



FedEx Corporation

Second Quarter FY17 Earnings Review

December 20, 2016

This presentation supplements, and should be read together with, our earnings release and statistical book for the quarter ended November 30, 2016

Forward-Looking Statements

Certain statements in this presentation 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, our ability to successfully integrate the businesses and operations of FedEx Express and TNT Express in the expected time frame, our ability to match capacity to shifting volume levels, a significant data breach or other disruption to our technology infrastructure, changes in fuel prices or currency exchange rates, legal challenges or changes related to FedEx Ground's owner-operators and the drivers providing services on their behalf, new U.S. domestic or international government regulation, our ability to effectively operate, integrate and leverage acquired businesses, disruptions or modifications in service by, or changes in the business of, the U.S. Postal Service, the impact from any terrorist activities or international conflicts 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.

FedEx Executives On the Call

- Frederick W. Smith, Chairman, President and CEO
- Alan B. Graf, Jr., Executive Vice President and CFO
- T. Michael Glenn, President and CEO of FedEx Services
- Christine P. Richards, Executive Vice President, General Counsel & Secretary
- Robert B. Carter, Executive Vice President, FedEx Information Services and CIO
- David J. Bronczek, President and CEO of FedEx Express
- Henry J. Maier, President and CEO of FedEx Ground
- Michael L. Ducker, President and CEO of FedEx Freight

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Overview

Frederick W. Smith
Chairman, President
and CEO



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Marketing Review and Outlook

T. Michael Glenn
 President and CEO
 FedEx Services



FedEx Corporation Economic Outlook

Expectation for Continued Moderate Global Growth

| | CY2016 | CY2017 | CY2018 |
|------------------------------------|--------|--------|--------|
| GDP Forecast* | | | |
| U.S. | 1.6% | 2.2% | 2.2% |
| Global | 2.2% | 2.6% | 2.7% |
| U.S. Industrial Production* | (0.9%) | 1.6% | 2.2% |

* FedEx Forecast December 2016

FedEx Express U.S. Domestic

Growing U.S. Domestic Package Revenue and Yield (Revenue Per Package)

| | Q2FY17 | Q2FY16 | Change |
|--|---------|---------|--------|
| U.S. Domestic Package Revenue* | \$2.97B | \$2.90B | 2% |
| U.S. Domestic Package Average Daily Volume | 2.71M | 2.72M | (1%) |
| U.S. Domestic Package Yield* | \$17.39 | \$16.94 | 3% |

* Includes fuel surcharge

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FedEx Express International

Growing Demand for Priority and Economy Service

| | Q2FY17 | Q2FY16 | Change |
|-------------------------------|---------|---------|--------|
| Int'l Export Package Revenue* | \$2.05B | \$2.00B | 2% |
| Int'l Priority Package ADV | 409K | 402K | 2% |
| Int'l Economy Package ADV | 189K | 186K | 2% |
| Int'l Export Package Yield* | \$54.37 | \$54.00 | 1% |

* Includes fuel surcharge and exchange rate impact

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FedEx® Ground Growth

Growth in Residential and Commercial Service

| | Q2FY17 | Q2FY16 | Change |
|--|---------|---------|--------|
| Segment Revenue* | \$4.42B | \$4.05B | 9% |
| FedEx Ground Average Daily Package Volume | 8.00M | 7.62M | 5% |
| FedEx Ground Package Yield* | \$7.95 | \$7.64 | 4% |

* Includes fuel surcharge

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FedEx® Freight Growth

Increasing Revenue and Average Daily LTL Shipments

| | Q2FY17 | Q2FY16 | Change |
|-------------------------------|----------|----------|--------|
| Segment Revenue* | \$1.60B | \$1.55B | 3% |
| Average Daily LTL Shipments | 104K | 100K | 4% |
| Weight Per LTL Shipment (lbs) | 1,149 | 1,167 | (2%) |
| LTL Revenue Per Shipment* | \$232.70 | \$232.60 | — |

* Includes fuel surcharge

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Business Trends:

E-Commerce Influencing Consumer Buying Behavior

- E-commerce driving demand during peak season
- Multiple days of volume approaching or surpassing double our daily average
- Outstanding service levels throughout peak season
- Innovative new offerings provide customers and consumers new options for shipping, receiving and packing



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Financial Review and Outlook

Alan B. Graf, Jr.
Executive Vice President
and CFO



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FedEx Corporation

Second Quarter FY2017 Results

| | Q2FY17 | | Q2FY16 | |
|--------------------|--------------------|----------------------|--------------------|----------------------|
| | As Reported (GAAP) | Adjusted (non-GAAP)* | As Reported (GAAP) | Adjusted (non-GAAP)* |
| Earnings Per Share | \$2.59 | \$2.80 | \$2.44 | \$2.58 |
| Operating Income | \$1.17B | \$1.23B | \$1.14B | \$1.20B |
| Operating Margin | 7.8% | 8.3% | 9.1% | 9.6% |

* See the Non-GAAP Appendix for a reconciliation of presented non-GAAP measures to the most directly comparable GAAP measures

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FedEx Express Segment

Operating Income Continues to Improve

| | Q2FY17 | | Q2FY16 |
|------------------|--------------------|----------------------|--------------------|
| | As Reported (GAAP) | Adjusted (non-GAAP)* | As Reported (GAAP) |
| Revenue | \$6.74B | \$6.74B | \$6.59B |
| Operating Income | \$636M | \$654M | \$622M |
| YOY Change | 2% | 5% | |
| Operating Margin | 9.4% | 9.7% | 9.4% |

* See the Non-GAAP Appendix for a reconciliation of presented non-GAAP measures to the most directly comparable GAAP measures

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TNT Express Segment

Integration Proceeding as Planned

| | Q2FY17 Operating | |
|---|---------------------|---------------|
| | <u>Income</u> | <u>Margin</u> |
| GAAP measure | \$70M | 3.7% |
| TNT Express integration and Outlook restructuring program costs | \$10M | 0.5% |
| TNT Express intangible asset amortization* | <u>\$10M</u> | <u>0.5%</u> |
| Non-GAAP measure | \$90M | 4.7% |

* Primarily customer-related

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FedEx Freight Segment

Results Impacted by Lower Weight per Shipment

| | Q2FY17 | Q2FY16 | Change |
|-------------------------|---------|---------|-----------|
| Revenue | \$1.60B | \$1.55B | 3% |
| Operating Income | \$88M | \$101M | (13%) |
| Operating Margin | 5.5% | 6.5% | (1.0 pts) |

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FedEx® Ground Segment

Results Impacted by Network Expansion and Purchased Transportation Rates

| | Q2FY17 | Q2FY16 | Change |
|------------------|---------|---------|-----------|
| Revenue | \$4.42B | \$4.05B | 9% |
| Operating Income | \$465M | \$526M | (12%) |
| Operating Margin | 10.5% | 13.0% | (2.5 pts) |

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FedEx® Ground Investment

Evolving Our Structure, Operations & Technology to Support Growth

- E-commerce continues to drive revenue growth
- Actions since FY16 peak season:
 - Completed a total of 185 facility projects; includes 4 new hubs, 19 automated satellites, and 69 relocations
 - Added more than 10 million square feet or ~15% increase in operating space
 - Hired staff for additional facilities
- Investments in the network today will yield higher returns in the future



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FedEx® Ground Long-Term Focus

Positioning to Sustain Growth and Increase Profitability

- Strategic investments will enhance our ability to adapt to dynamic customer expectations and drive long-term cash flows
- Working to better balance capacity and volume growth with a focus on revenue quality
- Network integration and optimization initiatives will increase facility productivity and delivery density
- Investments in technology will improve safety and mitigate insurance cost



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FedEx® Corp. Financial Guidance

| | |
|---|---------------------------|
| FY17 EPS before mark-to-market pension adjustments (non-GAAP)* | \$10.95 to \$11.45 |
|---|---------------------------|

Excluding:

| | |
|---|--------|
| TNT Express integration and Outlook restructuring program costs | \$250M |
| TNT Express intangible asset amortization | \$75M |

| | |
|-----------------------------------|---------------------------|
| FY17 EPS with adjustments* | \$11.85 to \$12.35 |
|-----------------------------------|---------------------------|

* See the Non-GAAP Appendix for a reconciliation of presented non-GAAP measures to the most directly comparable GAAP measures

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Strategic Questions?

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The FedEx logo, featuring the word "FedEx" in a bold, sans-serif font. The "Fed" is in white and the "Ex" is in orange. A registered trademark symbol (®) is located to the right of the "x".

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Non-GAAP Appendix

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Explanatory Note on Non-GAAP Financial Measures

The company reports its financial results in accordance with accounting principles generally accepted in the United States (“GAAP”). We have supplemented the reporting of our financial information determined in accordance with GAAP with certain non-GAAP (or “adjusted”) financial measures. The rationale for management’s use of these non-GAAP financial measures is included in the earnings release for the quarter ended November 30, 2016. Reconciliations of certain non-GAAP measures used in this earnings presentation to the most directly comparable GAAP measures are included in this Non-GAAP Appendix.

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Q2 FY17 Reconciliation for FedEx Corp.

Dollars in millions, except EPS

| | <u>Operating Income¹</u> | <u>Operating Margin</u> | <u>Income Taxes²</u> | <u>Net Income³</u> | <u>Diluted EPS</u> |
|--|---|-----------------------------|-------------------------------------|-----------------------------------|------------------------|
| GAAP measure | \$1,167 | 7.8% | \$378 | \$700 | \$2.59 |
| TNT Express integration and Outlook restructuring program costs ⁴ | \$58 | 0.4% | \$8 | \$50 | \$0.18 |
| TNT Express intangible asset amortization | \$10 | 0.1% | \$3 | \$7 | \$0.03 |
| Non-GAAP measure | \$1,234 | 8.3% | \$389 | \$757 | \$2.80 |

¹ Does not sum to total due to rounding

² Income taxes are based on the company's approximate statutory tax rates applicable to each transaction

³ Effect of "Total other (expense) income" on net income amount not shown

⁴ These costs were recognized at FedEx Corporate (\$30 million), FedEx Express (\$18 million) and TNT Express (\$10 million)

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Q2 FY16 Reconciliation for FedEx Corp.

Dollars in millions, except EPS

| | <u>Operating Income¹</u> | <u>Operating Margin¹</u> | <u>Income Taxes²</u> | <u>Net Income^{1,3}</u> | <u>Diluted EPS¹</u> |
|----------------------------------|---|---|-------------------------------------|-------------------------------------|------------------------------------|
| GAAP measure | \$1,137 | 9.1% | \$364 | \$691 | \$2.44 |
| FedEx Ground legal matters | \$41 | 0.3% | \$16 | \$25 | \$0.09 |
| TNT Express acquisition expenses | \$17 | 0.1% | \$7 | \$12 | \$0.04 |
| Non-GAAP measure | \$1,196 | 9.6% | \$387 | \$729 | \$2.58 |

¹ Does not sum to total due to rounding

² Income taxes are based on the company's approximate statutory tax rates applicable to each transaction

³ Effect of "Total other (expense) income" on net income amount not shown

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Q2 FY17 Reconciliation for FedEx Express Segment

Dollars in millions

| | <u>Operating</u> | |
|-------------------------------|------------------|---------------|
| | <u>Income</u> | <u>Margin</u> |
| GAAP measure | \$636 | 9.4% |
| TNT Express integration costs | \$18 | 0.3% |
| Non-GAAP measure | \$654 | 9.7% |

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Reconciliation for FedEx Corp. FY17 Earnings Guidance

Dollars in millions, except EPS

| | <u>Adjustments</u> | <u>Diluted EPS</u> |
|--|--------------------|--------------------|
| Earnings per diluted share before mark-to-market pension adjustments (non-GAAP) ¹ | | \$10.95 to \$11.45 |
| TNT Express integration and Outlook restructuring program costs | \$250 | |
| Income tax effect ² | <u>(63)</u> | |
| Net of tax effect | \$187 | \$0.69 |
| TNT Express intangible asset amortization | \$ 75 | |
| Income tax effect ² | <u>(19)</u> | |
| Net of tax effect | \$ 56 | \$0.21 |
| Earnings per diluted share with adjustments ¹ | | \$11.85 to \$12.35 |

¹ The year-end mark-to-market pension accounting adjustments, which are impracticable to calculate at this time, are excluded

² Income taxes are based on the company's approximate statutory tax rates applicable to each transaction

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FedEx®