Initiating Coverage:

FedEx Corp ($FDX)

Freight Freed, DRIVE Delivered - Can FedEx Find Its Cruising Altitude?

Key Take-away: FedEx is at a crucial juncture after successfully spinning out its Freight segment and completing its $4 billion cost-savings initiative with the DRIVE program. Under its new "One FedEx" structure, powered by the fdx data platform, it is poised to easily grow its profit margins and focus strategically on high-return parcel and e-commerce shipments. All that remains to seal its victory is the rebound in volume from its pandemic lows, diligent implementation of $1 billion in fiscal 2026 cost savings, and the ability to maintain service and product superiority over its primary competitors.

DRIVE Program: FedEx recently completed its landmark spin-off, FedEx Freight (NYSE: FDXF), on June 1, 2026, creating the largest standalone LTL carrier in North America with roughly $8.7 billion in revenue. Simultaneously, FedEx achieved its full $4 billion DRIVE structural cost-reduction target, with an additional $1 billion in savings planned for fiscal 2026. Furthermore, FedEx strengthened its relationship with Amazon through a multiyear agreement and continued rolling out Network 2.0. Its Ground and Express consolidation program is currently on track to deliver an incremental $2 billion in savings by fiscal 2027.

Network 2.0 & fdx Platform: In addition, FedEx is hoping to integrate its disparate legacy ground and express networks into a single operation known as Network 2.0 where a single driver services all pickups and deliveries for a specific customer instead of two different delivery fleets visiting the same business day by day effectively, driving down the costs associated with the delivery experience and already, in its early stages, this approach has resulted in about 10% lower pickup and delivery expenses 25% of eligible volume is currently handled by the integrated network today and the goal is to push this to 65% by the end of fiscal 2026. Furthermore, earlier in 2024, FedEx released fdx, an end-to-end, AI-driven commerce platform which includes predictive delivery estimates, white label tracking, and, at last, automated returns. With the e-logistics giant churning through 2 PB of data each day, FedEx is utilizing this technology to snatch market share and rival Amazon's logistics network in terms of software and delivery infrastructure.

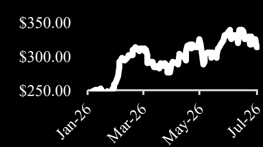
Valuation: We initiate coverage with a $369 PT.

Consortium Research Group
Industrials | Transportation
July 7th, 2026

Stock Rating:	Overweight
Price Target:	$369

Price:	$310. 71
Potential Upside/Downside:	18.8%
Ticker:	$FDX

1 Year History



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Company Overview

Company Description: Founded in 1971, FedEx Corporation ($FDX) is based out of Memphis, Tennessee, and offers a full spectrum of transportation, e-commerce, and business services for customers and businesses throughout the globe. FedEx brings in nearly $88 billion dollars in annual revenue and employs roughly 500,000 individuals, creating the second-largest workforce globally. FedEx represents one of the world's most expansive logistics networks as it touches over 220 countries and territories globally. Their overall purpose as a company is generally about connecting people and possibilities globally and driving toward a net-zero-carbon environment by the year 2040.

One FedEx & Network Integration: At the core of FedEx's business model, the Federal Express segment integrates its historically separate Express and Ground networks into a single operation called "Network 2.0" operation. Under this sophisticated system, one driver handles all pickups and deliveries at each address. This operation has already delivered about a 10% reduction in pickup and delivery costs where implemented. The full program is targeting approximately $2 billion in savings by the end of 2027. The segment mainly focuses on time-sensitive domestic and international parcel delivery worldwide. Serving both B2B and B2C customers provides a significant source of revenue for FedEx.

fdx & Data Platform: FedEx unveiled fdx around September 2024. To put it in simple terms, it's a complete end-to-end data-driven commerce platform that ties together the entire customer journey: forecasting demand, route optimization, predicted delivery windows, white-label tracking, automated returns. In addition, FedEx processes 2 petabytes of data daily on its network via its data platform – FedEx Data Works, which is AI- and ML-based to make the network better. This ultimately signifies FedEx's strategic attempt to compete with Amazon's ecosystem not just through delivery but software and data by focusing on high-margin verticals such as premium e-commerce and healthcare logistics.

Industry Overview

E-Commerce Normalization: Following the pandemic surge, the logistics industry is navigating a sharp deceleration in e-commerce growth. Total U.S. parcel volume grew 50% from 2019 to 2024, but that growth is now decelerating significantly. FedEx is projecting low single-digit B2C volume growth in 2029. This shift is putting pressure on carriers to drive revenue through pricing and their service mix rather than relying solely on volume, making cost discipline and expansion into high-margin verticals like healthcare or even industrial logistics increasingly vital going forward.

Supply Chain Volatility & Tariffs: The logistics industry has been and will continue to absorb the impact of volatile trade policies, extreme weather events, and geopolitical disruptions. In 2025 alone, supply chains were severely impacted by Gulf Coast winter storms as well as U.S. China trade tensions. Tariffs and reshoring trends are simultaneously making cross-border logistics more complex and valuable. This combination creates both headwinds and tailwinds for global carriers such as FedEx. The companies best positioned to capture higher margins in this changing environment are those that can scale, remain flexible to reroute shipments, and adapt in real time- capabilities FedEx is steadily building through Network 2.0.

Amazon as Structural Competitor: In 2024, Amazon logistics surpassed the total domestic volume of any of the "Big Three" delivery providers – FedEx, UPS, or USPS, a seismic change in the industry's competitive structure. This transition is an accelerant in a gradual, structural loss of market share to both Amazon and Walmart for the big-box and large e-retailers ' B2C residential volumes. To compete, the carrier needs to divest itself from low-margin B2C commodities and target profitable, high-value vertical segments where Amazon lacks an easy ability to replicate the company's temperature-controlled, secure global handling capability.

Peer Comparisons

Comparable Companies

$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
UPS	$93,000	$114,100	17.5x	$88,300	$11,700
XPO	$24,230	$28,020	70.9x	$8,300	$1,300
ODFL	$45,260	$45,020	45.4x	$5,460	$1,710
CHRW	$22,380	$23,860	38.4x	$16,190	$887
FDX	$74,684	$104,316	16.9x	$94,720	$11,877

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
UPS	9.8x	18.8%	13.3%	8.9%	(2.0%)
XPO	21.6x	18.6%	15.6%	9.2%	3.6%
ODFL	26.3x	39.0%	31.3%	24.6%	(4.8%)
CHRW	26.9x	22.5%	13.3%	8.9%	(2.0%)
FDX	8.8x	27.3%	12.5%	7.9%	7.7%

High	26.90x	39.0%	31.3%	24.6%	7.7%
75th Percentile	26.33x	27.3%	15.6%	9.2%	3.6%
Average	18.66x	25.2%	17.2%	11.9%	0.5%
Median	21.55x	22.5%	13.3%	8.9%	(2.0)%
25th Percentile	9.75x	18.8%	13.3%	8.9%	(2.0)%
Low	8.78x	18.6%	12.5%	7.9%	(4.8)%

FedEx Corporation Valuation		
Implied Enterprise Value (25th Percentile)	$	115,826
Implied Enterprise Value (Median)	**$**	**255,995**
Implied Enterprise Value (75th Percentile)	$	312,692
Implied Share Price (25th Percentile)	$	361.24
Implied Share Price (Median)	**$**	**948.69**
Implied Share Price (75th Percentile)	$	1,186.30

Source: S&P Capital IQ

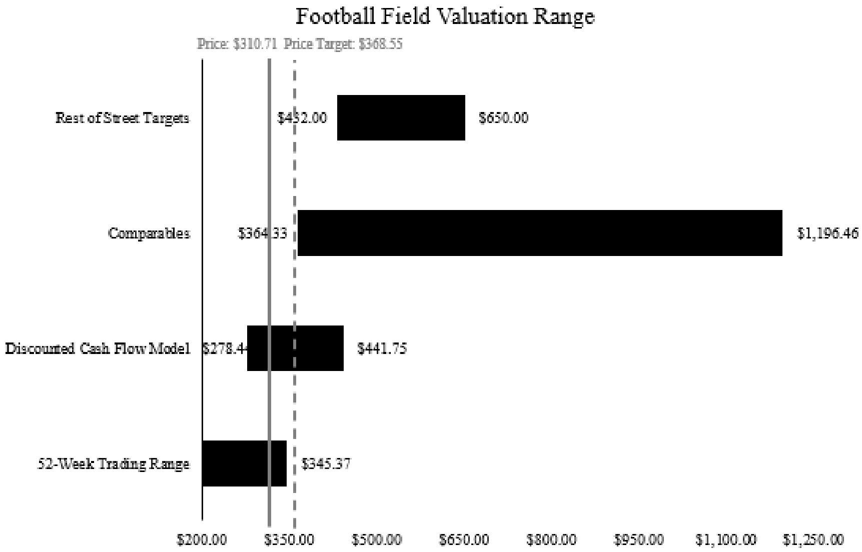
Investment Theses

DRIVE Delivers & Freight Unlocked: The DRIVE program recently implemented within the company positions FedEx to effectively expand margins over the next few years, as cost savings are expected to trickle down to the bottom line. The separation of the businesses could unlock a revaluation of both, allowing investor exposure to each segment of the company.

High-Margin Vertical Pivot as Amazon Threats Grow: With Amazon's logistics operation expanding as a percentage of the overall residential parcel delivery space, the most defensive and profitable opportunity for FedEx exists in verticals that Amazon can't easily replicate. FedEx is increasingly targeting logistics for data centers and other time-critical services that Amazon logistics cannot provide. The fdx data platform strengthens this moat and as B2C parcel volume growth moderates through 2029, it is FedEx's capture of these high-value verticals that will determine whether this is a true margin expansion story versus a value trap.

Price Target & Valuation

Our analysis gives $FDX a price target of $369 and an Overweight rating.



Potential Downsides to Our Rating

Macro Sensitivity & Global Trade Disruption: FedEx's revenue is inherently tied to the condition of the global economy, making it particularly vulnerable to macroeconomic recessions and trade policy shifts. With ongoing tariff uncertainty and geopolitical tensions, volumes can deteriorate rapidly with little warning. Unlike software companies, FedEx cannot easily offset a drop in global trade demand through pricing alone. A prolonged period of weak global trade or an escalation in geopolitical tension could meaningfully impact FedEx's revenue and margins, putting the company's guidance at risk.

Labor Cost & Pilot Contract Risk: FedEx operates with a large and heavily unionized workforce and ongoing labor negotiations. Any prolonged contract dispute or work stoppage could disrupt operations at a critical time when Network 2.0 demands flawless execution. Rising wages across the transportation industry are already pressuring operating margins, and FedEx's ability to reduce these costs through automation is not guaranteed. If labor costs rise beyond what DRIVE savings can absorb, the margin thesis underpinning our Overweight rating could be materially challenged.

Debt Burn & Capital Expenditure: Although it's planning to cut capital expenditures to a historical low of 4.6% of revenues in fiscal 2025, the company still retains considerable debt on the balance sheet, which could restrict financial options. The split-off of the Freight business contributed $3.7 billion in senior notes to an already indebted

Our Price Target: $369

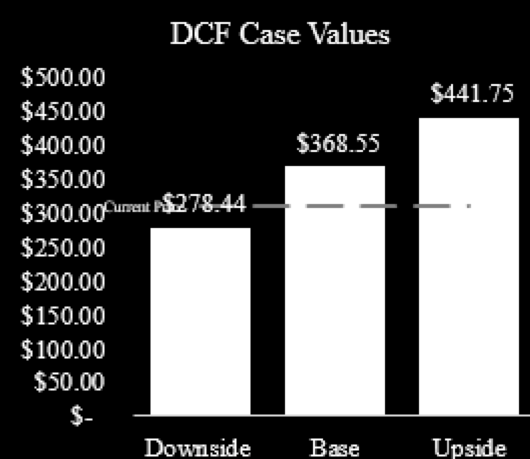
Our PT is based on accelerated Network 2.0 adoption delivering cost savings ahead of schedule, combined with a recovery in global parcel volume. If DRIVE savings continue to flow to the bottom line faster than expected, higher valuation multiples could become achievable.

Our Upside Case: $442

Our upside case is based on FedEx successfully capturing the growing demand for premium logistics, where its global scale and data capabilities support pricing power leading to margin expansion and sustained free cash flow.

Our Downside Case: $278

Our downside case is based on Amazon Logistics continuing to aggressively expand its third-party network, stripping FedEx of residential volume and leaving the company caught between a shrinking core business and an unproven growth strategy.



balance sheet. So, if free cash flow results fall short, investors can expect returns to shareholders to be negatively impacted and to bear on the company's valuation multiple.

Projections

Income Statement ($mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	87,926	87,926	92,322	97,169	102,514	5.2%
EBITDA	11,009	11,009	13,387	14,090	14,864	10.5%
EBIT	6,745	6,745	9,232	9,717	10,251	15.0%
NOPAT	5,396	5,396	7,293	7,676	8,099	14.5%

Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	12.5%	12.5%	14.5%	14.5%	14.5%	13.7%
EBIT Margin	7.7%	7.7%	10.0%	10.0%	10.0%	9.1%
Revenue Growth	0.3%	0.0%	5.0%	5.3%	5.5%	3.2%
EBIT Growth	-3.1%	0.0%	36.9%	5.2%	5.5%	8.9%

Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	6.9x	6.0x	11.6x	11.1x	10.5x	9.2x
EV/Sales	1.2x	1.2x	1.1x	1.1x	1.0x	1.1x
EV/EBITDA	9.4x	9.4x	7.8x	7.4x	7.0x	8.2x
FCF Yield	14.5%	16.8%	8.6%	9.0%	9.5%	11.7%

About $FDX

FedEx ($FDX) was created in 1971; today, it is a top provider of e-commerce, transportation, and other business services worldwide. FedEx delivers time-sensitive express delivery, ground services, and integrated logistics solutions for clients around the world. FedEx operates through two main business units: Federal Express – the combined air-ground express and parcel network, and FedEx Freight, which, on June 1st, 2026, became an independent publicly traded LTL carrier ($FDXF). The corporate headquarters for FedEx are in Memphis, TN. FedEx is most recognized for its global footprint, operating in almost 220 countries or territories, its shift toward a "One FedEx" approach overseen by CEO Raj Subramaniam, and its DRIVE initiative, a cost-cutting program that leads the industry.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Discounted Cash Flow

Active Case:	**2 Base**
Current Share Price	$310.71

DCF Analysis ($mm)	FY2020 12/31/2020	FY2021 12/31/2021	FY2022 12/31/2022	FY2023 12/31/2023	FY2024 12/31/2024	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/30/2030	FY2031 12/31/2031
Stub						1.61	2.61	3.61	4.61	5.61	6.61
Discount Period						(0.31)	(0.11)	0.89	1.89	2.89	3.89
Revenue	83,959	93,512	90,155	87,693	87,926	87,926	90,564	93,507	96,780	100,409	104,425
Revenue Growth	*0%*	*11%*	*-4%*	*-3%*	*0%*	*0%*	*3%*	*3%*	*3%*	*4%*	*4%*
0.00	83,959	93,512	90,155	87,693	87,926	87,926	90,564	93,507	96,780	100,409	104,425
0.00	0	0	0	0	0	0	0	0	0	0	0
0.00	0	0	0	0	0	0	0	0	0	0	0
EBIT	7,956	5,797	6,392	6,963	6,745	6,745	7,698	7,948	8,226	8,535	8,876
EBIT Margin	*9%*	*6%*	*7%*	*8%*	*8%*	*8%*	*9%*	*9%*	*9%*	*9%*	*9%*
Tax Expense	1,443	1,070	1,391	1,505	1,349	1,349	1,617	1,669	1,728	1,792	1,864
Effective Tax Rate	*18%*	*18%*	*22%*	*22%*	*20%*	*20%*	*21%*	*21%*	*21%*	*21%*	*21%*
NOPAT	6,513.00	4,727.00	5,001.00	5,458.00	5,396.00	5,396.00	6,081.36	6,279.00	6,498.77	6,742.47	7,012.17
D&A	3,793	3,970	4,176	4,287	4,264	4,264	4,075	4,208	4,355	4,518	4,699
Capex	(5,884)	(6,763)	(6,174)	(5,176)	(4,055)	(4,055)	4,075	4,208	4,355	4,518	4,699
Changes in NWC	6,920	6,091	5,024	4,852	2,975	1,281	906	935	968	1,004	1,044
UFCF	9,270	9,369	10,327	10,069	10,740	12,434	5,176	5,344	5,531	5,738	5,968
PV of FCF						12,717	5,218	5,005	4,812	4,637	4,480

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	1.33
Risk Free Rate	4.70%
Cost of Equity	6.64%
Weighted Average Cost of Debt	3.50%
Tax Rate	21.00%
Cost of Debt	1.01%
Total Equity	$76,281
Total Debt	$29,632
Equity/Total Capitalization	63.49%
Debt/Total Capitalization	36.51%
WACC	7.65%

Terminal Value Perpetuity Growth Method	
2034 FCF	$5,968
Growth	2.50%
Terminal Value	$115,803
PV of Terminal Value	$86,928
PV of Projection Period	$36,869
PV of Terminal Value	$86,928
Implied TEV	$123,797
(-) Debt	$42,943
(+) Cash	$13,311
Implied Equity Value	$94,165
Basic Shares Outstanding	237
Implied Share Price	$398.02
Upside/Downside	23.45%

Implied Exit BF EV/EBIT	13.9x

Terminal Value Exit Multiple Method	
2034 EBIT	$8,876
EV/EBIT Exit Multiple	12.0x
Terminal Value	$106,514
PV of Terminal Value	$79,955
PV of Projection Period	$36,869
PV of Terminal Value	$79,955
Implied TEV	$116,824
(-) Debt	$42,943
(+) Cash	$13,311
Implied Equity Value	$87,192
Diluted Shares Outstanding	237
Implied Share Price	$368.55
Upside/Downside	14.3%

Implied PGR	0.2%

Blended Share Price	
Perpetutity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	$368.55
Upside/Downside	18.80%