FedEx Corp. Reports Higher Second Quarter Results

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Both as-reported and adjusted fiscal 2018 earnings reflect the estimated negative impact of the June 27 cyberattack affecting TNT Express ($0.31 per diluted share). This year's and last year's quarterly consolidated earnings have been adjusted for TNT Express integration expenses of $0.33 and $0.18 per diluted share, respectively.

"Strategic execution by the FedEx team and a stronger global economy drove improved financial results, and we are well positioned for profitable, long-term growth," said Frederick W. Smith, FedEx Corp. chairman and chief executive officer. "We are on track for another record holiday-shipping season, and customer-service levels have been outstanding. We thank our more than 400,000 dedicated team members around the world for their extraordinary dedication."

Outlook

FedEx is unable to forecast the fiscal 2018 year-end mark-to-market (MTM) pension accounting adjustments. As a result, the company is unable to provide fiscal 2018 earnings or effective tax rate (ETR) guidance on a GAAP basis.

Before year-end MTM pension accounting adjustments, earnings are now projected to be $11.45 to $12.05 per diluted share for fiscal 2018. The fiscal 2018 earnings forecast before year-end MTM pension accounting adjustments and excluding expenses related to TNT Express integration and certain first quarter FedEx Trade Networks legal matters is now $12.70 to $13.30 per diluted share. These forecasts assume moderate economic growth and continued recovery from the cyberattack. The fiscal 2018 ETR forecast is now 33% to 34% before year-end MTM pension accounting adjustments. Each of these forecasts is based on current U.S. tax laws.

If the Tax Cuts and Jobs Act is enacted as set forth in the Joint Conference Report, earnings per share could increase by an estimated $4.40 to $5.50 per diluted share for fiscal 2018 before year-end MTM pension accounting adjustments, primarily due to the revaluation of net deferred tax liabilities. This range also includes an estimated $0.85 to $1.00 per diluted share due to a lower tax rate on fiscal 2018 earnings.

The capital spending forecast for fiscal 2018 remains $5.9 billion. The company is accelerating the integration process and increasing investments to move TNT Express information technology and operational infrastructure to FedEx infrastructure due to the recent cyberattack at TNT Express. As a result, the total TNT Express integration program expense through fiscal 2020 is now estimated to be approximately $1.4 billion, up from the previous $800 million estimate, of which $450 million is expected to be incurred in fiscal 2018.

“We are increasing our fiscal 2018 forecast, due to enhanced revenue quality, solid demand trends and our success in restoring business impacted by this summer’s cyberattack,” said Alan B. Graf, Jr., FedEx Corp. executive vice president and chief financial officer. “We expect to see improved results in our fiscal second half, and we reaffirm our commitment to improve operating income at the FedEx Express segment by $1.2 to $1.5 billion in fiscal 2020 versus fiscal 2017.”

Source: FedEx