Forward Looking Statements and Non-GAAP Financial Measures

Certain statements in this presentation may be considered forward-looking statements, such as statements regarding future financial targets, business strategies, management’s views with respect to future events and financial performance, and the assumptions underlying such targets, strategies, and statements. Forward-looking statements include those preceded by, followed by, or that include the words “will,” “may,” “could,” “would,” “should,” “believes,” “expects,” “forecasts,” “anticipates,” “plans,” “estimates,” “targets,” “projects,” “intends,” or similar expressions. 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 meet our labor and purchased transportation needs while controlling related costs; a significant data breach or other disruption to our technology infrastructure; the continuing effect of the COVID-19 pandemic, anti-trade measures and additional changes in international trade policies and relations; the effect of any international conflicts or terrorist activities, including as a result of the current conflict between Russia and Ukraine; our ability to successfully implement our business strategy, effectively respond to changes in market dynamics, and achieve the anticipated benefits and associated cost savings of such strategies and actions, including our ability to successfully implement our FedEx Express workforce reduction plan in Europe and to continue to transform and optimize the FedEx Express international business, particularly in Europe; our ability to achieve our fiscal 2025 financial performance goals; damage to our reputation or loss of brand equity; changes in the business or financial soundness of the U.S. Postal Service, including strategic changes to its operations to reduce its reliance on the air network of FedEx Express; changes in fuel prices or currency exchange rates, including significant increases in fuel prices as a result of the ongoing conflict between Russia and Ukraine; our ability to match capacity to shifting volume levels; the effect of intense competition; an increase in self-insurance accruals and expenses; our ability to effectively operate, integrate, leverage, and grow acquired businesses and realize the anticipated benefits of acquisitions and other strategic transactions; the future rate of e-commerce growth and our ability to successfully expand our e-commerce services portfolio; the timeline for recovery of passenger airline cargo capacity; evolving or new U.S. domestic or international laws and government regulations, policies, and actions; future guidance, regulations, interpretations, challenges, or judicial decisions related to our tax positions; legal challenges or changes related to service providers engaged by FedEx Ground and the drivers providing services on their behalf; our ability to quickly and effectively restore operations following adverse weather or a localized disaster or disturbance in a key geography; our ability to achieve our goal of carbon-neutral operations by 2040, and other factors which can be found in FedEx Corp.'s and its subsidiaries' press releases and FedEx Corp.’s filings with the Securities and Exchange Commission (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.

The financial targets and guidance included in this presentation reflect FedEx’s expectations for fiscal years 2023 through 2025 and are provided on a non-GAAP basis as FedEx cannot predict certain items which are included in reported GAAP results. See “Reconciliations of Non-GAAP Financial Measures to GAAP Financial Measures” below for additional information on non-GAAP financial measures and reconciliations of non-GAAP financial measures to GAAP financial measures. The financial targets and outlook provided herein assume the company’s current economic forecast and fuel price expectations, no additional COVID-19-related business restrictions, and no additional adverse geopolitical developments.
Agenda  
WEDNESDAY, JUNE 29

8:30 AM  
Presentations

Lunch

Q&A

1:00 PM  
Buses depart to airport & hotel

Investors Meeting  
June 29, 2022
Our global network is unmatched

- Global scale and complexity
- Unrivaled access
- Flexible, multi-modal asset base

As of June 17, 2022, routes into and out of Russia, Ukraine, and Belarus are suspended.
Intersection of physical and digital

- Evolve the way we utilize our network
- Enhance customer experiences
- Unlock new revenue streams

Our focus today

DELIVER TODAY
innovate for tomorrow
DELIVER TODAY

- Drive yields through service
- Expand margins through lower cost to serve
- Elevate returns through capital efficiency

INNOVATE FOR TOMORROW

- Enable intelligent supply chains
- Lead in sustainability
- Empower our people

COMPETE COLLECTIVELY | OPERATE COLLABORATIVELY | INNOVATE DIGITALLY

Highest priorities to achieve strong TSR by FY25

DETERMINE TODAY

Drive yields through service
- Target attractive market segments
- Drive market-leading service levels

Expand margins through lower cost to serve
- Ground: 11 - 12% adjusted margins by FY25*
- Express: 8 - 9% adjusted margins by FY25*
- Freight: 20 - 22% adjusted margins by FY25*

Elevate returns through capital efficiency
- Deliver ROIC improvement*
- Reduce fleet investment
- Increase dividend payout to 25% by FY25*

*Non-GAAP financial measure. See Appendix for more information.
Disciplined execution targeting to deliver by FY25:

<table>
<thead>
<tr>
<th>Stable, sustained revenue growth in attractive segments</th>
<th>$105B - $110B Revenue (4 - 6 % CAGR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand margins and profitability</td>
<td>10% adjusted consolidated operating margin*</td>
</tr>
<tr>
<td>Lower our capital intensity and increase our ROIC focus</td>
<td>11.5%+ ROIC* 25%+ dividend payout*</td>
</tr>
<tr>
<td></td>
<td><strong>18 - 22% TSR via a balanced approach</strong></td>
</tr>
</tbody>
</table>

ALL TARGETS FOR FY25

*Non-GAAP financial measure; see appendix for more information

Our people move us forward
We will continue our industry leadership in ESG

OUR TOP PRIORITIES INCLUDE:
1. Converting delivery fleet to zero-emission electric vehicles
2. Launching carbon neutral shipping
3. Transforming facilities to become energy efficient
4. Leading in the market in sustainable solutions

To reach our carbon neutral commitment by 2040
(reducing 1B metric tons CO₂e/yr)

DELIVER TODAY
► Drive yields through service
► Expand margins through lower cost to serve
► Elevate returns through capital efficiency

INNOVATE FOR TOMORROW
► Enable intelligent supply chains
► Lead in sustainability
► Empower our people

COMPETE COLLECTIVELY | OPERATE COLLABORATIVELY | INNOVATE DIGITALLY
Brie Carere
Executive Vice President & Chief Customer Officer

Global Commercial Strategy and Market Backdrop
**Commercial strategy**

- Clear view of the market
- Grow in the right segments
  - Small/Medium Business, B2B, Intra-Europe, and Intercontinental
- Deliver premium service and differentiated portfolio
- Achieve top-of-market and inflation+ pricing

**TARGET REVENUE GROWTH: 4 - 6%**

FY22 - 25 CAGR

How will we deliver?

**Projections assume a normalized economic environment with above-average inflation**

<table>
<thead>
<tr>
<th>FY22 - 25 CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-7%¹ GLOBAL GDP GROWTH</td>
</tr>
<tr>
<td>2-3%² US REAL GDP GROWTH</td>
</tr>
<tr>
<td>3-4%² US CORE-INFLATION</td>
</tr>
</tbody>
</table>

1. International Monetary Fund – World Economic Outlook
2. Congressional Budget Office Report: An Overview of the Economic Outlook: 2021 to 2031
Operating in a durable market

DOMESTIC ADV GREW +30% IN COVID, 3X THE TREND

<table>
<thead>
<tr>
<th>Year</th>
<th>Pre-COVID</th>
<th>COVID</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>46M</td>
<td>79M</td>
</tr>
<tr>
<td>2017</td>
<td>50M</td>
<td>84M</td>
</tr>
<tr>
<td>2018</td>
<td>55M</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>60M</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>79M</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>84M</td>
<td></td>
</tr>
</tbody>
</table>

E-commerce drives significant opportunity for FedEx Ground

CAGR OVER THE PAST DECADE:
EXPRESS MARKET +0.5%
GROUND MARKET +8.5%
FedEx will power the democratization of e-commerce

Non-Amazon market will continue growing at stable rates: ADV +4%

2021 2025 (est.)

U.S. Domestic Parcel Market ADV (Excluding Amazon)

Service is the cornerstone of our value proposition

Purple Promise: I will make every FedEx experience outstanding.
Differentiate through Digital

CONTINUOUSLY INNOVATING IN OUR OFFERINGS:

- Estimated Delivery Date (EDD) and Estimated Delivery Time Window (EDTW)
- Picture Proof of Delivery (PPOD)
  launching in US prior to peak
- New online shipping platform FedEx Ship Manager

Focus on high-value segments: Small and medium-sized customers

UNMATCHED VALUE PROPOSITION TO SMALL AND MEDIUM-SIZED (SMB) CUSTOMERS

- Industry-leading rewards program
- Most competitive portfolio
- Direct relationship with small business customers
Focus on high-value segments

Win B2B, gaining share via bundled offering & service excellence

- Best parcel LTL bundle
- Visibility, monitoring, and intervention
- Vertical expertise with specialized solutions

Finding the right customer mix

DEEPLY EMBEDDED OPERATIONS WITH THE LARGEST RETAILERS

- Walmart
- Dick’s Sporting Goods
- Lowe’s
- Target
Yield premium with product differentiation and service delivery

FDX YIELD\(^1\) PREMIUM OVER UPS

<table>
<thead>
<tr>
<th>Year</th>
<th>FDX</th>
<th>UPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY19</td>
<td>+15%</td>
<td>-</td>
</tr>
<tr>
<td>FY20</td>
<td>+14%</td>
<td>+</td>
</tr>
<tr>
<td>FY21</td>
<td>+7%</td>
<td>+</td>
</tr>
<tr>
<td>FY22</td>
<td>+9%</td>
<td>+</td>
</tr>
</tbody>
</table>

1. Represents Domestic Composite Ground and Express

Pricing playbook in action

- General rate increases
- Continuously revisit contracts
- Rigorous surcharge implementation
- Real-time pricing technology
- Win with the bundle
International features large, growing markets

**DEMAND IN M TONNES**

- **FY19**: 2.7
- **FY21**: 3.6
- **FY25**: 4.2

- **ASIA TO EUROPE**
- **TRANSATLANTIC**
- **TRANS PacIFIC**

Positioned to win key markets
- Transpacific market leader
- Competitive European offering
- Leverage Asia-Pacific strength into Europe

Clear-eyed on the return of commercial capacity

**CAPACITY TO GRADUALLY RETURN THROUGH FY24**

Headwinds incorporated into our forecast

*Source: CSMA analysis, Seabury capacity data, industry reports. Note: *Forecast from Q4 2021 onwards.*
Focused on Execution

COMMERCIAL STRATEGY WILL DELIVER 4-6% REVENUE GROWTH

FY22 - 25 CAGR

GROW IN TARGET CUSTOMER SEGMENTS
PRICE PREMIUM BY PRODUCT DIFFERENTIATION
HIGHER SERVICE STANDARDS
Mike Lenz
Executive Vice President &
Chief Financial Officer

Financial Initiatives, Outlook, and Targets
### FY25 execution targets drive strong total shareholder returns

**FY25 Targets**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>OVERALL</td>
<td>10%</td>
</tr>
<tr>
<td>GROUND</td>
<td>11 - 12%</td>
</tr>
<tr>
<td>EXPRESS</td>
<td>8 - 9%</td>
</tr>
<tr>
<td>FREIGHT</td>
<td>20 - 22%</td>
</tr>
</tbody>
</table>

- $105B - $110B Revenue
- 4 - 6% CAGR
- CAPEX/Rev ≤ 6.5%
- ROIC ~200 bps 11.5%+
- DIVIDEND PAYOUT 25%+

**Key Points**

- Stable, sustained revenue growth in attractive segments
- Expand adjusted operating margins
- Lower capital intensity and drive higher ROIC

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$3B - $4.5B</td>
</tr>
<tr>
<td>Adj. Op. Profit improvement</td>
<td>14 - 19%</td>
</tr>
<tr>
<td>Adj. EPS CAGR</td>
<td>18 - 22%</td>
</tr>
<tr>
<td>Total Shareholder Return delivered</td>
<td>25%+</td>
</tr>
</tbody>
</table>

1. Non-GAAP financial measure; see appendix for more information
2. Assumes no change in P/E multiple in order to isolate impact of net income growth and dividend yield

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### Margin expansion is the biggest opportunity and our top priority

**FY25 Adjusted OP Margin Target**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>FedEx Ground</td>
<td>11 - 12%*</td>
</tr>
<tr>
<td>FedEx Express</td>
<td>8 - 9%*</td>
</tr>
<tr>
<td>FedEx Freight</td>
<td>20 - 22%*</td>
</tr>
<tr>
<td>Consolidated</td>
<td>10%*</td>
</tr>
</tbody>
</table>

- Differentiated portfolio & service
- Enhanced revenue quality
- Improved productivity & asset utilization

*Non-GAAP financial measure; see appendix for more information
Enterprise transformation

MODERNIZATION INITIATIVES

- Business services at scale
- Modernized customer support infrastructure
- Advanced digital capabilities
- Specialized centers of excellence

WILL DRIVE $1B OVERHEAD REDUCTION IN SUPPORT OF OPERATING MARGIN TARGETS

Efficient capital allocation will drive higher returns

CASH FLOW PRIORITIES

1. Invest in high ROIC opportunities
2. Maintain a healthy balance sheet
3. Higher returns to shareholders

FY25 TARGETS

- +200 bps ROIC*
- CapEx ≤ 6.5% of revenue
- Minimum BBB/Baa2 credit rating
- Pension liability management
- 25%+ Dividend payout*
- Residual capital for share repurchases

*Non-GAAP financial measure; see appendix for more information
New era of lower capital intensity

Operational, technological, and digital innovation to maximize utilization

Rigorous 'ROIC lens' to all new capital outlays

CAPITAL EXPENDITURES

Steady reduction over forecast period and committed to continue reduction beyond FY25

AIRCRAFT CAPEX OUTLOOK

- Completing intense phase of fleet modernization
- Youngest, most fuel-efficient fleet vs. competitors
- Partner network to optimize cost of lift
Dividend payout to increase to 25%+ by FY25*

IN LAST 5 YEARS, WE HAVE RETURNED

$3.4B in dividend payments
$4.7B in share repurchases

IN LAST 5 YEARS, WE HAVE RETURNED

$3.4B in dividend payments
$4.7B in share repurchases

FY25 financial outlook

REVENUE

$105B – $110B

$94B

FY22
FY25

CONSOLIDATED ADJUSTED OP. MARGIN*

10%

7.3%

FY22
FY25

ROIC*

11.5%+

9.7%

FY22
FY25

CAPEX (% of revenue)

≤6.5%

7.2%

FY22
FY25

DIVIDEND PAYOUT*

+25%+

16%

FY22
FY25

*Non-GAAP financial measure; see appendix for more information; dividend payout ratio calculated on previous year adj. income

*Non-GAAP financial measure; see appendix for more information; dividend payout ratio calculated on previous year adj. EPS
Balanced commitment to driving TSR

<table>
<thead>
<tr>
<th>TSR¹</th>
<th>18 - 22%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4 - 6%</strong></td>
<td><strong>REVENUE EXPANSION</strong></td>
</tr>
<tr>
<td><strong>10 - 11%</strong></td>
<td><strong>MARGIN EXPANSION</strong></td>
</tr>
<tr>
<td><strong>4 - 5%</strong></td>
<td><strong>CASH PAYOUT YIELD²</strong></td>
</tr>
</tbody>
</table>

- Executive long-term incentives linked to TSR going forward
- Balanced growth and focus on margin expansion
- Rigorous ROIC lens to all capital allocation

1. Assumes no change in P/E multiple in order to isolate impact of net income growth and dividend yield
2. Inclusive of M&As, buybacks, pension fund contribution, and unallocated cash flows

Investors Meeting
June 29, 2022
John Smith
President & Chief Executive Officer
FedEx Ground

FedEx Ground: Achieving Sustained Double-Digit Margin
Achieving sustained double-digit margin

**PATH TO 11 - 12% ADJ. OP. MARGIN***
with upside beyond

- Targeted growth in high value segments
- Reduce cost to serve
- Improve asset utilization

E-commerce growth has changed the market

- 90% incremental market growth over past decade from e-commerce
- Ground domestic parcel market volume has grown by 8.5% CAGR
- Residential volume now over 80% of the US domestic parcel market

*Non-GAAP financial measure; see appendix for more information
We have invested to develop a ‘future-ready’ network

**DELIVER MORE**
- +73 facilities since FY19
- 6/7 day operations

**DELIVER BETTER**
- Over 72% of Home Delivery packages delivered in < 2 days
- Vehicle safety technology

**DELIVER SMARTER**
- Route optimization technology increasing service provider stops per hour by 7.5%

Covid accelerated growth and profitability, labor challenges offset those gains

**FY21**
- +34% REVENUE
- +160 BPS MARGINS
  
  Driven by residential volume growth and surcharge profitability lift

**FY22**
- +9% REVENUE
- -250 BPS MARGINS
  
  Labor contraction created inefficiencies and increased costs
Investments and flexibility have positioned the business to enable long-term success

**INVESTMENT IN OUR PEOPLE**
Higher labor retention and staffing

**FLEXIBILITY OF OUR MODEL**
Flat P&D costs over past 3 years

**DELIVER TODAY**

Positioned to sustainably deliver double-digit margins

*Non-GAAP financial measure; see appendix for more information*
Annual cost savings reach $1 billion in 3 years

**Productivity Gains**
- Modernizing dock operations
- Optimizing linehaul

**Asset Utilization**
- Maximizing physical capacity
- Increasing digital insights

**Operational Expense**
- Controlling liability costs
- Optimizing staffing and recruiting
- Evolving service provider model

Deliver Today

**11 - 12%**
FEDEX GROUND ADJUSTED OPERATING MARGIN TARGET BY FY25*

- $1B in cost benefits by FY25
- Focus on maximizing asset utilization and ROIC
- Consistent safety and service excellence

*Non-GAAP financial measure; see appendix for more information
FedEx Freight: Continued Focus on Profitable Growth

FedEx Freight – accelerating improved financial performance in a dynamic market

**OP. MARGIN**

- FY16: 7.2%
- FY17: 6.1%
- FY18: 7.2%
- FY19: 8.1%
- FY20: 8.2%
- FY21: 12.8%
- FY22: 17.4%

**OP. INCOME ($M)**

- FY16: 421
- FY17: 371
- FY18: 490
- FY19: 615
- FY20: 580
- FY21: 1,005
- FY22: 1,663

**FY22 YoY**

- +22% REVENUE
- +18% REVENUE QUALITY*
- +460 bps OP. MARGIN INCREASE

*Measured as revenue per shipment*
Driving 20 – 22% adjusted operating margin by FY25

- Improve revenue quality
  Pricing discipline and profitable share growth
- Invest in our people and network
  Deliver outstanding service
- Continue to innovate
  Dimension in Motion and RFID Technology

*Leveraging our unique portfolio to deliver:

- Expand Freight Direct
  Profitable e-commerce offering
- Grow Cross-border
  Significant profitable growth opportunity
- Enable FedEx Ground and Express
  Lower cost-to-serve and improve customer experience
We have earned the right to win the market in coming years

20 - 22%  FEDEX FREIGHT ADJUSTED OPERATING MARGIN TARGET BY FY25*

- Continued focus on profitability and share growth
- Strategically invest in our people and network
- Profitably grow differentiated Freight Direct and cross-border offerings

*Non-GAAP financial measure; see appendix for more information
Richard Smith
President & Chief Executive Officer-elect
FedEx Express

FedEx Express: Profitability Through Lower Cost to Serve and an Integrated European Network
Express priorities and financial objectives

- Diversify revenue streams by leveraging into high-value segments
- Lower cost to serve through enhanced network flexibility and operational optimization
- Drive profitability with an integrated European network

8 - 9%
ADJUSTED OP. MARGIN BY FY25*

Commercial priorities: leveraging our strengths with greater focus

SERVICE DIFFERENTIATION

+ TARGETED GROWTH ACROSS...

- Attractive customer segments
- Higher-value product offerings
- Strategic markets and geographies
How we win
PATH TO 8-9% ADJ. OP. MARGIN*

- Optimizing our assets and modernizing our processes
- Leveraging FedEx Logistics to manage third-party linehaul
- Increasing network collaboration
- Integrated Europe network capabilities

Karen Reddington
Regional President – Europe
FedEx Express
TNT closed the biggest gap in the FedEx portfolio

> 50% EXPRESS GLOBAL TRADE REVENUES TOUCH EUROPE; FEDEX FOOTPRINT WAS SMALL

TNT DELIVERED SCALE... ...THAT REDUCED COST TO SERVE

INTRA-EUROPE ECONOMY MARKET SHARE

ROAD COST PER LB

X 4.8

- 50%

Pre-TNT  Post-TNT

Building a comprehensive network across express, ground, and freight

AIR EXPRESS

► $75 - $100m air network benefits from unified network
► 10% more capacity, 13% fewer flights
► Expansive next-day and noon coverage
► Intercontinental injection points support partner networks

GROUND & FREIGHT

► Premium parcel and freight network
► Major European centers connected within 48 hours
Primed with a fully competitive commercial proposition

**INTRA-EU**
Value over volume in the air
Leverage freight/parcel bundle to capture market and drive yields

**INTERCONTINENTAL**
Differentiated proposition; fastest to the US

**DOMESTICS**
Swap out domestic capacity for higher international yields

Focused on sustained profit growth in Europe

+$400 - $600M THROUGH FY25

**WE WILL ACHIEVE THIS GOAL BY EXECUTING ON THREE KEY DRIVERS:**
- Air network integration
- SG&A reduction
- Continued business optimization
Lean into our strengths and optimize our assets to sustain profitable growth

**Adjusted Operating Margin Target**
8 - 9%

- Focus on high value segments
- Improved asset utilization & network collaboration
- Fully integrated network in Europe

*Non-GAAP financial measure; see appendix for more information

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**FedEx Investors Meeting**

June 29, 2022
Network 2.0

$2B+ FUTURE VALUE UNLOCK BY FY27

〜 $2B ONE-TIME EXPENSE

INITIAL GOALS BY FY27

100 FEWER STATIONS THAN TODAY

10%+ P&D ROUTE EFFICIENCY VS. TODAY

OPTIMIZED LINEHAUL NETWORK

---

Operating collaboratively in action

- Raj Subramaniam
  President & CEO
- John Smith
  FedEx Ground
- Richard Smith
  FedEx Express
- Lance Moll
  FedEx Freight
Our networks present an opportunity to operate collaboratively, unlocking value and efficiencies

Operating collaboratively in action

FedEx Ground
FedEx Freight
FedEx Express
Unlocking Potential with Digital

Modernizing to deliver today

Full architectural transformation powered by:

- Cloud-enabled data services
- Composable software
- Machine learning and AI
We are moving to cloud-enabled, zero data center, zero mainframe environment

Secure

Flexible

Resilient

Saving $400M in annual run rate

We are activating network insight to extract new value

CUSTOMERS

DATA IS AT THE CORE

OPERATIONS
Dataworks makes supply chains smarter

- Open new revenue streams and move up in e-commerce
- Digitize our customers' supply chains
- Fuel internal optimization and collaboration

Our Operational Insights Platform connects decisions across opcos and domains

- Compete Collectively
- Operate Collaboratively
- Innovate Digitally
Leveraging package fingerprint, we built FedEx Surround

We partnered 1:1 with large retailers to uncover new paths to value across the e-commerce ecosystem
Enabling a collaborative network and quality returns through advanced digital systems

- New Ground technology capabilities
- Breakthrough SenseAware tracking transformation
- Dataworks’ smarter supply chain evolution
- Open e-commerce ecosystem enablement
- Robots, autonomous vehicle, and electric fleet
- Upskilled digital talent and next gen workforce

Data drives how we...
APPENDIX

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES TO GAAP FINANCIAL MEASURES

Fiscal 2022 and 2021 Financial Measures

FedEx reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP" or "reported"). We have supplemented the reporting of our financial information determined in accordance with GAAP with certain non-GAAP (or "adjusted") financial measures, including our fiscal 2022 and 2021 consolidated adjusted operating income, adjusted operating margin, adjusted net income, and adjusted diluted earnings per share ("EPS"), fiscal 2022 consolidated return on invested capital ("ROIC"), and fiscal 2022 adjusted dividend payout ratio.

Adjusted Operating Income and Margin, Net Income, and Diluted EPS

Our fiscal 2022 and 2021 consolidated operating income and margin, net income, and diluted EPS have been adjusted to exclude, as applicable:

- Mark-to-market ("MTM") retirement plans accounting adjustments in fiscal 2022 and 2021;
- Business realignment costs in fiscal 2022 and 2021;
- Costs related to a FedEx Ground legal matter in fiscal 2022;
- TNT Express integration expenses incurred in fiscal 2022 and 2021; and
- Loss on debt extinguishment in fiscal 2021.

We have provided these non-GAAP financial measures for the same reasons that were outlined in our fourth quarter fiscal 2022 earnings release issued on June 23, 2022.

Return on Invested Capital and Adjusted Dividend Payout Ratio

Our consolidated ROIC for fiscal 2022 is calculated, in part, using non-GAAP financial measures. Adjusted operating income is included in the numerator, as we believe it is most indicative of our core operating performance. We add back to adjusted operating income interest on average operating leases, which we believe improves the comparability of ROIC between FedEx and other companies with different capital structures, and subtract adjusted current income taxes calculated using our adjusted current income tax rate in order to determine the after-tax adjusted return earned in the current period. Additionally, one input of the denominator is average net working capital as of May 31, 2022 and May 31, 2021, adjusted to exclude (i) average cash and cash equivalents in excess of those required to support daily business operations and cash equivalents held in restricted offshore accounts from average current assets, as these items do not contribute to the generation of operating returns, and (ii) the current portion of long-term debt and operating lease liabilities from average current liabilities, as we consider these items part of total invested capital used to support the generation of operating returns. We have provided reconciliations of our 2022 adjusted current income tax rate to our 2022 current income tax rate and of our average adjusted total current assets and total current liabilities as of May 31, 2022 and May 31, 2021 to our average total current assets
and total current liabilities as of May 31, 2022 and May 31, 2021 under “Full-Year Fiscal 2022—Return on Invested Capital” below.

We believe ROIC is a meaningful measure of how effectively we are deploying our key assets and using capital to generate profits. Numerous methods exist for calculating ROIC. Accordingly, the method used by FedEx may differ from the methods used by other companies. We encourage you to understand the methods used by another company to calculate ROIC before comparing its ROIC to ours.

Our adjusted dividend payout ratio for fiscal 2022 is calculated as cash dividends paid on our common stock in fiscal 2022 divided by fiscal 2021 adjusted consolidated net income. We calculate our adjusted dividend payout ratio, in part, using a non-GAAP financial measure that we believe excludes items that may not be indicative of, or are unrelated to, our core operating performance. We believe our adjusted dividend payout ratio is a meaningful measure of how effectively we have returned profits to holders of our common stock.

**Fiscal 2023 and 2025 Forecasts**

We have also provided forecasts for the following metrics for fiscal 2025: consolidated adjusted operating income and adjusted operating margin, adjusted net income, and adjusted EPS; adjusted FedEx Ground, FedEx Express, and FedEx Freight segment operating margins; adjusted dividend payout ratio; and ROIC. Additionally, we have provided an adjusted dividend payout ratio forecast for fiscal 2023.

Other than our forecasted adjusted dividend payout ratio for fiscal 2023, we do not provide a reconciliation of these non-GAAP financial forecasts to the most directly comparable GAAP forecasts because we are unable to provide a meaningful or accurate calculation or estimation of reconciling items without unreasonable effort. For example, we are unable to predict the amount of the fiscal 2025 MTM retirement plans accounting adjustments, as they are significantly impacted by changes in interest rates and the financial markets. Additionally, we may incur costs during fiscal 2023, 2024, and 2025 related to business optimization initiatives as well as other costs that are unrelated to our core operating performance and/or extraordinary in nature. We are currently unable to forecast the amount and timing of these additional costs. These items are inherently uncertain and depend on various factors, many of which are beyond our control, and as such, any associated estimate and its impact on our GAAP financial measures could vary materially.

Our non-GAAP financial measures are intended to supplement and should be read together with, and are not an alternative or substitute for, and should not be considered superior to, our reported financial results. Accordingly, users of our financial statements should not place undue reliance on these non-GAAP financial measures. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies’ non-GAAP financial measures having the same or similar names. As required by SEC rules, the tables below present a reconciliation of our fiscal 2022 and 2021 non-GAAP financial measures and fiscal 2023 forecasted adjusted dividend payout ratio to the most directly comparable GAAP measures.
Full-Year Fiscal 2022

<table>
<thead>
<tr>
<th>GAAP measure</th>
<th>Operating Income</th>
<th>Income Margin</th>
<th>Income Taxes¹</th>
<th>Net Income²</th>
<th>Diluted Earnings Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTM retirement plans accounting adjustments³</td>
<td>$ 6,245</td>
<td>6.7%</td>
<td>$ 1,070</td>
<td>$ 3,826</td>
<td>$ 14.33</td>
</tr>
<tr>
<td>Business realignment costs⁴</td>
<td>278</td>
<td>0.3%</td>
<td>64</td>
<td>214</td>
<td>0.80</td>
</tr>
<tr>
<td>FedEx Ground legal matter⁵</td>
<td>210</td>
<td>0.2%</td>
<td>50</td>
<td>160</td>
<td>0.60</td>
</tr>
<tr>
<td>TNT Express integration expenses⁶</td>
<td>132</td>
<td>0.1%</td>
<td>29</td>
<td>103</td>
<td>0.39</td>
</tr>
<tr>
<td>Non-GAAP measure</td>
<td>$ 6,865</td>
<td>7.3%</td>
<td>$ 1,592</td>
<td>$ 5,502</td>
<td>$ 20.61</td>
</tr>
</tbody>
</table>

Return on Invested Capital

<table>
<thead>
<tr>
<th>Numerator</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted operating income (non-GAAP)</td>
<td>$ 6,865</td>
</tr>
<tr>
<td>Interest on average operating leases⁷</td>
<td>$ 463</td>
</tr>
<tr>
<td>Adjusted operating income with add-back for interest on average operating leases</td>
<td>$ 7,328</td>
</tr>
<tr>
<td>Adjusted current income taxes (non-GAAP)³</td>
<td>(870)</td>
</tr>
<tr>
<td>Lease-adjusted after-tax net operating income</td>
<td>$ 6,458</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Denominator⁸</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average adjusted net working capital¹⁰ (non-GAAP)</td>
<td>$ 3,714</td>
</tr>
<tr>
<td>Average net property and equipment</td>
<td>36,922</td>
</tr>
<tr>
<td>Average operating lease right-of-use assets, net</td>
<td>15,998</td>
</tr>
<tr>
<td>Average goodwill</td>
<td>6,768</td>
</tr>
<tr>
<td>Average other assets, net of other liabilities</td>
<td>3,393</td>
</tr>
<tr>
<td>Average invested capital</td>
<td>$ 66,795</td>
</tr>
<tr>
<td>Return on invested capital</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

Adjusted Dividend Payout Ratio

<table>
<thead>
<tr>
<th>Dollars in millions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash dividends paid in fiscal 2022</td>
<td>$ 793</td>
</tr>
<tr>
<td>Fiscal 2021 net income (GAAP)</td>
<td>5,231</td>
</tr>
<tr>
<td>Dividend payout ratio (GAAP)</td>
<td>15%</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash dividends paid in fiscal 2022</td>
<td>$ 793</td>
</tr>
<tr>
<td>Fiscal 2021 adjusted net income (non-GAAP)</td>
<td>4,885</td>
</tr>
<tr>
<td>Adjusted dividend payout ratio (non-GAAP)</td>
<td>16%</td>
</tr>
</tbody>
</table>
Full-Year Fiscal 2021

Dollars in millions, except EPS

<table>
<thead>
<tr>
<th>GAAP measure</th>
<th>Operating Income</th>
<th>Operating Margin</th>
<th>Income Taxes¹</th>
<th>Net Income²</th>
<th>Diluted Earnings Per Share¹¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTM retirement plans accounting adjustments³</td>
<td>—</td>
<td>—</td>
<td>(281)</td>
<td>(895)</td>
<td>(3.33)</td>
</tr>
<tr>
<td>Loss on debt extinguishment</td>
<td>—</td>
<td>—</td>
<td>96</td>
<td>297</td>
<td>1.11</td>
</tr>
<tr>
<td>TNT Express integration expenses⁶</td>
<td>210</td>
<td>0.3%</td>
<td>48</td>
<td>162</td>
<td>0.60</td>
</tr>
<tr>
<td>Business realignment costs⁵</td>
<td>116</td>
<td>0.1%</td>
<td>26</td>
<td>90</td>
<td>0.33</td>
</tr>
<tr>
<td>Non-GAAP measure</td>
<td>$ 6,183</td>
<td>7.4%</td>
<td>$ 1,332</td>
<td>$ 4,885</td>
<td>$ 18.17</td>
</tr>
</tbody>
</table>

Fiscal 2023 Adjusted Dividend Payout Ratio Forecast

Dollars in millions

| Cash dividends expected to be paid in fiscal 2023 | $ 1,175 |
| Fiscal 2022 net income (GAAP) | 3,826 |
| Dividend payout ratio (GAAP) | 31% |

Cash dividends expected to be paid in fiscal 2023 | $ 1,175 |
Fiscal 2022 adjusted net income (non-GAAP) | 5,502 |
Adjusted dividend payout ratio (non-GAAP) | 21% |

Notes:

1 – Income taxes are based on the company’s approximate statutory tax rates applicable to each transaction.
2 – Effect of “total other (expense) income” on net income amount not shown.
3 – Reflects the year-end adjustment to the valuation of the company’s defined benefit pension and other postretirement plans. For fiscal 2022, the MTM retirement plans accounting adjustments also include the second quarter TNT Express MTM retirement plans accounting adjustment related to a noncash loss associated with the termination of a TNT Express European pension plan and a curtailment charge related to the U.S. FedEx Freight pension plan. For fiscal 2021, the MTM retirement plans accounting adjustments also include the second quarter TNT Express MTM retirement plans accounting adjustment related to a noncash loss associated with amending a TNT Express European pension plan to harmonize retirement benefits.
4 – Business realignment costs were recognized at FedEx Express.
5 – These charges were recognized at FedEx Corporation.
6 – These expenses were recognized at FedEx Corporation and FedEx Express.
7 – Represents the hypothetical interest expense implied within rentals expenses the company would incur if property under operating leases were owned or accounted for as finance leases. Estimated using the weighted-average discount rate for operating leases, which was 2.85% for 2022, applied to the total of the average current and long-term operating lease liabilities as of May 31, 2022 and May 31, 2021, respectively. See “Fiscal 2022 and 2021 Financial Measures—Return on Invested Capital and Adjusted Dividend Payout Ratio” above for additional information.

8 – Calculated as 2022 adjusted operating income with the add-back for interest on average operating leases multiplied by the 2022 adjusted current income tax rate of 11.9%. Our current income tax rate for 2022 of 15.3% is calculated by dividing our current tax provision by income before income taxes, and has been adjusted as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax rate (GAAP)</td>
<td>15.3%</td>
</tr>
<tr>
<td>MTM retirement plans accounting adjustments</td>
<td>(3.7)%</td>
</tr>
<tr>
<td>Business realignment costs</td>
<td>0.5%</td>
</tr>
<tr>
<td>FedEx Ground legal matter</td>
<td>(0.4)%</td>
</tr>
<tr>
<td>TNT Express integration expenses</td>
<td>0.2%</td>
</tr>
<tr>
<td>Adjusted current income tax rate (non-GAAP)</td>
<td>11.9%</td>
</tr>
</tbody>
</table>


9 – Other than average adjusted net working capital, amounts are averages of the applicable line items included in FedEx’s condensed consolidated balance sheets for the fiscal years ended May 31, 2022 and May 31, 2021, respectively.

10 – Calculated as our average total current assets for the years ended May 31, 2022 and May 31, 2021, adjusted as follows, minus our average total current liabilities for the years ended May 31, 2022 and May 31, 2021, adjusted as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Dollars in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average total current assets (GAAP)</td>
<td>$20,473</td>
</tr>
<tr>
<td>Average cash and cash equivalents in excess of those required to support daily business operations and those held in restricted offshore accounts</td>
<td>$(5,232)</td>
</tr>
<tr>
<td>Adjusted average total current assets (non-GAAP)</td>
<td>$15,241</td>
</tr>
<tr>
<td>Average total current liabilities (GAAP)</td>
<td>$13,967</td>
</tr>
<tr>
<td>Average current portion of long-term debt</td>
<td>$(114)</td>
</tr>
<tr>
<td>Average current portion of operating lease liabilities</td>
<td>$(2,326)</td>
</tr>
<tr>
<td>Adjusted average total current liabilities (non-GAAP)</td>
<td>$11,527</td>
</tr>
<tr>
<td>Average adjusted net working capital (non-GAAP)</td>
<td>$3,714</td>
</tr>
</tbody>
</table>


11 – Does not sum to total due to rounding.