

<b>Company: FedEx Corp</b>	<b>Ticker: FDX</b> <b>Current Price: \$ 241.31</b>	<b>Industry: Industrials- Air Freight &amp; Logistics</b>	
Target Price: \$ 280	TTM P/E: 16.1	Beta: 1.1	Market Cap: \$64.6b
Stop Loss: \$205.1 (15%)	Forward P/E: 19.8	Credit Rating: BBB (S&P)	Avg Vol (12 M): 1.9m
52 Week High/ Low: \$274.66 / \$182.89	EPS: \$11.24	Rating Outlook: Stable	Dividend Yield: 0.8%

#### Company Background:

FedEx provides a broad portfolio of transportation, e-commerce and business services. FedEx primary operating companies are Federal Express Corporation ("FedEx Express"), the world's largest express transportation company; TNT Express B.V. ("TNT Express"), an international express, small-package ground delivery and freight transportation company; FedEx Ground Package System, Inc. ("FedEx Ground"), a leading North American provider of small-package ground delivery services; and FedEx Freight, Inc. ("FedEx Freight"), a leading U.S. provider of less-than-truckload ("LTL") freight services. These companies represent its major service lines and, along with FedEx Corporate Services, Inc. ("FedEx Services"), form the core of segments.

#### Industry Outlook:

The economy showed solid momentum entering the year, and business and consumer sentiment remains favorable. Higher growth reflects the impact of the Tax Cuts and Jobs Act of 2017. The synchronous global upturn across regions and sectors is supporting global trade flows. Risks to the outlook include geopolitical tensions and the potential for economic policy missteps.

#### Investment Thesis:

- FedEx has great capacity to sever the customers with unmatched Global Network Links More Than 99% of World's GDP. Over 220 countries and territories, every address in the U.S. Over 660 aircraft and over 170,000 motorized vehicles Approximately 5,000 operating facilities; 375 airports. Sorts and processes over 14M shipments per day
- E-commerce, including B2B e-commerce, and global trade growth are increasing demand for FedEx services
- Integration of TNT into FedEx Express is expected to be substantially complete by the end of May 2020
- The FedEx Express segment (FedEx Express and TNT combined) is targeting operating income improvement of \$1.2 to \$1.5 billion in FY20 versus FY17, assuming moderate economic growth, current accounting rules and tax laws in effect prior to U.S. tax reform and continued recovery from the TNT Express Cyberattack FedEx Ground continues to gain revenue share with double-digit margins FedEx Freight margins are rebounding as the industrial environment improves

#### Investment Risks:

- The state of the economy directly affects FedEx. While macroeconomic risks apply to most companies, FedEx is particularly vulnerable.
- A significant data breach or other disruption to FedEx's technology infrastructure could disrupt our operations and result in the loss of critical confidential information, adversely impacting their reputation, business or results of operations.
- The failure to integrate successfully the businesses and operations of FedEx Express and TNT Express in the expected period may adversely affect our future results

#### Most recent quarter financial highlights (Q2 FY 2018):

- Adjusted EPS \$3.18, up 15%
- Adjusted OP margin 8.5%, up 30bps
- Higher base rates, volume growth and a favorable net impact from fuel at each transportation segment

#### Financial Performance:

In Millions of USD	2013	2014	2015	2016	2017	2018 Est	2019 Est
Revenue	44,287	45,567	47,453	50,365	60,319	62,335	64,558
Operating Profit	3,211	3,460	4,530	5,015	5,401	5,465	5,726
Net Income	1,561	2,097	1,050	1,820	2,997	2,953	3,537
Revenue Growth %	3.77%	2.89%	4.14%	6.14%	19.76%	3.34%	3.57%
EBITDA%	12.64%	13.27%	15.05%	15.18%	13.92%	13.62%	13.56%
Operating Profit %	7.25%	7.59%	9.55%	9.96%	8.95%	8.77%	8.87%
Net Income Margin	4.46%	4.62%	5.77%	5.99%	5.39%	5.31%	5.65%
D/E	17.19	31.01	48.48	99.84	92.89		
EPS	4.95	6.82	3.70	6.59	11.24	11.03	12.97
PE Ratio	15.46	21.26	18.16	15.28	16.14	19.82	17.71
Current Ratio	1.96	1.82	1.74	1.50	1.59		
ROE	9.72	12.84	6.94	12.65	20.08		
ROA	4.92	6.29	3.02	4.41	6.34		
Dividend Per share	0.56	0.60	0.80	1.00	1.60	2.30	
FCF to Equity	2,690	2,492	3,529	7,358	1,057		

#### Discounted Cash Flow

	2013-17	2018-22
Avg Revenue growth	6.95%	7%
Avg EBITDA Margin	13.95%	14%
Avg Net Income Margin	5.26%	5.5%
Avg Debt/Equity	50.1%	50%
Avg FCF / Margin		
Cost of Debt		3.5%
Tax Rate		21.0%
Cost of Equity		12.0%
WACC		10.3%
Perpetuity growth rate		3.0%

#### Analyst Opinion

Buy:21	Hold: 7	Sell:0
Target Price Range	202~318	

Source: Bloomberg, Yahoo Finance

#### Relative Valuation

	FEDEX	UPS	DPW	KNIN SW	Industry
P/E	19.82	17.5	16.09	24.13	22.84
P/B	3.79	90.51	3.94	7.68	3.04
Dividend Yield	0.95%	3.15%	n.a	n.a	1.35%
Revn Grth	19.76	8.15%	-3.2%	12.52%	10.12%
NI Grth	64.67%	43.11%	71.36%	2.65%	15.89%
Operating Margin	8.95%	12.64%	5.97%	5.08%	5.15%
Debt / Equity	92.89%	2358.16%	52.11%	0.77%	46.92%
Market Cap	64.64B	90.78B	55.01B	19.07B	4.2B
Revenue TTM	63.34B	65.87B	66.01B	18.89B	6.92B
Net Income TTM	3.31B	5.26B	2.89B	0.77B	0.19B
FCF TTM	-1.26B	-3.75B	1.89B	0.57B	0.07B

\*Industry Avg. 25 companies from Bloomberg (Mar 3, 2018)

#### Total Return

	FDX	Industrial	S&P 500
YTD	-3.37	-3.83	1.61
2017	35.22	25.08	21.80
Last 3 Years	39.73	30.06	37.20
Last 5 Years	136.84	76.80	98.59

#### CSR Characteristics

	FDX	Industry
Governance Disclosure Score	60.71	50.89
ESG Disclosure:	62.81	19.21
Social Disclosure Score	54.39	21.05
Environmental Disclosure Score	67.44	16.28

Data: Bloomberg data of FY 2016 (CSR)