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# Outline

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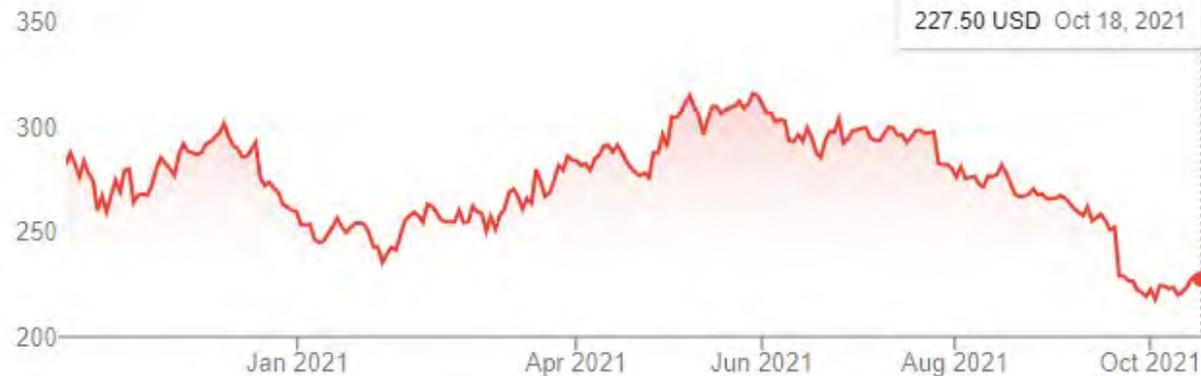
# Investment Summary

Market Summary > FedEx Corporation  
NYSE: FDX

**227.50** USD -54.09 (-19.18%) ↓ past year

Oct 18, 11:56 AM EDT · Disclaimer

1 day 5 days 1 month 6 months YTD **1 year** 5 years Max



Open	228.02	Mkt cap	60.54B	CDP score	B
High	229.75	P/E ratio	12.06	52-wk high	319.90
Low	226.90	Div yield	1.32%	52-wk low	216.34

VPS	
Net debt	\$20,733
Marketable securities	\$7,087
Eq value	\$154,106
Shares Outstanding	266 (millions)
VPS	\$580
Share price	229.12
Target	\$580
	Upside 60.5%

## Market Data:

- Beta of 1.28
- -19% annual return
- 12.06 P/E ratio

## Valuation Data:

- Share price upside of 60.5%
  - Dividend yield of 1.32%
- Total return of 61.82%

# Company Overview

- FedEx was established on May 5, 1971, in Little Rock, AR
- Headquarters: Memphis, TN
- Provides customers and businesses worldwide with a broad portfolio of transportation, e-commerce, and business services
- FedEx covers every U.S. street address and services more than 220 countries and territories



# Industry Overview

## FY21 revenue in %

Team members: 560,000

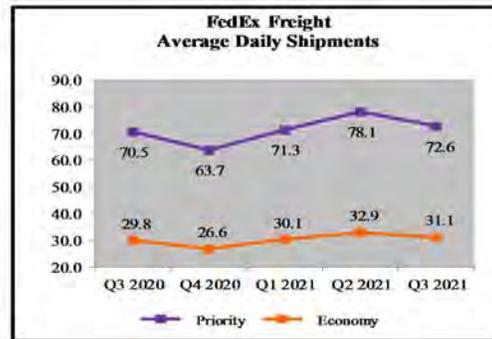
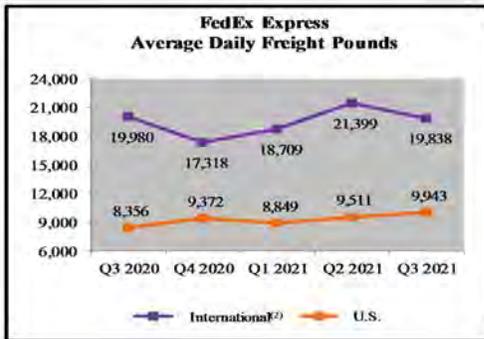
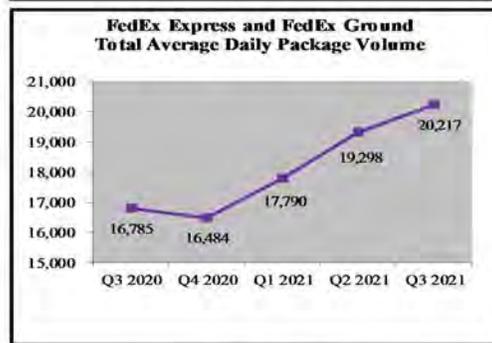
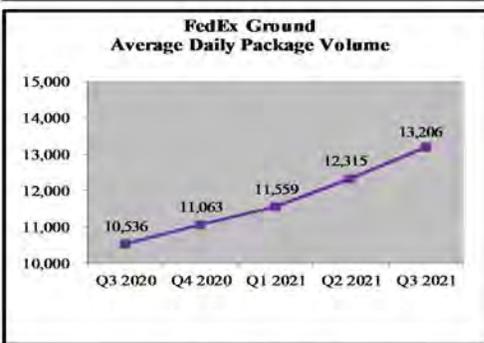
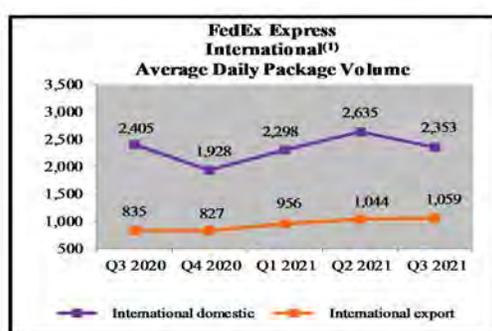
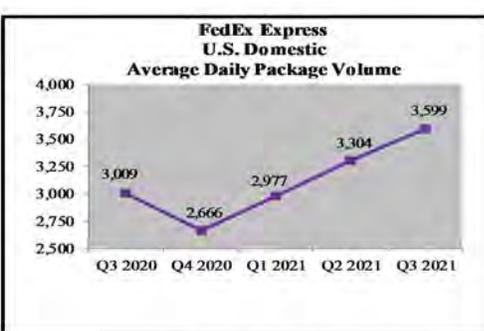
Countries and territories served: More than 220



### Three Months Ended

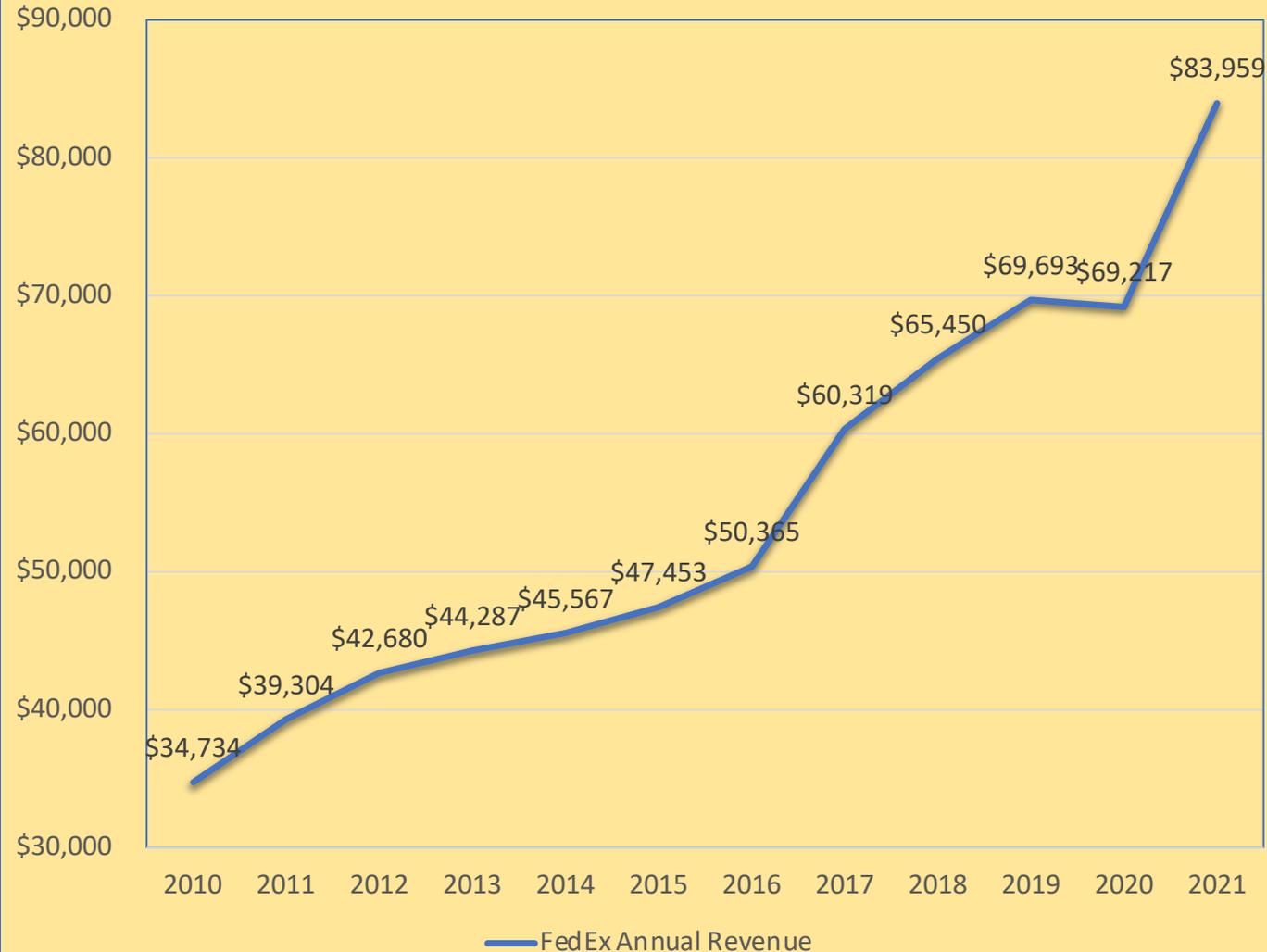
### Nine Months Ended

	Three Months Ended		Nine Months Ended	
	2021	2020	2021	2020
Revenue:				
FedEx Express segment	\$ 10,788	\$ 8,924	\$ 30,803	\$ 26,953
FedEx Ground segment	7,980	5,845	22,364	16,339
FedEx Freight segment	1,836	1,738	5,598	5,487
FedEx Services segment	8	6	24	15
Other and eliminations	898	974	2,605	3,065
	\$ 21,510	\$ 17,487	\$ 61,394	\$ 51,859



# Competitive Positioning

## FedEx Annual Revenue



### Innovation:

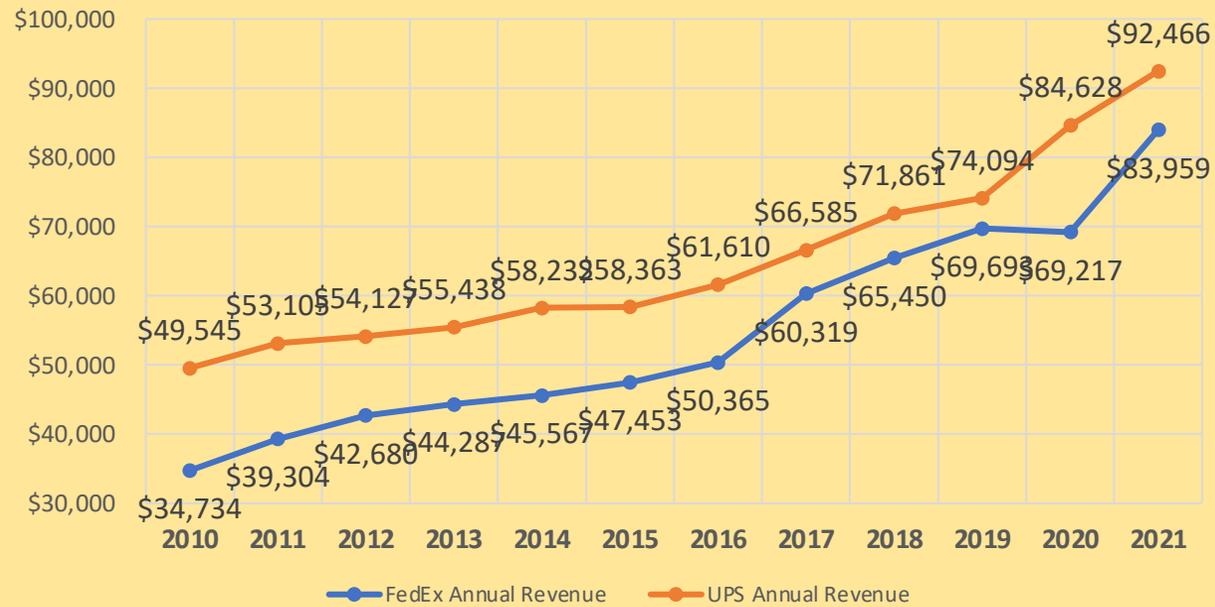
- Extending residential deliveries to seven days per week year-round;
- Rapidly integrating FedEx SmartPost volume into standard operations, they are now able to take back packages previously given to the U.S. Postal Service to increase delivery density and improve the efficiency of last-mile operation
- Building out capabilities to more easily handle an increase in large items ordered online, such as furniture, rugs, and exercise equipment.

### Strategy:

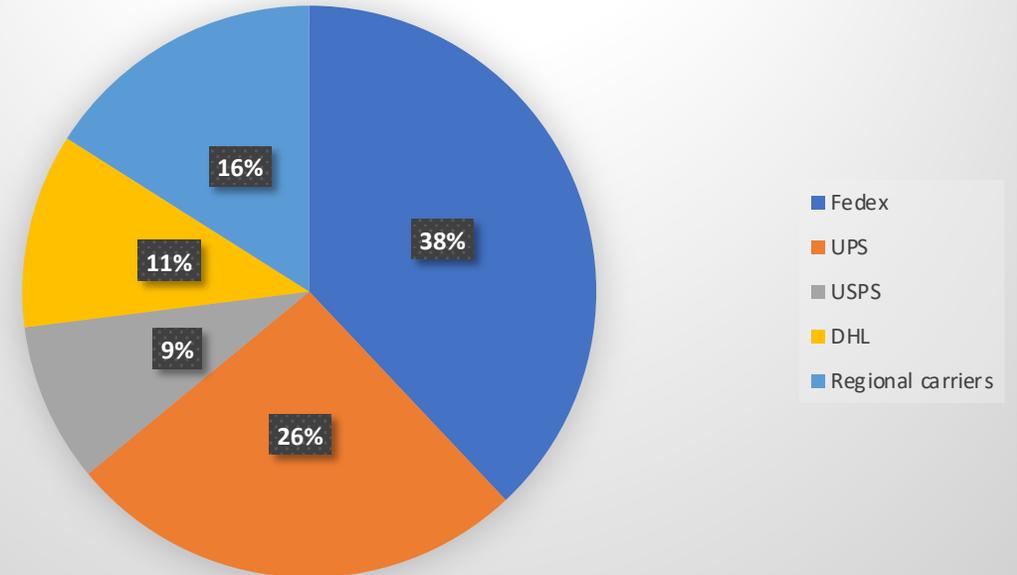
- compete collectively by standing as one brand worldwide and speaking with one voice; they operate independently by focusing on their independent networks to meet distinct customer needs; and they manage collaboratively by working together to sustain loyal relationships with our workforce, customers and investors.

# Competitive Positioning

Revenue Comparison FedEx vs. UPS



2021 market share for the carriers



U.S. Regional Carriers



# Ratio Analysis

Comparable ratios		
	Fedex	UPS
<b>Liquidity ratios</b>		
Cash ratio	0.52%	0.37%
Current Ratio	1.51%	1.19%
quick ratio	1.46%	1.15%
<b>Profitability</b>		
Return on common equity (ROE)	24.59%	68.45%
Return on assets (ROA)	6.69%	2.23%
Return on invested capital (ROC)	7.40%	11.51%
free Cash flow	5.06%	5.96%
Gross margin	21.38%	18.06%
<b>Activity Ratio</b>		
Inventory turnover	113.9	122.62
Days sales outstanding	48.19	43.78
Days Payable	19.66	31.61
Days Inventory	3.2	2.98
<b>Financial leverage</b>		
Total-debt-to-total-assets	0.41	0.39
Debt to equity	1.51	42.24
<b>Growth and valuation</b>		
PE	12.17	27.65



The fiscal year for FedEx ended on May 31, 2021, while the fiscal year for UPS ended on December 31, 2020

# DCF Valuation

FCF						LTG		TV - EV	
	2022	2023	2024	2025	2026				
EBIT	\$6,606.20	\$7,386.86	\$8,200.31	\$9,047.92	\$9,931.14	WACC	7.62%	Denominator	6.89%
Taxes	29.00%	29.00%	29.00%	29.00%	29.00%	NPV	\$32,634	Numerator	\$13,438
NOPAT	\$4,690.40	\$5,244.67	\$5,822.22	\$6,424.03	\$7,051.11	NOPAT	\$7,051	Net Reinvestment	\$148
Total NWC	-2,447	0	137	142	148	Net Reinvest Rate	2.10%	TV	\$195,043
Capex	(\$2,604.84)	(\$2,714.24)	(\$2,828.24)	(\$2,947.03)	(\$3,070.80)	invested cap	\$20,372	PVofTV	\$135,117
FCF	\$4,848.24	\$7,958.91	\$8,787.04	\$9,513.36	\$10,270.20	ROIC	34.61%	Non core assets	-
						LTG	0.73%	EV	\$167,752

- Dollar amounts in thousands
- Capex derived from aircraft and related equipment

# Share Price Target

- Share price is currently 60.5% better than the target
- Increasing use of e-commerce is in line to propel share price
- Undervalued as a result and will diversify portfolio

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LTG to WACC Sensitivity						
LTG	\$580	WACC				
		7.00%	7.50%	7.62%	8.00%	8.50%
1.50%	734.53	663.67	648.41	603.83	552.63	
1.00%	676.48	615.46	602.2	563.26	518.12	
0.73%	648.99	592.39	580.04	543.68	501.33	
0.50%	627.36	574.14	562.49	528.11	487.92	
0.00%	585.26	538.32	527.99	497.35	461.28	

# Recommendations



## Investment risks to be considered

- Supply chain issues
  - Vaccine mandates worsen labor shortage
- Contract feud with Amazon
  - Since then, Amazon has built their own delivery infrastructure
- Extra emphasis on Amazon

## Investment Decision

- Outstanding track record
  - Undervalued
  - Pays dividends
  - Diversifies portfolio
- **Buy \$100,000 of FDX**
- Exit Strategy:
  - If price per share falls 30% below share price (to \$159.25), liquidate 50%
  - If price per share rises 10% above target (to \$638.05), also liquidate 50%