

Ticker:

**FDX**

**Company Snapshot**



EAGLE FUND

FedEx Corp (FDX) \$210 4/19/22  
 Bloomberg Rating: IGG Sector: Industrials Industry: Air Freight & Logistics Sub-Industry: Air Freight & Logistics FY End: May 2021 EPS Due: 6/23/2022

**Description**  
 FedEx Corp. delivers packages and freight to multiple countries and territories through an integrated global network. The Company provides worldwide express delivery, ground small-parcel delivery, less-than-truckload freight delivery, supply chain management services, customs brokerage services, and trade facilitation and electronic commerce solutions.

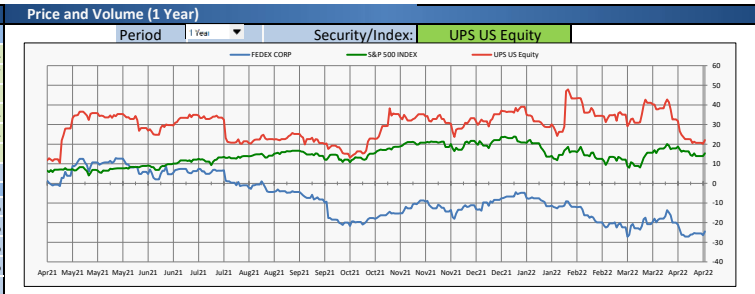
Key Statistics	
52-Week Range	199.03 - 319.9
Avg Daily Vol (3 Mo)	2,589,796
Market Value	54,063.3
Current Enterprise	85,352.28
Shares Outstanding	259.18 M
Dividend Yield	1.4%
Float %	92.3%
Institutional %	80.3%
Analyst Coverage	34 Analysts
Target Price	293.78
LT Growth Rate	1227.5%
Consensus Rating	4.47
Return on Equity	22.1%

Business Segments (FY: May-21)	Revenue
FedEx Express	42,078.00
FedEx Ground	30,496.00
FedEx Freight	7,833.00
Corporate, Eliminations and Other	3,520.00
FedEx Services	32.00

Actual and Estimate Data			
	LTM	05/2022	05/2023
Revenue	91,683.00	93,635.12	98,395.44
% change y/y		11.5%	5.1%
EBITDA	10,045.00	10,795.05	11,856.78
% Margin		8.2%	9.8%
EPS	18.799933	20.726	22.623
% change y/y		14.1%	9.2%
EV/Sales	1.0x	0.7x	0.7x
EV/EBITDA	8.8x	6.3x	5.8x
P/Sales	0.6x	0.6x	0.5x
P/Earnings	11.1x	10.1x	9.2x
P/Book	2.2x	2.1x	1.8x

Relative Comps	Mkt Cap	PE (NTM)
FedEx Corp	54.06 B	9.3x
United Parcel Service Inc	165.72 B	14.9x
Yamato Holdings Co Ltd	913.93 B	17.6x
Yunda Holding Co Ltd	49.35 B	22.0x
SF Holding Co Ltd	252.45 B	35.2x
ZTO Express Cayman Inc	21.41 B	20.8x
Deutsche Post AG	51.41 B	10.5x
Sinotrans Ltd	31.64 B	4.0x
JB Hunt Transport Service	18.22 B	18.7x
Agility Public Warehousing	2.63 B	59.4x
XPO Logistics Inc	6.51 B	10.8x
Hitachi Transport System	560.12 B	27.5x
Landstar System Inc	5.46 B	13.2x
Sankyu Inc	227.89 B	9.1x
Expeditors International	16.46 B	13.9x

Measure:	2020	2021	2022	2023
Q1 Aug	17048.00	19321.00	22003.00	23666.64
Q2 Nov	17324.00	20563.00	23474.00	24672.07
Q3 Feb	17487.00	21510.00	23641.00	24526.79
Q4 May	17358.00	22565.00	24533.91	25430.64
Year	69217.00	83959.00	93635.12	98395.44
Cal Yr	76070.00	90248.67	96781.56	99924.41
Revision	1 Week	4 Weeks	3 Months	6 Months
Qtr End 05/22	0.0%	0.0%	1.3%	3.7%
Qtr End 08/22	0.0%	0.0%	2.2%	4.1%
FY End 05/22	0.0%	0.1%	0.6%	3.0%
FY End 05/23	0.0%	0.0%	1.4%	3.3%



Prices/Volume	
YTD Change	-19.35%
6 Month Change	-25.72%
3 Month Change	-14.9%
1 Year Change	-21.9%
Daily Volume	896,274
Average Volume 30 Day	2,849,653
Average Volume 3 Month	2,589,796
Average Volume 6 Month	2,410,204
Dividend Yld	1.7%
52 Week Beta	0.77

**Recommendation**  
 Despite several near-term fundamental challenges, we view FedEx (FDX) as a compelling long term investment opportunity based upon its historically low valuation levels and the emergence of multiple catalysts that have the potential to drive meaningful share price appreciation over the next couple of years.

**Valuation**  
 Trading at only 9x estimated fiscal 2023 earnings, FDX is valued at 50% discount to the overall market (S&P 18x P/E) and a 35% discount to its closest industry competitor United Parcel Service (UPS 14x P/E). In addition to its low P/E appeal, FDX trades at the lower end of its historical range across several other valuation measures, including Enterprise Value (EV) to Ebitda, EV to Sales, Price to Book, as well as FCF and Dividend Yield. Based upon our 3 stage Discounted Cash Flow (DCF) model, utilizing conservative assumptions, we derived a price target of \$325, which is 40%+ higher than the current market price.

Measure:	2020	2021	2022	2023
Q1 Aug	2.84	4.72	4.09	5.06
Q2 Nov	2.13	4.55	3.88	5.29
Q3 Feb	1.20	3.30	4.20	4.91
Q4 May	-1.28	6.88	6.70	7.37
Year	4.90	19.45	18.92	22.54
Cal Yr	9.89	18.45	21.49	24.20
Revision	1 Week	4 Weeks	3 Months	6 Months
Qtr End 05/22	0.0%	0.2%	-2.5%	-
Qtr End 08/22	0.0%	-0.3%	-1.9%	-
FY End 05/22	0.0%	0.1%	-3.8%	-
FY End 05/23	0.0%	-0.1%	-2.2%	-

Performance	2013	2014	2015	2016	2017	2018	2019	2020	2021	5 Yr Avg
Price Change	8.1%	49.6%	20.2%	-4.8%	17.5%	28.5%	-38.1%	-15.4%	141.1%	26.7%
S&P 500 INDEX	29.6%	11.4%	-0.7%	9.5%	19.4%	-6.2%	28.9%	16.3%	26.9%	17.0%
Industry (INDU Index)	26.5%	7.5%	-2.2%	13.4%	25.1%	-5.6%	22.3%	7.2%	18.7%	13.6%
Div Yield	0.4%	0.5%	0.7%	0.9%	0.8%	1.6%	1.7%	1.0%	1.0%	1.2%
Financials	05/13 Y	05/14 Y	05/15 Y	05/16 Y	05/17 Y	05/18 Y	05/19 Y	05/20 Y	05/21 Y	5 Yr CAGR
Sales	44,287.0	45,567.0	47,453.0	50,365.0	60,319.0	65,450.0	69,693.0	69,217.0	83,959.0	10.8%
EBITDA	6,820.0	6,402.0	4,478.0	5,708.0	8,032.0	7,367.0	7,819.0	8,700.0	12,498.0	17.0%
EBIT	4,434.0	3,815.0	1,867.0	3,077.0	5,037.0	4,272.0	4,466.0	2,417.0	5,857.0	13.7%
Net Income	2,716.0	2,324.0	1,050.0	1,820.0	2,997.0	4,572.0	540.0	1,286.0	5,231.0	23.5%
EPS (Diluted)	8.55	7.48	3.65	6.51	11.07	16.81	2.03	4.90	19.45	24.5%
Dividends per Share	0.56	0.60	0.80	1.00	1.60	2.00	2.60	2.60	2.60	21.1%
Shares for Fully Diluted	317.0	310.0	287.0	279.0	270.0	272.0	265.0	262.0	268.0	-0.8%
Book Value per Share	54.96	53.16	53.00	51.70	60.16	72.99	68.08	69.84	90.40	11.8%
Cash & Near Cash	4,917.0	2,908.0	3,763.0	3,534.0	3,969.0	3,265.0	2,319.0	4,881.0	7,087.0	14.9%
Total Assets	33,567.0	33,070.0	36,531.0	45,959.0	48,552.0	52,330.0	54,403.0	73,537.0	82,777.0	12.5%
Working Cap	5,524.0	4,371.0	4,379.0	3,981.0	4,710.0	3,714.0	4,073.0	6,039.0	6,920.0	11.7%
LT Debt	2,739.0	4,736.0	7,249.0	13,733.0	14,909.0	15,243.0	16,617.0	34,147.0	34,108.0	20.0%
Cash Flow-Oper Activities	4,688.0	4,264.0	5,366.0	5,708.0	4,930.0	4,674.0	5,613.0	5,097.0	10,135.0	12.2%
Capital Expenditures	3,375.0	3,533.0	4,347.0	4,828.0	5,116.0	5,663.0	5,490.0	5,868.0	5,884.0	4.0%
Free Cash Flow	1,313.0	731.0	1,019.0	880.0	186.0	989.0	123.0	771.0	4,251.0	37.0%
Ratios	05/13 Y	05/14 Y	05/15 Y	05/16 Y	05/17 Y	05/18 Y	05/19 Y	05/20 Y	05/21 Y	5 Yr Avg
Gross Margin	21.2%	21.4%	22.6%	23.5%	22.8%	21.5%	21.3%	19.3%	21.4%	21.3%
EBITDA Margin	15.4%	14.0%	9.4%	11.3%	13.3%	11.3%	11.2%	12.6%	14.9%	12.6%
EBIT Margin	10.0%	8.4%	3.9%	6.1%	8.4%	6.5%	6.4%	3.5%	7.0%	6.4%
Profit Margin	6.1%	5.1%	2.2%	3.6%	5.0%	7.0%	0.8%	1.9%	6.2%	4.2%
Return on Assets	8.6	7.0	3.0	4.4	6.3	9.1	1.0	2.0	6.7	5.0
Return on Com Eqty	16.9	14.2	6.9	12.6	20.1	25.8	2.9	7.1	24.6	16.1
Asset Turnover	1.4	1.4	1.4	1.2	1.3	1.3	1.3	1.1	1.1	1.2
Assets/Equity	1.9	2.2	2.4	3.3	3.0	2.7	3.1	4.0	3.4	3.2
Net Inc per 1000 Empl	11.1	8.3	3.9	11.9	8.7	20.1	3.1	7.0	22.9	12.4
Days Sales Out (DSO)	40.2	42.1	43.0	47.1	44.9	44.8	46.1	50.8	48.2	47.0
Acc Pay Turn Days (DPO)	18.3	19.6	20.1	23.8	22.3	20.4	20.0	20.6	19.7	20.6
Current Ratio	2.0	1.8	1.7	1.5	1.6	1.4	1.5	1.6	1.5	1.5
Quick Ratio	1.7	1.6	1.6	1.3	1.5	1.2	1.3	1.4	1.4	1.4
Total Debts/Total Capita	14.7	23.7	32.6	50.0	48.2	46.1	49.8	66.4	60.1	54.1
Total Debt/Total Equity	17.2	31.0	48.5	99.8	92.9	85.4	99.0	197.4	150.9	125.1

Growth Rate (CAGR) Summary				
	1Yr	3Yr	5Yr	10Yr
Sales	21.3%	8.7%	10.8%	7.9%
EBIT	142.3%	11.1%	13.7%	9.4%
EBITDA	43.7%	19.3%	17.0%	11.1%
Net Income	306.8%	4.6%	23.5%	13.7%
EPS (Diluted)	296.9%	5.0%	24.5%	15.6%
Dividends	0.0%	9.1%	21.1%	18.4%
BVPS	29.4%	7.4%	11.8%	6.5%
Free Cash Flow	-645.1%	-263.2%	38.2%	23.7%

Valuation Summary				
Latest FY	Est FY	5 Year Periodicity: Yearly		
	5/31/2021	High	Low	Avg
P/E (LTM)	17.3x	27.3x	9.7x	15.8x
P/E (NTM)	9.3x	17.2x	9.3x	12.4x
PEG (NTM)	0.8x	1.2x	0.6x	0.8x
P/Bk	3.5x	4.1x	2.2x	2.9x
P/CF	8.2x	13.5x	5.4x	9.2x
P/Sales	1.0x	1.1x	0.6x	0.8x
EV/EBITDA	9.1x	10.8x	7.1x	8.5x
EV/Sales	1.4x	1.4x	0.8x	1.1x
Div Yield	0.8%	1.7%	0.6%	1.1%

**Fundamentals / Catalysts**  
 Revenue, Margin, Earnings and Cash Flow improvement have been constrained in recent quarters by the lingering effects of the Covid pandemic. Supply chain bottlenecks, rising fuel and labor expenses, and elevated costs associated with the ramp of the FedEx ground network are among the key fundamental issues facing the company. We feel these challenges are more than reflected in the FDX's currently depressed valuation. Furthermore, we believe there are a number of catalysts emerging at the company which have the potential to unlock substantial shareholder value. These catalysts include; the recent appointment of a new CEO, a potential shift in corporate strategy from higher growth towards increased margins and better cash flow generation, more disciplined capital deployment (eg. higher dividends), the emergence of one or more 'activist' investors, recent price hikes and the implementation fuel surcharges, long awaited acquisition synergies associated from its European based TNT Express unit, the evolution towards autonomous driving and even a futuristic drone based delivery service. Also, according to Barron's, "the company has a lucrative trucking business called FedEx Freight that could be worth a sizable chunk of its market value, based on comparable public companies such as Old Dominion Freight Lines (ODFL)". The company's upcoming investor day at the end of the June, may shed more light on these and other value creating opportunities

**Balance Sheet and Cash Flow**  
 While FedEx has a similar debt to capital ratio (60%) as its industry peers, its interest coverage is less than 1/2 that of its closest rival UPS due lower its lower profitability ratios. FCF has consistently lagged its reported GAAP based net income, and trailed that of industry peers due to elevated CAPEX and Working Capital investments (built out of its FedEx Ground business). In fact FCF generation is only 1/3 of UPS, despite a similar level of total annual sales (\$90-\$100b). FedEx has steadily increased its dividend each year since 2003. Financial leverage, which steadily increased each year since 2012, finally started to decline in 2021 as the company paid down \$2.1b in net debt. Since 2013, FDX has repurchased about \$10b in stock, including \$1.8 billion over the past 12 months.

**Risks**  
 Due to high operating (fixed costs) and financial (debt) leverage, FDX earnings are very sensitive to global macro-economic cycles that affect its package volumes. Additionally, the company is suffering from the lingering effects of the Covid pandemic, most notably labor and fuel cost inflation. Covid resurgence, the war in Ukraine, supply chain bottlenecks, large pension liabilities, new competitors (eg. Amazon delivery), technological disruption (document digitization), and management's ability to execute on its strategy are among the key risks.