



## **Project 1- Financial Statement Analysis for FedEx Corporation**

### **Overview**

FedEx Corporation is a global logistics and delivery services and transport company headquartered in Memphis, Tennessee. It was founded in 1971, initially known as "Federal Express" FedEx focused on overnight delivery services, offering a faster alternative to traditional mail. Its core services include express and ground delivery, freight services, and e-commerce solutions. FedEx has around 500k employees and it operates a vast global network comprising air and ground transportation, distribution centers, and delivery hubs.

An important feature of FedEx's business environment is its competition with United Parcel Service (UPS), a significant player in the logistics sector. These two companies vigorously vie for market dominance in package delivery services, frequently resorting to competitive pricing strategies and service improvements to lure customers. This competitive dynamic fosters innovation and operational efficiency within the industry, ultimately benefiting both consumers and businesses.

### **Mission**

FedEx Corporation aims to produce superior financial returns for shareowners by providing high-value logistics, transportation, and related information services through focused operating companies that compete collectively and operate independently.

### **Vision**

FedEx Corporation's vision is "To be the world's most trusted and reliable provider of logistics and transportation solutions, connecting people and possibilities everywhere."

### **Values**

Integrity, Customer Focus, People, Safety

1. FedEx can be categorized as providing a service rather than producing a tangible product. While it does deal with physical items, its primary function is to transport packages and provide logistics solutions. The core of FedEx's business model revolves around offering shipping services, tracking capabilities, and supply chain management solutions to individuals and businesses. Unlike manufacturing companies that produce physical goods, FedEx's focus is to perform the movement and delivery of those goods, making it more aligned with the service sector.

2. The service of FedEx is preferred by everyone due to various reasons like its reliability, global reach to customers, and quality of service offered to customers. Customers trust FedEx for its delivery of packages safely and on time. FedEx also uses efficient technologies and methods to enhance its operations and customer support. Its priority is to provide great customer service by offering tracking systems, complaint systems, and customer support on the online platform. It offers several options for delivering parcels, including express, ground, freight, and custom

solutions tailored to specific industries or requirements.

3. To some extent FedEx's operations can be considered a commodity-based business, especially in terms of its core service of package delivery. The transportation and logistics industry, including shipping services, can be seen as commodity-based because multiple companies offer similar services with little differentiation in the core service itself.

4. The Footnotes provide additional data related to the company like accounting estimates, transactions, capital structure, etc.

Unfortunately, FedEx does not provide detailed footnotes in their financial reports or investor materials. As a publicly traded company, FedEx follows standard accounting principles and disclosures in reporting its financial statements.

Here are some of the details that may be in the footnotes.

#### Summary of Significant Accounting Policies

This details accounting methods used for areas like revenue recognition, pension costs, income taxes, etc.

#### Debt and Financing Arrangements

Footnotes describe the terms, interest rates, maturities of outstanding debt, and credit facilities.

#### Leases

Details on operating and finance lease obligations and accounting.

#### Contingencies

Discloses pending litigation, regulatory matters, and estimates of potential losses.

#### Retirement Plans

Describes pension and post-retirement benefit plan obligations, plan assets, and assumptions used.

#### Stock-Based Compensation

Assumptions used to value stock options/awards and details on equity compensation plans.

#### Business Segment Information

Geographic and operational segment revenue, profits, and assets employed.

#### Quarterly Financial Data (Unaudited)

Summarized quarterly performance over the fiscal year.

5. FedEx doesn't provide a dedicated section for the Business outlook in the financial reports.

But here are some key business and outlook details for FedEx Corporation:

#### Business Segments:

FedEx Express (air courier services) is the company's largest segment, accounting for around 60 of total revenue.

FedEx Ground (small-parcel ground delivery) has grown rapidly driven by e-commerce growth.

FedEx Freight (less-than-truckload freight services) serves the North American market.

#### Financials (Fiscal Year 2023 estimates):

Revenue: Around \$94-\$98 billion

Net Income: \$3.3-\$3.9 billion

Operating cash flow: \$6.5-\$7 billion

#### Outlook and Strategies:

Focusing on profitable growth in e-commerce deliveries and international markets.  
Investing heavily in modernizing facilities, fleet, and automation to boost efficiencies.  
Planning continued yield management and base pricing increases.  
Emphasizing value-added services like FedEx Logistics and specialty freight forwarding.  
Managing costs through strategies like suspending Sunday residential delivery.

**Challenges:**

Inflationary cost pressures on labor, fuel, and purchased transportation.  
Slowing economic growth impacts volumes in some segments.  
Increasing competition from Amazon and other logistics players.

6. FedEx Corporation competes with other similar businesses such as United Parcel Service (UPS) in various contexts, such as investor presentations, financial disclosures, financial metrics, operational benchmarks, market positioning, and strategic initiatives some of its key competitors in the transportation and logistics industry. Both companies are the largest global courier services. FedEx possesses many aircraft while UPS maintains a large inventory of ground vehicles. In financial FedEx's revenue for last year was \$90.155B and UPS's was \$97.287B.

**Financial Ratios**

**1. Profitability Ratios:**

a) Net Profit Margin = (Net Income / Total Revenue) \*100

Shows how much of each dollar in revenue is translated into profit.

A reasonable net margin depends on the industry, but often 5-10 + is considered good.

b) Return on Investment (ROI) = (Net Profit / Total Investment) \*100

Measures efficiency at using assets to generate profits.

Compare to industry peers to gauge performance.

c) Asset Turnover Ratio = Net Sales / Average Total Assets

The asset turnover ratio measures the efficiency of the company's assets in generating revenue or sales. A higher asset turnover ratio indicates that the company is generating more revenue per unit of assets, implying better asset utilization.

d) Return of Equity (ROE) = Net Income / Average Shareholders' Equity

Return on equity measures the profitability of the company relative to its shareholders' equity. It shows how much profit the company generates with the shareholders' investment. A higher ROE indicates how much better a company is converting its equity financing into profits.

**2. Activity Ratios:**

a) Days' Sales Outstanding (DSO) = Accounts Receivable / (Total Revenue/365)

Indicates how many days it takes to collect cash after a sale on average.

Lower is generally better, as it suggests quicker cash collections.

b) Inventory Turnover = Cost of Goods Sold / Average Inventory

Shows how many times inventory is sold and replaced over a period.

A higher ratio indicates more efficient inventory management.

### 3. Liquidity Ratios:

a) Current Ratio = Current Assets / Current Liabilities

It compares a company's assets to its current liabilities, showing whether it sustainably balances the assets, financing, and liabilities.

A ratio above 1 is desired, with higher values indicating greater liquidity.

b) Acid-Test Ratio (Quick Ratio) = (Current Assets - Inventory) / Current Liabilities

This is the liquidity ratio which is used to measure how sufficient the company's short-term assets are as to its current liabilities.

Excludes inventory, which is less liquid.

A ratio above 1 is generally considered good.

### 4. Leverage Ratios:

a) Debt Ratio = Total Liabilities / Total Assets

Indicates what percentage of assets are financed by debt.

Lower ratios are preferable, showing less financial risk.

b) Debt-to-Equity Ratio = Total Liabilities / Total Shareholders' Equity

Measures the degree of financial leverage used.

Gives an idea of the company's ability to meet debt obligations.

### Conclusion

According to the financial data available for FedEx from 2013 to 2023, the company has demonstrated stable performance across key metrics, and it is a profitable company as the company has maintained a consistent net profit margin. With consistently acceptable current and quick ratios, FedEx demonstrates the ability to meet short-term obligations. Despite the fluctuations, the debt-to-equity ratio has generally remained manageable indicating a balanced capital structure.

There is improved efficiency in accounts receivable collection, reflected in decreasing Days Sales Outstanding, suggesting enhanced cash flow management. High inventory turnover ratios indicate effective inventory management practices. The positive Return on Investment and relatively stable Return on Equity figures reflect profitability and shareholder value creation while there have been fluctuations, FedEx has shown varying efficiency in asset utilization, as indicated by the asset turnover ratio.

Overall, FedEx's financial performance underscores its resilience and adaptability, requiring continued monitoring and strategic planning for sustained success in the future.

### **References:**

FedEx Corporation Annual Data SEC GOV

[https://www.sec.gov/ixviewer/ix.html?doc=/Archives/edgar/data/1048911/000095017023033201/fdx-20230531.htm#item\\_16\\_form\\_10k\\_summary](https://www.sec.gov/ixviewer/ix.html?doc=/Archives/edgar/data/1048911/000095017023033201/fdx-20230531.htm#item_16_form_10k_summary)

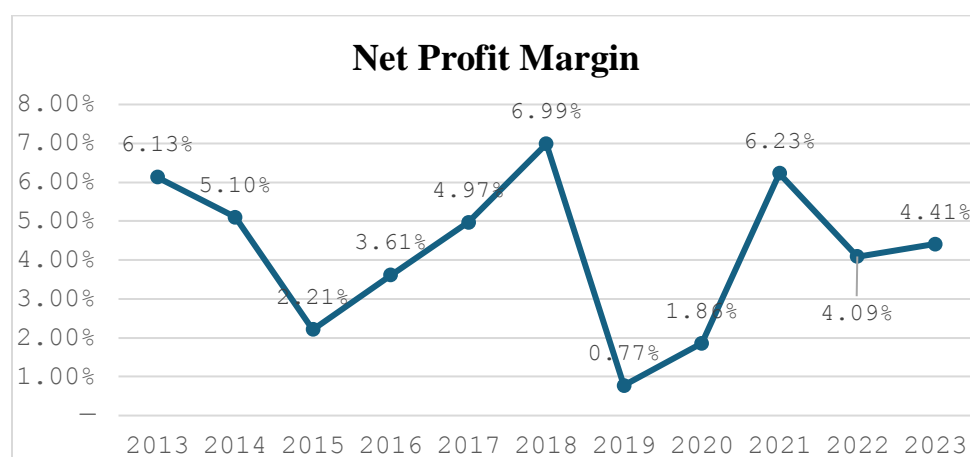
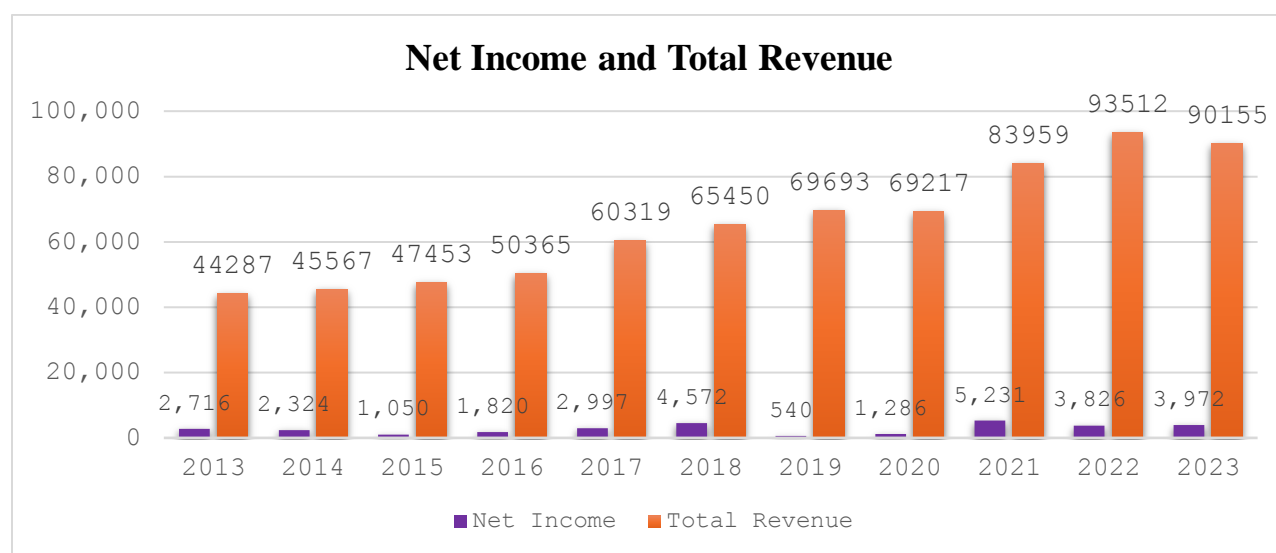
FedEx Annual Reports

<https://investors.fedex.com/financial-information/annual-reports/default.aspx>

## Appendix

**Table 1: Net Profit Margin**

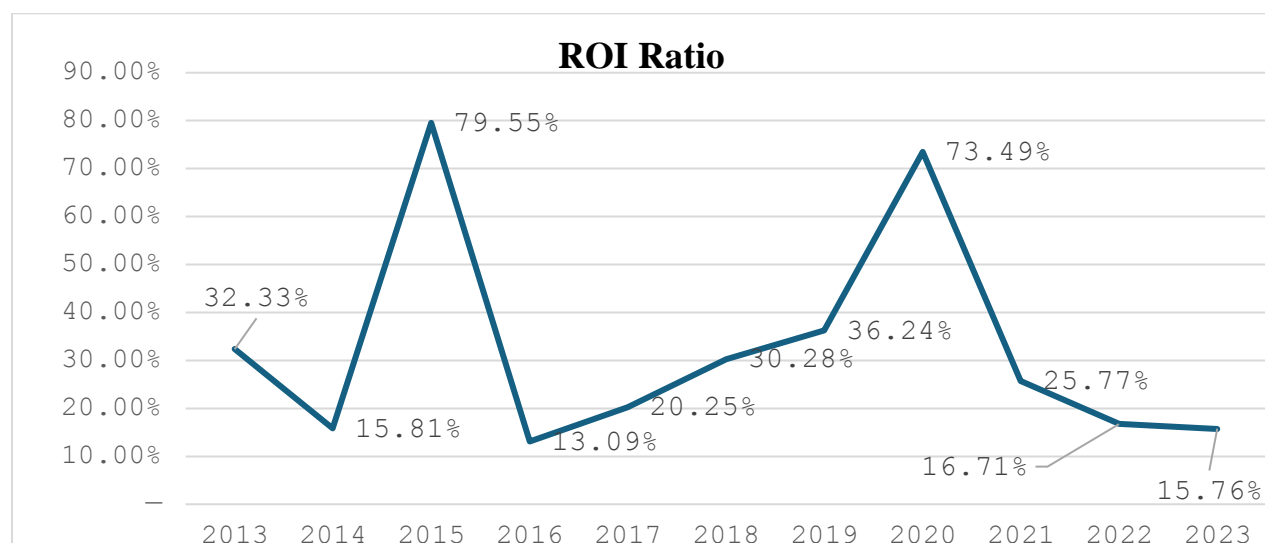
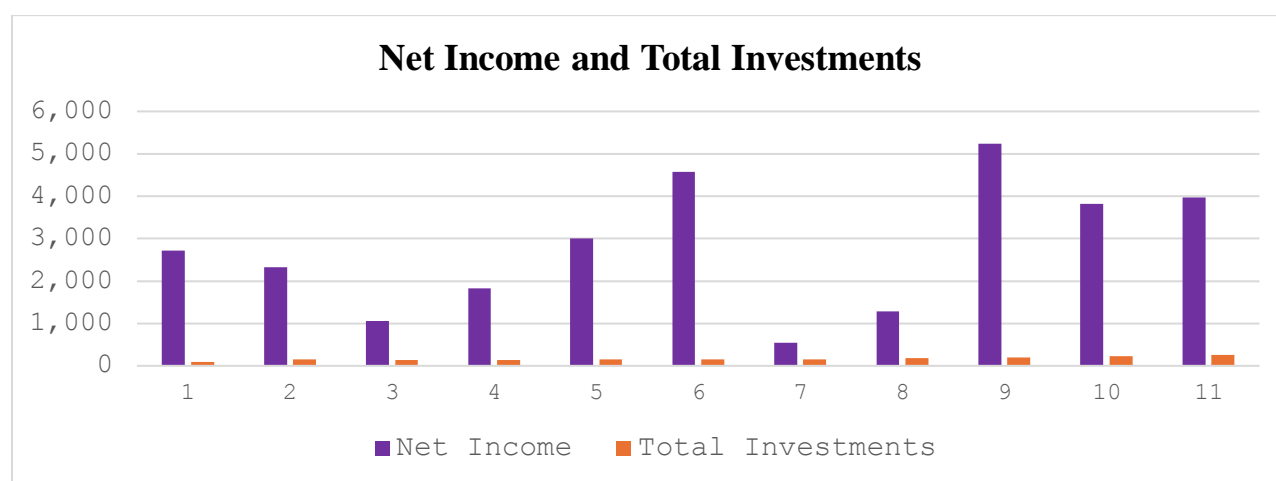
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Income	2,716	2,324	1,050	1,820	2,997	4,572	540	1,286	5,231	3,826	3,972
Total Revenue	44287	45567	47453	50365	60319	65450	69693	69217	83959	93512	90155
Net Profit Margin	6.13	5.10	2.21	3.61	4.97	6.99	0.77	1.86	6.23	4.09	4.41



We see fluctuations in the Net income and the Total revenue of FedEx. The net income varies over the years reaching its peak in 2018 and declining again. The total revenue has generally increased over the years. The net profit margin fluctuates over the years having various levels of profitability.

**Table 2: Return on Investment (ROI)**

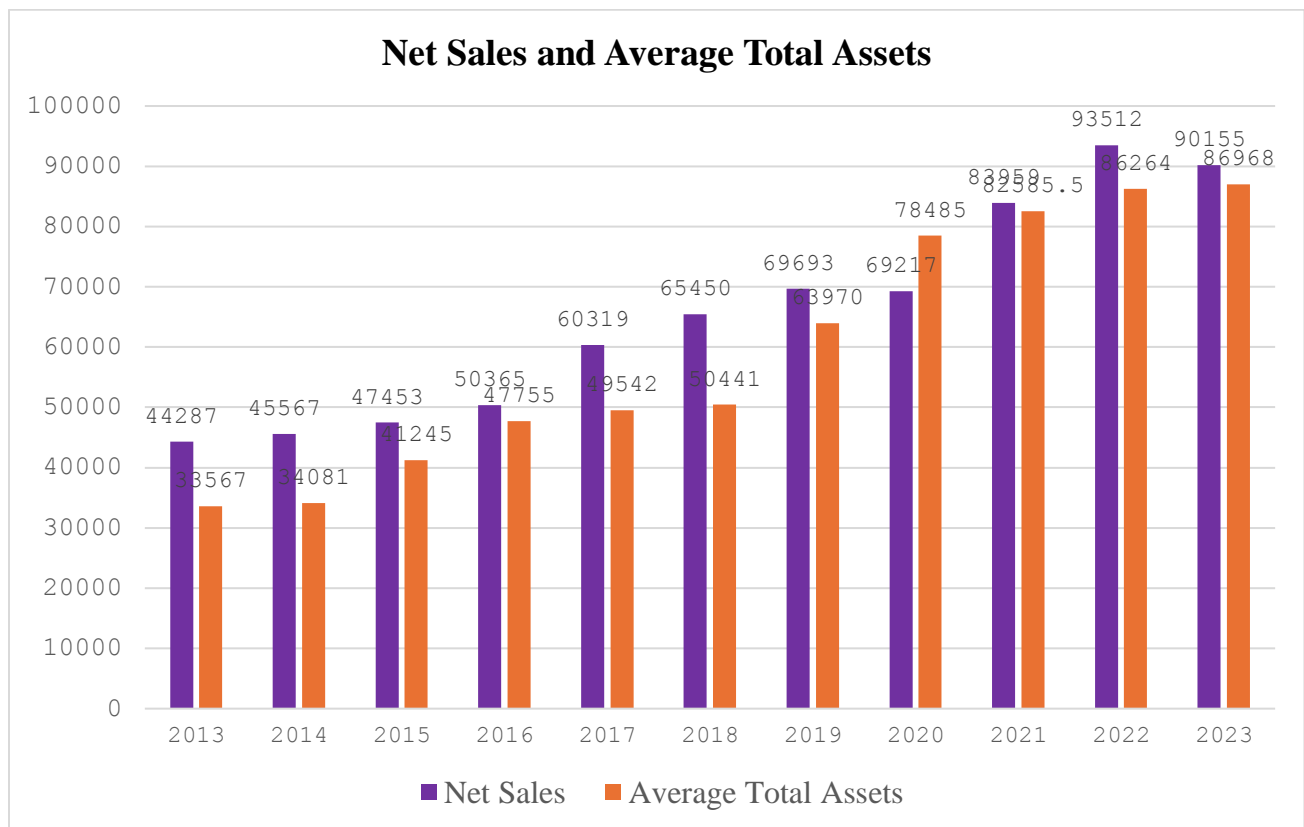
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Income	2,716	2,324	1,050	1,820	2,997	4,572	540	1,286	5,231	3,826	3,972
Total Investments	84	147	132	139	148	151	149	175	203	229	252
ROI	32.33	15.81	79.55	13.09	20.25	30.28	36.24	73.49	25.77	16.71	15.76

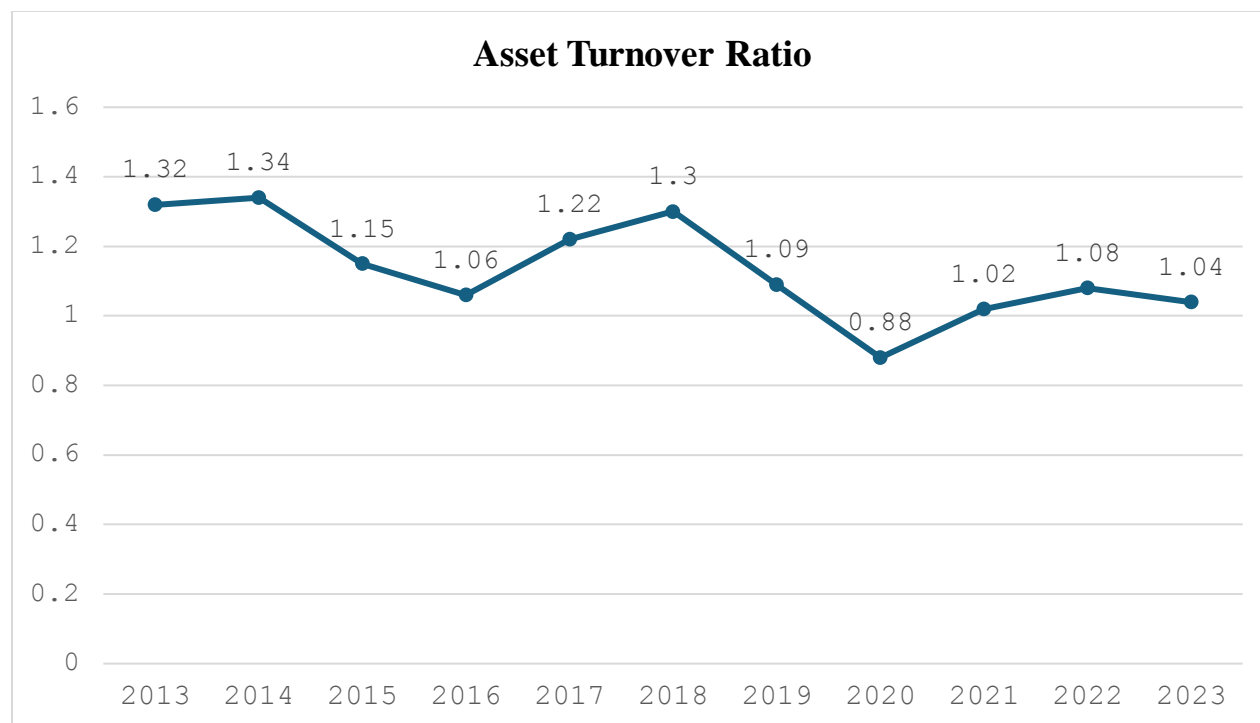


Here the Net income fluctuates over the years with a notable increase between 2015 to 2018. The total investments are also gradually increasing over time. The ROI fluctuates annually, which reflects the company's ability to produce a return on investments. The ROI in general is positive which indicates FedEx's investments are giving returns.

**Table 3: Asset Turnover Ratio**

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Revenue (Millions of US)</b>	44287	45567	47453	50365	60319	65450	69693	69217	83959	93512	90155
<b>Total Assets (Millions of US)</b>	33567	33070	36531	45959	48552	52330	54403	73537	82777	85994	87143
<b>Average Total Assets</b>	33567	34081	41245	47755	49542	50441	63970	78485	82585.5	86264	86968
<b>Asset Turnover Ratio</b>	1.32	1.34	1.15	1.06	1.22	1.3	1.09	0.88	1.02	1.08	1.04



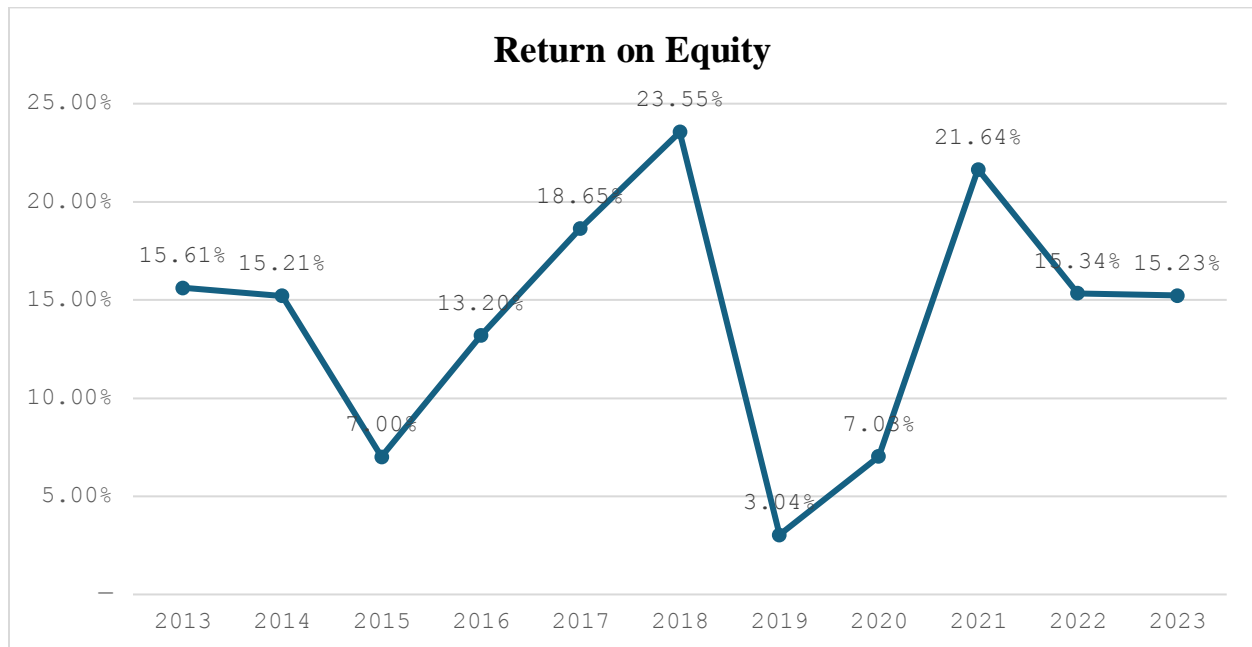
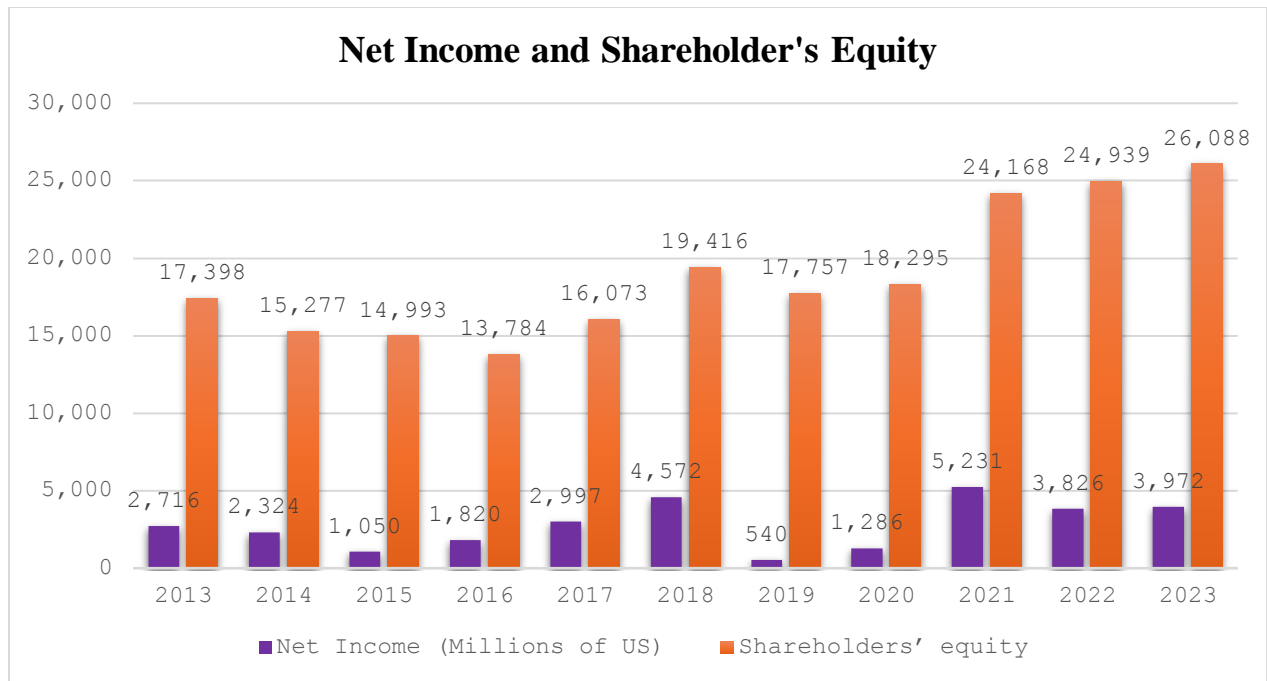


The total revenue shows an increasing trend over the period which shows the company's top line performance. The total assets are also increasing showing strong assets for operations. The asset turnover ratio shows some fluctuations, but it is generally in the same range.

**Table 4: Return on Equity (ROE)**

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Income (Millions of US)	2,716	2,324	1,050	1,820	2,997	4,572	540	1,286	5,231	3,826	3,972
Shareholders' equity	17,398	15,277	14,993	13,784	16,073	19,416	17,757	18,295	24,168	24,939	26,088
ROE	15.61	15.21	7.00	13.20	18.65	23.55	3.04	7.03	21.64	15.34	15.23

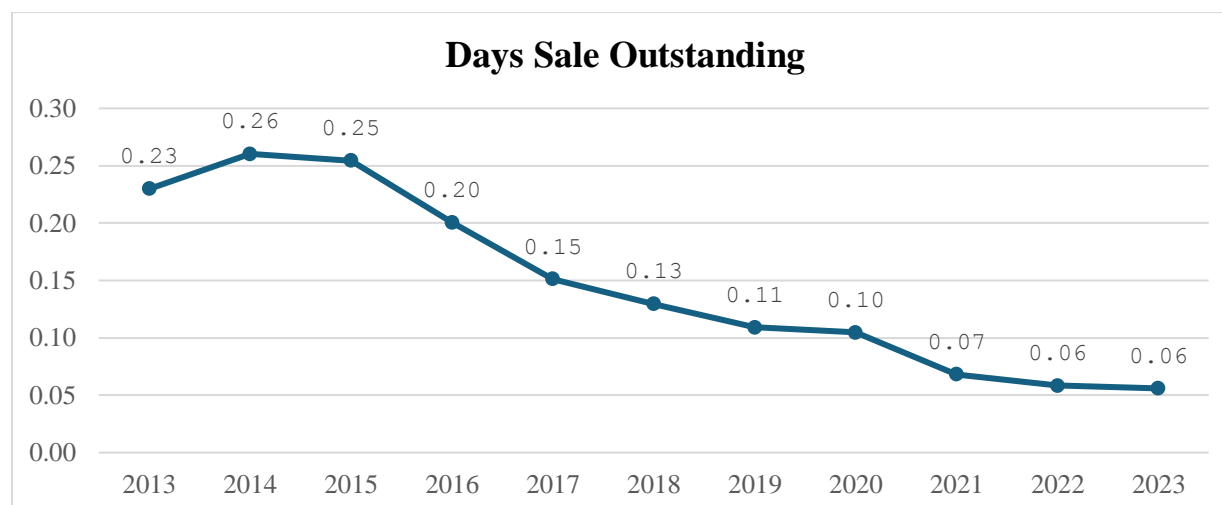
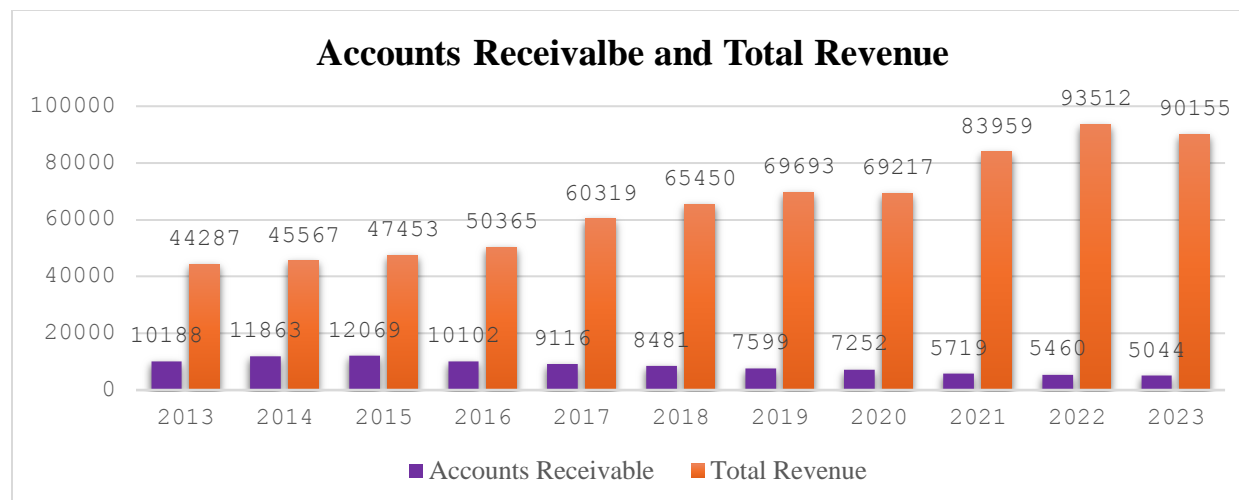




The net income demonstrates fluctuations over the years, with a notable increase in 2018 and a subsequent decrease in 2019, followed by a recovery in the following years. The shareholder's equity generally shows an increase which shows the growth in the company's equity base. The ROE is fluctuating indicating that FedEx effectively utilizes shareholders' equity to generate profits.

**Table 5: Day's Sales Outstanding (DSO)**

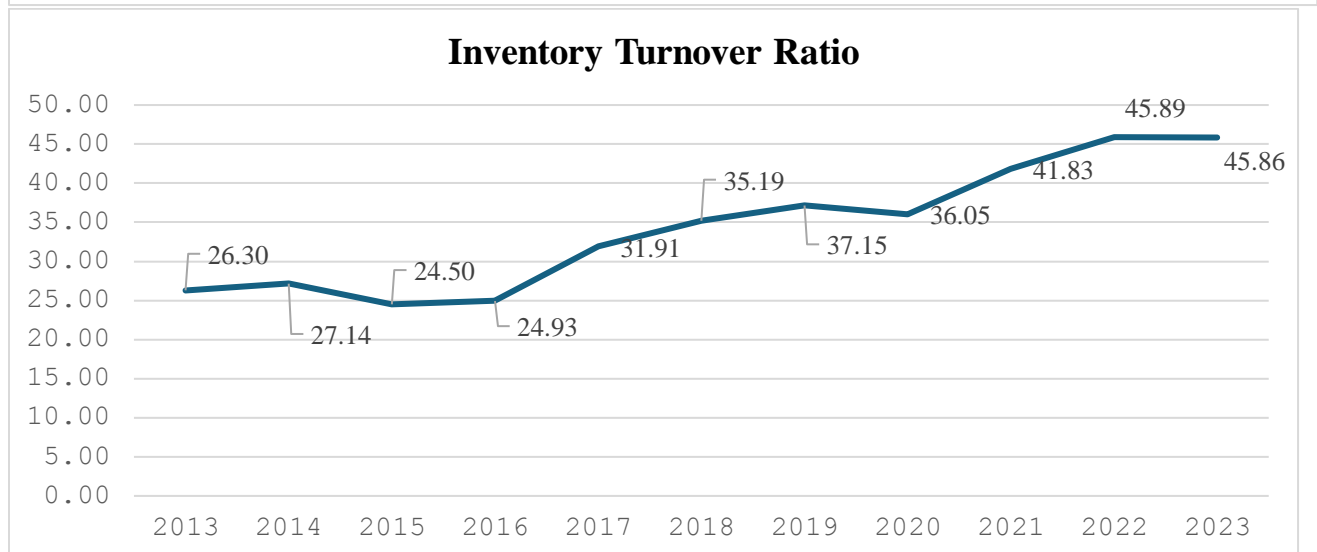
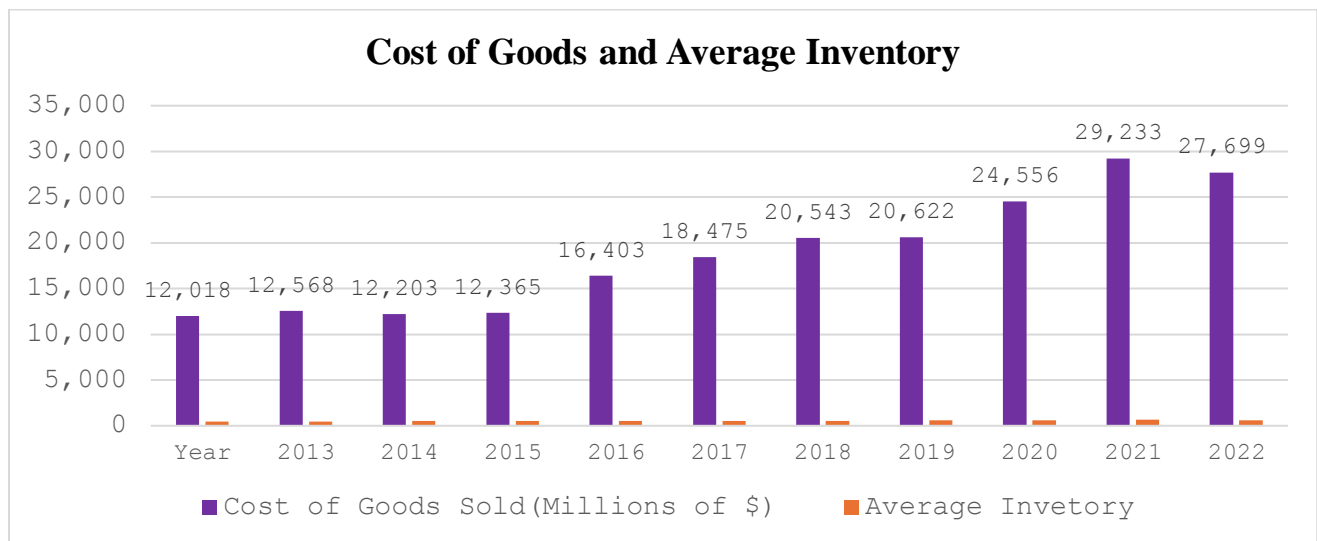
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Accounts Receivable	10188	11863	12069	10102	9116	8481	7599	7252	5719	5460	5044
Total Revenue	44287	45567	47453	50365	60319	65450	69693	69217	83959	93512	90155
Days Sale Outstanding	0.23	0.26	0.25	0.20	0.15	0.13	0.11	0.10	0.07	0.06	0.06



Accounts receivable represent the amounts owed to the company by its customers for goods or services provided on credit. A lower DSO value generally indicates a faster collection of receivables, which is favorable for cash flow management and liquidity. The DSO ratio has gradually decreased after the year 2015 and it is not showing a hike after that.

**Table 6: Inventory Turnover**

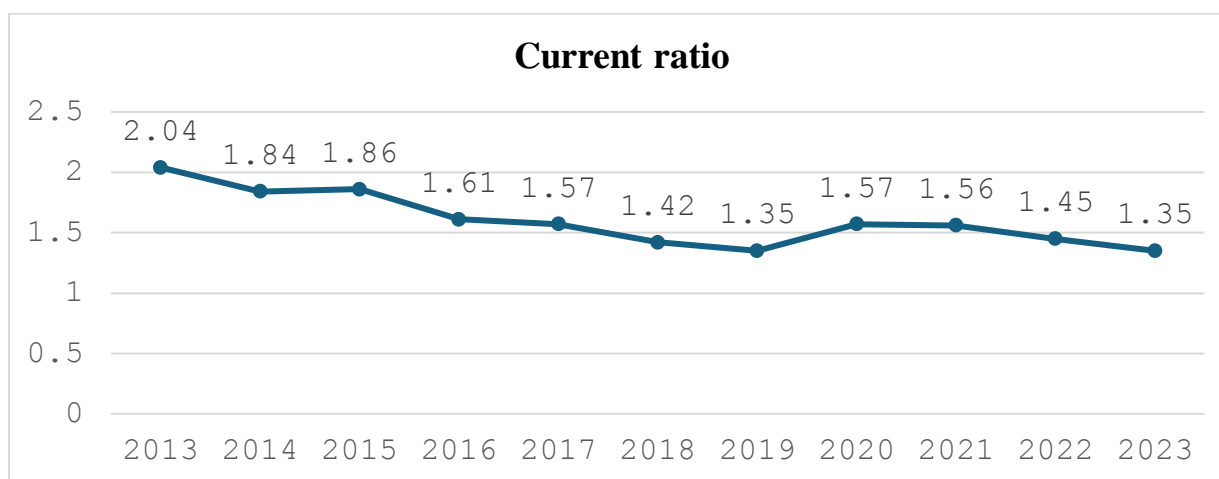
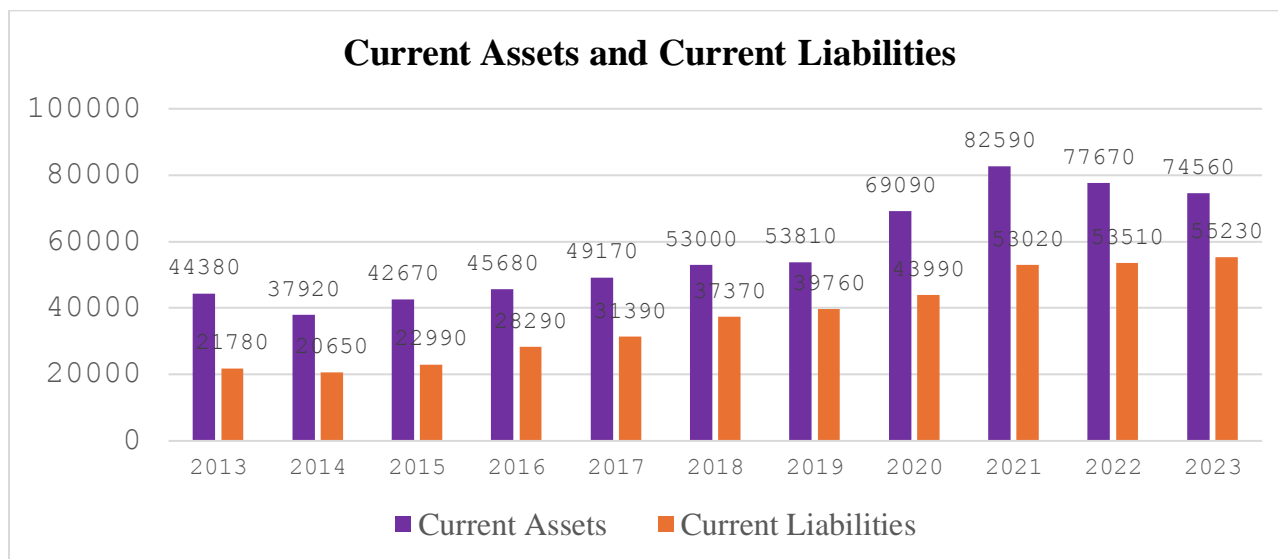
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Cost of Goods Sold</b>	12,018	12,568	12,203	12,365	16,403	18,475	20,543	20,622	24,556	29,233	27,699
<b>Average Inventory</b>	457	463	498	496	514	525	553	572	587	637	604
<b>Inventory Turnover Ratio</b>	26.30	27.14	24.50	24.93	31.91	35.19	37.15	36.05	41.83	45.89	45.86



The Cost of Goods Sold represents the direct costs incurred by FedEx in producing or purchasing the goods sold during a particular period. There is an upward trend in the cost of goods sold from 2013 to 2023. There is a slight increase in the average inventory suggesting a potential expansion in inventory holdings over time.

**Table 7: Current Ratio**

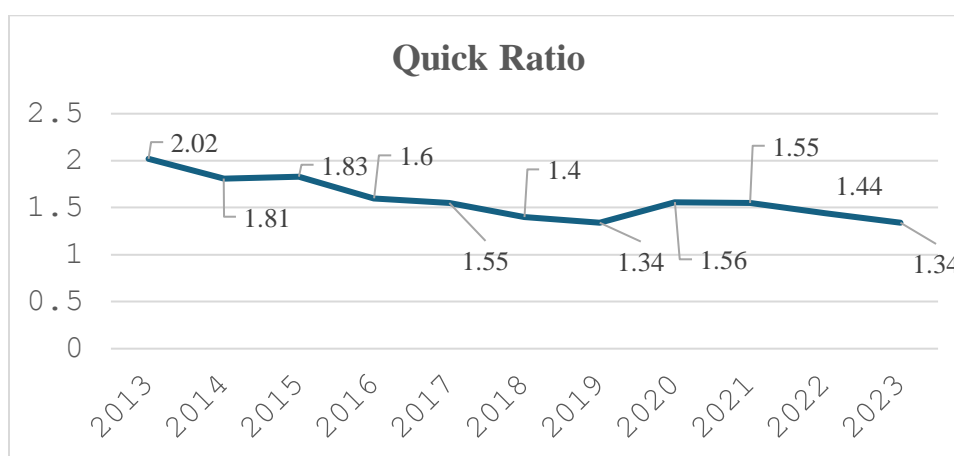
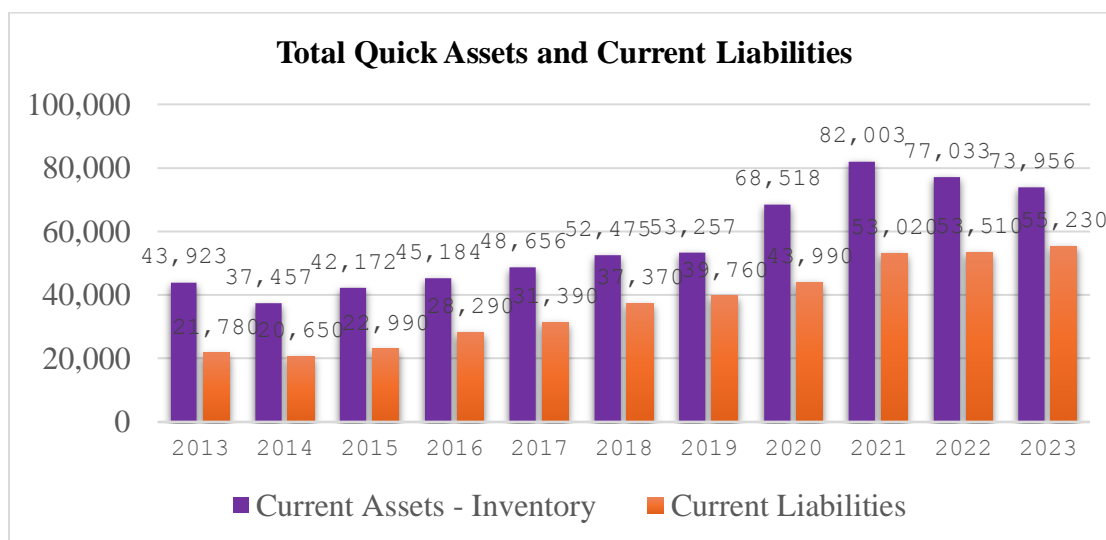
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Current Assets</b>	44380	37920	42670	45680	49170	53000	53810	69090	82590	77670	74560
<b>Current Liabilities</b>	21780	20650	22990	28290	31390	37370	39760	43990	53020	53510	55230
<b>Current ratio</b>	2.04	1.84	1.86	1.61	1.57	1.42	1.35	1.57	1.56	1.45	1.35



The current ratio of FedEx generally remains above 1 which indicates that FedEx has sufficient current assets to cover its liabilities. However, there has been some fluctuation in the ratio over the years, suggesting varying levels of liquidity and financial stability. Both the current assets and liabilities show an increase over the years. An increase in the current assets indicates potential growth or expansion in FedEx's operational capabilities and financial resources.

**Table 8: Acid Test Ratio (Quick Ratio)**

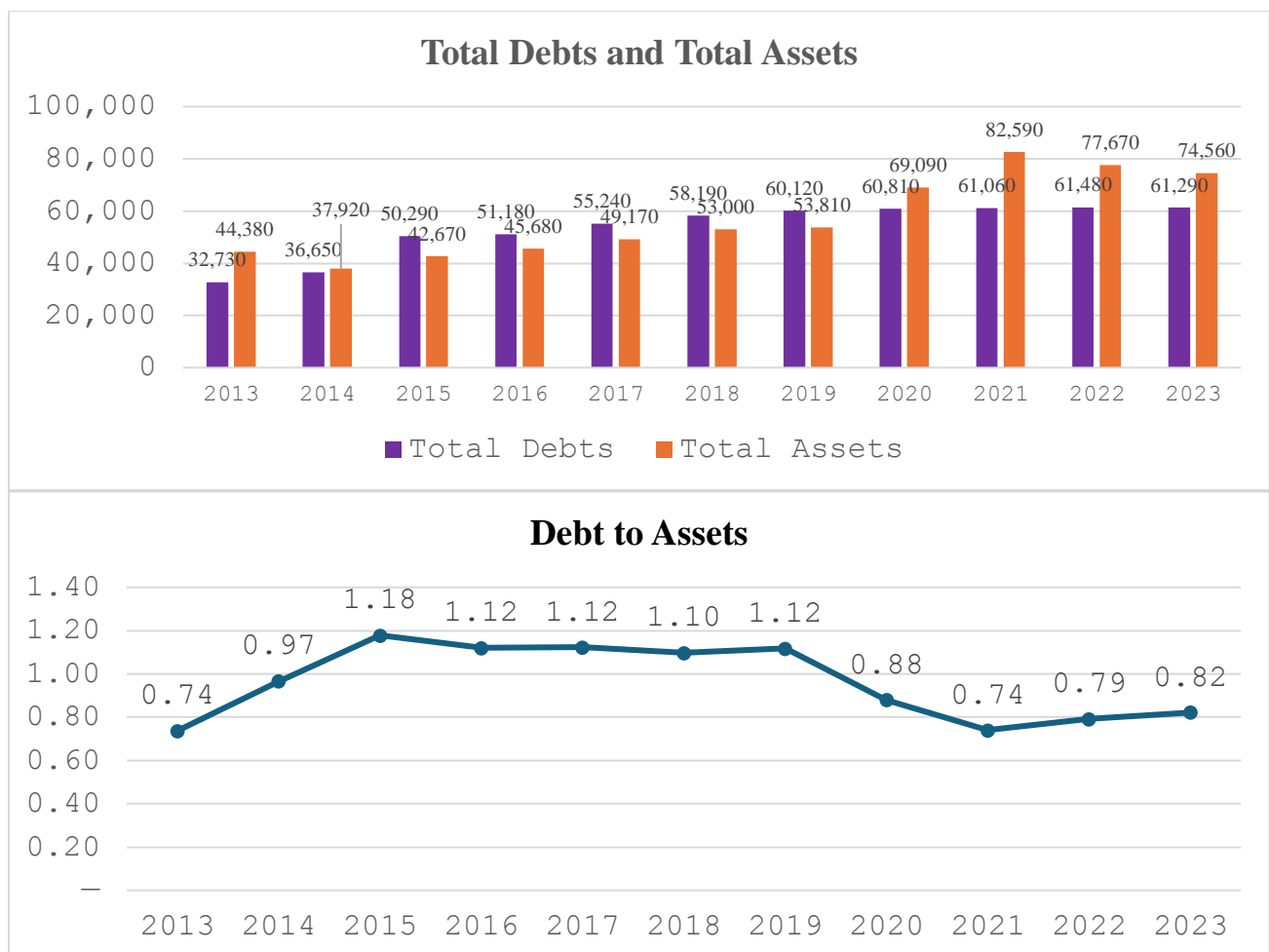
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Current Assets (Millions \$)</b>	44,380	37,920	42,670	45,680	49,170	53,000	53,810	69,090	82,590	77,670	74,560
<b>Inventory</b>	457	463	498	496	514	525	553	572	587	637	604
<b>Current Assets - Inventory</b>	43,923	37,457	42,172	45,184	48,656	52,475	53,257	68,518	82,003	77,033	73,956
<b>Current Liabilities (Millions \$)</b>	21,780	20,650	22,990	28,290	31,390	37,370	39,760	43,990	53,020	53,510	55,230
<b>Quick ratio</b>	2.02	1.81	1.83	1.6	1.55	1.4	1.34	1.56	1.55	1.44	1.34



In current assets and inventory there is a consistent upward trend indicating steady growth and expansion in operational resources and inventory holdings also there is a rise in current liabilities over the same time. The quick ratio, which measures the company's ability to cover short-term liabilities with its most liquid assets, generally remains above 1. This suggests that FedEx has maintained a reasonable level of liquidity throughout the years.

**Table 9: Debt Ratio**

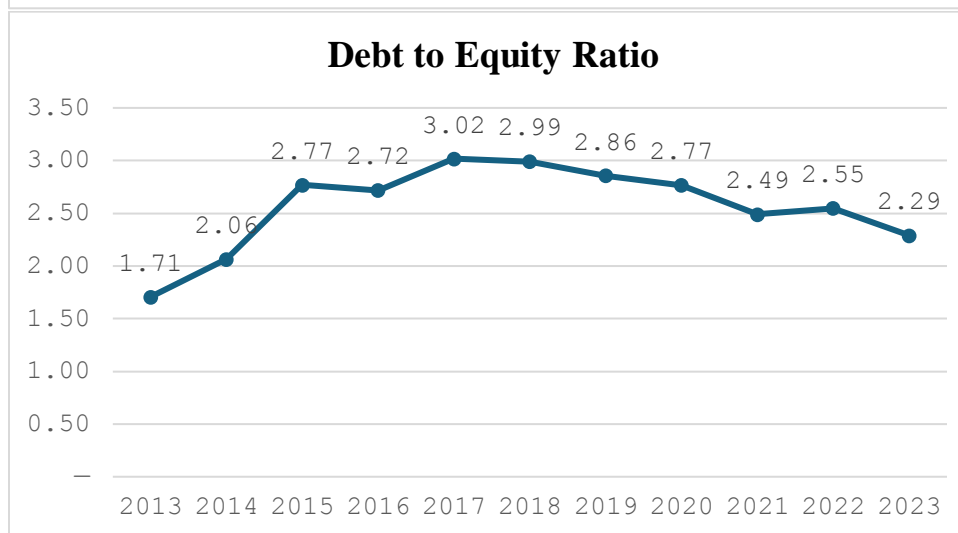
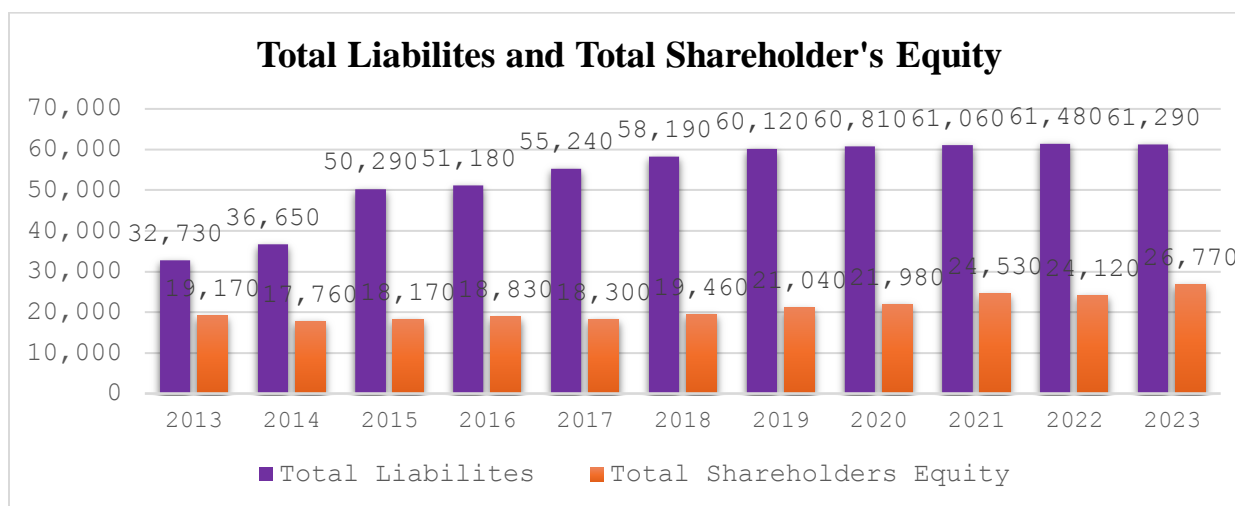
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Debts (Millions of \$)</b>	32,730	36,650	50,290	51,180	55,240	58,190	60,120	60,810	61,060	61,480	61,290
<b>Total Assets (Millions of \$)</b>	44,380	37,920	42,670	45,680	49,170	53,000	53,810	69,090	82,590	77,670	74,560
<b>Debt to Assets Ratio</b>	0.74	0.97	1.18	1.12	1.12	1.10	1.12	0.88	0.74	0.79	0.82



Between 2013 to 2023 there is a fluctuating trend in the ratio, initially increasing from 0.74 in 2013 to a peak of 1.18 in 2015, indicating a higher proportion of debt relative to assets. However, from 2016 onwards, there is a general decline in the ratio, reaching 0.82 by 2023. Overall, this trend indicates FedEx's efforts to manage its debt levels effectively while maintaining the growth and value of its assets, potentially enhancing its financial stability and resilience over the years.

**Table 10: Debt to Equity Ratio**

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Liabilities</b>	32,730	36,650	50,290	51,180	55,240	58,190	60,120	60,810	61,060	61,480	61,290
<b>Total Shareholders' Equity</b>	19,170	17,760	18,170	18,830	18,300	19,460	21,040	21,980	24,530	24,120	26,770
<b>Debt to Equity</b>	1.71	2.06	2.77	2.72	3.02	2.99	2.86	2.77	2.49	2.55	2.29



Between 2013 to 2023 there is fluctuating trend in the ratio starting at 1.71 in 2013 and reaching its peak at 3.02 in 2017 before gradually decreasing to 2.29 in 2023. High value of ratio indicates greater reliance on debt financing relative to the shareholder's equity which tells higher financial risk. A lower ratio signifies a more conservative financial approach with less reliance on debt, potentially indicating financial stability and resilience. Overall, FedEx's management of debt and equity reflects its strategy to balance financial leverage while pursuing sustainable growth and shareholder value over the years.

**Table 11: FedEx Consolidated Financial Analysis**

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Profit Margin %	6.13	5.1	2.21	3.61	4.97	6.99	0.77	1.86	6.23	4.09	4.41
ROI	32.33	15.81	79.55	13.09	20.25	30.28	36.24	73.49	25.77	16.71	15.76
Asset Turnover Ratio	1.32	1.34	1.15	1.06	1.22	1.3	1.09	0.88	1.02	1.08	1.04
ROE	15.61	15.21	7	13.2	18.65	23.55	3.04	7.03	21.64	15.34	15.23
Days Sale Outstanding	0.23	0.26	0.25	0.2	0.15	0.13	0.11	0.1	0.07	0.06	0.06
Inventory Turnover Ratio	26.3	27.14	24.5	24.93	31.91	35.19	37.15	36.05	41.83	45.89	45.86
Current ratio	2.04	1.84	1.86	1.61	1.57	1.42	1.35	1.57	1.56	1.45	1.35
Quick ratio	2.02	1.81	1.83	1.6	1.55	1.4	1.34	1.56	1.55	1.44	1.34
Debt to Assets Ratio	0.74	0.97	1.18	1.12	1.12	1.1	1.12	0.88	0.74	0.79	0.82
Debt to Equity	1.71	2.06	2.77	2.72	3.02	2.99	2.86	2.77	2.49	2.55	2.29

