64%	23.29%
ROA	3.95%	6.34%	9.06%	1.01%	2.01%	6.69%	6.38%
Dividend Per share	1.00	1.60	2.00	2.60	2.60	2.60	.75
FCF	(1.25)B	(2.45)B	4.29B	3.76B	2.29B	5.79B	420M

#### Discounted Cash Flow

	2016-2021	2022-2032
Avg Revenue growth	11.07%	6.30%
Avg Gross Margin	26.7%	25.76%
Avg EBIT Margin	9.16%	9.40%
Avg NOPLAT Margin	8.07%	8.07%
Avg FCF / Margin	3.61%	4.53%
Tax Rate		21.87%
Hurdle Rate		9.00%
Perpetuity growth rate		2.50%

#### Analyst Opinion

Buy:42	Hold: 16	Sell:0
	Rating	Target
S&P Net Advantage	Strong Buy	\$313.80
Bloomberg	Buy	\$300.18
Yahoo Finance	Buy (2.1)	\$302.97

**Relative Valuation**

	FDX	UPS	DHL	Peer Avg
P/E (Current)	12.88	18.69	14.72	15.43
P/B	2.67	15.10	4.14	7.30
Dividend Yield	1.15%	1.95%	2.33%	1.81%
PEG Ratio	2.69	22.51	1.71	8.97
EPS	18.16	8.23	2.81	9.73
Revn Grth	21.3%	14.2%	5.5%	13.67%
NI Grth	95.9%	9.5%	34.3%	46.57%
Operating Margin	6.01%	10.3%	7.58%	7.96%
Debt / Equity	150.87	4,148	135.27	1478.047
Market Cap	64.47B	181.95B	71.84B	106.09B
Revenue TTM	86.64B	94.41B	92.92B	91.32B
Net Income TTM	4.79B	9.83B	5.69B	6.77B
FCF TTM	3.39B	8.17B	7.78B	6.45B

\*Industry Avg. includes companies listed

**Total Return %**

	FDX	Industrials Sec.	S&P 500
YTD	-4.15%	19.15%	26.95%
2020	70.21%	11.06%	17.35%
Last 3 Years	8.49%	16.66%	71.29%
Last 5 Years	26.71%	14.47%	111.67%

**CSR Characteristics**

	FDX	Peers
ESG Disclosure:	64.90	59.50
Governance Disclosure Score	66.07	71.43
Social Disclosure Score	43.86	52.63
Environmental Disclosure Score	73.64	57.36

Prepared by Nick Kinsella and Devin Stachelsky using Bloomberg, Value Line, S&P Net Advantage, Morning Star, Yahoo Finance