



FedEx (NYSE: FDX)

Industrials

April 15, 2022

Stock Rating:

BUY

Analysts

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Snapshot

DCF: \$263.93
DDM: \$123.03
Relative Valuation: \$286.74

Investment Thesis

We recommend a BUY rating for FDX, due to strong growth drivers in the near future. FedEx has faced limited market share growth recently from constraints in the labor force and supply chain issues. However, FedEx's scale and potential for international and e-commerce growth allows them to expand their consumer base going forward. Additionally, an overall growth in the economy will improve the current temporary problems caused by labor shortages and supply chain issues. This investment will offer a 28.3% upside for investors.

Investment Drivers

- Long-term expansion plans:** FedEx's potential development in the e-commerce space will be brought about by a \$7 billion total capital expenditure investment in 2022.
- Improving inflation and oil prices:** As the economy continues to grow post-pandemic, we will see continued growth in the industrial sector. Although inflation remains high, actions taken by the Fed and increased consumer spending will eventually lower inflation prices. We predict that impacts from the Russia conflict will slow this growth, but long-term, expenses for FedEx will not maintain this high.
- Growth within e-Commerce and international segments.** FedEx owning such a large quantity of air vehicles places its direct competitor UPS. This gives FedEx an advantage because they will be able to ship to overseas countries with much higher quantity. This fleet also allows FedEx to capitalize in e-Commerce by having more overnight delivery opportunities

Investment Risks

- Inflation and oil price volatility:** These increasing prices are in association with the Russia conflict and a post-pandemic economic recovery. This affects fuel expenses and other material costs for FedEx. If inflationary and supply chain pressures do not decrease as predicted, there will be continued increasing costs for FedEx's operations.
- Labor shortages:** If unemployment does not decrease as rapidly as predicted, FedEx's labor shortage issues will persist, which will affect the company resuming both domestic and international operations.
- Overly optimistic revenue growth:** If FedEx's 2022 revenue growth cannot be maintained and growth rates decline, our valuation will be inflated. This would lead the projected price to fall below our price target range.

Price Data

Current Price: \$205.75
52-Week Range: \$199.03 - \$319.90

Key Metrics

Market Capitalization (B): 52.68 B
Shares Outstanding (M): 259.18M
Beta: 1.278
WACC: 6.72%
Forward P/E: 13.9

Financial Overview

2021 Revenue: \$83,959
2022E Revenue: \$92,993
2021 Net Income: \$5,231
2022E Net Income: \$3,989

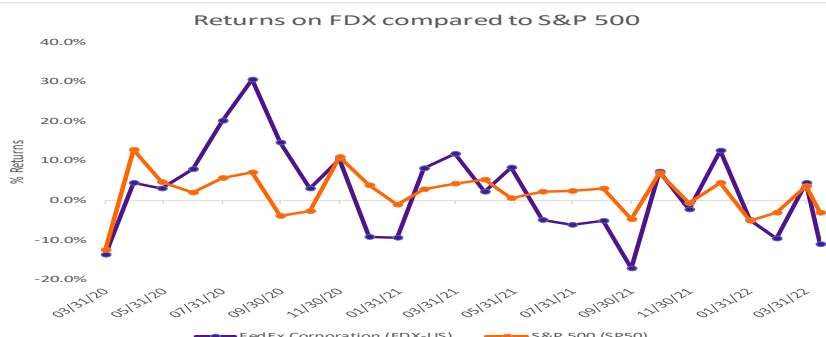
Key Ratios:

2021 ROE: 22.64%
2021 ROA: 7.08%
2021 EPS: 19.79
2021 Dividend Yield: 1.26%

Company Description

Fedex (NYSE:FDX) is a company engaged in e-commerce, transportation, and business services. It has four main operating segments: Ground, Express, Services, and Freight. Through a major air fleet for overnight delivery, FedEx is heavily pursuing success in this industry during the rise of e-commerce. The company was founded by Fredrick Smith in 1971 and is headquartered in Memphis, TN.

12-month Performance

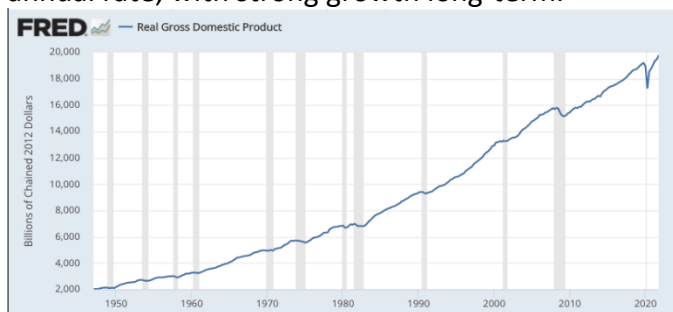


Economic Analysis

The COVID-19 pandemic has affected the economy as a whole by decreasing GDP growth in some time periods as well as increasing inflation. This has led to temporary labor shortages, material prices, and supply chain backlogs, overall affecting consumer confidence. However, recent GDP growth estimates and CPI Index reports demonstrate that the economy will be growing in the future, and long-term, FedEx will benefit from this economic environment. We believe the economic indicators most important to the industrials sector, and more specifically, the freight and logistics subsector, are gross domestic product, inflation, and unemployment.

Real GDP

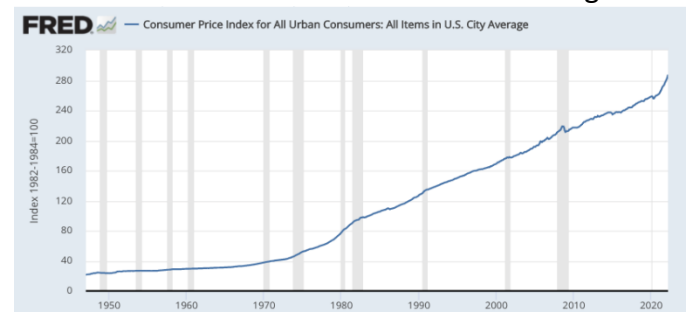
Real Gross Domestic Product (real GDP) is an inflation-adjusted measure that reflects the value of an economy's goods and services. This demonstrates the economy's overall health. A strong economy allows corporations to have the financial flexibility to improve their operations and expand their business. Industrials and materials demand is very closely linked with the overall economy. With GDP, increases in exports primarily reflect an increase in goods, led by industrial supplies and materials. The increase in business investment reflects an increase in equipment, which is led by transportation equipment. Real GDP increased 6.9% last quarter, and we now expect this growth to move towards a more normal 3.0% annual rate, with strong growth long-term.



Source: St. Louis Fed

Consumer Price Index

The consumer price index (CPI) measures the change over time in prices paid for a market basket of consumer goods and services. It is the primary measure of inflation in the United States, and relative performance of the industrial sector has historically been weak during periods of high and rising inflation. Companies typically face challenges from higher input costs along with decreased demand for cyclical products such as construction equipment and industrial machinery. As a result, inflation and price changes directly affect the profits of companies in the sector. Prior to the pandemic, the CPI had increased steadily at an average annual rate of 1.7%, which is near the Federal Reserve's 2% target inflation rate. In February 2022, there was a 7.9% annual rate, which is another four-decade high. Oil and commodity market disruptions from the Ukraine crisis are expected to add more pressures on the cost of materials. We believe that this rising inflation will negatively impact FedEx in the short-term. High crude oil prices will eventually cause inflation in some industries. Additionally, natural gas product prices are determined by supply and demand, and if inventories are low, this may lead to increases in natural gas prices. However, the long-term growth outlook is positive, with The Fed taking actions to lower interest rates and the overall economy growth will lower inflation going forward, resulting in a positive outlook for FedEx when it comes to the temporary issues of inflation. The sanctions from the Russian conflict currently will certainly put pressure on oil and gas prices, but we do not see this affecting FedEx in the long-term, as we believe FedEx will be able to continue its growth.

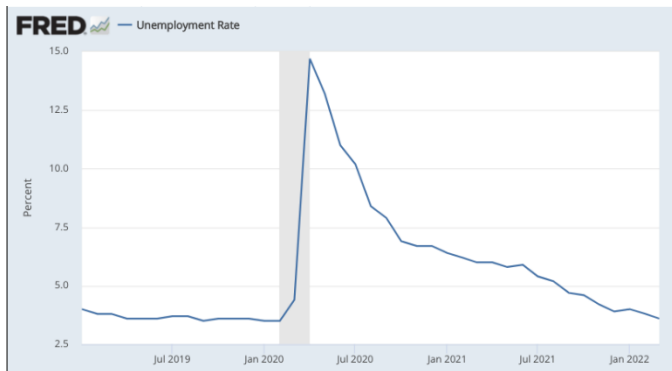


Source: St Louis Fed

Employment Statistics

Unemployment measures the percentage of Americans over 16 who are not employed and are actively searching for work. Unemployment statistics greatly impact the willingness of consumers to buy specific products and therefore use the services of FedEx. Unemployment also affects the workers available to be employees of FedEx. Historically, FedEx has struggled with labor shortages and improved their statistics shortly before the beginning of the Russia conflict. Post-pandemic, we have seen a pivot into strong hiring statistics and low unemployment points. Rising oil prices can potentially threaten this jobs recovery, but we believe in the long-term this decreasing unemployment will prove favorable for the industrials sector and FedEx overall. In order to combat labor shortages, FedEx increased their wages, but post-Russian conflict these wage increases were countered by rising inflation. We believe that as inflation percentages decrease, the economy grows, and employment continues to rise, these temporary issues for FedEx will be resolved in the long-term.

Source: St Louis Fed.



Company Analysis

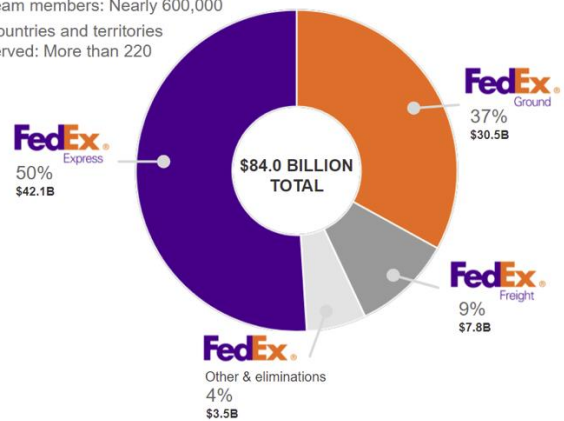
Executive Summary

Our group of analysts issued a **BUY** rating for FedEx based on the revenue growth following COVID-19 and an increase in e-commerce. We believe that aside from temporary economic headwinds, FedEx is in a good position to expand their customer base in the near future.

FedEx is the global industry leader in Express shipping, headquartered in Memphis, Tennessee. FedEx is a multinational conglomerate that consists of four separate segments. The segments are FedEx Express, FedEx Ground, FedEx Freight, and FedEx Service. In the 2021 FY, FedEx generated 70% of their revenue domestically and 30% internationally. As shown in the chart below, FedEx's revenue in 2021 was \$84 billion, with half of total revenue generated by the Express segment.

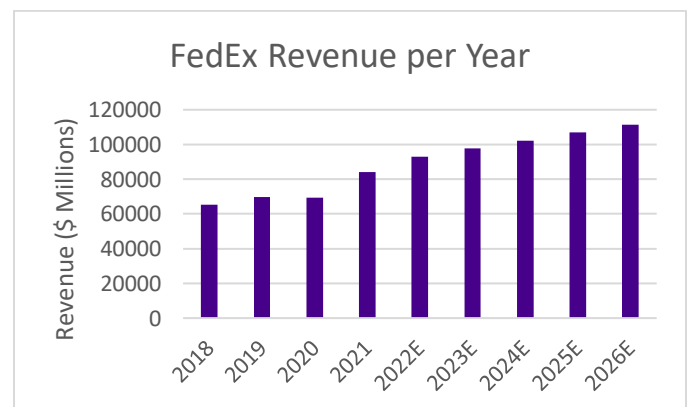
FY21 revenue in %

Team members: Nearly 600,000
Countries and territories served: More than 220



Source: 7

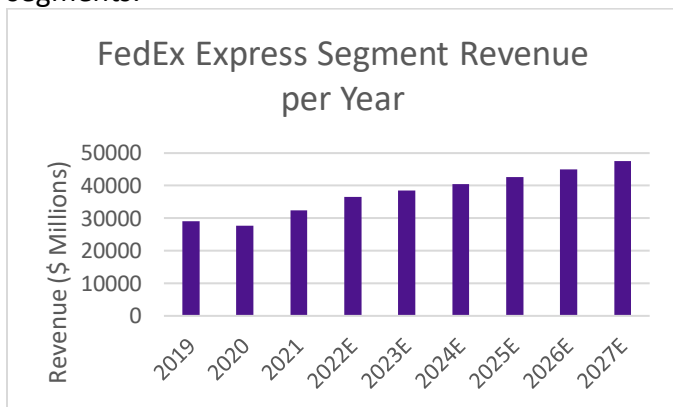
In 2021, FedEx revenue grew by 21%. In 2022, we predict revenue growth of 10.76% following the large increase in e-commerce during the COVID-19 pandemic. After 2022, we believe that FedEx's revenue growth will be more stable at around 5%, since historically, after periods of high growth, the revenue does not continue to grow these increased levels.



Source: Krause Fund Model

FedEx Express

FedEx Express is the industry's global leader, providing rapid, reliable, time-definite delivery to more than 220 countries and territories. FedEx connects markets that comprise more than 90 percent of the world's gross domestic product within one to three business days.⁸ FedEx Express generated 42.1 billion in revenue during the 2021 FY, which makes up just over 50% of FedEx's total revenue. FedEx Express offers several types of delivery including U.S. domestic, international, and international domestic package revenue. They also have an Express Freight shipping that includes domestic and international shipping options. We predict the Express segment to have a growth of about 12% in 2022 based on the growth from Express domestic and international package segments.

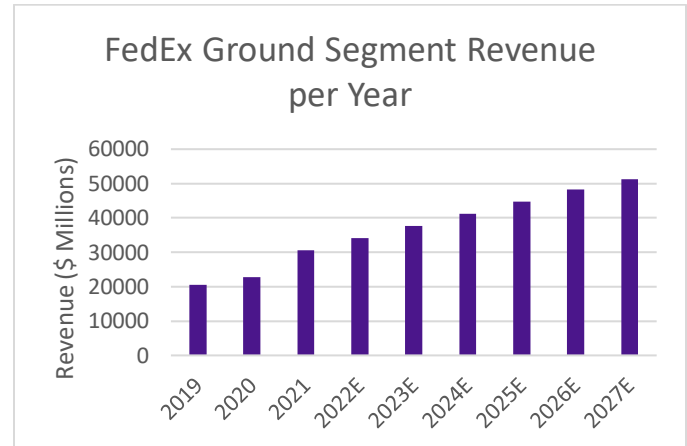


Source: Krause Fund Model

FedEx Ground

FedEx Ground provides low-cost, day-certain service to any business address in the U.S. and Canada, as well as residential delivery to 100% of U.S. residences. They specialize in delivery of goods that are light weight, high volume, and delivery that is not as time sensitive. FedEx Ground makes up 37% of total FedEx revenue. FedEx ground is working towards growing their segment by expanding facilities and automation solutions to optimize their network capacity. FedEx Ground is also working towards expanding seven-day-per-week delivery coverage to virtually all the U.S. population and increasing collaboration with operating companies through last-mile optimization. Due to all the initiatives they are doing to expand this segment,

we expect that FedEx Ground will grow at 11.7% in 2022, with a steady decline to around 6% in 2027.



Source: Krause Fund Model

FedEx Freight

The FedEx Freight segments provides less-than-truckload ("LTL") freight services to both residences and businesses. They offer all lengths of haul through FedEx Freight Priority, Economy, and Direct. This allows for the customer to choose whether they need their delivery quickly, or more cost effectively. FedEx Freight revenue contributes 9% to the total FedEx revenue. We project that is segment will grow at 4.66% in 2022, with a slight gradual decrease in the coming years. Our prediction in FedEx Freight growth rate stems from our prediction for FedEx overall revenue growth.

SWOT Analysis

Strength

FedEx a strong global presence and operational network that allows them to gain a competitive advantage over their competitors. As of May 2021, the FedEx Express segment operated 77,000 drop-off locations, a fleet of 684 aircraft, and about 87,000 vehicles. During this time, their competitor, USPS had only 288 planes. The FedEx Ground segment operated 625 facilities with 96,000 owner operated vehicles, while the FedEx Freight segment 29,000 vehicles and 400 service centers. This operational network provides an edge over

competitors by providing growing long-term operational stability.

FedEx also benefits from the wide geographic reach they have. Operating in 220 countries helps them generate 30% of their revenues from international operations. This provides FedEx with more financial stability than other competitors who have less geographic reach and more financial sensitivity to a single country's economic downturn.

FedEx is also working toward innovations in their technology. In the most recent 10-K, FedEx discussed their plan for finalizing the rollout of dynamic route optimization technology at FedEx Ground, which will give service providers near real-time data to plan efficient delivery routes. They also discussed introducing new technologies such as Sense Aware ID, a lightweight sensor-based device that provides real-time updates in a package's location within the FedEx Express network.⁷ These improvements in technology will give FedEx an advantage against their competitors and help to get customers their products more efficiently.

Weakness

The freight and logistics sector are very competitive making it hard to gain market share. While FedEx has opportunities to grow with acquisitions and partnerships, those opportunities are also necessary to stay competitive with companies like UPS and Amazon.

Opportunity

FedEx continues to expand its business through partnerships and acquisitions. FedEx is acquiring ShopRunner, Inc., an e-commerce platform that directly connects brands and merchants with online shoppers. In April 2021, FedEx entered a multi-year partnership with Adobe to drive e-commerce innovation.⁸ FedEx plans to integrate Shoprunner with Adobe Commerce's Magento platform. Adobe Commerce would allow FedEx to personalize the shopping experience by tailoring promotions, fulfillment options, and self-service convenience.⁹ FedEx's ability to expand its business through

acquisitions and partnerships give them an opportunity to grow at a faster pace while also making it hard for competitors to keep up with new innovations.

Threat

FedEx faces intense competition. FedEx would be threatened by if Amazon were to expand their freight and logistic operations segment beyond their e-commerce. Amazon's expansion would pose a major problem for FedEx. Amazon would have the significant amount of capital necessary to establish a network of hubs, aircraft, and vehicles. The broad range of services that Amazon could provide its customers would make it hard for FedEx to maintain or grow their market share.

FedEx is impacted by changes in fuel prices. A large amount of fuel is required to operate aircraft and vehicle fleets. While FedEx uses fuel surcharges to reduce the burden of high fuel costs. FedEx could lose their competitive positioning in the market by raising fuel surcharge prices and reduce their profitability. Even if FedEx were able to offset increased oil prices with the surcharge, these high surcharges could turn customers away from FedEx's higher-yielding Express segment to their lower-yielding ground services or even reduce customer demand for their services altogether.⁹

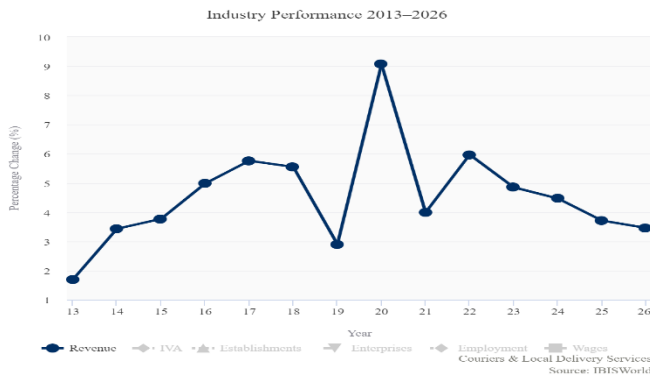
Industry Analysis

Description and Overview

FedEx is classified under the Industrials sector of the economy within the Integrated Freight and Logistics Industry.¹ This industry is a highly integrated supply chain network that connects consumers with producers via different transportation methods such as air, rail, ground, and maritime transportation².

The graph below shows a combination of historic and forecasted data for the percent change in revenue for the industry from 2013-2026. After declining 2.6% in 2019, the industry saw a massive

rebound of 9.1% the following year brought about by the explosion of e-commerce during the COVID-19 outbreak. The industry is then expected to grow around 4%-5% for the next 3 years, and eventually be in a steady growth state of around 3.5%.



Industry Trends

The largest trend that is affecting this industry right now is the massive growth of the e-Commerce space. Online sales increased by 14.2% in 2021 compared to 2020 which led to the total amount spent being \$870.78 billion⁶. International expansion is a rising trend because many companies have little success in countries outside their origin country. FedEx and UPS predominately generate revenue within the US. In hopes to diversify their risk factors, getting integrated in international markets is a big next step for our industry.

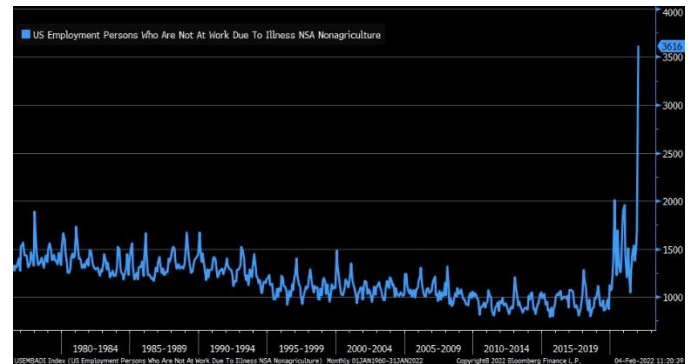
Competitors

The biggest direct competitor of FedEx domestically is UPS. While FedEx is still a major contender domestically, it still slightly falls behind UPS in terms of market share with 34% held by FedEx and 35% held by UPS⁵. In conjunction, UPS is also growing at a faster rate than FedEx. This has prompted FedEx to focus heavily on their air shipment services where they have an advantage over UPS. FedEx has a fleet of 662 air vehicles while UPS has 288. Brought about by the growth of e-Commerce, having a larger fleet of air vehicles is crucial to survive in the modern freight and logistics industry which is categorized by high demand for efficient and reliable transportation. Larger air fleets will provide a major advantage to any company in this space. Lastly, Amazon can also be a potential competitor if they

decide to offer a delivery service as a stand-alone company product. However, at this current time, we consider Amazon to be a large threat as compared to a direct competitor.

Work Shortage

Truck driver shortages are making it difficult for goods to get delivered from warehouses to retailers and consumers. FedEx incurred 470 million in increased expenses during the fourth quarter because of labor shortages. FedEx and other companies in the industry have also had to increase wages and pay more in overtime to try to attract workers. This increase is also partly due to companies in the industry facing a large number of people calling in sick. In January, FedEx had to suspend several airfreight services in its Express network due to crews having COVID-19.³ The graph below shows US unemployment numbers of those out of work due to illness.



While this shortage of workers may be causing issues in the present, our group expects that this setback is only temporary due to the lingering effects of COVID. The steps FedEx is taking to also combat unemployment through their recent acquisitions mentioned earlier also sets the company up for broad expansion in the space of e-Commerce.

Catalysts for Growth and Change

The main factors or issues likely to drive the freight and logistics industry are any supply chain issues post-pandemic, and worker shortages during this time period. Should supply chains become fully functional (pre-pandemic efficiency) in the long-

term, then companies in this industry should see improvement on their transportation and shipping segments and should therefore have little to no issues with revenue growth. Should worker shortages persist, however, which as we stated previously, we do not expect to happen, then companies in this industry will not be able to keep up with potential increased or maintained demand as we exit into a post-pandemic economy. As real GDP grows, there is more activity in the economy, and in this sector specifically, labor is needed to continue maintaining the company's operations and therefore revenue and growth.

Porter's Five Forces

Threat of Competition: High

Intense competition between the several firms within the Freight and Logistics industry to all outperform one another is a constant activity. A factor contributing to the high level of competition is that all these companies are delivering the same service with very comparable methods. When deciding to ship a package, consumers in the US recognize that whether they choose FedEx or UPS, their package will still arrive. Therefore, companies within our industry must constantly make sure that their prices and services offered are on par with their competitors.

Bargaining Power of Buyers: Low

Buyers' ability to effect prices in the are low due to the lack of substitutes available for this industry. Consumers in within this industry are likely to pay whatever price is offered in order to ship their important parcels and packages. For a buyer to find an alternative method of shipping would be take up more time and likely more money than if they would just continue to use the current available options. The number of buyers in this industry are also not concentrated enough to warrant companies concern about changing their prices.

Bargaining Power of Suppliers: Moderate

Companies such as Boeing, ATR, Cessna, and Airbus are the main providers for FedEx's Air vehicles. Boeing themselves has supplied just about 50% of all of FedEx's air vehicles. Due to the limited amount of aerospace manufacturers, FedEx would be less price sensitive to them if these companies decided to raise the prices. FedEx is also subject to the the demand needs of companies they deliver for. Being that they serve a variety of industries, if any of those industries were to decrease in their need for packages, FedEx would suffer as a result.

Threat of New Entrants: Low

Vast amounts of capital required to begin a business in the Freight and Logistics industry is one of the reasons why the threat is low. Brand Equity is large driver in what delivery service a consumer will choose. Since most of the delivery companies operate and fulfill orders in a similar fashion, the company name has become more and more important for consumers when choosing between companies. The only company that we view as a potential threat is Amazon. If they continue to develop their distribution system and begin shipping packages for individuals, it could take away some of FedEx's market share.

Threat of Substitutes: High

Substitution in this industry is at a very high level. Due to the similar nature of the companies composing the industry, brands are constantly fighting for one another's market share. UPS and other direct competitors ensure they have comparable and competitive rates to FedEx because of this reason. In an industry such as our where the services could be done in a similar fashion by any company, threat of substitutes remains high.

Valuation Analysis

Valuation Methodology

The valuation process for FedEx was performed by first analyzing historical financial statements in order to realistically assess how the firm will grow in

the future. We then analyzed current and future economic factors and outlooks to see how these will potentially affect the growth of FedEx. Finally, we compiled industry and company-specific data forecasts and expectations to build our financial statements for the next ten years. To devise a value for our stock, we conducted a discounted cash flow, dividend discount, economic profit and dividend discount model.

Revenue Breakdown

We expect FedEx Express, Ground, and Freight to all increase in revenue over time. However, FedEx Services (classified as “other” in our model) is a segment that we expect to be declining in revenue for the foreseeable future. This is due to the purpose of the segment which is essentially to provide support to the other three operating segments. Revenue generation for FedEx Services appears to be a positive byproduct rather than an explicit goal. Nonetheless, the growth in other segments revenue offsets this reduction in sales to bring positive overall revenue growth.

With the expand of e-Commerce and online shopping brought about by the COVID-19 pandemic, we are expecting steady growth from the other operating segments of FedEx. For FedEx Express, we calculated our forecasted revenue figures based on average daily volume of packages shipped and multiplied that number by an estimated yield per package for each forecast year. We derived average daily volume and yield per package for our forecasted years by taking an average of the historical years.

Operating expenses

Historically, FedEx has maintained their operating expenses to make up anywhere from 93-95% of their revenue. We took a historical average of the past ten years and determined that expenses should make up around 93% of revenues for our forecast. The two biggest categories within operating expenses are salaries and benefits, as well as purchased transportation (costs paid to independent transportation contractors). We

expect both of these items to increase steadily overtime due to labor shortages in the industry driving higher wages and FedEx showing a pattern of increasing the number of independent contractors they hire to perform deliveries.

We also considered the efforts FedEx is making towards having more of their vehicles going fully electric. We expect more maintenance costs will be associated with more electric vehicles composing FedEx’s fleet along with lower fuel costs. For this reason, our fuel expense grows at a historical average of 4.4% for the first three years of our forecast and then begin to slow after that period. Complementary to this, we have our maintenance and repairs expense grows at a historical average of 4.2% for the first three forecast years and increases over time.

WACC

FedEx’s calculated weighted average cost of capital (WACC) was calculated to be 6.72% in our model. This was derived using a cost of equity of 9.09% and cost of debt of 3.16% with market value weights for equity and debt of 60.07% and 39.93% respectively. Our WACC percentage is utilized as the discount factor for our DCF/EP model.

Cost of Equity

The capital asset pricing model was used to calculate our 9.09% cost of equity. The risk-free rate used was 2.70%, which was derived from the current yield to maturity of the 10-year Treasury Bill. The beta we used is the raw weekly 2-year beta from Bloomberg. Our equity risk premium of 5.00% is a trailing 12-month figure with adjust payout taken directly from Damodaran Online.

Cost of Debt

In order to calculate our cost of debt, we used the risk-free rate, the implied default premium, and the pre-tax cost of debt for our inputs. The risk-free rate is the same 2.70% used in our cost of equity calculation. The pre-tax cost of debt used in our calculation is 4.26% which is the yield to maturity on

the company's 30-year corporate bond. Our implied default premium was found by subtracting the risk-free rate from the pre-tax cost of debt. Following this process gave us an implied default premium of 1.56%, which makes sense conceptually since FedEx's bond rating is BBB by Standard and Poor's. Our pre-tax cost of debt is then multiplied by one minus our marginal tax rate of 26% to arrive at our after-tax cost of debt of 3.16%.

Valuation Models

Discounted Cash Flow & Economic Profit

For our Discounted Cash Flow valuation model, we calculated the forecasted free cash flows of FedEx for the next 10 years and discounted them back to today's present value using our WACC of 6.72% as the discount rate. Free cash flows were calculated by first finding FedEx's net operating profit less adjust taxes (NOPLAT) and subtracting the change in invested capital from them. We calculated economic profit by taking invested capital from the previous year and multiplying it by the difference between return on invested capital (ROIC) and weighted average cost of capital (WACC). Economic profit from each forecasted year as well as the continuing value of the final forecast year is then discounted by the WACC to find the present value amount. Using this valuation method, our implied price as of today is \$263.93.

Relative Valuation

For our relative valuation, we chose to compare FedEx to the United Parcel Service, Deutsche Post, and Old Dominion Freight Line. For 2022, the average P/E estimates for these comparable companies was 19.28. FedEx's P/E for 2022 was computed to be 13.9, which is below the previously mentioned average. When we multiplied this estimated P/E ratio to the estimated EPS for the same year, we are given a price estimate of \$286.74.

Our choices were somewhat limited when deciding which companies to compare to FedEx. One of the biggest companies we left out was Amazon. As we stated earlier, we decided that they are currently

not a direct competitor with FedEx because they do not offer delivery services as a separate service. We also concluded that we did not feel comfortable including Amazon due to their large stock price in comparison with the other companies. As for the companies we did include, UPS was a company very similar in both P/E and price to FedEx, and Deutsche Post, while having a low stock price, has a very comparable P/E ratio to FedEx. We included Old Dominion as well because the other smaller companies were not very close in metrics to FedEx and Old Dominion was the next closest.

Dividend Discount Model

The dividend discount model constructed a stock price using estimated annual future dividends. Dividends for the next ten forecasted years plus a continuing value at year ten were discounted by the cost of equity to give us an intrinsic value of \$123.03. Historically, FedEx has been growing their dividends in increments of \$0.20 and \$0.60. In order to be conservative, we assumed that FedEx would continue to grow their dividends around \$0.20 for the next seven years, and then would slowly begin to decline in stages of lower growth the last three years. Our group chose to focus less on the dividend discount model due to the fact that many dividends are historically underpaid and can sometimes represent the minimum amount distributed to shareholders. Because of this reason, we shifted more of our attention to the discounted cash flow and economic profit model.

Sensitivity Tables

CV growth of NOPLAT vs. CV ROIC

A sensitivity analysis between CV growth of NOPLAT and CV ROIC was important to us because both have a strong influence of the CV values in the EP and DCF models. As both of these variables increase, the intrinsic value per share increases.

		CV growth of NOPLAT							
		263.93	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%
CV/ROIC	6.42%	285.20	288.55	292.08	295.78	299.67	303.78	308.11	
	6.52%	275.00	278.08	281.31	284.71	288.27	292.02	295.98	
	6.62%	265.26	268.10	271.06	274.17	277.44	280.87	284.48	
	6.72%	255.77	258.37	261.09	263.93	266.92	270.05	273.34	
	6.82%	247.06	249.45	251.95	254.56	257.30	260.17	263.18	
	6.92%	238.53	240.73	243.02	245.42	247.93	250.56	253.31	
	7.02%	230.36	232.38	234.48	236.68	238.98	241.38	243.90	

Pre-Tax Cost of Debt vs. Marginal Tax Rate

The Pre-Tax Cost of debt is significant to FedEx, because FedEx has a substantial amount of debt, impacting its capital structure, WACC, and overall debt repayment as a percent of revenue. The Marginal Tax Rate and any potential changes in this rate going forward will affect the amount of taxes FedEx pays, affecting the company's bottom line.

		Forecasted Marginal Tax Rate							
		263.93	25.44%	25.54%	25.64%	25.74%	25.84%	25.94%	26.04%
Pre-tax Cost of Debt	3.96%	269.91	269.64	269.37	269.11	268.84	268.57	268.31	
	4.06%	268.11	267.85	267.59	267.33	267.07	266.81	266.55	
	4.16%	266.34	266.09	265.83	265.58	265.32	265.07	264.82	
	4.26%	264.59	264.34	264.10	263.85	263.60	263.36	263.11	
	4.36%	262.87	262.63	262.39	262.15	261.91	261.67	261.43	
	4.46%	261.17	260.94	260.70	260.47	260.23	260.00	259.77	
	4.56%	259.50	259.27	259.04	258.81	258.58	258.36	258.13	

WACC vs. Normal Cash as a % of Sales

Normal cash plays a crucial role in the Invested Capital calculation. As it changes year over year, it will impact the FCF and EP. WACC is also important since it is used to discount these future FCF's back to their present values. Any change in this value can drastically affect our valuation calculations. As Normal cash as a % of sales increases, the intrinsic value increases.

		WACC							
		263.93	6.42%	6.52%	6.62%	6.72%	6.82%	6.92%	9.24%
Normal Cash as a % of	3.03%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	
	3.13%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	
	3.23%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	
	3.33%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	
	3.43%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	
	3.53%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	
	3.63%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	

Beta vs. Risk Free Rate

Risk-Free Rate and Beta are both very important factors when calculating the WACC amount, and we wanted to see how an increase or decrease of either variable would affect our intrinsic value. We

observed that as both variables increase, the intrinsic value per share of FedEx decreases.

		Beta							
		263.93	1.10	1.16	1.22	1.28	1.34	1.40	1.46
Risk Free Rate	2.40%	344.90	321.61	300.46	281.16	263.46	247.18	232.14	
	2.50%	336.85	314.31	293.80	275.06	257.85	242.01	227.35	
	2.60%	329.06	307.23	287.34	269.13	252.40	236.96	222.68	
	2.70%	321.52	300.37	281.06	263.37	247.09	232.05	218.12	
	2.80%	314.22	293.71	274.96	257.76	241.91	227.26	213.67	
	2.90%	307.14	287.25	269.04	252.30	236.87	222.59	209.33	
	3.00%	300.27	280.97	263.27	246.99	231.96	218.03	205.08	

Equity Risk Premium vs. Cost of Equity

The equity risk premium used was 5.00%. The equity risk premium has a direct impact on the cost of equity. The change in the cost of equity does not have a large impact on the stock value, but a decrease in the equity risk premium led to large increases of value. This is significant to FedEx because if the cost of equity increases, that part of their capital structure increases their expenses. Their ability to fund projects, expansion, and growth is affected with higher costs.

		Equity Risk Premium							
		263.93	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%
Cost of Equity	8.79%	287.08	278.86	270.93	263.30	255.93	248.82	241.96	
	8.89%	287.31	279.08	271.15	263.51	256.14	249.03	242.16	
	8.99%	287.55	279.31	271.37	263.72	256.34	249.23	242.35	
	9.09%	287.78	279.53	271.59	263.93	256.55	249.43	242.55	
	9.19%	288.01	279.76	271.81	264.15	256.76	249.63	242.74	
	9.29%	288.24	279.98	272.03	264.36	256.96	249.83	242.94	
	9.39%	288.47	280.21	272.24	264.57	257.17	250.03	243.13	

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FedEx Corporation
Revenue Decomposition

Fiscal Years Ending May 31st	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
FedEx Express Package Revenue:													
Total U.S. Domestic Package Revenue	13717	13048	14891	15700	16553	17452	18400	19399	20453	21564	22736	23971	25273
Total International Export Package Revenue	10851	10436	12949	13652	14394	15176	16000	16869	17786	18752	19770	20844	21977
International Domestic Package Revenue	4540	4179	4640	4892	5158	5438	5733	6045	6373	6719	7084	7469	7875
Total Package Revenue	29108	27663	32480	36460	38441	40529	42731	45052	47499	50079	52799	55668	58691
Total Package Revenue Growth Rate	3.40%	-4.96%	17.41%	5.43%	5.43%	5.43%	5.43%	5.43%	5.43%	5.43%	5.43%	5.43%	5.43%
FedEx Express Average Daily Package Volume (ADV):													
Total U.S. Domestic ADV	2.90	2.81	3.28	3.39	3.51	3.62	3.75	3.87	4.00	4.14	4.27	4.42	4.57
Total International Export ADV	0.83	0.84	1.04	1.07	1.11	1.14	1.18	1.22	1.26	1.31	1.35	1.39	1.44
International Domestic ADV	2.471	2.337	2.362	2.44	2.52	2.61	2.70	2.79	2.88	2.98	3.08	3.18	3.29
FedEx Express revenue per package (yield):													
U.S. Domestic Composite	18.54	18.3	17.79	17.49	17.20	16.91	16.63	16.35	16.08	15.81	15.54	15.28	15.03
International Export Composite	51.21	48.83	49.03	48.21	47.40	46.61	45.83	45.06	44.31	43.57	42.84	42.12	41.42
International Domestic	7.2	7.04	7.7	7.57	7.44	7.32	7.20	7.08	6.96	6.84	6.73	6.61	6.50
Total ADV	6.203	5.986	6.681	6.91	7.14	7.38	7.62	7.88	8.14	8.42	8.70	8.99	9.29
Composite Package Yield	18.4	18.19	19.06	18.74	18.43	18.12	17.82	17.52	17.22	16.94	16.65	16.37	16.10
Total FedEx Express Revenue	37331	35513	42078	47235	48002	48783	49576	50382	51201	52033	52879	53738	54612
Total FedEx Express Revenue Growth Rate	3.20%	-4.87%	18.49%	12.25%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%
FedEx Ground Segment:													
Revenue	20522	22733	30496	34070	37663	41239	44762	48204	51169	53687	55800	57558	59370
Revenue Growth Rate	11.56%	10.77%	34.15%	11.72%	10.55%	9.49%	8.54%	7.69%	6.15%	4.92%	3.94%	3.15%	3.15%
FedEx Freight Segment:													
Revenue	7582	7102	7833	8198	8542	8864	9165	9445	9731	10022	10319	10622	10931
Revenue Growth Rate	11.30%	-6.33%	10.29%	4.66%	4.19%	3.77%	3.40%	3.06%	3.03%	3.00%	2.97%	2.94%	2.91%
Other Segments:													
Revenue	4258	3869	3552	3491	3428	3363	3296	3227	3156	3083	3008	2931	2853
Growth Rate	4.59%	-9.14%	-8.19%	-1.72%	-1.81%	-1.90%	-1.99%	-2.09%	-2.20%	-2.31%	-2.42%	-2.55%	-2.67%
Total Revenue	69693	69217	83959	92993	97635	102248	106798	111257	115255	118824	122006	124850	127766
Total Revenue Growth Rate	6.48%	-0.68%	21.30%	10.76%	4.99%	4.72%	4.45%	4.17%	3.59%	3.10%	2.68%	2.33%	2.34%

FedEx Corporation

Income Statement

Fiscal Years Ending May 31st	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	69693	69217	83959	92993	97635	102248	106798	111257	115255	118824	122006	124850	127766
Operating Expenses:													
Salaries & employee benefits	24776	25031	30173	33779	35465	37140	38793	40413	41865	43162	44317	45350	46410
Purchased transportation	16654	17466	21674	22433	23552	24665	25763	26838	27803	28664	29726	30723	31755
Rentals & landing fees	3360	3712	4155	5043	5295	5545	5792	6034	6251	6444	6617	6771	6929
Depreciation & amortization	3353	3615	3793	4493	4808	4960	5111	5255	5396	5531	5662	5767	5870
Fuel	3889	3156	2882	4207	4417	4626	4735	4834	4908	4958	4989	5004	5018
Maintenance & repairs	2834	2893	3328	3887	4081	4274	4553	4838	5112	5376	5630	5877	6134
Goodwill & other asset impairment charges	-	435	-	0	0	0	0	0	0	0	0	0	0
Business realignment costs	320	-	116	0	0	0	0	0	0	0	0	0	0
Other operating expenses	10041	10492	11981	12939	13585	14227	14860	15481	16037	16534	16976	17372	17778
Total operating expenses	65227	66800	78102	86781	91203	95436	99607	103692	107372	110669	113918	116863	119893
Operating income	4466	2417	5857	6212	6432	6811	7191	7565	7884	8156	8089	7987	7873
Non Operating:													
Interest expense	588	672	793	895	847	875	903	988	1021	1002	1052	1097	1084
Interest income	59	55	52	54	43	62	81	102	126	151	184	218	251
Other retirement plans income (expense)	(3251)	(122)	1983	0	0	0	0	0	0	0	0	0	0
Loss on debt extinguishment	-	-	(393)	0	0	0	0	0	0	0	0	0	0
Other income (expense), net	(31)	(9)	(32)	0	0	0	0	0	0	0	0	0	0
Total other income (expense)	(3811)	(748)	817	(840)	(804)	(814)	(822)	(885)	(895)	(851)	(868)	(879)	(834)
Income before income taxes	655	1669	6674	5372	5628	5998	6369	6680	6989	7304	7221	7107	7040
Provision for income taxes (benefit)	115	383	1443	1383	1449	1544	1639	1720	1799	1880	1859	1830	1812
Net income	540	1286	5231	3989	4179	4454	4729	4960	5190	5424	5362	5278	5228
Net earnings (loss) per share - basic	2.06	4.92	19.79	14.87	15.56	16.66	17.78	18.72	19.64	20.47	20.08	19.64	19.36
Year end shares outstanding	261	262	267	269	268	267	265	265	264	266	268	269	271
Weighted average shares outstanding - basic	262	261	264	268	269	267	266	265	264	265	267	269	270
Dividends per share	2.60	2.60	2.60	2.60	2.71	2.90	3.09	3.26	3.42	3.59	3.51	3.44	3.38

Balance Sheet

Fiscal Years Ending May 31st	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Current Assets:													
Cash & cash equivalents	2319	4881	7087	5619	8010	10527	13337	16365	19633	24004	28367	32601	36760
Receivables, net	9116	10102	12069	11945	12541	13134	13718	14291	14805	15263	15672	16037	16412
Spare parts, supplies & fuel	553	572	587	739	776	813	849	884	916	944	970	992	1015
Prepaid expenses & other current assets	1098	828	837	1039	1091	1142	1193	1243	1287	1327	1363	1395	1427
Total current assets	13086	16383	20580	19341	22418	25615	29097	32783	36641	41538	46371	51025	55614
Long Term Assets:													
Aircraft & related equipment	22793	24518	26268	28892	31145	33457	35800	38193	40618	43082	45518	47985	50479
Package handling & ground support equipment	10409	11382	13012	14312	15428	16573	17734	18919	20121	21341	22548	23770	25005
Information Technology	6268	6884	7486	8234	8876	9535	10203	10884	11576	12278	12972	13675	14386
Vehicles & trailers	8339	9101	9282	10209	11005	11822	12650	13496	14353	15223	16084	16956	17837
Facilities & other property & equipment	11702	13139	14029	15430	16634	17868	19120	20398	21693	23009	24310	25628	26960
Property & equipment, at cost	59511	65024	70077	77077	83089	89255	95507	101890	108361	114933	121431	128014	134667
Less accumulated depreciation & amortization	29082	31416	34325	38818	43626	48586	53697	58952	64348	69879	75542	81309	87179
Net property & equipment	30429	33608	35752	38259	39462	40669	41810	42938	44013	45053	45890	46705	47489
Other Long Term Assets:													
Operating lease right-of-use assets, net	-	13917	15383	16462	16979	17498	17989	18475	18937	19385	19745	20096	20433
Goodwill	6884	6372	6992	6992	6992	6992	6992	6992	6992	6992	6992	6992	6992
Other assets	4004	3257	4070	4939	5185	5430	5672	5909	6121	6311	6480	6631	6786
Total other long-term assets	10888	23546	26445	28393	29157	29921	30654	31376	32051	32688	33217	33718	34211
Total assets	54403	73537	82777	85992	91037	96205	101560	107097	112704	119280	125478	131448	137313
Current Liabilities:													
Current portion of long-term debt	964	51	146	0	0	0	1353	1516	496	1122	1733	989	604
Accrued salaries & employee benefits	1741	1569	2903	2986	3135	3283	3429	3572	3701	3815	3917	4009	4102
Accounts payable	3030	3269	3841	4213	4423	4632	4838	5040	5221	5383	5527	5656	5788
Operating lease liabilities	-	1923	2208	2319	2392	2465	2534	2602	2667	2731	2781	2831	2878
Self-insurance accruals	1104	1223	1535	1573	1651	1729	1806	1881	1949	2009	2063	2111	2161
Taxes other than income taxes	304	417	637	610	641	671	701	730	757	780	801	820	839
Other accrued expenses	1870	1892	2390	2419	2540	2660	2778	2894	2998	3091	3174	3248	3324
Accrued expenses	3278	3532	4562	4602	4832	5060	5285	5506	5704	5880	6038	6179	6323
Total current liabilities	9013	10344	13660	14119	14781	15440	17439	18237	17789	18931	19997	19663	19695
Total long term debt	17581	22003	20879	19912	20569	21226	21856	22478	23057	23604	24058	24488	24911
Less: current portion	964	51	146	0	0	0	1353	1516	496	1122	1733	989	604
Long-term debt, less current portion	16617	21952	20733	19912	20569	21226	20503	20962	22561	22482	22325	23499	24307
Other Long Term Liabilities:													
Deferred income taxes	2821	3162	3927	4285	4659	5059	5483	5928	6393	6879	7360	7834	8302
Pension, postretirement healthcare & other benefit obligations	5095	5019	3501	3151	2801	2451	2101	1751	1400	1050	700	350	0
Self-insurance accruals	1899	2104	2430	2380	2499	2617	2733	2847	2950	3041	3123	3195	3270
Operating lease liabilities	-	12195	13375	14369	14821	15274	15702	16126	16530	16921	17235	17541	17835
Other liabilities	571	466	983	673	706	740	773	805	834	860	883	903	925
Total other long-term liabilities	11016	22946	24216	24857	25486	26140	26792	27457	28107	28751	29301	29823	30332
Common Stockholders' Investment													
Common stock	3263	3388	3513	3908	4303	4698	5092	5487	5882	6277	6593	6845	7048
Retained earnings	24648	25216	29817	33108	36560	40239	44145	48241	52527	57001	61424	65779	70093
Accumulated other comprehensive income (loss)	(865)	(1147)	(732)	(732)	(732)	(732)	(732)	(732)	(732)	(732)	(732)	(732)	(732)
Treasury stock, at cost	(9289)	(9162)	(8430)	(9180)	(9930)	(10805)	(11680)	(12555)	(13430)	(13430)	(13430)	(13430)	(13430)
Total common stockholders' investment	17757	18295	24168	27104	30200	33399	36825	40441	44247	49116	53855	58462	62978
Total liabilities and shareholders equity	54403	73537	82777	85992	91037	96205	101560	107097	112704	119280	125478	131448	137313

FedEx Corporation*Historical Cash Flow Statement*

Fiscal Years Ending May 31st	2019	2020	2021
Operating Activities:			
Net income	540	1286	5231
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation & amortization	3353	3615	3793
Provision for uncollectible accounts	295	442	577
Deferred income taxes & other noncash items	(233)	2449	2887
Stock-based compensation	174	168	200
Retirement plans mark-to-market adjustment	3882	794	(1176)
Loss (gain) from sale of business and investment or extinguishment of debt	(8)	-	393
Business realignment costs	101	-	102
Goodwill & other asset impairment charges	-	435	-
Changes in assets and liabilities			
Receivables	(873)	(1331)	(1389)
Other current assets	(25)	(59)	(40)
Pension & postretirement healthcare assets & liabilities, net	(909)	(908)	(317)
Accounts payable & other liabilities	(571)	(1787)	71
Other assets & liabilities, net	(113)	(7)	(197)
Net cash flows from operating activities	5613	5097	10135
Investing Activities:			
Capital expenditures	(5490)	(5868)	(5884)
Business acquisitions, net of cash acquired	(66)	-	(228)
Proceeds from asset dispositions, sale of business, & other investing activities	83	22	102
Cash used in investing activities	(5473)	(5846)	(6010)
Financing Activities:			
Principal payments on debt	(1436)	(2548)	(6318)
Proceeds from debt issuances	2463	6556	4212
Proceeds from stock issuances	101	64	740
Dividends paid	(683)	(679)	(686)
Purchase of treasury stock	(1480)	(3)	0
Other financing activities, net	(4)	(9)	(38)
Cash used in financing activities	(1039)	3381	(2090)
Effect of exchange rate changes on cash	(47)	(70)	171
Net increase (decrease) in cash & cash equivalents	(946)	2562	2206
Cash & cash equivalents at beginning of period	3265	2319	4881
Cash & cash equivalents at end of period	2319	4881	7087

FedEx Corporation

Forecasted Cash Flow Statement

Fiscal Years Ending May 31st	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Operating Activities:										
Net income	3989	4179	4454	4729	4960	5190	5424	5362	5278	5228
Adjustments to reconcile net income to cash provided by operating activities										
Add: Depreciation & amortization	4493	4808	4960	5111	5255	5396	5531	5662	5767	5870
Deferred taxes	358	375	399	424	445	465	486	481	473	469
Changes in assets and liabilities										
Accounts Receivable	124	-596	-593	-584	-573	-514	-458	-409	-365	-375
Inventory: Spare parts, supplies, & fuel	-152	-37	-37	-36	-35	-32	-28	-25	-23	-23
Prepaid Expenses & other current assets	-202	-52	-52	-51	-50	-45	-40	-36	-32	-33
Accrued salaries & employee benefits	83	149	148	146	143	128	115	102	91	94
Accounts payable	372	210	209	206	202	181	162	144	129	132
Operating lease liabilities (current)	111	73	73	69	68	65	63	51	49	48
Self-insurance accruals (current)	38	78	78	77	75	68	60	54	48	49
Taxes other than income taxes	-27	30	30	30	29	26	23	21	19	19
Other accrued expenses	29	121	120	118	116	104	93	83	74	76
<i>Net cash flows from operating activities</i>	9216	9339	9791	10240	10636	11034	11431	11490	11509	11553
Investing Activities:										
Capital expenditures	-7000	-6012	-6166	-6252	-6383	-6471	-6572	-6499	-6582	-6654
Goodwill	0	0	0	0	0	0	0	0	0	0
Operating lease right-of-use assets, net	-1079	-518	-519	-491	-485	-463	-448	-360	-351	-337
Other assets	-869	-247	-245	-242	-237	-212	-190	-169	-151	-155
<i>Net cash flows from investing activities</i>	-8948	-6776	-6930	-6985	-7105	-7146	-7209	-7027	-7084	-7146
Financing Activities:										
Current portion of long-term debt	-146	0	0	1353	163	-1020	626	611	-744	-385
Total long term debt	-821	657	657	-723	458	1600	-80	-156	1174	808
Pension, postretirement healthcare & other benefit obligations	-350	-350	-350	-350	-350	-350	-350	-350	-350	-350
Self-insurance accruals (long term)	-50	119	118	116	114	102	91	81	73	75
Operating lease liabilities (long term)	994	452	453	428	424	404	391	314	306	294
Other liabilities (long term)	-310	34	33	33	32	29	26	23	21	21
Proceeds from stock issuances: common stock account	395	395	395	395	395	395	395	316	253	202
Payment of dividends: weighted average basic shares outstanding	-698	-727	-775	-823	-864	-904	-950	-939	-923	-914
Accumulated other comprehensive income	0	0	0	0	0	0	0	0	0	0
Treasury Stock	-750	-750	-875	-875	-875	-875	0	0	0	0
<i>Net cash flows from financing activities</i>	-1737	-171	-344	-445	-502	-620	149	-100	-191	-249
Net increase (decrease) in cash & cash equivalents	-1468	2392	2517	2810	3028	3268	4371	4363	4234	4159
Cash & cash equivalents at beginning of period	\$ 7,087	\$ 5,619	\$ 8,010	\$ 10,527	\$ 13,337	\$ 16,365	\$ 19,633	\$ 24,004	\$ 28,367	\$ 32,601
Cash & cash equivalents at end of period	5619	8010	10527	13337	16365	19633	24004	28367	32601	36760

FedEx Corporation

Common Size Income Statement

Fiscal Years Ending May 31st	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses:													
Salaries & employee benefits	35.55%	36.16%	35.94%	36.32%	36.32%	36.32%	36.32%	36.32%	36.32%	36.32%	36.32%	36.32%	36.32%
Purchased transportation	23.90%	25.23%	25.81%	24.12%	24.12%	24.12%	24.12%	24.12%	24.12%	24.12%	24.36%	24.61%	24.85%
Rentals & landing fees	4.82%	5.36%	4.95%	5.42%	5.42%	5.42%	5.42%	5.42%	5.42%	5.42%	5.42%	5.42%	5.42%
Depreciation & amortization	4.81%	5.22%	4.52%	4.83%	4.92%	4.85%	4.79%	4.72%	4.68%	4.66%	4.64%	4.62%	4.59%
Fuel	5.58%	4.56%	3.43%	4.52%	4.52%	4.52%	4.43%	4.34%	4.26%	4.17%	4.09%	4.01%	3.93%
Maintenance & repairs	4.07%	4.18%	3.96%	4.18%	4.18%	4.18%	4.26%	4.35%	4.44%	4.52%	4.61%	4.71%	4.80%
Goodwill & other asset impairment charges	-	0.63%	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Business realignment costs	0.46%	-	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expenses	14.41%	15.16%	14.27%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%
Total operating expenses	93.59%	96.51%	93.02%	93.32%	93.41%	93.34%	93.27%	93.20%	93.16%	93.14%	93.37%	93.60%	93.84%
Operating income	6.41%	3.49%	6.98%	6.68%	6.59%	6.66%	6.73%	6.80%	6.84%	6.86%	6.63%	6.40%	6.16%
Non Operating:													
Interest expense	0.84%	0.97%	0.94%	0.96%	0.87%	0.86%	0.85%	0.89%	0.89%	0.84%	0.86%	0.88%	0.85%
Interest income	0.08%	0.08%	0.06%	0.06%	0.04%	0.06%	0.08%	0.09%	0.11%	0.13%	0.15%	0.17%	0.20%
Other retirement plans income (expense)	-4.66%	-0.18%	2.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loss on debt extinguishment	-	-	-0.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other income (expense), net	-0.04%	-0.01%	-0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total other income (expense)	-5.47%	-1.08%	0.97%	-0.90%	-0.82%	-0.80%	-0.77%	-0.80%	-0.78%	-0.72%	-0.71%	-0.70%	-0.65%
Income before income taxes	0.94%	2.41%	7.95%	5.78%	5.76%	5.87%	5.96%	6.00%	6.06%	6.15%	5.92%	5.69%	5.51%
Provision for income taxes (benefit)	0.17%	0.55%	1.72%	1.49%	1.48%	1.51%	1.54%	1.55%	1.56%	1.58%	1.52%	1.47%	1.42%
Net income	0.77%	1.86%	6.23%	4.29%	4.28%	4.36%	4.43%	4.46%	4.50%	4.56%	4.40%	4.23%	4.09%

FedEx Corporation
Common Size Balance Sheet

Fiscal Years Ending May 31st	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Current Assets													
Cash & cash equivalents	3.33%	7.05%	8.44%	6.04%	8.20%	10.30%	12.49%	14.71%	17.03%	20.20%	23.25%	26.11%	28.77%
Receivables, net	13.08%	14.59%	14.37%	12.84%	12.84%	12.84%	12.84%	12.84%	12.84%	12.84%	12.84%	12.84%	12.84%
Spare parts, supplies & fuel, net	0.79%	0.83%	0.70%	0.79%	0.79%	0.79%	0.79%	0.79%	0.79%	0.79%	0.79%	0.79%	0.79%
Prepaid expenses & other current assets	1.58%	1.20%	1.00%	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%
Total current assets	18.78%	23.67%	24.51%	20.80%	22.96%	25.05%	27.24%	29.47%	31.79%	34.96%	38.01%	40.87%	43.53%
Long Term Assets													
Aircraft & related equipment	32.70%	35.42%	31.29%	31.07%	31.90%	32.72%	33.52%	34.33%	35.24%	36.26%	37.31%	38.43%	39.51%
Package handling & ground support equipment	14.94%	16.44%	15.50%	15.39%	15.80%	16.21%	16.61%	17.00%	17.46%	17.96%	18.48%	19.04%	19.57%
Information Technology	8.99%	9.95%	8.92%	8.85%	9.09%	9.33%	9.55%	9.78%	10.04%	10.33%	10.63%	10.95%	11.26%
Vehicles & trailers	11.97%	13.15%	11.06%	10.98%	11.27%	11.56%	11.85%	12.13%	12.45%	12.81%	13.18%	13.58%	13.96%
Facilities & other property & equipment	16.79%	18.98%	16.71%	16.59%	17.04%	17.48%	17.90%	18.33%	18.82%	19.36%	19.93%	20.53%	21.10%
Property & equipment, at cost	85.39%	93.94%	83.47%	82.88%	85.10%	87.29%	89.43%	91.58%	94.02%	96.72%	99.53%	102.53%	105.40%
Less accumulated depreciation & amortization	41.73%	45.39%	40.88%	41.74%	44.68%	47.52%	50.28%	52.99%	55.83%	58.81%	61.92%	65.13%	68.23%
Net property & equipment	43.66%	48.55%	42.58%	41.14%	40.42%	39.77%	39.15%	38.59%	38.19%	37.92%	37.61%	37.41%	37.17%
Other Long Term Assets													
Operating lease right-of-use assets, net	0.00%	20.11%	18.32%	17.70%	17.39%	17.11%	16.84%	16.61%	16.43%	16.31%	16.18%	16.10%	15.99%
Goodwill	9.88%	9.21%	8.33%	7.52%	7.16%	6.84%	6.55%	6.28%	6.07%	5.88%	5.73%	5.60%	5.47%
Other assets	5.75%	4.71%	4.85%	5.31%	5.31%	5.31%	5.31%	5.31%	5.31%	5.31%	5.31%	5.31%	5.31%
Total other long-term assets	15.62%	34.02%	31.50%	30.53%	29.86%	29.26%	28.70%	28.20%	27.81%	27.51%	27.23%	27.01%	26.78%
Total assets	78.06%	106.24%	98.59%	92.47%	93.24%	94.09%	95.10%	96.26%	97.79%	100.38%	102.85%	105.28%	107.47%
Current Liabilities													
Current portion of long-term debt	1.38%	0.07%	0.17%	0.00%	0.00%	0.00%	1.27%	1.36%	0.43%	0.94%	1.42%	0.79%	0.47%
Accrued salaries & employee benefits	2.50%	2.27%	3.46%	3.21%	3.21%	3.21%	3.21%	3.21%	3.21%	3.21%	3.21%	3.21%	3.21%
Accounts payable	4.35%	4.72%	4.57%	4.53%	4.53%	4.53%	4.53%	4.53%	4.53%	4.53%	4.53%	4.53%	4.53%
Operating lease liabilities	0.00%	2.78%	2.63%	2.49%	2.45%	2.41%	2.37%	2.34%	2.31%	2.30%	2.28%	2.27%	2.25%
Self-insurance accruals	1.58%	1.77%	1.83%	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%
Taxes other than income taxes	0.44%	0.60%	0.76%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%
Other accrued expenses	2.68%	2.73%	2.85%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
Accrued expenses	4.70%	5.10%	5.43%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%
Total current liabilities	12.93%	14.94%	16.27%	15.18%	15.14%	15.10%	16.33%	16.39%	15.43%	15.93%	16.39%	15.75%	15.42%
Total long term debt	25.23%	31.79%	24.87%	21.41%	21.07%	20.76%	20.47%	20.20%	20.01%	19.86%	19.72%	19.61%	19.50%
Less: current portion	1.38%	0.07%	0.17%	0.00%	0.00%	0.00%	1.61%	1.81%	0.59%	1.34%	2.06%	1.18%	0.72%
Long-term debt, less current portion	23.84%	31.71%	24.69%	21.41%	21.07%	20.76%	19.20%	18.84%	19.58%	18.92%	18.30%	18.82%	19.02%
Other Long Term Liabilities													
Deferred income taxes	4.05%	4.57%	4.68%	4.61%	4.77%	4.95%	5.13%	5.33%	5.55%	5.79%	6.03%	6.27%	6.50%
Pension, postretirement healthcare & other benefit obligations	7.31%	7.25%	4.17%	3.39%	2.87%	2.40%	1.97%	1.57%	1.22%	0.88%	0.57%	0.28%	0.00%
Self-insurance accruals	2.72%	3.04%	2.89%	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%
Operating lease liabilities	0.00%	17.62%	15.93%	15.45%	15.18%	14.94%	14.70%	14.49%	14.34%	14.24%	14.13%	14.05%	13.96%
Other liabilities	0.82%	0.67%	1.17%	0.72%	0.72%	0.72%	0.72%	0.72%	0.72%	0.72%	0.72%	0.72%	0.72%
Total other long-term liabilities	15.81%	33.15%	28.84%	26.73%	26.10%	25.57%	25.09%	24.68%	24.39%	24.20%	24.02%	23.89%	23.74%
Common Stockholders' Investment													
Common stock	4.68%	4.89%	4.18%	4.20%	4.41%	4.59%	4.77%	4.93%	5.10%	5.28%	5.40%	5.48%	5.52%
Retained earnings	35.37%	36.43%	35.51%	35.60%	37.45%	39.35%	41.33%	43.36%	45.57%	47.97%	50.35%	52.69%	54.86%
Accumulated other comprehensive income (loss)	-1.24%	-1.66%	-0.87%	-0.79%	-0.75%	-0.72%	-0.69%	-0.66%	-0.64%	-0.62%	-0.60%	-0.59%	-0.57%
Treasury stock, at cost	-13.33%	-13.24%	-10.04%	-9.87%	-10.17%	-10.57%	-10.94%	-11.28%	-11.65%	-11.30%	-11.01%	-10.76%	-10.51%
Total common stockholders' investment	25.48%	26.43%	28.79%	29.15%	30.93%	32.66%	34.48%	36.35%	38.39%	41.33%	44.14%	46.83%	49.29%
Total liabilities and shareholders equity	78.06%	106.24%	98.59%	92.47%	93.24%	94.09%	95.10%	96.26%	97.79%	100.38%	102.85%	105.28%	107.47%

FedEx Corporation

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	2.70%
Beta	1.28
Equity Risk Premium	5.00%
Cost of Equity	9.09%

ASSUMPTIONS:

10-yr Treasury Yield-to-Maturity
Weekly 2-yr Beta from Bloomberg
Damodaran April trailing 12 Month with adjusted payout

Cost of Debt:

Risk-Free Rate	2.70%
Implied Default Premium	1.56%
Pre-Tax Cost of Debt	4.26%
Marginal Tax Rate	26%
After-Tax Cost of Debt	3.16%

10-yr Treasury Yield-to-Maturity

30-yr Bond Yield-to-Maturity

Market Value of Common Equity:

Total Shares Outstanding	267
Current Stock Price	\$206.00
MV of Equity	55,073.69

MV Weights

60.07%

Market Value of Debt:

Short-Term Debt	0
Current Portion of LTD	146
Long-Term Debt	20879
PV of Operating Leases	15583
MV of Total Debt	36,608.00

39.93%

Market Value of the Firm

91,681.69

100.00%

Estimated WACC

6.72%

FedEx Corporation

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending May 31st	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
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EPS	\$ 14.87	\$ 15.56	\$ 16.66	\$ 17.78	\$ 18.72	\$ 19.64	\$ 20.47	\$ 20.08	\$ 19.64	\$ 19.36
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Key Assumptions

CV growth of EPS	2.50%
CV Year ROE	8.94%
Cost of Equity	9.09%

Future Cash Flows

P/E Multiple (CV Year)										10.93
EPS (CV Year)										\$ 19.36
Future Stock Price										\$ 211.68
Dividends Per Share	2.60	2.71	2.90	3.09	3.26	3.42	3.59	3.51	3.44	
Discounted Cash Flows	2.39	2.28	2.23	2.19	2.11	2.03	1.95	1.75	1.57	96.74

Intrinsic Value as of Last FYE \$ 115.23

Implied Price as of Today **\$ 123.03**

FedEx Corporation

Relative Valuation Models

Ticker	Company	Price	EPS		P/E		Est. 5yr EPS gr.	PEG 22	PEG 23
			2022E	2023E	22	23			
UPS	United Parcel Service	\$220.20	\$12.79	\$13.43	17.22	16.40	14.0	1.23	1.17
DPW	Deutsche Post	\$49.45	\$4.10	\$4.14	12.06	11.94	16.5	0.73	0.72
ODFL	Old Dominion Freight Line	\$311.32	\$10.90	\$12.10	28.56	25.73	24.8	1.15	1.04
			Average		19.28	18.02		1.04	0.98
FDX	FedEx Corporation	\$206.00	\$14.87	\$15.56	13.9	13.2	1.05	13.2	12.7

Implied Relative Value:

P/E (EPS22)	\$ 286.74
P/E (EPS23)	\$ 280.47
PEG (EPS22)	\$ 16.12
PEG (EPS23)	\$ 15.89

FedEx Corporation

Key Management Ratios

<i>Fiscal Years Ending May 31st</i>	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Liquidity Ratios:													
Current Ratio (Current Assets - Inventory / Current Liabilities)	1.45	1.58	1.51	1.37	1.52	1.66	1.67	1.80	2.06	2.19	2.32	2.59	2.82
Cash Ratio (Cash and Cash Equivalents / Total Current Liabilities)	0.26	0.47	0.52	0.40	0.54	0.68	0.76	0.90	1.10	1.27	1.42	1.66	1.87
Operating Cash Flow Ratio (Operating Cash Flow / Current Liabilities)	0.62	0.49	0.74	0.46	0.45	0.46	0.47	0.47	0.48	0.48	0.48	0.47	0.46
Asset-Management Ratios:													
Accounts Receivable Turnover (Sales / Accounts Receivable)	7.65	6.85	6.96	7.79	7.79	7.79	7.79	7.79	7.79	7.79	7.79	7.79	7.79
Total Asset Turnover (Sales / Total Assets)	1.28	0.94	1.01	1.08	1.07	1.06	1.05	1.04	1.02	1.00	0.97	0.95	0.93
Payables Turnover (Sales / Accounts Payable)	23.00	21.17	21.86	22.07	22.07	22.07	22.07	22.07	22.07	22.07	22.07	22.07	22.07
Financial Leverage Ratios:													
Debt to Equity Ratio (Total Liabilities / Total Shareholder Equity)	2.06	3.02	2.43	2.17	2.01	1.88	1.76	1.65	1.55	1.43	1.33	1.25	1.18
Assets to Equity Ratio (Total Assets / Total Equity)	3.06	4.02	3.43	3.17	3.01	2.88	2.76	2.65	2.55	2.43	2.33	2.25	2.18
Debt to Assets Ratio (Total Debt / Total Assets)	0.32	0.30	0.25	0.23	0.23	0.22	0.22	0.21	0.20	0.20	0.19	0.19	0.18
Profitability Ratios:													
Return on Equity (NI/Beg TSE)	0.03	0.07	0.22	0.15	0.14	0.13	0.13	0.12	0.12	0.11	0.10	0.09	0.08
Return on Assets (Operating Income / Total Assets)	0.08	0.03	0.0708	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.06	0.06	0.06
Gross Margin (Revenue-COGS / Revenue)	0.26	0.25	0.26	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Payout Policy Ratios:													
Dividend Payout Ratio (Dividends paid / EPS)	1.26	0.53	0.13	0.18	0.17	0.17	0.17	0.17	0.17	0.18	0.18	0.17	0.17
Total Payout Ratio ((Divs. + Repurchases)/NI)	-4.01	-0.53	-0.13	0.36	0.35	0.37	0.36	0.35	0.34	0.17	0.17	0.17	0.17

FedEx Corporation*Valuation of Options Granted under ESOP*

Current Stock Price	\$206.00
Risk Free Rate	2.70%
Current Dividend Yield	1.37%
Annualized St. Dev. of Stock Returns	25.77%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	15	175.19	6.80	\$ 67.74	\$ 1,038
Total	15	\$ 175.19	6.80	\$ 81.69	\$ 1,038

FedEx Corporation
Sensitivity Tables

		Beta							
		263.93	1.10	1.16	1.22	1.28	1.34	1.40	1.46
Risk Free Rate	2.40%	344.90	321.61	300.46	281.16	263.46	247.18	232.14	
	2.50%	336.85	314.31	293.80	275.06	257.85	242.01	227.35	
	2.60%	329.06	307.23	287.34	269.13	252.40	236.96	222.68	
	2.70%	321.52	300.37	281.06	263.37	247.09	232.05	218.12	
	2.80%	314.22	293.71	274.96	257.76	241.91	227.26	213.67	
	2.90%	307.14	287.25	269.04	252.30	236.87	222.59	209.33	
	3.00%	300.27	280.97	263.27	246.99	231.96	218.03	205.08	

		Total Package Revenue Growth Rate (2022)							
		263.93	5.37%	5.39%	5.41%	5.43%	5.45%	5.47%	5.49%
Capital Ex. (2022)	4600	321.18	321.18	321.18	321.18	321.18	321.18	321.18	321.18
	5200	306.87	306.87	306.87	306.87	306.87	306.87	306.87	306.87
	6000	287.79	287.79	287.79	287.79	287.79	287.79	287.79	287.79
	7000	263.93	263.93	263.93	263.93	263.93	263.93	263.93	263.93
	8000	240.08	240.08	240.08	240.08	240.08	240.08	240.08	240.08
	8800	221.00	221.00	221.00	221.00	221.00	221.00	221.00	221.00
	9600	201.92	201.92	201.92	201.92	201.92	201.92	201.92	201.92
									10.76

		WACC							
		263.93	6.42%	6.52%	6.62%	6.72%	6.82%	6.92%	9.24%
Normal Cash as a % of	3.03%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	263.93
	3.13%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	263.93
	3.23%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	263.93
	3.33%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	263.93
	3.43%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	263.93
	3.53%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	263.93
	3.63%	263.93	263.93	263.93	263.93	263.93	263.93	263.93	263.93

		Equity Risk Premium							
		263.93	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%
Cost of Equity	8.79%	287.08	278.86	270.93	263.30	255.93	248.82	241.96	
	8.89%	287.31	279.08	271.15	263.51	256.14	249.03	242.16	
	8.99%	287.55	279.31	271.37	263.72	256.34	249.23	242.35	
	9.09%	287.78	279.53	271.59	263.93	256.55	249.43	242.55	
	9.19%	288.01	279.76	271.81	264.15	256.76	249.63	242.74	
	9.29%	288.24	279.98	272.03	264.36	256.96	249.83	242.94	
	9.39%	288.47	280.21	272.24	264.57	257.17	250.03	243.13	

		CV growth of NOPLAT							
		263.93	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%
CV ROIC	6.42%	285.20	288.55	292.08	295.78	299.67	303.78	308.11	
	6.52%	275.00	278.08	281.31	284.71	288.27	292.02	295.98	
	6.62%	265.26	268.10	271.06	274.17	277.44	280.87	284.48	
	6.72%	255.77	258.37	261.09	263.93	266.92	270.05	273.34	
	6.82%	247.06	249.45	251.95	254.56	257.30	260.17	263.18	
	6.92%	238.53	240.73	243.02	245.42	247.93	250.56	253.31	
	7.02%	230.36	232.38	234.48	236.68	238.98	241.38	243.90	

		Forecasted Marginal Tax Rate							
		263.93	25.44%	25.54%	25.64%	25.74%	25.84%	25.94%	26.04%
Pre-tax Cost of Debt	3.96%	269.91	269.64	269.37	269.11	268.84	268.57	268.31	
	4.06%	268.11	267.85	267.59	267.33	267.07	266.81	266.55	
	4.16%	266.34	266.09	265.83	265.58	265.32	265.07	264.82	
	4.26%	264.59	264.34	264.10	263.85	263.60	263.36	263.11	
	4.36%	262.87	262.63	262.39	262.15	261.91	261.67	261.43	
	4.46%	261.17	260.94	260.70	260.47	260.23	260.00	259.77	
	4.56%	259.50	259.27	259.04	258.81	258.58	258.36	258.13	

FedEx Corporation

Present Value of Operating Lease Obligations

Fiscal Years Ending May 31st	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Year 1	1776.0	1794.0	1872.0	1936.0	2062.0	2128.0	2475.0	2445.0	2471.0	2497.0	
Year 2	1589.0	1654.0	1725.0	1834.0	1903.0	2241.0	2243.0	2230.0	2177.0	2263.0	
Year 3	1425.0	1465.0	1572.0	1636.0	1932.0	1751.0	1953.0	1931.0	1951.0	2028.0	
Year 4	1259.0	1354.0	1391.0	1689.0	1455.0	1511.0	1668.0	1709.0	1762.0	1779.0	
Year 5	1172.0	1192.0	1433.0	1230.0	1228.0	1265.0	1451.0	1540.0	1548.0	1486.0	
Thereafter	6550.0	6533.0	5993.0	6650.0	6814.0	7489.0	8023.0	8019.0	8193.0	8062.0	
Total Minimum Payments	13771.0	13992.0	13986.0	14975.0	15394.0	16385.0	17813.0	17874.0	18102.0	18115.0	
Less: Cumulative Interest	2684.6	2698.6	2502.1	2824.3	2894.5	3153.6	3364.1	3344.2	3412.7	3398.4	
PV of Minimum Payments	11086.4	11293.4	11483.9	12150.7	12499.5	13231.4	14448.9	14529.8	14689.3	14716.6	
Implied Interest in Year 1 Payment		471.7	480.5	488.6	517.0	531.9	563.0	614.8	618.2	625.0	626.2
Pre-Tax Cost of Debt	4.26%	4.26%	4.26%	4.26%	4.26%	4.26%	4.26%	4.26%	4.26%	4.26%	4.26%
Years Implied by Year 6 Payment	5.6	5.5	4.2	5.4	5.5	5.9	5.5	5.2	5.3	5.4	#DIV/0!
Expected Obligation in Year 6 & Beyond	1172	1192	1433	1230	1228	1265	1451	1540	1548	1486	0
Present Value of Lease Payments											
PV of Year 1	1703.5	1720.8	1795.6	1857.0	1977.8	2041.1	2374.0	2345.2	2370.2	2395.1	0.0
PV of Year 2	1461.9	1521.7	1587.1	1687.4	1750.8	2061.8	2063.6	2051.7	2002.9	2082.0	0.0
PV of Year 3	1257.5	1292.8	1387.3	1443.8	1705.0	1545.2	1723.5	1704.1	1721.7	1789.7	0.0
PV of Year 4	1065.7	1146.1	1177.4	1429.7	1231.6	1279.0	1411.9	1446.6	1491.5	1505.9	0.0
PV of Year 5	951.6	967.8	1163.5	998.7	997.0	1027.1	1178.1	1250.4	1256.9	1206.5	0.0
PV of 6 & beyond	4646.1	4644.1	4373.1	4734.3	4837.2	5277.1	5697.7	5731.8	5846.1	5737.4	#DIV/0!
Capitalized PV of Payments	11086.4	11293.4	11483.9	12150.7	12499.5	13231.4	14448.9	14529.8	14689.3	14716.6	#DIV/0!

FedEx Corporation

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	15
Average Time to Maturity (years):	6.80
Expected Annual Number of Options Exercised:	2

Current Average Strike Price:	\$ 175.19
Cost of Equity:	9.09%
Current Stock Price:	\$206.00

Fiscal Years Ending May 31st	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Increase in Shares Outstanding:	2	2	2	2	2	2	2	2	1	1
Average Strike Price:	\$ 175.19	\$ 175.19	\$ 175.19	\$ 175.19	\$ 175.19	\$ 175.19	\$ 175.19	\$ 175.19	\$ 175.19	\$ 175.19
Increase in Common Stock Account:	395	395	395	395	395	395	395	316	253	202
Share Repurchases (\$)	750	750	875	875	875	875	0	0	0	0
Expected Price of Repurchased Shares:	\$ 206.00	\$ 222.13	\$ 239.52	\$ 258.28	\$ 278.50	\$ 300.31	\$ 323.82	\$ 349.18	\$ 376.52	\$ 406.00
Number of Shares Repurchased:	4	3	4	3	3	3	-	-	-	-
Shares Outstanding (beginning of the year)	267	269	268	267	265	265	264	266	268	269
Plus: Shares Issued Through ESOP	5	2	2	2	2	2	2	2	1	1
Less: Shares Repurchased in Treasury	4	3	4	3	3	3	-	-	-	-
Shares Outstanding (end of the year)	269	268	267	265	265	264	266	268	269	271