

FedEx Corp. Reports Fourth Quarter and Full-Year Earnings

30-06-2020

“Though our fiscal fourth quarter performance was severely affected by the COVID-19 pandemic, I am extremely proud of the herculean efforts of our team members,” said Frederick W. Smith, FedEx Corp. chairman and CEO. “With safety as the first priority, these men and women provided essential transportation of critical supplies across the globe and delivered peak-level e-commerce volumes in the United States. As a result of the strategic investments we have made to enhance our capabilities and efficiencies, FedEx is well positioned to support and benefit from the reopening of the global economy.”

Virtually all revenue and expense line items were affected by the COVID-19 pandemic during the quarter. While commercial volumes were down significantly due to business closures across the globe, there were surges in residential deliveries at FedEx Ground and in transpacific and charter flights at FedEx Express, which required incremental costs to serve. The company also incurred an approximate \$125 million increase in operating costs related to personal protective equipment and medical/safety supplies, as well as additional security and cleaning services to protect our team members and ensure we are safely providing essential services for our customers.

Additionally, operating results were negatively affected by one fewer operating weekday, increased costs to expand services, higher bad debt expense, increased self-insurance accruals and the loss of business from a large customer. These factors were partially offset by the strong residential delivery volume growth at FedEx Ground, increased revenue per shipment at FedEx Freight, a favorable net impact of fuel and lower variable incentive compensation expenses.

Fourth quarter results include goodwill and other asset impairments of approximately \$370 million, primarily related to goodwill

impairment at FedEx Office. The COVID-19 pandemic resulted in temporary store closures and declining print revenue at FedEx Office during the fourth quarter and is expected to continue to negatively impact its near-term operating performance. The quarter’s results also include a pre-tax noncash mark-to-market (MTM) retirement plan accounting adjustment of a net \$794 million loss. The negative impact from a 64 basis point decrease in the discount rate more than offset the benefit from stronger than expected asset returns.

Net income includes a tax benefit of \$71 million related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provision which allows tax losses to be offset against income from prior years that was taxed at higher rates. This benefit was mostly offset by a non-cash tax expense of \$51 million due to a change in deferred tax balances related to foreign operations.

Full-Year Results

FedEx Corp. reported the following consolidated results for the full year (adjusted measures exclude the items listed above for the applicable fiscal year):

Source: [FedEx](#)

