

FedEx Corp. Reports Higher First Quarter Earnings, Increases Fiscal 2019 Earnings Per Share Outlook

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FedEx Corp. today reported the following consolidated results for the first quarter ended August 31 (adjusted measures exclude the items listed below for the applicable fiscal year):

“FedEx delivered higher first-quarter earnings driven by solid execution of our business plan and a strong U.S. economy,” said Frederick W. Smith, FedEx Corp. chairman and chief executive officer. “We are very optimistic about our prospects for profitable growth and remain confident we will reach our goal to improve FedEx Express operating income by \$1.2 billion to \$1.5 billion in fiscal 2020 versus fiscal 2017.”

Operating income improved during the quarter, benefiting from higher volumes, increased yields and a favorable net impact of fuel at all transportation segments. Net results benefited by \$0.50 per diluted share as a result of the enactment of the Tax Cuts and Jobs Act (TCJA), primarily from a lower statutory income tax rate.

FedEx recognized substantially higher variable compensation accruals during the quarter, as last year’s first quarter results were negatively impacted by the NotPetya cyberattack at TNT Express. Also, during the fourth quarter of fiscal 2018 the company accelerated wage increases for certain hourly employees due to the enactment of the TCJA. Collectively, the impact of these items negatively affected year-over-year results by \$170 million (\$0.48 per diluted share).

Last year’s earnings included the estimated negative impacts of the NotPetya cyberattack affecting TNT Express (\$300 million or \$0.79

per diluted share) and Hurricane Harvey (\$0.02 per diluted share). As previously disclosed, new pension accounting rules are now in effect and fiscal 2018 results have been recast to reflect application of the new rules. The new rules have no effect on net income or earnings per share.

The company acquired 2.6 million shares of FedEx common stock during the quarter at an average price of \$238.95.

Outlook

FedEx is unable to forecast the fiscal 2019 year-end mark-to-market (MTM) retirement plan accounting adjustments. As a result, the company is unable to provide a fiscal 2019 earnings per share or effective tax rate (ETR) outlook on a GAAP basis.

FedEx has increased its fiscal 2019 earnings per share outlook and reaffirms its other financial targets for the year:

Revenue growth of approximately 9%;
Operating margin of approximately 7.9%;
Operating margin of approximately 8.5% excluding TNT Express integration expenses;
Earnings of \$15.85 to \$16.45 per diluted share before year-end MTM retirement plan accounting adjustments, up from the prior forecast of \$15.65 to \$16.25 per diluted share;
Earnings of \$17.20 to \$17.80 per diluted share before year-end MTM retirement plan

accounting adjustments and excluding TNT Express integration expenses, up from the prior forecast of \$17.00 to \$17.60 per diluted share;

ETR of approximately 25% prior to year-end MTM retirement plan accounting adjustments; and

Capital spending of \$5.6 billion.

These forecasts assume moderate economic growth and stability in global trade. The company's ETR and earnings per share outlooks are based on current TCJA interpretative guidance and are subject to change based on future guidance.

"As expected, the quarter's results were affected by our decision to invest in our team members following the passage of the Tax Cuts and Jobs Act," said Alan B. Graf, Jr., FedEx Corp. executive vice president and chief financial officer. "We remain committed to increasing earnings, margins, cash flows and returns this year."

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 \$67 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 425,000 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, and Statistical Books. These materials, as well as a webcast of the earnings release conference call to be held at 5:00 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, a significant data breach or other disruption to our technology infrastructure, anti-trade measures and changes in international trade policies, 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, changes in fuel prices or currency exchange rates, our ability to match capacity to shifting volume levels,

new U.S. domestic or international government regulation, future guidance, regulations, interpretations or challenges to our tax positions relating to the TCJA and our ability to realize the benefits of certain provisions of the TCJA, our ability to effectively operate, integrate, leverage and grow acquired businesses, our ability to achieve our FedEx Express segment profit improvement goal, 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 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.

Source: [FedEx](#)