

FedEx Corp. Reports First Quarter Earnings

17-09-2019

FedEx Corp. today reported the following consolidated results for the first quarter ended August 31.

This year's and last year's quarterly consolidated results have been adjusted for TNT Express integration expenses of \$71 million (\$0.21 per diluted share) for this year and \$121 million (\$0.36 per diluted share) for last year.

"Our performance continues to be negatively impacted by a weakening global macro environment driven by increasing trade tensions and policy uncertainty," said Frederick W. Smith, FedEx Corp. chairman and chief executive officer. "Despite these challenges, we are positioning FedEx to leverage future growth opportunities as we continue the integration of TNT Express, enhance FedEx Ground residential delivery capabilities and modernize the FedEx Express air fleet and hub operations."

Operating results declined primarily due to weakening global economic conditions, increased costs to expand service offerings and continued mix shift to lower-yielding services. The impact of one fewer operating day and the loss of business from a large customer also negatively impacted results. These factors were partially offset by lower variable incentive compensation expenses, revenue growth at FedEx Ground and increased yields at FedEx Freight.

2020 Rate Increases

As previously announced, effective January 6, 2020, FedEx Express, FedEx Ground and FedEx Home Delivery shipping rates will increase by an average of 4.9%, while FedEx Freight shipping rates will increase by an average of 5.9%. Details related to these and additional changes to rates and surcharges are available at fedex.com/rates2020.

Outlook

FedEx is unable to forecast the fiscal 2020 year-end mark-to-market (MTM) retirement plan accounting adjustment. As a result, the company is unable to provide a fiscal 2020 earnings per share or effective tax rate (ETR) outlook on a GAAP basis.

FedEx is lowering its fiscal 2020 earnings forecast as the company's revenue outlook has been reduced due to increased trade tensions and additional weakening of global economic conditions since the company's initial fiscal 2020 forecast in June. The company's revised outlook also reflects increased FedEx Ground costs and August's loss of FedEx Ground business from a large

customer. In addition, the FedEx ETR is now expected to be 24% to 26% before the year-end MTM retirement plan accounting adjustment, due to lower-than-expected earnings in certain non-U.S. jurisdictions.

FedEx now forecasts earnings of \$10.00 to \$12.00 per diluted share before the year-end MTM retirement plan accounting adjustment, and earnings of \$11.00 to \$13.00 per diluted share before the year-end MTM retirement plan accounting adjustment and excluding TNT Express integration expenses. The capital spending forecast remains \$5.9 billion.

"FedEx is implementing additional cost-reduction initiatives to mitigate the effects of macroeconomic uncertainty, including post-peak reductions to the global FedEx Express air network to better match capacity with demand," said Alan B. Graf, Jr., FedEx Corp. executive vice president and chief financial officer. "However, we are continuing to make strategic investments to improve our capabilities and efficiency, which we expect will drive long-term increases in earnings, margins, cash flows and returns."

These forecasts assume moderate U.S. economic growth, the company's current fuel price expectations, no further weakening in international economic conditions from the company's current forecast and no additional adverse

developments in international trade policies and relations. FedEx's ETR and earnings per share outlooks are based on the company's current interpretations of the Tax Cuts and Jobs Act (TCJA) and related regulations and guidance, and are subject to change based on future guidance, as well as FedEx's ability to defend its interpretations. These forecasts do not include potential costs associated with capacity reductions.

Corporate Overview

FedEx Corp. (NYSE: FDX) provides customers and businesses worldwide with a broad portfolio of transportation, e-commerce and business services. With annual revenues of \$70 billion, the company offers integrated business solutions through operating companies competing collectively and managed collaboratively, under the respected FedEx brand. Consistently ranked among the world's most admired and trusted employers, FedEx inspires its more than 450,000 team members to remain focused on safety, the highest ethical and professional standards and the needs of their customers and communities. To learn more about how FedEx connects people and possibilities around the world, please visit about.fedex.com.

Additional information and operating data are contained in the company's annual report, Form 10-K, Form 10-Qs, Form 8-Ks, Statistical Books and supplemental first

quarter fiscal 2020 earnings release conference call slides. These materials, as well as a webcast of the earnings release conference call to be held at 5:30 p.m. EDT on September 17, are available on the company's website at investors.fedex.com. A replay of the conference call webcast will be posted on our website following the call.

The Investor Relations page of our website, investors.fedex.com, contains a significant amount of information about FedEx, including our Securities and Exchange Commission (SEC) filings and financial and other information for investors. The information that we post on our Investor Relations website could be deemed to be material information. We encourage investors, the media and others interested in the company to visit this website from time to time, as information is updated and new information is posted.

Certain statements in this press release may be considered forward-looking statements, such as statements relating to management's views with respect to future events and financial performance. 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; anti-trade measures and additional changes in international trade policies and relations; a significant data breach or other disruption to our technology infrastructure; our ability to successfully integrate the businesses and operations of FedEx Express and TNT Express in the expected time frame and at the expected cost and to achieve the expected benefits from the combined businesses; our ability to successfully implement our business strategy and effectively respond to changes in market dynamics; the impact of the United Kingdom's vote to leave the European Union and the terms of its withdrawal if it ultimately occurs; our ability to match capacity to shifting volume levels; changes in fuel prices or currency exchange rates; the impact of intense competition; evolving or new U.S. domestic or international government regulation or regulatory actions; future guidance, regulations, interpretations or challenges to our tax positions relating to the TCJA and our ability to defend our interpretations of the TCJA; our ability to effectively operate, integrate, leverage and grow acquired businesses; legal challenges or changes related to owner-operators engaged by FedEx Ground and the drivers providing services on their behalf; disruptions or modifications in service by, or changes in the business or financial soundness of, the U.S. Postal Service; the impact of any international conflicts or terrorist activities; our ability to quickly and effectively restore



operations following adverse weather or a localized disaster or disturbance in a key geography; and other factors which can be found in FedEx Corp.'s and its subsidiaries' press releases and FedEx Corp.'s filings with the SEC. 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, whether as a result of new information, future events or otherwise.

More information: [FedEx](#)

