



FedEx Corporation

FDX

EQUITY RESEARCH REPORT

June 08, 2026

FDX — FedEx Corporation

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Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	AVOID
Current Price	€286.09 (USD \$330.43)
Fair Value (Base Case)	€270–295 (wide band; low confidence)
Margin of Safety	~0% to slightly negative
Target Entry (if HOLD)	€235 or below

Return Profile	Value
Dividend Yield	~1.8% (estimated from data gaps)
Expected Dividend Growth	4–6%
Expected Price Appreciation	3–5%
Total Expected Return (Base)	~7% CAGR (borderline)
Bear Case Total Return	-3% to -5% CAGR
Bull Case Total Return	~12% CAGR
Probability-Weighted Return	~5.5% CAGR

Risk Assessment	Value
Wealth Preservation Score	52 / 100
Downside Protection Score	45 / 100
Quality Score	50 / 100
Risk Level	ELEVATED
Probability of >50% Loss	~8–10%
Recession Profile	SENSITIVE (borderline VULNERABLE)

One-Line Thesis:

FedEx owns a hard-to-replicate global network, but structurally weak free cash flow, high capital intensity, cyclical B2B exposure, and an intensifying competitive war with Amazon and a newly empowered UPS workforce leave it short of the downside protection and return certainty a wealth-preservation mandate demands.

INVESTMENT THESIS

You are looking at a business that built the modern express-shipping industry and still runs one of the highest-barrier physical networks on earth: roughly 700 aircraft, thousands of hubs and vehicles, and service to 220-plus countries. That network is genuinely difficult to replicate. The problem for a capital-preservation investor is not whether FedEx can survive. It probably can. The problem is whether it earns its cost of capital reliably enough, and protects your downside well enough, to beat a 4% savings account on a risk-adjusted basis. On the evidence in front of me, it does not clear that bar with the margin I require.

The research data flags a free cash flow margin near 2.4% over the trailing five years and revenue growth around 2.5% annually. Those are weak figures for a company carrying heavy fixed costs and elevated debt. When a business reinvests this much capital and converts so little of revenue into owner cash, the gap between accounting earnings and economic value widens, and a recession can push that gap into negative territory fast. FedEx itself warns in its filings about state-subsidized international competitors that can undercut pricing. Add Amazon's in-house logistics build-out and the August 2023 UPS Teamsters wage deal, which raises the cost of FedEx's largely non-union labor over time, and you have a moat under steady erosion rather than one widening.

What could go wrong is also what makes the downside hard to cap. FedEx revenue fell about 3% from 2022 to 2023 on soft demand and trade frictions. In a genuine 2008-style downturn, B2B and express volumes drop, yields compress as customers trade down to deferred shipping, and the fixed-cost base does not flex quickly. The company has been cutting headcount since 2022 to defend margins, which carries its own execution and service-quality risk. I cannot construct a bear case here where your capital is reliably preserved over a 2–3 year horizon. That single failure — a bear case total return below zero — is enough to disqualify the position under the framework, regardless of the upside if the freight cycle turns. Against a 4% HYSA and a roughly 7% hurdle, FedEx offers a marginal base case and a real chance of negative outcomes. That is the definition of a position to avoid for this mandate.

1. BUSINESS QUALITY ASSESSMENT

FedEx runs an integrated, time-definite transportation network across Express (grouped under Federal Express Corporation, ~86% of FY25 revenue of \$87.9B), Freight LTL (~10%), and Other including Office, Logistics, and Dataworks (~4%). The business is understandable. It is not in secular decline; parcel and freight volumes track the economy and e-commerce. It is, however, moderately-to-highly cyclical, which the framework flags for heightened balance-sheet scrutiny.

The stickiness story has merit: the data notes 96.9% of U.S. revenue comes from customers using two or more services, suggesting switching costs in enterprise accounts. But this stickiness has not translated into pricing power strong enough to lift returns above mediocre levels.

Sector verdict: CONTINUE (understandable, not declining), but with the cyclicity caveat that demands fortress finances. FedEx does not have fortress finances.

2. FINANCIAL FORTRESS ANALYSIS

The provided data does not include clean, line-item balance-sheet figures (D/E, interest coverage, current ratio) for FY2025. The research explicitly notes that EBITDA, FCF, and ratios were not reliably extractable from the filings. I will not fabricate them. What I can assess from the qualitative and partial data:

- Debt is described as "elevated but manageable," requiring "careful monitoring" — this is not a fortress descriptor.
- Free cash flow margin near 2.4% over five years is weak for a capital-intensive industrial. This constrains the ability to fund capex, service debt, and return cash simultaneously.
- Capital intensity is structural: fleet, hubs, IT, and vehicles. The 2020 plan to spend \$6.6B on 24 aircraft illustrates the scale of ongoing reinvestment.

Stress test (revenue -30% for two years): FedEx would likely remain solvent given network scale and asset value, but margin compression on a high-fixed-cost base would pressure FCF severely. A dividend at risk and the possibility of reduced buybacks are realistic. An equity raise is unlikely but not impossible at the extreme.

Solvency Assessment: ADEQUATE / MARGINAL (cannot confirm FORTRESS without clean ratio data; the qualitative profile and thin FCF push this toward MARGINAL).

Earnings Quality: QUESTIONABLE on a conservative read — heavy depreciation discretion, recurring restructuring charges, and the gap between accounting profit and 2.4% FCF margin warrant caution.

Dilution: Cannot quantify precisely from the data; FedEx has historically bought back stock, which is a positive offset. Tentatively ACCEPTABLE.

3. DIVIDEND ANALYSIS

FedEx pays a growing dividend with multi-year history. Precise current yield, payout ratio, and FCF coverage are not cleanly provided. Estimated yield is ~1.8%, below the 2–4% income-cushion sweet spot for preservation. With FCF margin at ~2.4%, the FCF payout coverage is the concern: in a downturn the dividend competes directly with capex and debt service for thin free cash.

Stress test (earnings -40%): coverage becomes uncomfortable. The dividend is probably defended for prestige reasons but not comfortably covered by free cash in a severe year.

Dividend Sustainability: SUSTAINABLE in a normal environment, AT RISK in a severe recession given thin FCF.

4. VALUATION ANALYSIS

At €286.09 / \$330.43, FedEx trades at a level that the research data cannot precisely benchmark against its own 5- and 10-year multiple history (multiples not provided). On the qualitative evidence — weak growth, low returns on capital, thin FCF — the stock looks fairly valued to fully valued rather than cheap. There is no clear margin of safety at the current price.

Margin of Safety: ~0%. A wealth-preservation entry would require a meaningful discount, not fair value.

Valuation: FAIR to FULL.

5. SCENARIO ANALYSIS (10-Year, dividends included)

Scenario	Assumptions	Total CAGR	Weight
Bear (25%)	Recession, volume/yield compression to 50%	9% to 5%	25%
	Stable dividend held flat, multiple 25% rates		

Scenario	Assumptions	Total CAGR	Weight
Base (50%)	Trend growth ~2.5%, modest margin recovery, multiple flat	7%	50%
Bull (25%)	Freight cycle turns, DRIVE cost program delivers margin, multiple rates	12%	25%

Probability-Weighted Return: ~5.5% CAGR.

The decisive number: the bear case total return is negative. Under the framework, a bear case below 0% means downside protection is insufficient. The probability-weighted return also sits below the ~7% hurdle.

6. RISK ASSESSMENT

- Competitive: Amazon's in-house network (100,000 delivery vehicles ordered) attacks B2C volume and pricing. UPS and DHL pressure pricing. State-subsidized international carriers undercut Express.
- Labor: August 2023 UPS Teamsters deal raises wage benchmarks; FedEx's non-union cost advantage erodes over time. Headcount cuts risk service quality.
- Macro: High sensitivity to industrial cycles, fuel, inflation, tariffs, and trade flows. Revenue already fell ~3% in 2022–2023.
- Financial quality: Thin FCF, elevated debt, high capital intensity, depreciation/impairment estimate sensitivity.
- ESG: Aviation and diesel fleet carbon exposure; capital-intensive transition.

Risk Level: ELEVATED. Probability of >50% permanent loss: ~8–10% (below the 15% AVOID threshold, but the bear-case failure is the binding constraint).

7. MANAGEMENT & GOVERNANCE

Long operational heritage from founder Frederick W. Smith, with a shift toward professional management and a stated focus on network integration, margin, and capital discipline. The honest critique in the data: persistent underperformance versus peers on growth, returns on capital, and cash profitability raises questions about capital-allocation discipline despite years of strategic initiatives.

Management Quality: ADEQUATE.

Capital Allocation Track Record: ACCEPTABLE to POOR (reinvestment-heavy with low resulting returns).

8. PEER COMPARISON

The data does not provide clean comparative metrics for UPS, DHL, and others. Qualitatively, FedEx and UPS share similar cyclical and structural pressures; both face Amazon disintermediation. Neither presents as a clear fortress for a preservation mandate at current valuations. A formal Wealth Preservation Quality Score across the cohort cannot be computed without peer ratio data.

9. KEY METRICS SUMMARY

Metric	Value / Status
FY25 Revenue	\$87.9B
5Y Revenue CAGR	~2.5%
5Y FCF Margin	~2.4% (weak)
Dividend Yield	~1.8% (est.)
Debt	Elevated but manageable
Solvency	ADEQUATE / MARGINAL
Recession Profile	SENSITIVE
WP Score	52 / 100

10. MONITORING CHECKLIST

Item	Trigger
Free cash flow margin	Sustained move above 5% → re-rate quality view
Debt/interest coverage	Confirm interest coverage >5x from next 10-K
Freight cycle	LTL volume and yield inflection
Amazon volume share	Further in-sourcing of FedEx parcels
Labor costs	Post-UPS-deal wage pressure on margins
Valuation	Price below €235 → re-review for entry

EXIT TRIGGERS

Not applicable — this is an AVOID, not a BUY. No position to manage.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Reason: The bear-case total return is negative (estimated -3% to -5% CAGR), which fails the absolute requirement that downside scenarios preserve capital. Compounding this, the probability-weighted return (~5.5%) falls below the inflation + 4% hurdle (~7%), free cash flow conversion is structurally weak (~2.4% margin), and solvency cannot be confirmed as FORTRESS. The business faces durable competitive erosion from Amazon and rising labor costs, and trades at fair-to-full value with no margin of safety.

What Would Change Assessment:

- A price decline to €235 or below, creating a genuine margin of safety.
- Demonstrated FCF margin sustained above 5%, confirming improved cash conversion.

- Confirmed interest coverage above 5x and D/E in a defensible range from the latest 10-K.
- Evidence the DRIVE/structural cost programs have durably lifted returns on capital above WACC.

ANALYST NOTES

Key Assumptions:

- Current price fixed at the authoritative live quote: €286.09 / \$330.43.
- Dividend yield, payout ratios, and balance-sheet ratios estimated where the research data did not provide clean figures.
- FY25 revenue of \$87.9B and segment mix taken directly from the provided research.

Limitations:

- The research data explicitly could not extract a clean 5-year series for EBITDA, FCF, D/E, interest coverage, or current ratio. Several quantitative gates in the framework therefore rely on qualitative inference rather than hard numbers. This materially lowers confidence and, under a capital-preservation mandate, argues for caution by default.
- No reliable peer comparison metrics were available.
- Valuation multiples versus historical ranges were not provided, limiting the margin-of-safety calculation.

Confidence Level: MEDIUM — The directional conclusion (AVOID) is well-supported by the qualitative weakness in cash generation, competitive position, and cyclicalities. Precise return figures carry low confidence due to missing quantitative inputs. Where data was absent, I applied the framework's preservation-first bias: unproven safety is treated as insufficient safety.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

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