

Company: FedEx	Ticker: FDX	Price: \$251.55	Industry: Industrials
Target Price: \$251.55 Stop Loss: \$198.42 52 Week High/Low: \$285.53/\$183.59	TTM P/E: 14.80 Forward P/E: 14.19 EPS (FY23): 3.55	Beta (5Y): 1.22 Credit Rating: Baa2 (Moody's) Rating Outlook: Stable	Market Cap: \$62.41B Avg. Vol: 1.76 Dividend Yield: 1.99%

Company Background:

FedEx (FDX), established in 1971 and headquartered in Memphis, TN, stands as a global leader in providing diverse transportation, e-commerce, and business services. With an extensive network, FedEx offers integrative business solutions that span the globe. The company has an impressive annual revenue exceeding \$88B, a testament to its widespread impact and reliability in the logistics and transportation industry. Operating collectively and embracing digital innovation, FedEx seamlessly delivers integrated solutions through its collaborative operating companies, showcasing a commitment to efficiency and excellence in meeting the evolving needs of businesses worldwide.

Industry Outlook:

The Integrated Freight & Logistics industry, dominated by major players like FedEx, contributes over 82% of the sector's revenue, indicating a highly concentrated market. Segmented into Business Service Centers & Postal Shipping, where FedEx plays a crucial role, and Freight Packing & Logistics Services, the industry exhibits significant barriers to entry, covering nearly 100% of businesses and residences. The sector's trajectory is strongly influenced by the rapid growth of e-commerce, with an expected 90% of parcel industry expansion tied to this sector. Projected to grow at a 4-5% Compound Annual Growth Rate (CAGR) from FY22 to FY26, the industry remains resilient, buoyed by an average of 4.4 million businesses starting annually in the U.S. Notably, e-commerce sales constituted 15.6% of total U.S. sales in Q3 FY23, highlighting the pivotal role of industry leaders like FedEx in facilitating efficient goods movement in a dynamic business landscape.

Investment Thesis:

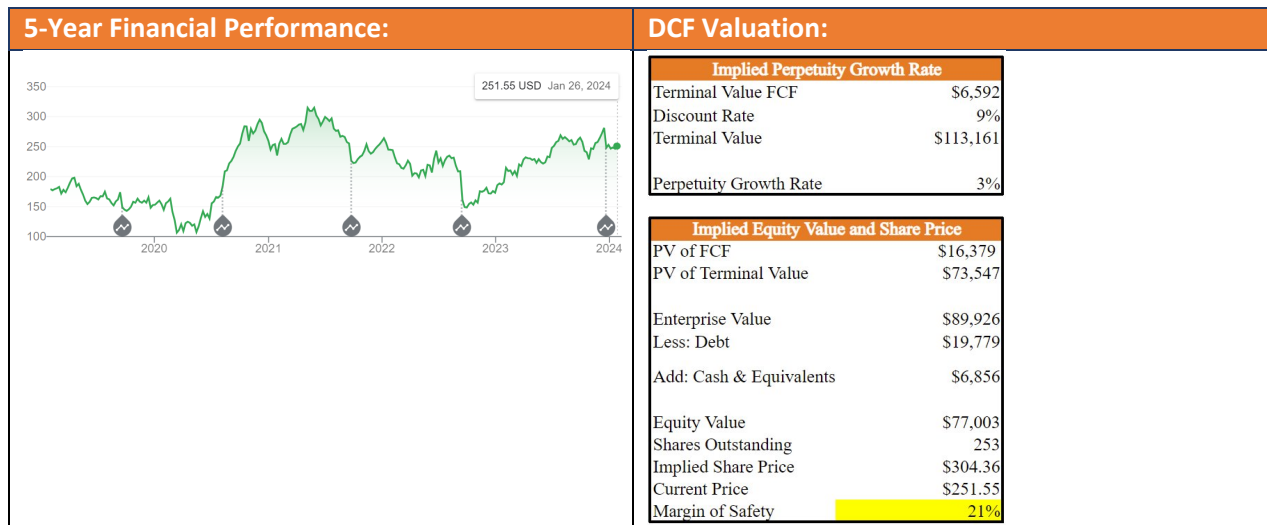
FedEx stands as a compelling investment opportunity, strategically positioned to capitalize on the substantial and expanding market. The continuous growth of e-commerce is a key driver, fueling parcel volume expansion and presenting a profitable share opportunity in the Ground market. Additionally, the sustained demand for B2B shipping further solidifies the company's revenue streams. Through the DRIVE cost-savings initiative, FedEx is actively optimizing capital efficiency and profitability. The consolidation of business segments into FedEx Corp is expected to yield \$6B in savings, offering a clear pathway for significant margin expansion. This initiative, focused on reducing the structural cost base and optimizing the network for lower cost-to-serve, positions FedEx for sustained success and enhanced shareholder value.

Investment Risks:

FedEx grapples with three primary risks. Firstly, with 28% of its revenue dependent on international streams, the company faces potential trade risks, including restrictions or taxes. To mitigate this, FedEx actively diversifies its revenue streams globally, ensuring a robust and varied income base. Secondly, in response to the challenge of adapting to reduced demand, the company leverages advanced strategies such as DRIVE to ensure cost-effectiveness and optimize operational performance. Lastly, to manage political risks associated with global trade, FedEx proactively diversifies its revenue streams and offers a variety of services across different geographic locations, enhancing its resilience in the face of uncertainties.

3-5 takeaways from last quarter investor call transcript:

- Expected to achieve \$4B in total DRIVE savings for FY25 through the implementation of the air network redesign as a pivotal element in the DRIVE execution
- Achieved a 57% increase in adjusted operating income in the quarter, driven by enhanced yields, cost reductions, and higher volumes, while realizing a 2% decrease in cost per package, particularly within the Ground segment
- Successfully retaining the gained share from UPS in the ground segment
- Majority of the adjusted operating expense decline in the first half was driven by lower volume-related expenses



Comparable Companies:		ESG:																																																																							
<table border="1"> <thead> <tr> <th rowspan="2">Ticker</th> <th rowspan="2">Company Name</th> <th colspan="5">Market Data</th> <th colspan="2">Financial Data</th> </tr> <tr> <th>Price (\$/Share)</th> <th>Market Cap (\$M)</th> <th>Net Debt (\$M)</th> <th>EV (\$M)</th> <th>Sales (\$M)</th> <th>EBITDA (\$M)</th> <th>Net Income (\$M)</th> </tr> </thead> <tbody> <tr> <td>FDX</td> <td>FedEx</td> <td>251.55</td> <td>\$62,406</td> <td>\$19,779</td> <td>\$101,423</td> <td>\$93,512</td> <td>\$9,977</td> <td>\$3,826</td> </tr> <tr> <td>SUPS</td> <td>United Parcel Service</td> <td>159.71</td> <td>\$133,395</td> <td>\$18,162</td> <td>\$137,273</td> <td>\$100,338</td> <td>\$16,972</td> <td>\$11,548</td> </tr> <tr> <td>SDHL</td> <td>Deutsche Post DHL Group</td> <td>48.99</td> <td>\$48,784</td> <td>\$17,980</td> <td>\$71,349</td> <td>\$94,776</td> <td>\$10,028</td> <td>\$5,359</td> </tr> <tr> <td>SAMZN</td> <td>Amazon</td> <td>157.75</td> <td>\$1,320,069</td> <td>\$101,896</td> <td>\$1,722,995</td> <td>\$513,983</td> <td>\$54,169</td> <td>-\$2,722</td> </tr> <tr> <td></td> <td>Average</td> <td>154.5</td> <td>\$391,163</td> <td>\$39,454</td> <td>\$508,260</td> <td>\$200,652</td> <td>\$22,787</td> <td>\$4,503</td> </tr> <tr> <td></td> <td>Median</td> <td>158.73</td> <td>\$97,900</td> <td>\$18,971</td> <td>\$119,348</td> <td>\$97,557</td> <td>\$13,500</td> <td>\$4,593</td> </tr> </tbody> </table>		Ticker	Company Name	Market Data					Financial Data		Price (\$/Share)	Market Cap (\$M)	Net Debt (\$M)	EV (\$M)	Sales (\$M)	EBITDA (\$M)	Net Income (\$M)	FDX	FedEx	251.55	\$62,406	\$19,779	\$101,423	\$93,512	\$9,977	\$3,826	SUPS	United Parcel Service	159.71	\$133,395	\$18,162	\$137,273	\$100,338	\$16,972	\$11,548	SDHL	Deutsche Post DHL Group	48.99	\$48,784	\$17,980	\$71,349	\$94,776	\$10,028	\$5,359	SAMZN	Amazon	157.75	\$1,320,069	\$101,896	\$1,722,995	\$513,983	\$54,169	-\$2,722		Average	154.5	\$391,163	\$39,454	\$508,260	\$200,652	\$22,787	\$4,503		Median	158.73	\$97,900	\$18,971	\$119,348	\$97,557	\$13,500	\$4,593	<p>FDX is dedicated to achieving carbon-neutral operations by 2040, showcasing a robust commitment to environmental sustainability. In line with their Diversity, Equity, and Inclusion (DEI) values, the company has contributed \$5.7 million to various non-profits. Notably, 1,362 participants in the U.S. and Canada completed the Leading With Safety program, highlighting FedEx's holistic approach to ESG principles, covering environmental goals, social responsibility, and safety initiatives.</p>	
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