FedEx Corporation

Fiscal Second Quarter 2025 Earnings | December 19, 2024

Jeni Hollander

VP of Investor Relations

Forward-Looking Statements and Non-GAAP Financial Measures

Certain statements in this presentation may be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act, such as statements regarding expected cost savings, the optimization of our network through Network 2.0, the planned tax-free full separation of the FedEx Freight business into a new publicly traded company (the "FedEx Freight Separation"), 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 optimize our network through Network 2.0, effectively respond to changes in market dynamics, and achieve the anticipated benefits of such strategies and actions; our ability to successfully implement the FedEx Freight Separation and achieve the anticipated benefits of such transaction; our ability to achieve our cost reduction initiatives and financial performance goals; the timing and amount of any costs or benefits or any specific outcome, transaction, or change (of which there can be no assurance), or the terms, timing, and structure thereof, related to our global transformation program and other ongoing reviews and initiatives; a significant data breach or other disruption to our technology infrastructure; damage to our reputation or loss of brand equity; our ability to remove costs related to services provided to the U.S. Postal Service ("USPS") under the contract for Federal Express Corporation to provide the USPS domestic transportation services that expired on September 29, 2024; our ability to meet our labor and purchased transportation needs while controlling related costs; failure of third-party service providers to perform as expected, or disruptions in our relationships with those providers or their provision of services to FedEx; the effects of a widespread outbreak of an illness or any other communicable disease or public health crises; 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 conflicts between Russia and Ukraine and in the Middle East; changes in fuel prices or currency exchange rates, including significant increases in fuel prices as a result of the ongoing conflicts between Russia and Ukraine and in the Middle East and other geopolitical and regulatory developments; the effect of intense competition; our ability to match capacity to shifting volume levels; 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; 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; labor-related disruptions; legal challenges or changes related to service providers contracted to conduct certain linehaul and pickup-and-delivery operations and the drivers providing services on their behalf and the coverage of U.S. employees at Federal Express Corporation 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 (including our Annual Report on Form 10-K for the fiscal year ended May 31, 2024, and subsequently filed Quarterly Reports on Form 10-Q), 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, successful completion of planned stock repurchases, and no additional adverse economic or geopolitical developments. FedEx's earnings per share and effective tax rate forecasts are based on current law and related regulations and guidance. This presentation should be reviewed in conjunction with our second quarter fiscal 2025 earnings release and webcast of the earnings presentation conference call, which are available on FedEx's website at investors.fedex.com.

Raj Subramaniam

President & CEO

FedEx Board has concluded that best path forward is to pursue a full separation of FedEx and FedEx Freight

1. Separation unlocks significant value by creating two industry-leading public companies
2. Will continue to enable commercial, operational, and technological cooperation
3. FedEx and FedEx Freight will benefit from enhanced focus and competitiveness
4. Both companies will be well capitalized, with flexibility to invest in profitable growth while continuing to return capital to stockholders

FedEx Freight: Creating a stand-alone leader in the LTL market

Competitive advantages

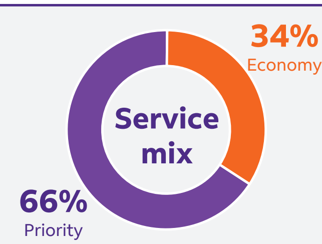
- **Largest LTL pure-play by market share, shipments, and door count**
- **Significant barriers to entry**
- **Superior speed and coverage across largest nationwide network**
- **Only LTL provider with both Priority and Economy services as standard offerings**
- **Exceptional financial profile with strong cash flow**

Business overview

Financial profile[1]

$9.4B
FY24 revenue

19.3%
FY24 op. margin



Operating highlights

92K Average daily shipments[2]	**25K** Door count	**~30K** Motorized vehicles

1. Based on Fiscal 2024 revenue for FedEx Freight segment (recast)
2. Average daily shipments for Q2 YTD Fiscal 2025

FedEx Freight: Significant operational value creation opportunities with long-term industry tailwinds

Strengthening leading customer value proposition

Expanding our dedicated LTL salesforce, driving enhanced customer service offering

Enhanced LTL-specific pricing and invoicing system enabling faster speed-to-market, intuitive contracts, and market-specific capabilities

Continued collaboration opportunities between FedEx Freight and FedEx to drive network efficiencies

LTL-focused automation enabling greater accuracy and reduced vendor spend

LTL market dynamics

Increasing industry consolidation

- Top 5 carriers own 50% of share
- Structural yield stabilization

Shifting competitive dynamics

- Reduced industry capacity
- Increased price discipline
- More focus on service levels

Maintaining customer, operational, and technology cooperation

Commercial and Technology agreements

- Commercial agreements will create seamless experience for customers
- Shared data and technology agreements will enable continuity of service

Operational capabilities

- FedEx Freight to continue providing linehaul for FedEx, including Tricolor, Peak season, and drayage support
- Requires minimal changes, with FedEx Freight already receiving direct financial benefit via intercompany agreements

FedEx Freight planning to retain its name, leveraging the company's strong reputation and familiarity

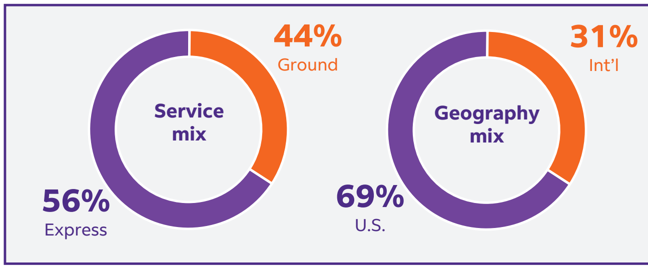
FedEx: A market leader with unmatched global network

Competitive advantages

- **Global leader, providing rapid, reliable, definite delivery to more than 220 countries and territories**
- **Deliver ~17M packages each business day**
- **Connect more than 99% of the world's GDP**
- **Transport approximately $2T worth of goods every year by connecting 3M shippers to 225M consumers**
- **Generate over 1 petabyte of data daily creating significant data-driven insights**

Separation impact on FedEx

FedEx portfolio post-separation[1]



Financial impact from separation

- Build on strong track record of profitable growth
- Maintain investment grade rating and strong balance sheet
- Strategically reinvest in market-leading positions while reducing capital intensity and increasing capital returns

1. Based on Fiscal 2024 revenue for Federal Express segment (recast)

FedEx: Advancing our transformation

Separation represents another step in our transformation to create the most flexible, efficient, and intelligent network

Amplify transformation

- **DRIVE** enabling $4B in structural cost savings by end of FY25
- **Network 2.0** optimization and efficiency; target $2B in cost savings by end of FY27
- **Tricolor** global air network redesign

Strengthen leading value proposition

- Deliver outstanding service
- Differentiation in premium segments
- Increased focus on higher-yielding services
- Building technology ecosystem

Optimize capital allocation decisions

- Maintain strong balance sheet and investment-grade profile
- Target high ROIC investments and reduce capital intensity
- Greater flexibility around stockholder return program

Next steps

- Tax-free separation expected to be executed within 18 months
- Separation Management Office preparing each company for transition
- Expect to share key separation milestones along the way
- Maintaining business-as-usual standard to ensure we continue to deliver the highest quality service to our customers

Q2 FY25 overview

Q2 FY25 Results	
Revenue	$22B (1%) YoY
Adjusted operating income*	$1.4B (3%) YoY
Adjusted operating margin*	6.3% (10) bps
Adjusted diluted EPS*	$4.05 2% YoY

- Delivered sequential quarterly improvement in DRIVE savings and consolidated adjusted operating profit*
- Federal Express adjusted operating profit* improved YoY despite the challenging demand environment and Q2 headwinds (USPS, Cyber Week timing shift)
- Continued weakness in the industrial economy pressured B2B volumes within U.S. domestic package and LTL markets
- Revising our FY25 adjusted diluted EPS outlook range to $19-$20*

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

DRIVE: Unlocking significant value in Europe

DRIVE, our foundational framework, is leading to better business outcomes

Improved YoY financial performance in Europe

- Improving service and gaining market share

Common data platform implementation

- Improved routing led to reduction in touches on intra-European packages
- Platform is enhancing productivity and service

Dimensional pricing and non-stackable surcharges

- Implemented technology in Europe to standardize process for capturing package dimensions and weight
- Expected to benefit operating profit over $50M in FY25

Continue to expect $600 million of cumulative DRIVE savings from Europe in FY25 compared to FY23 baseline

Transforming our network

Grand opening at Memphis World Hub

- New state-of-the-art sorting facility opened in October
- Key milestone in modernization efforts to improve employee experience and customer service while increasing hub efficiency

Network 2.0 roll out continues

- 200 optimized facilities across U.S. and Canada are now handling integrated ground and express volume

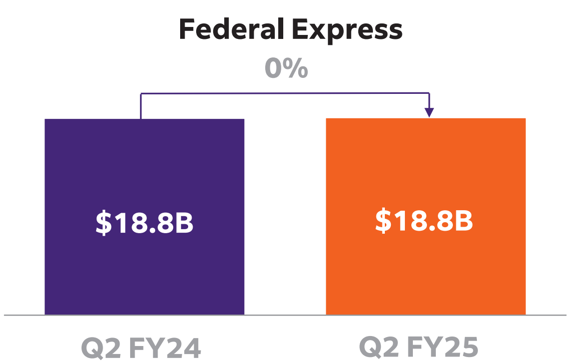
Tricolor driving efficiency and growth

- Our international air network design strategy is improving density and asset utilization across the enterprise

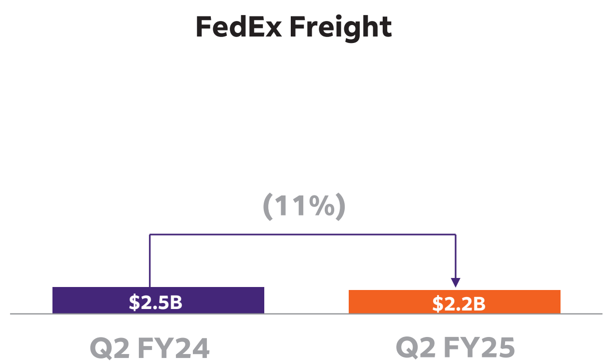
Brie Carere

EVP & Chief Customer Officer

Transportation segment revenue performance

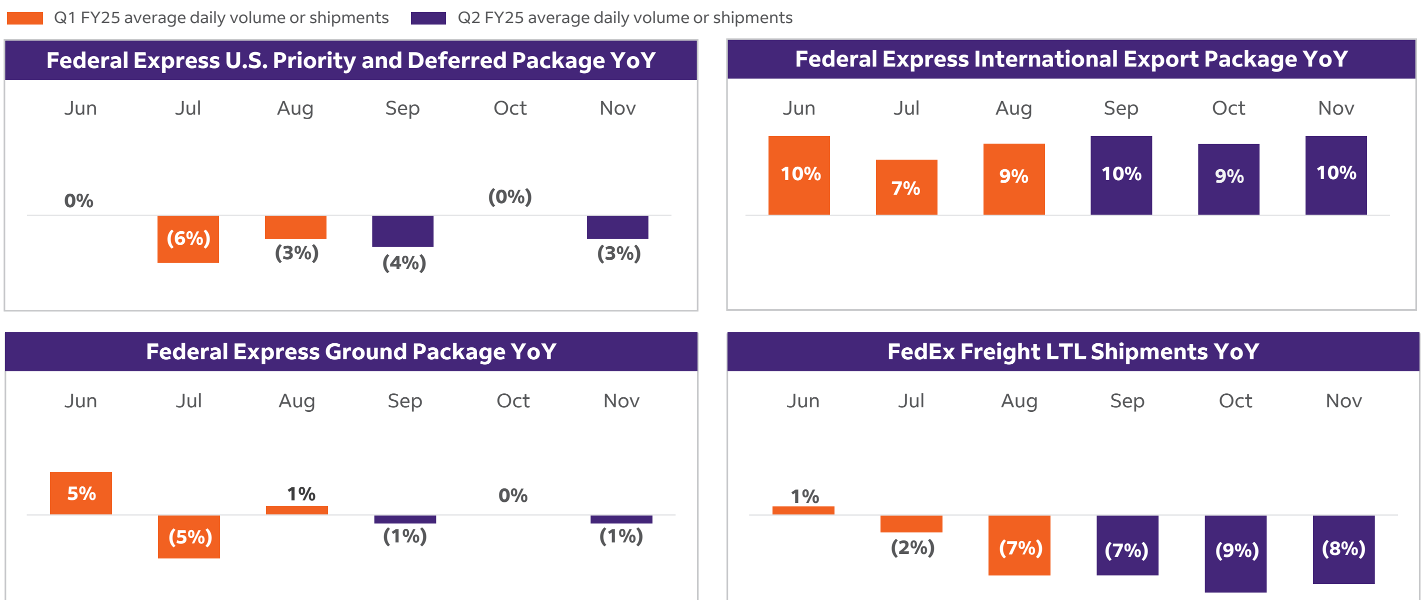


- Improved base yields and increased demand for international export parcel supported results, offset by lower U.S. domestic parcel and freight volume
- U.S. manufacturing PMI has indicated a contraction 24 of the last 25 months, reflecting soft B2B demand environment



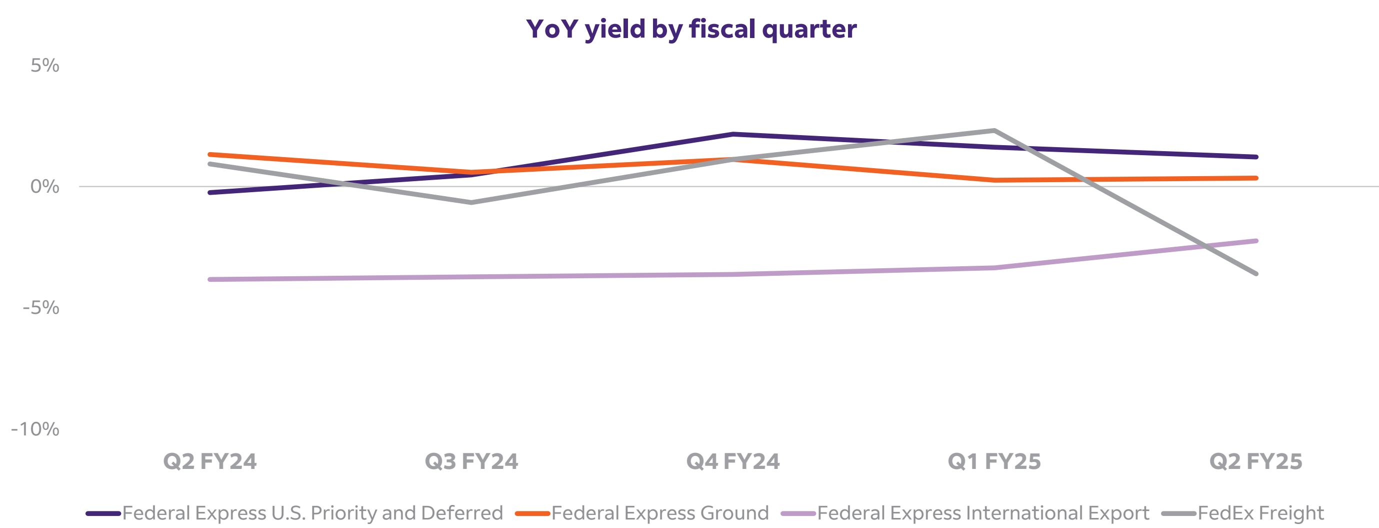
- Decrease driven by lower average daily shipments, fuel surcharges, and weight per shipment
- YoY revenue comparison challenged by last year's Yellow volume acquisition

Volume trends by service



Transportation segment yield performance

Revenue quality remains a priority



Strategic commercial priorities

Driving long-term profitable revenue growth

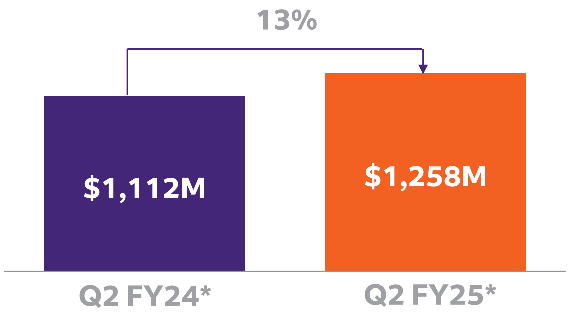
- B2B: Healthcare and automotive
- U.S. domestic e-commerce
- Global air freight market
- Europe

John Dietrich

EVP & Chief Financial Officer

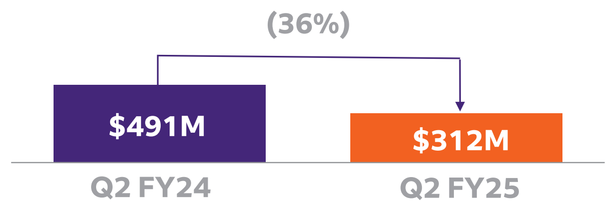
Transportation segment operating income performance

Federal Express



- Increase primarily driven by DRIVE structural cost savings, base yield improvement, and increased international export demand
- Inflationary pressures, USPS contract expiration, and Cyber Week timing shift were partial offsets

FedEx Freight



- Decrease driven by lower average daily shipments, fuel surcharges, and weight per shipment partially offset by cost management and continued base yield growth
- ~$30M headwind due to gain on facility sales in Q2 FY24

Federal Express delivered 13% adj. operating income improvement*, despite significant headwinds and flat revenue growth

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

DRIVE

Delivered $540M of structural cost savings in Q2; quarterly savings to continue building sequentially through FY25

Surface Network

- Realized $150M in cost savings in Q2
- Maximizing rail utilization
- Continued redesign of our surface linehaul network

Air Network & Int'l.

- Realized $180M in cost savings in Q2
- Structural cost savings driven by digital tools enabling greater network efficiencies
- Continued network rationalization

G&A Savings

- Realized $210M in cost savings in Q2
- Optimizing our IT and back-office functions
- Reducing outside vendor spend

On track to achieve $4B of total savings through DRIVE in FY25 compared to FY23 baseline

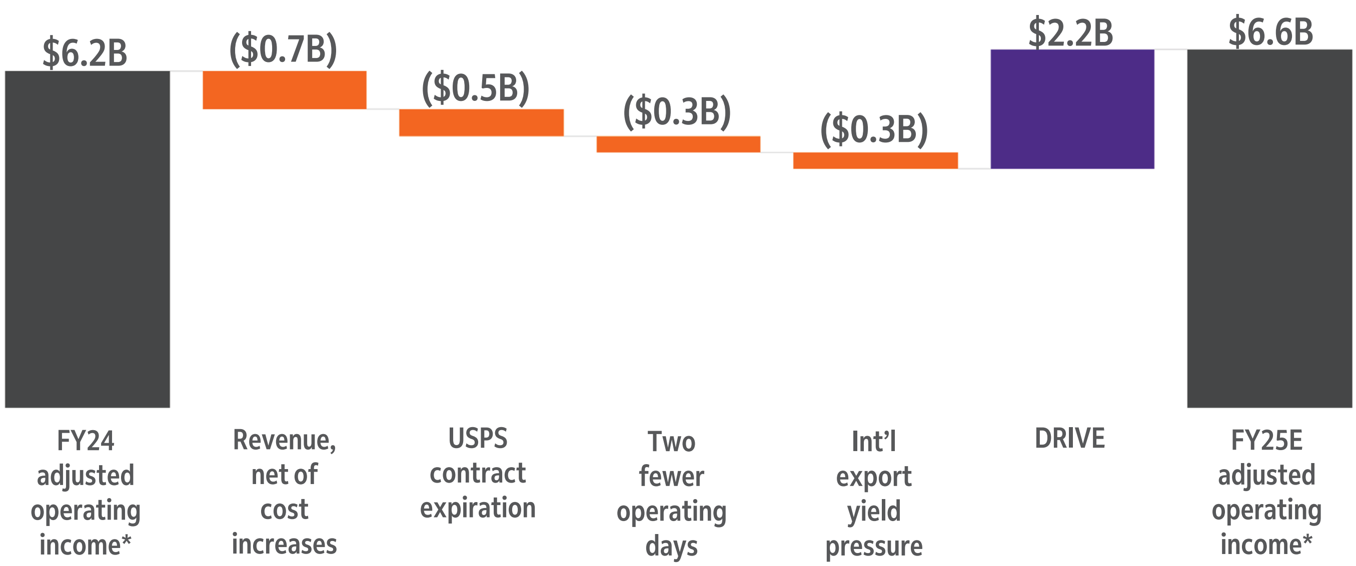
Updated FY25 outlook

	Sep 2024	Dec 2024
Revenue	Low single-digit percentage growth	Approximately Flat
Adjusted Diluted EPS*	$20 - $21	$19 - $20
Effective tax rate*	24.5%	24.0%
Capital spend	$5.2B	$5.2B

- Revising FY25 revenue, adjusted diluted EPS*, and ETR outlook
- Global industrial economy continues to constrain demand
- Midpoint of adjusted diluted EPS* range assumes no macroeconomic improvement and the pricing environment remains competitive
- USPS headwind expected to increase sequentially in Q3 and lessen in Q4
- Expect Q4 to be the strongest earnings quarter of FY25

*Non-GAAP financial measure; prior to mark-to-market retirement plans accounting adjustments, which are impracticable to calculate at this time. See appendix for more information.

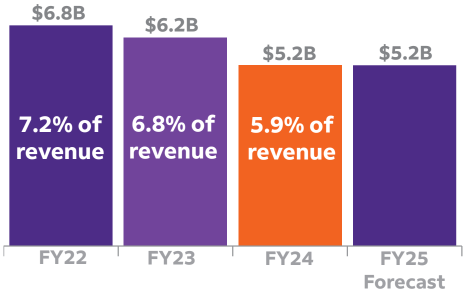
Illustrative adjusted operating income* bridge based on the midpoint of FY25 adjusted diluted EPS* outlook

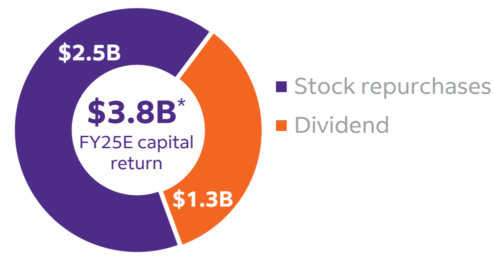


*Non-GAAP financial measure; see appendix for more information

Capital allocation priorities

Continuing to reduce capital intensity while increasing capital returns





Lowering capital spend

- Q2 CapEx of $820M; anticipate FY25 CapEx to be flat year-over-year at $5.2B
- Planning for lower annual aircraft CapEx; expected to be ~$1B in FY26

Enhancing capital return to stockholders

- Completed $1B stock repurchases in Q2 FY25 and $2B YTD
- Additional $500M stock repurchases planned in second half of FY25
- Expect continued strong levels of adjusted free cash flow**
- Expect to return $3.8B to stockholders in FY25

*Reflects FedEx's share repurchase and dividend expectations for FY25. Each quarterly dividend payment is subject to review and approval by our Board of Directors
**Non-GAAP financial measure

Non-GAAP financial measures

FY25 EPS and ETR forecasts

Our fiscal 2025 diluted earnings per share ("EPS") forecast is a non-GAAP financial measure because it excludes fiscal 2025 mark-to-market ("MTM") retirement plans accounting adjustments and estimated costs related to business optimization initiatives in fiscal 2025. Our fiscal 2025 effective tax rate ("ETR") forecast is a non-GAAP financial measure because it excludes the effect of fiscal 2025 MTM retirement plans accounting adjustments. 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 2025 EPS and ETR forecasts. For this reason, a full reconciliation of our fiscal 2025 EPS and ETR forecasts to the most directly comparable GAAP measures is impracticable. It is reasonably possible, however, that our fiscal 2025 MTM retirement plans accounting adjustments could have a material effect on our fiscal 2025 consolidated financial results and ETR. The table included below titled "FY25 earnings per share forecast" outlines the effects of the items that are excluded from our FY25 EPS forecast, other than the MTM retirement plans accounting adjustments.

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.

Q2 FY25 reconciliation for FedEx Corporation

Dollars in millions, except EPS	Operating Income	Operating Margin	Income Taxes[1]	Net Income[2]	Diluted Earnings Per Share
GAAP measure	$1,052	4.8%	$240	$741	$3.03
Business optimization costs[3]	326	1.5%	77	249	1.02
Non-GAAP measure	$1,378	6.3%	$317	$990	$4.05

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

Q2 FY25 reconciliation for Federal Express segment

Dollars in millions	Operating Income	Operating Margin
GAAP measure	$1,052	5.6%
Business optimization costs	206	1.1%
Non-GAAP measure	$1,258	6.7%

Q2 FY24 reconciliation for FedEx Corporation

Dollars in millions, except EPS	Operating Income	Operating Margin[4]	Income Taxes[1]	Net Income[2]	Diluted Earnings Per Share
GAAP measure	$1,276	5.8%	$302	$900	$3.55
Business optimization costs[3]	145	0.7%	35	110	0.44
Non-GAAP measure	$1,421	6.4%	$337	$1,010	$3.99

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

Q2 FY24 reconciliation for Federal Express segment

Dollars in millions	Operating Income	Operating Margin
GAAP measure	$1,035	5.5%
Business optimization costs	77	0.4%
Non-GAAP measure	$1,112	5.9%

Q1 FY25 reconciliation for FedEx Corporation

Dollars in millions, except EPS	Operating Income	Operating Margin	Income Taxes[1]	Net Income[2]	Diluted Earnings Per Share
GAAP measure	$1,080	5.0%	$262	$794	$3.21
Business optimization costs[3]	128	0.6%	30	98	0.39
Non-GAAP measure	$1,208	5.6%	$292	$892	$3.60

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

Q1 FY25 reconciliation for Federal Express segment

Dollars in millions	Operating Income	Operating Margin
GAAP measure	$953	5.2%
Business optimization costs	43	0.2%
Non-GAAP measure	$996	5.4%

FY25 earnings per share forecast

Dollars in millions, except EPS	Adjustments	Diluted Earnings Per Share
Earnings per diluted share before MTM retirement plans accounting adjustments (non-GAAP)[5]		$16.45 to $17.45
Business optimization costs	$815	
Income tax effect[2]	(195)	
Net of tax effect	$620	2.55
Earnings per diluted share with adjustments (non-GAAP)[5]		$19.00 to $20.00

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

FY25 outlook midpoint operating income forecast

Dollars in millions	
Operating income (GAAP measure)	$5,785
Business optimization costs	815
Adjusted operating income (non-GAAP)	$6,600

FY24 reconciliation for FedEx Corporation

Dollars in millions	Operating Income
GAAP measure	$5,559
MTM retirement plans accounting adjustment[6]	—
Asset impairment charges[7]	157
Business optimization costs[3]	582
Remeasurement of state deferred income taxes under one FedEx structure[8]	—
FedEx Ground legal matter[8]	(57)
Non-GAAP measure	$6,241

3,6,7,8 See "Footnotes for Non-GAAP Reconciliation Slides" below for details

Footnotes for non-GAAP reconciliation slides

1. Income taxes are based on the company's approximate statutory tax rates applicable to each transaction.
2. Effect of "total other (expense) income" on net income amount not shown.
3. These expenses were recognized at Federal Express, as well as Corporate, other, and eliminations.
4. Does not sum to total due to rounding.
5. The MTM retirement plans accounting adjustments, which are impracticable to calculate at this time, are excluded.
6. The MTM retirement plans accounting adjustment reflects the year-end adjustment to the valuation of the company's defined benefit pension and other postretirement plans.
7. These expenses were recognized at Federal Express.
8. These amounts were recognized at FedEx Corporate.