



FedEx Corporation (FDX)

Updated June 28th, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	\$242	5 Year CAGR Estimate:	12.5%	Market Cap:	\$62.8 B
Fair Value Price:	\$306	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	06/24/22
% Fair Value:	79%	5 Year Valuation Multiple Estimate:	4.8%	Dividend Payment Date:	07/11/22
Dividend Yield:	1.9%	5 Year Price Target	\$409	Years Of Dividend Growth:	2
Dividend Risk Score:	B	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

FedEx Corp. is a transportation and shipping company. It was founded in 1971. The company offers a variety of services including transportation, e-commerce, and business services. It operates four core segments: FedEx Express, FedEx Ground, FedEx Freight, and FedEx Services. FedEx provides domestic and international shipping for package delivery and freight. It also provides sales, marketing, information technology, communications, customer service, technical support, billing, and collection services.

On June 14th, FedEx raised its dividend per share by 53.3% to a quarterly rate of \$1.15.

On June 23rd, 2022, FedEx reported its Q4 and full fiscal 2022 financial results for the period ending May 31st, 2022. For the quarter, revenues increased 7.94% to \$24.4 billion against the prior-year period. Results increased primarily due to revenue management action. Global volume softness, driven by COVID lockdowns, geopolitical uncertainty, and slower economic growth partially offset the year-over-year improvement. FedEx Ground's operating results came in somewhat softened primarily due to higher self-insurance accruals and increased purchased transportation and wage rates. However, thanks to effective cost management (including increased fuel surcharges) and a 28% growth in revenue per shipment, FedEx Freight achieved an operating margin of 21.8%, which was a 570 bps improvement compared to last year. Adjusted earnings-per-share came in at \$6.87 and \$20.61 for the quarter and full year, implying year-over-year increases of 37.1% and 13.4%, respectively. The notable increases were the result of higher revenues and elevated margins combined. Note that our tables depict FedEx's GAAP figures, nonetheless.

Excluding costs associated with business realignment activities, management expects FedEx's fiscal 2023 EPS to range from \$22.50 to \$24.50. We have embedded the midpoint of this range in our calculations, which is \$23.50.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$8.61	\$7.56	\$3.70	\$6.59	\$11.25	\$17.10	\$2.06	\$4.92	\$19.45	\$14.33	\$23.50	\$31.45
DPS	\$0.57	\$0.65	\$0.85	\$1.15	\$1.70	\$2.15	\$2.60	\$2.60	\$2.60	\$3.00	\$4.60	\$6.16
Shares¹	317	310	287	279	270	272	265	262	268	266	266	248

Powered by a consistently high demand for swift deliveries, as well as hopefully fewer challenges down the road (COVID-19 retreating/supply chain normalizing), EPS growth should resume going forward. The company continues to dominate and expand its footprint in the world's logistics industry while achieving operational efficiencies due to its massive possible scalability. Further, in January 3rd 2022, the company increased its shipping rates by an average of 5.9%, which should provide a boost in revenues. In terms of the dividend, management has been prudent with hikes, always making sure that it retains a considerable margin of safety before a potential increase. Amid increased affordability, the latest increase by 53.5% reflected this strategy. This way, FedEx can still keep paying shareholders and avoid potential dividend cuts, which have not occurred since its first dividend was paid back in 2002. We retain both our EPS and DPS CAGR

¹ In millions



FedEx Corporation (FDX)

Updated June 28th, 2022 by Nikolaos Sismanis

expectations of 6%. Finally, FedEx has been executing a high amount of buybacks, having retired around 16% of its shares over the past decade.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	13	15	18.5	18.4	14.4	14.6	15.2	13.5	14.4	17.0	10.3	13.0
Avg. Yld.	0.6%	0.6%	0.5%	0.5%	0.6%	0.9%	0.9%	1.2%	0.9%	0.9%	1.9%	1.5%

Because of its sensitivity to economic growth (and decline), FedEx has historically traded with relatively reasonable valuation multiples in the mid-teens. Shares are currently trading at a P/E of 10.3 based on management's estimates, which is below its decade average P/E of 15.4. To reflect the company's current EPS growth prospects and the market's overall comparative valuation context, we believe that FedEx could trade at a higher P/E of 13. Investors should continue to expect a small yield in the medium-term despite the latest massive DPS hike.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	7%	9%	23%	17%	15%	13%	126%	53%	13%	21%	20%	20%

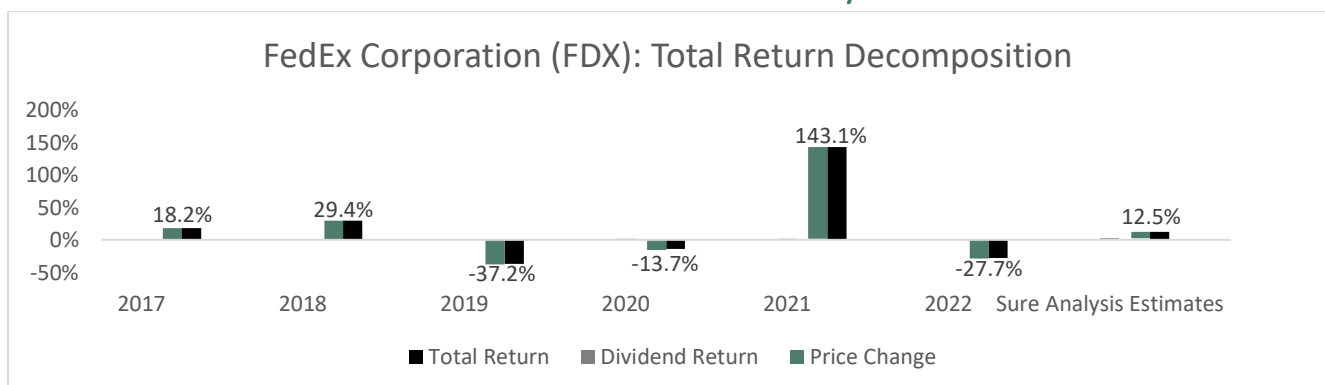
FedEx scores high in safety and quality. It is consistently profitable and has a strong balance sheet. It generates more than enough cash flow to satisfy its debt obligations, invest in growth, and return cash to shareholders. The interest coverage ratio is high, at 10.3 times the company's operating cash flows, and the dividend payout ratio is low, at 20%.

Considering the sector's duopolistic nature, with FedEx and UPS being essentially the only market participants, the company enjoys a strong moat and the potential to achieve massive economies of scale. During the past couple of years, the company has demonstrated how its logistics expertise and massive network make it essentially the most reliable transportation provider in the world, executing its deliveries with great consistency. This should be proven to an accolade in the future, as its reputation was forged with much positivity for customers and investors alike, during this period. Further, while FedEx has been thought to be a recession-vulnerable business, COVID-19 highlighted how essential its operations are. The dividend is unlikely to be cut even in a severe scenario, thanks to its low payout ratio.

Final Thoughts & Recommendation

FedEx's current yield of 1.9% may not present the most attractive income option. However, investors are buying into a quality company with a robust balance sheet and a long-term track record of shareholder value creation. Our growth forecasts point towards annualized medium-term returns of 12.5%, powered by modest growth expectations and the potential for a notable valuation expansion. Consequently, we continue to rate FedEx as a buy.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



FedEx Corporation (FDX)

Updated June 28th, 2022 by Nikolaos Sismanis

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	44287	45567	47453	50365	60319	65450	69693	69217	83960	93510
Gross Profit	9398	9757	10748	11826	13318	14102	14827	13344	17950	20170
Gross Margin	21.2%	21.4%	22.6%	23.5%	22.1%	21.5%	21.3%	19.3%	21.4%	21.6%
SG&A Exp.	1368	15	2190	1498	---	---	---	---	---	---
D&A Exp.	2386	2587	2611	2631	2995	3095	3353	3615	3793	3970
Operating Profit	5094	3815	2143	3077	4566	4652	4786	2852	5973	6523
Operating Margin	11.5%	8.4%	4.5%	6.1%	7.6%	7.1%	6.9%	4.1%	7.1%	7.0%
Net Profit	2716	2324	1050	1820	2997	4572	540	1286	5231	3826
Net Margin	6.1%	5.1%	2.2%	3.6%	5.0%	7.0%	0.8%	1.9%	6.2%	4.1%
Free Cash Flow	1313	731	1019	890	-186	-989	123	-771	4251	3069
Income Tax	1622	1334	577	920	1582	-219	115	383	1443	1070

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	33567	33070	36531	45959	48552	52330	54403	73537	82780	85990
Cash & Equivalents	4917	2908	3763	3534	3969	3265	2319	4881	7087	6897
Accounts Receivable	5044	5460	5719	7252	7599	8481	9116	10102	12070	11860
Inventories	457	463	498	496	514	525	553	572	587	637
Goodwill & Int. Ass.	2755	2790	4017	7755	7683	7453	7300	6372	7344	6544
Total Liabilities	16169	17793	21538	32175	32479	32914	36646	55242	58610	61060
Accounts Payable	1879	1971	2066	2944	2752	2977	3030	3269	3840	4030
Long-Term Debt	2990	4737	7268	13762	14931	16585	17581	22003	20350	20260
Shareholder's Equity	17398	15277	14993	13784	16073	19416	17757	18295	24170	24940
LTD/E Ratio	0.17	0.31	0.48	1.00	0.93	0.85	0.99	1.20	0.84	0.81

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	8.6%	7.0%	3.0%	4.4%	6.3%	9.1%	1.0%	2.01%	6.7%	4.5%
Return on Equity	16.9%	14.2%	6.9%	12.6%	20.1%	25.8%	2.9%	7.13%	24.6%	15.6%
ROIC	14.8%	11.5%	5.0%	7.3%	10.2%	13.6%	1.5%	3.40%	12.4%	8.5%
Shares Out.	318.0	287.0	282.4	265.5	268.3	272.0	260.9	262.45	264	267
Revenue/Share	139.71	146.99	165.34	180.52	223.40	240.63	262.99	263.74	318.03	350.24
FCF/Share	4.14	2.36	3.55	3.19	-0.69	-3.64	0.46	-2.94	16.10	11.49

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.