FedEx Q1 FY19 Earnings Call Transcript – September 17, 2018

A. Mickey Foster
Vice President, Investor Relations, FedEx Corp.

Good afternoon, and welcome to FedEx Corporation's first quarter earnings conference call. The first quarter Form 10-Q, earnings release and stat book are on our website at fedex.com. This call is being streamed from our website where the replay will be available for about one year.

Questions are welcome through our e-mail address which is ir@fedex.com. When you send your question, please include your full name and contact information. Preference will be given to inquiries of a long-term strategic nature. Many of the questions we received have been addressed in the 10-Q and in our remarks today.

I want to remind all listeners that FedEx Corporation desires to take advantage of the Safe Harbor provisions of the Private Securities Litigation Reform Act. Certain statements in this conference call, such as projections regarding future performance, may be considered forward-looking statements within the meaning of the Act. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For additional information on these factors, please refer to our press releases and filings with the SEC. Please refer to the Investor Relations portion of our website at fedex.com for a reconciliation of the non-GAAP financial measures discussed on this call to the most directly comparable GAAP measures.

Joining us on the call today are Fred Smith, Chairman; Dave Bronczek, President and COO; Alan Graf, Executive VP and CFO; Mark Allen, Executive VP, General Counsel and Secretary; Rob Carter, Executive Vice President, FedEx Information Services and CIO who is joining us from telephone today; and Raj Subramaniam, Executive VP, Chief Marketing and Communications Officer, FedEx Corporation.

And now Fred Smith will share his views on the quarter.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

Thank you, Mickey and welcome to those on the call today. First of all, let me extend our thoughts and hopes for a rapid recovery to those affected by recent natural disasters, Hurricane Florence in the United States and two typhoons in the North Pacific.

Turning to the first quarter, FedEx delivered higher earnings driven by a solid execution of our business plan and a strong U.S. economy. We believe we will continue to increase revenue, cash flows, earnings and returns in fiscal 2019 and beyond. We're very optimistic about our prospects for profitable growth and remain confident we'll reach our goal to improve FedEx Express operating income by $1.2 billion to $1.5 billion in fiscal 2020 versus fiscal 2017.

Our thanks go out to our more than 425,000-plus team members worldwide, their dedication to the Purple Promise that simply states, "I will make every FedEx experience outstanding."

Now Dave, Raj and then Alan will offer a few insights and then we'll move to questions-and-answers. Dave?

David J. Bronczek
President & COO, FedEx Corp.

Thank you, and good afternoon. We announced a very important initiative last week. We will be operating our FedEx Ground U.S. network six days a week all year, not just at this upcoming peak season. We anticipated this and are prepared for customer demand in the rapidly growing e-commerce market. Our significant investments in automation over the last decade has given us the flexibility and speed in the network to continue to expand even while we are reducing capital spending at FedEx Ground. Also, we continue to make very good progress on our integration of TNT. The integration of our sales teams is well underway and we will complete the sales integration this fiscal year.

During the first quarter, integration activities began in all of our major markets in Europe, and we anticipate the completion of the integration in the Middle East at the end of this calendar year. Our integration of TNT continues to expand our network, improve our global capabilities and our competitive posture and of course increase profitability. We are very confident in reaching the $1.2 billion to $1.5 billion of operating income improvement that Fred just talked about at FedEx Express in FY 2020 over FY 2017.

Now I'll turn it over to Raj.

Rajesh Subramaniam
Chief Marketing and Communications Officer & Executive Vice President, FedEx Corp.

Thank you, Dave, and good afternoon, everyone. We're seeing solid economic growth especially in the U.S. Growth in jobs and incomes are keeping confidence high and driving positive trends in the consumer spending and retail sales. The industrial sector continues to perform well and the outlook for business investment is strong. Internationally, we do not see a repeat of last year's synchronized global growth story as the Eurozone and China slow. However, we expect another year of sound global growth as the economic cycle plays out. Global manufacturing and business investment continue to expand.

Regarding trade matters, current tariffs impact a small portion of our volume coming out of China. However, the uncertainty surrounding the issue is not helping and thus has a broader impact on the market. It's important to note that our revenue on the China-U.S. lane, bi-directionally, represents 2% of our total FedEx revenues and the tariffs impact only a small portion of that. It's very difficult to predict the future course of tariff implementation. We're monitoring the situation very carefully and we'll adjust our strategies according to market conditions.

Clearly, we continue to support lower trade barriers for all our customers. And one thing remains very clear, we see continued success with our pricing strategies as we grow composite volumes and yields at each transportation segment. We have been successful at holistically managing base yields and surcharges including fuel. This month we implemented changes to non-conveyable surcharges and the fuel surcharge table, the details of which can be found on our website.

We're fast approaching the holiday peak season and preparations are well underway. We forecast another record year with four Mondays during peak expected to be among the busiest days in the history of FedEx. Once again, we are not applying a residential peak surcharge. FedEx delivers to millions of small and medium-sized businesses every day and we want to support these customers as e-commerce continues to grow and becomes a major part of their business. We continue to have excellent momentum with our small and medium customers segment.

Our sales and marketing teams are out-executing the competition and our pricing strategy for small customers is proving successful. To further support the influx of e-commerce volume, we continue to invest in our extensive retail network and we will have more than 12,000 FedEx hold locations for this year's peak season. For our customers who want to proactively take control over their shipments, especially during the upcoming peak season, they can customize Express and Ground deliveries to any of these FedEx hold locations through FedEx Delivery Manager, not only improving value, safety and convenience, but also reducing our costs.

Now let me now turn the call over to Alan Graf for his remarks. Alan?

Alan B. Graf, Jr.
Executive Vice President & CFO, FedEx Corp.

Thank you, Raj, and good afternoon, everyone. For the quarter, adjusted earnings were $3.46 per share, up 38% year-over-year. Financial results benefited from higher volumes, increased yields, and a favorable net impact of fuel at all of our transportation segments.

Net results benefited by $0.50 per diluted share as a result of the enactment of the Tax Cuts and Jobs Act, primarily from a lower statutory income tax rate. Higher variable compensation accruals and accelerated wage increases negatively affected results this quarter by $170 million or $0.48 per diluted share driven by lower accrual levels last year for variable compensation due to the effect of the cyberattack at TNT, which negatively impacted our results, and the accelerated wage increases for certain hourly employees in the U.S. following the enactment of the TCJA. All of our transportation segment operating margins would have been up year-over-year excluding these impacts.

While strong international volume growth reflects our recovery from the TNT cyberattack last year, the impact to operating income was partially offset by shifting service mix and the timing of variable compensation, aircraft maintenance and merit increases.

As we continue to grow package volume, our revenue and overall operating income will benefit. We remain committed to achieving $1.2 billion to $1.5 billion in operating income improvement at Express. Other details about our segment results are in the 10-Q, which was filed this afternoon. I'd like to thank my accounting and legal teams for the extra work that they put in to get you this information earlier than ever before.

Regarding our outlook, we are raising our EPS guidance for FY 2019 and reaffirming our other financial targets. We are projecting adjusted earnings of $17.20 to $17.80 per diluted share for FY 2019, up from $17 to $17.60. The increased guidance range is due to strong U.S. economy and continued traction on our revenue management initiatives. We expect operating profits to be up year-over-year for the corporation in all of our transportation segments.

We are reaffirming our revenue growth target of approximately 9% and adjusted operating margin of approximately 8.5%. These forecasts assume moderate economic growth and stability in global trade. Our adjusted forecasts are before year-end mark-to-market retirement plan accounting adjustments and exclude expenses related to the TNT Express integration as applicable.

Our forecast for our adjusted FY 2019 effective tax rate is approximately 25% before year-end mark-to-market retirement plan accounting adjustments. This forecast assumes current TCJA interpretive guidance, which is subject to change based on future guidance. Details on recent developments are outlined in the 10-Q.

TNT integration expenses are expected to be $450 million. Capital spending is expected to be $5.6 billion or about 8% of projected revenues. Our cash flows and returns are improving with our earnings growth. Contributions to our primary pension plans in FY 2019 are not required. All the contributions we make to these plans this fiscal year are voluntary and will be significantly lower than last year. We repurchased $625 million of stock during the first quarter and increased our dividend for FY 2019 by 30%.

Now I will turn it over to Fred to moderate the Q&A.

QUESTION AND ANSWER SECTION

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

Well, Alan since we've got you on the griddle why don't I give you the first three questions and then I'll tee one up about blockchain to Rob Carter who's someplace out in the ether. So following the pension accounting restatement, can you please give us updated long-term margin targets by segment? That's from Scott Group, Wolfe Research.

Alan B. Graf, Jr.
Executive Vice President & CFO, FedEx Corp.

And after giving this a lot of thought Scott, we decided to stop giving segment margin projections. Way we operate the business on a portfolio basis and the way we allocate our costs depending on how we do those pricing and decisions are impacting those. And I think getting down in the weeds on that is not as important as where we are for the corporation as a whole. So as we stated in our long-term financial goals, we'll continue to target double-digit operating margins for the corporation as a whole. And based on what I just told you about where we think operating income margins will be this year, it would've been very close to double-digit had it not been for the change in pension accounting. And by the way, I'm sorry I didn't get the blockchain question.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

Well I could flip that over to you. Do you want...

So Alan, Scott Schneeberger of Oppenheimer would like to know what strategies are you able to employ to offset the earnings impact from a substantial slowdown in global trade?

Alan B. Graf, Jr.
Executive Vice President & CFO, FedEx Corp.

Well as always we have several operational levers we are able to adjust should global trade slow down. These include adjusting our network capacity to flat reductions, temporarily parking aircraft, decreased reliance on purchased transportation and other network adjustments. We can flex our overall network up or down, play offense or defense and our continued integration allows us even further flexibility and efficiencies from a network perspective.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

From David Vernon, Alan, how’s Express post the profit improvement plan, better able to manage through macro shocks?

Alan B. Graf, Jr.
Executive Vice President & CFO, FedEx Corp.

We’ve constructed the networks to be much more flexible than years past. And any sort of shock we are able to, I think, react to very effectively. Remember we’re still trying to replace old aircraft for example that simply could be parked and not flown during this time. We have use of other people’s assets in our Express network that are flying traffic around for us. We have a significantly high level of purchased transportation by design as part of our expense structure. All those can be flexed down very rapidly. We also have an ability to change our order schedule of our new aircraft deliveries to accommodate something – should something like that happen.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

And then finally, Alan should we expect FedEx to generate positive free cash flow and at an increasing rate over the next three years? That’s from Amit Mehrotra of Deutsche Bank.

Alan B. Graf, Jr.
Executive Vice President & CFO, FedEx Corp.

Yes. And to clarify, we are generating free cash flow and it is increasing. We expected to grow significantly this year and expect to see increasing free cash flow in the future as we realize returns on our network investments. We continue our strategy of balancing capital allocation with returns to shareholders. Since FY 2014 we have bought back 73.1 billion shares – million shares for $11 billion and increased dividends significantly this year. We expect our stock buyback program and dividend increases to continue. In addition, the well-funded status of our U.S. pension plans and lower integration spending at TNT beyond FY 2020 will also improve cash flow.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

So, Rob, wherever you might be, how will the use of blockchain to negotiate logistics transactions change the way FedEx does its business? That’s from David Campbell of Thompson Davis. Rob?

Robert B. Carter
EVP FedEx Information Services & CIO, FedEx Corp.

Good afternoon. Thanks, David. I think that there is an opportunity to usher in two pretty fundamental changes in logistics chains using blockchain technology. The first one is that custodial chains are very likely to extend beyond our direct custody of a shipment from the pickup to the delivery. The provenance of an item before it came in to FedEx's hands and then custody once it's delivered at the end-delivery point for us is very likely to be how blockchains work, showing the very important provenance of a shipment such as a pharma shipment to know that its source was exactly what the end customer expected it to be.

The second big area of potential impact is blockchain's smart contracts capability. Blockchains have the ability to embed sort of contractual notions into that custody chain, things like specific delivery commitments, dispute resolution, all of those kinds of things can be embedded into a blockchain to help satisfy the additional transactions that go on around the space of a shipment. So those are the two big ones that I think are likely to change over the course of the next few years.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

Okay. Thank you. We've got several now for Dave Bronczek. Please update us on your ability to fill peak season and ongoing needs for pilots, sort workers and drivers from Helane Becker of Cowen and several other people have similar questions. Dave?

David J. Bronczek
President & COO, FedEx Corp.

Okay, Fred. Thanks for the question Helane. Let me begin by saying that FedEx anticipates, as Raj already mentioned, record amounts of volumes this year like we had last year. The four Mondays in December will all be record volumes for FedEx. So we anticipate that already and have been working on it actually all year. FedEx has announced last week it will be hiring 55,000 additional team members for this holiday season to ensure we deliver the Purple Promise that has already been mentioned as well.

The majority of these team members, however, will stay on with FedEx after the holiday peak. They'll become permanent employees of FedEx. Our HR planning occurs year-round and our peak hiring efforts are year-round. I can tell you that right after the holiday season is over, we start the process at every operating company so that we can deliver once again world-class service, and that's what we'll do again this year.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

So, Dave, how much of additional volume could the Ground network handle without significant investment? That's from Todd Fowler of KeyBanc.

David J. Bronczek
President & COO, FedEx Corp.

That's a great question, Todd, and thank you for that question. As you saw last week, we announced a six-day Ground. It's a huge issue for us and a big, big deal for our customers. We expect to gain significant capacity and volume without adding any more facilities by shifting to a year-round six-day operation. Additionally, we will increase the focus on innovation and technology, such as automation, robotics, route planning. Many of you have seen this already in our hubs in Ground and Express, significant opportunities for our employees too. We have a lot of our employees now that are very pleased with the extra hours and the flexibility to the hours, so this is a very big opportunity for FedEx.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

So, in the same vein, how should we quantify the incremental capacity at Ground related to the six-day – after adding a sixth day of operations? That's from Allison Landry of Credit Suisse. Dave?

David J. Bronczek
President & COO, FedEx Corp.

Well, it's sort of the same point I just made, Allison. For Ground, it opens up a lot of capacity and existing opportunities for our current employees to get more hours and more flexible hours, but we'll be able to handle a lot more volume without more CapEx. So it's very incremental for us on the profit side. It's really actually very good for us on service, it lets the volumes flow through our network more evenly. So it was a big deal, big enough that we thought we should send it out and be announcing it last week.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

So Dave when comparing B2C to B2B shipments within Ground, is there any meaningful difference in total transit time, Ben Hartford of Baird.

David J. Bronczek
President & COO, FedEx Corp.

Thanks for the question, Ben. There's really no big significant difference. However, obviously, it is a difference that you see a lot shorter zones now for B2C volume. And a lot of retailers are moving their inventory closer and closer to customers, they've been doing that for many years now. It's important to note that for us at FedEx, especially FedEx Ground that the average package at Ground, whether it's B2B or B2C, is between 64%, 65% of it is delivered in two days or less for us today.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

And finally Dave, can you discuss some of the differences on the degree of automation between older and newer facilities?

David J. Bronczek
President & COO, FedEx Corp.

Yeah. I'm thrilled to be able to answer that question and it is a big difference. We have strategically been investing, and many of you know this and many of you have seen our facilities, and I'll just use the FedEx Ground facility, for example. Over the last 15 years, we put a lot of capital into these facilities, where 130-plus of them are automated. And what that means is you can walk into one of our facilities and it's the state-of-the-art technology, state-of-the-art robotics in terms of unloading, autonomous tugs, yard management systems, geo-fencing, GPS systems, it's truly remarkable. You hardly see any employees at all and the speed through which a package gets through our hubs now is unbelievable. So we're able to handle a lot of volume especially at peak because of all of the investments we've made over all the years.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

So now we have several teed up for Raj. Can you discuss the current and potential impacts of tariffs levied on China? That's from Chris Wetherbee of Citi and several others have similar questions.

Rajesh Subramaniam
Chief Marketing and Communications Officer & Executive Vice President, FedEx Corp.

Yeah. Thank you, Chris. I covered some of this in my opening remarks. It's – the China-U.S. lane bi-directionally represents roughly 2% of our total revenues. The tariffs that have been implemented so far only accounts for less than 10% of our – that volume. And then if new tariffs are implemented on the $200 billion of imports that's being considered that might impact roughly a quarter of those 2%. So then you see a frame of reference for what we are talking about in the context of the whole enterprise. Now having said that, the uncertainty around the issue and the potential for additional tariffs is affecting the market and we're beginning to see some of the economic activity in China starting to moderate as a result of that.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

So are you seeing any supply chain adjustments from customers because of tariff concerns? That's from Matthew Reustle, I hope I pronounced that right, of Goldman Sachs.

Rajesh Subramaniam
Chief Marketing and Communications Officer & Executive Vice President, FedEx Corp.

Yeah Matthew. I think – we have not yet seen any significant shift in the customer supply chains. However, if the situation continues for any amount of time, we do expect customers to diversify their supply chains and perhaps some of the trade patterns might change. And the good news here is that FedEx has got a large unparalleled global network that can flex and adjust and support our customer needs as they make their changes. I want to re-emphasize the point that was made earlier by Alan and several others that the scale and flexibility of FedEx will enable us to deliver strong results as an enterprise despite any uncertainty on trades and tariffs.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

So Raj here's one from Tom Wadewitz of UBS. Response to UPS initiatives focusing on small and mid-sized businesses is his question. Has FedEx gained share with small and mid-sized businesses over the past decade? If UPS becomes more aggressive in this market segment, how might FedEx respond? Is there meaningful risk of pricing pressure in this customer segment if both large players are focused on growing with the same group of customers?

Rajesh Subramaniam
Chief Marketing and Communications Officer & Executive Vice President, FedEx Corp.

Tom, thanks for the question. I can't directly comment on what our competition does, but I believe the answer to your question is really yes. As I've covered in the opening remarks, small and medium segment business has been, is and will be a strong focus for us going forward. And we have only accelerated in this regard. Why is that? It's because we have very, very strong value proposition. We have a speed advantage. We have a very strong pricing strategy – a holistic pricing strategy. And to top it all off, we have a very strong sales and marketing team who are out-executing in the competition. And as you all know this is the most profitable segment, so more business is better for us.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

So there are two questions here that are kind of similar. So I'm going to split this between Raj and Dave. The first part of it is from Brian Ossenbeck of JPMorgan. Where are the largest opportunities for share gains with the combined TNT/FedEx network? And how far along is the combined entity in addressing those opportunities? I'll give that one to Raj.

Rajesh Subramaniam
Chief Marketing and Communications Officer & Executive Vice President, FedEx Corp.

Yeah Brian, clearly the opportunities are very large. As you all may know and TNT and now FedEx has a fantastic ground network that handles parcels and pallets in Europe. And TNT is a key player for intra-Europe and ground markets and key domestic markets in Europe, of course, don't forget that TNT also has a terrific ground networks in Middle East, in Asia and Latin America. So when we combine that with FedEx's unparalleled intercontinental air system, we have a unique network that allows us to offer new value to our customers in a very cost effective manner. And that opens up large international market segments in which we are now extremely well positioned to gain significant share.

And the good news here we are well on our way to unlocking the value and we are pleased with progress as Dave talked about. We are progressing well on the integration. And customers are already beginning to see this value. And all I can say here is that the sales and marketing teams around the world are very excited to be see the progress and really provide new value for our customers.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

So somewhat similarly Lee Klaskow of Bloomberg Intelligence wants to know where the TNT integration with FedEx gives us some competitive advantage. Dave, do you want to talk about that?

David J. Bronczek
President & COO, FedEx Corp.

Yeah. It's a great question and, obviously, one of the reasons we're so interested in this. But TNT, they didn't really have a reach into the rest of the global network. That's our strength, our global network is our strength. And so for them and for their customers, they had great ground service, as Raj just said. In Europe they're now accessing our global network all around the world, Europe, Latin America, Asia, Canada, the United States. So really for them and for all their customers, and they're telling us this all the time, this is fantastic news for them. And this is a big growth opportunity for us.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

So, from Chris Wetherbee of Citi to Alan, what are your plans for buybacks this fiscal year?

Alan B. Graf, Jr.
Executive Vice President & CFO, FedEx Corp.

Chris, the management team feels pretty strongly that probably one of the highest uses of our free cash flow is to continue to repurchase our shares. We're very confident about where we're headed in the next three to four years in terms of improving our cash flows and our margins and our competitive positioning. We're very excited about what's going on at Ground with the six-day network and sweating those assets, and we'll start seeing some real improvement of that in the second half of this year and on into FY 2020, so I'm not going to get specific but other to say it's a high priority and use of free cash flow.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

So here's one for Raj. With the rollout of the Amazon Delivery Service Partner network, is Amazon a more competitive threat?

Rajesh Subramaniam
Chief Marketing and Communications Officer & Executive Vice President, FedEx Corp.

Yes. Thank you for the question. I think it's Kevin Sterling. As I mentioned in previous calls, Amazon is a longstanding customer of ours. However, no one customer represents more than 3% of our revenue and Amazon is not our largest customer. Now, Amazon and other customers of ours have certain elements of their logistics in-sourced to deal with capacity issues as well as inventory management.

And while there has been significant media interest in what Amazon is doing to expand their in-source delivery capability this should not be confused as competition with FedEx. The global infrastructure, the technology, the capabilities, knowledge that's needed to compete in our business is quite extraordinary, and we have built that up over 40-plus years. I'll just point you to the video at our website fedex.com/dream where you can see further information in this regard. Thank you.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

So, I'll take the last one here. This is from Donald Broughton of Broughton Capital. What are the top two or three areas domestically and internationally to make sense for FedEx to pursue in the next 10 years?

Well, referring back to that little video that's on the Internet, and I urge anybody interested in FedEx to watch it, again, go to fedex.com/dream, and we have a new one that's going to be put up on November 1 called A Day of Possibilities. But when you watch the existing video, much less the new one that's coming up, which we just viewed, you're immediately struck by the incredible size and scope of the FedEx networks. There simply is nothing like them in the world.

And we have the capability to basically attack the trillion-dollar-plus transportation and logistics market in a unique way. We worked very hard, as Alan has mentioned, over the years to develop a very flexible capability to do so. We're well aware that supply chains change. If you are talking about supply chains 15 years ago, you'd be talking about a lot of things that are built in China that were built in Malaysia. And so they shifted. Well, as Raj said, they may be about to shift again. But we just have these unduplicated networks which we developed over 40 years and we're very optimistic that we can deploy the resources to continue to grow the company and increase our financial performance.

Then as Alan mentioned, within that context we will, over the next few years, be generating a substantial amount of free cash flow, which we will deploy along the lines that Alan described to you. Now that's obviously exclusive of any sort of corporate development activity, but we're very optimistic about that side of the business.

And the final thing that I would like to say before we sign off is there is a lot of conversation about the trade issues these days. And they are very worrisome and clearly the U.S.-China trade dispute that took on even greater prominence today with the administration's announcement is worrisome to everyone. And the reason it's worrisome is not because of just the individual dispute, it's because history is very, very clear that countries that pursue the most open markets are the ones that prosper the most and whose citizens' income increases the most. Mercantilism does not work. There is example after example of it. People that try to manage economies, particularly worldwide economies from a centrally managed perspective cannot do so. They're always parochial interest whether it's dairy farmers in Canada or the Chicken Tax in the United States which protects our pickup trucks. Most people don't realize it, but if you import a pickup truck in the United States you pay a 25% tariff. So over time the effort to try to dismantle those parochial interest has been Herculean and a lot of people over the years, the USTRs, Charlene Barshefsky, Carla Hills, Mickey Kantor, Michael Foreman and all have done yeoman's work do that.

So I think that at the end of the day history shows that people want to travel and trade. And the final thing that I would point out to you that is unprecedented in human history. Every consumer in the world, almost, today billions of people have an unprecedented order entry device sitting in their pocket. They can see the wheres of the world and when you see this new film that goes up, A Day of Possibilities, you'll see this. These small customers in Colombia and seafood producers in Maine and companies throughout the world that are now able to access consumers because they have the capability to buy and sell with duties and taxes explained to them with the type of software we provide them. But most importantly, our networks that connect 99% of the world's GDP in one to two business days.

So I urge anybody that's interested in FedEx, I understand the fascination with these quarterly earnings and so forth, it's the much broader perspective that's important when you examine FedEx. And as all of us have said to you today we're very optimistic about the company and feel that we are flexible enough and deft enough to deal with whatever the marketplaces might bring us.

So with that I'll turn it back to Mickey to close the meeting.

A. Mickey Foster
Vice President, Investor Relations, FedEx Corp.

Thank you for your participation in FedEx Corporation first quarter earnings conference call. Feel free to call anyone on the Investor Relations team if you have additional questions about FedEx. Thank you very much. Bye.