

Date: 30/3/2015

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## CIF Stock Recommendation Report (Spring 2015)

Company Name and Ticker: FedEx (FDX)

### Section (A) Investment Summary

Recommendation Buy: <b>Yes</b> No		Target Price: 190	Stop-Loss Price: 140
Sector: Industrials	Industry: Air Freight and Logistics	Market Cap (in Billions): 46.7	# of Shrs. O/S (in Millions): 283.76 M
Current Price: \$164.59	52 WK Hi: \$183.51	52 WK Low: \$130.64	EBO Valuation: 163.44
Morningstar (MS) Fair Value Est.: \$171.00	MS FV Uncertainty: Medium	MS Consider Buying: \$119.70	MS Consider Selling: \$230.85
EPS (TTM): 8.2	EPS (FY1): 8.94	EPS (FY2): 10.86	MS Star Rating: 3 star
Next Fiscal Yr. End "Year": 2015 "Month": May 31	Last Fiscal Qtr. End: Less Than 8 WK: Yes	If Less Than 8 WK, next Earnings Ann. Date:	Analyst Consensus Recommendation: Buy
Forward P/E: 15.61	Mean LT Growth: 17.14%	PEG: 1.14	Beta: 1.02
% Inst. Ownership: 70.62%	Inst. Ownership- Net Buy: <b>Y</b> /N	Short Interest Ratio: 2.10%	Short as % of Float: 1.10%
<b><u>Ratio Analysis</u></b>	<b><u>Company</u></b>	<b><u>Industry</u></b>	<b><u>Sector</u></b>
P/E (TTM)	18.88	23.20	25.12
P/S (TTM)	0.99	0.65	2.69
P/B (MRQ)	3.27	2.11	2.48
P/CF (TTM)	9.10	11.13	14.29
Dividend Yield	0.49	1.16	1.57
Total Debt/Equity (MRQ)	45.14	38.86	66.29
Net Profit Margin (TTM)	5.37	2.44	9.33
ROA (TTM)	7.36	3.10	5.01
ROE (TTM)	16.18	7.28	9.88

<p><b><u>Investment Thesis</u></b></p> <p><b><u>Pros:</u></b></p> <ul style="list-style-type: none"> <li>• Strong business segment and has a competitive advantage over competitors with their express shipping and large air fleet</li> <li>• There is a barrier for competitors to enter the industry which makes FedEx more appealing</li> <li>• High expected growth in the E-commerce industry over the next few years</li> <li>• High domestic revenue compared to international making the stock less risky with the current strong dollar</li> <li>• Analysts' views are fairly bullish but not as promising as we would hope</li> <li>• Strong revenue and earnings with a low P/E ratio compared to the competitors</li> <li>• Undervalued when compared to competitors especially UPS</li> <li>• Currently trading decently below the 52 week high which makes it a good time to buy</li> <li>• Promising returns for investors with long term horizon</li> </ul> <p><b><u>Cons:</u></b></p> <ul style="list-style-type: none"> <li>• Fairly high amount of analysts revisions down recently although the highest was only by just over 3%</li> <li>• Exposure to overall economic growth</li> <li>• Exposure to oil prices (costs around 6-10% of revenues)</li> </ul>	<p><b><u>Summary</u></b> Provide brief summary of your analysis in each section that follows</p> <hr/> <p><b><u>Company Profile:</u></b> FedEx has a strong competitive advantage with their express delivery capabilities. They have strong business segments and are looking more attractive than their competition especially with the stronger economy.</p> <hr/> <p><b><u>Fundamental Valuation:</u></b> Our fundamental valuation analysis suggests that the stock is currently fairly priced</p> <hr/> <p><b><u>Relative Valuation:</u></b> FedEx looks undervalued when compared to its peers. It is also undervalued on all of the ratios when compared to UPS which is its major competitor.</p> <hr/> <p><b><u>Revenue and Earnings Estimates:</u></b> Revenue and earnings has seen good growth in the past year. Earnings beat estimates while revenue was very close and only barely missed.</p> <hr/> <p><b><u>Analyst Recommendations:</u></b> Analysts are fairly bullish with a majority suggesting to buy and hold with only a few suggesting it will outperform.</p> <hr/> <p><b><u>Institutional Ownership:</u></b> 70.62% of shares outstanding is held by institutions while 4 companies hold more than 5% for a total of 21.4%. The net buyers number was positive over the last 3 months</p> <hr/> <p><b><u>Short Interest:</u></b> Short interest has been increasing a bit recently. While short ratio is at 2.10% and the data is almost identical to UPS.</p> <hr/> <p><b><u>Stock Price Chart:</u></b> We get mixed results when doing technical analysis as some data shows outperformance while other data indicate that the stock has been performing like S&amp;P and sector and underperformance within the last 3 months. The 10y chart shows a long run upward trend since 2010</p>
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## Section (B) Company Profile

### (B-1) Profile

Include in this section, at the minimum:

**Company Description; major business units and % breakdown of revenue/earnings; % breakdown of domestic and international business; business model; management strategy; competition and competitors of each major business unit; sensitivity to business cycle & macro environment; life cycle; significant merger/acquisition or major restructure in recent years; significant pending litigations, material patents or other intellectual properties-related issues; major risk factors; other company or industry-specific development or issues deemed material (e.g., labor disputes, trade tensions, regulatory or policy changes, technology & product innovations, natural disasters, etc.)**

FedEx Corporation (FDX) is an American courier delivery services company that operates globally. They were founded in 1971 in Little Rock, Arkansas and have their headquarters in Memphis, Tennessee. They are one of the world's largest shipping companies and have one of the largest civil aircraft fleets in the world.

FedEx operates in 4 major business segments. The percentage breakdown of revenue/earnings by segment is as follows: FedEx Express (58.21%), FedEx Ground (25.39%), FedEx Freight (13.14), and FedEx services (3.27%). FedEx obtains 72% of its revenue from the United States and 28% of its revenue internationally. With such a high percentage of revenue coming from inside the United States, we should not see FedEx being impacted as much by the macroeconomic outlook and the strong dollar.

The business model of FedEx places strong emphasis on exceptional customer service and reliability. With increased global and competitive business, FedEx seeks to be the first option for companies, entrepreneurs, and individuals with their portfolio of services. FedEx has been best known for their express delivery services allowing people to ship nationally with one day delivery.

With the United States economy becoming stronger we could see more people choosing the express delivery services of FedEx over their main competitor UPS which is more focused on ground deliveries. FedEx offers one day deliveries which gives them a competitive advantage over UPS especially if demand increases like expected due to the strong economy. FedEx has a massive air fleet which makes it very difficult for new companies to enter the market and for competitors to compete. FedEx is greatly impacted by oil prices and has been making it a goal to reduce their CO2 emissions in the air and on land. They have making

strides to meet goals to have a more environmentally friendly transportation fleet of cars and planes.

**(B-2) Revenue and Earnings History (Refer to the guidelines document for revenue and earnings data to be included)**

**REVENUE & EARNINGS PER SHARE**

		Revenue*	Earnings Per Share**
FY 2015	Feb '15	11,716.00	2.021
	Nov	11,939.00	2.146
	Aug	11,684.00	2.097
FY 2014	May '14	11,839.00	2.453
	Feb '14	11,301.00	1.231
	Nov	11,403.00	1.567
	Aug	11,024.00	1.533
FY 2013	May '13	11,435.00	0.950
	Feb '13	10,953.00	1.139
	Nov	11,107.00	1.390
	Aug	10,792.00	1.453

2013 Total Revenue: \$44,287      2014 Total Revenue: \$45,567

2015 Total Revenue (after first three quarters only): \$35,339

2013 Earnings Per Share: 4.932      2014 Earnings Per Share: 6.784

2015 Earnings Per Share (after first three years only): 6.264

**1) What are your observations on revenue? Was there a notable up- or down-trend, year-over-year? Was there seasonable pattern?**

Revenue has been steadily trending up since 2013 going from \$10.79 billion in the first quarter of 2013 to \$11.72 billion in the most recent third quarter of 2015. Revenue saw a growth of \$1.28 billion from 2013 to 2014 and if FedEx has a strong fourth quarter in 2015, we will see continued revenue growth.

**2) Likewise, what are your observations on earnings?**

Earnings has seen strong growth as well increasing 1.332 from 2013 to 2014. Earnings per share in 2015 is already fairly close to that of 2014 after only three quarters. If the earnings are anything like the last three quarters, we will see the 2015 earnings per share to be noticeably higher than 2014.

**(B-3) Most Recent Quarterly Earnings Release**

**1) When was the company's most recent earning release?**

March 18, 2015

**2) In that earnings report, was reported revenue a (1) beat, (2) match, or (3) miss from consensus estimate?**

Revenue missed by less than one percent, showing a fair amount of growth from last years earnings in the same quarter.

**3) Likewise, was reported earnings a (1) beat, (2) match, or (3) miss from consensus estimate?**

Earnings beat the consensus estimate.

**4) What did the management attribute the beat/miss to?**

Management attributed the beat in earnings and growth in revenue to the improved performance of all their transportation segments. With a stronger economy we could be seeing increased demand for express delivery over the standard shipping of competitors.

**5) Did the management provide guidance about their current quarter and their outlook for the year? What were the key points of the guidance?**

They discussed that with 20 percent year over year revenue growth, they are well positioned for the future. They say that their ability to increase profit will depend on the health of the global economy and future customer demand.

**6) How did the stock react to that earnings release?**

After the earnings release on March 18<sup>th</sup> FedEx stock went from \$174 to \$165 by march 27<sup>th</sup> and has been going up since then where it is at close to \$167 today

**7) Other observations worth noting?**



**Book value:** 15,277 M  
**# of shares outstanding:** 318 M  
**Book value / share:** 48.04  
**Dividend payout ratio:** 9.17%  
**Next fiscal year end:** 2015  
**Current fiscal month:** 10

**Target ROE:** 9.00%\*\* After discussion with the professor, we used a higher target than industry's 5 year average because we believe that it is been pushed down as the trucking operations which has very limited growth potential is probably included into the calculations. The company's 5 year ROE average was 11.00%, we think that 9.00% is appropriate here.

\*\*\* Indicate next to the number if you made an adjustment to the target ROE estimate. Justify at the bottom of this panel how you derive the adjusted value, if any \*\*\*

**Discount rate** 7.09%

**Input for discount rate:**

**Risk-free rate:** 2.51%

**Beta:** 1.02\*\* since the difference between the beta reported on Reuters (1.23) is significantly different than of Yahoo Finance (0.62), we used the average beta of Reuters, Yahoo Finance, and Google Finance

**Market risk premium:** 7.00%

## Output

**Above normal growth period chosen: 7**

\*\*\* Justify at the bottom of this panel your choice of abnormal growth period \*\*\*

**EBO valuation (Implied price from the spreadsheet): 163.44**

**1) Comment on the fundamental value obtained in relation to the stock's current price and its 52-week price range.**

This value is very close to the current price which is at 166.7 (3/31's close). The range of prices in the last 52 weeks has been between 130 and 183, the fundamental value we get is within the range.

**2) What might be "soft spots" of the inputs? And why?**

- The long-term growth period. As it is not easy to estimate how many years the long-term growth is going to persist.

- The beta. since the difference between the beta reported on Reuters (1.23) is significantly different than of Yahoo Finance (0.62). Yet we took the average of 3 websites for our beta

## Sensitivity Analysis

- 1) Explain the input values used in sensitivity analysis. Compare the fundamental values obtained here in relation to the value from the base case  
Will try changing above normal growth period, long-term growth rates, discount rate, and target ROE.
- 2) Other observations worth noting

EBO valuation would be (you can include more than one scenario in each of the following):

134.84 if changing above normal growth period to 5 years

193.43 if changing growth rate from mean (consensus) to the highest estimate 23.51%

140.43 if changing growth rate from mean (consensus) to the lowest estimate 11.00%

134.73 if changing discount rate to 8.00%

125.81 if changing target ROE to 9.00%

## Section (D) Relative Valuation

Copy/paste your completed relative valuation spreadsheet here

FDX													
Mean FY2													
Ticker	Name	Mkt Cap	Current Price	Earnings Estimate (next fiscal year)	Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM	P/CF TTM	
1	UPS	United Parcel Service	\$ 87,150.00	\$ 96.59	\$ 5.77	16.74	8.47%	1.98	40.83	49.48%	0.83	1.50	17.59
2	CHRW	CH Robinson Worldwid	\$ 10,685.00	\$ 73.03	\$ 3.76	19.42	8.40%	2.31	10.21	38.22%	0.27	0.79	21.09
3	EXPD	Expeditors	\$ 9,198.00	\$ 47.97	\$ 2.36	20.33	10.05%	2.02	4.92	18.69%	0.26	1.40	21.45
4	HUBG	Hub Group	\$ 1,420.00	\$ 38.53	\$ 2.21	17.43	9.30%	1.87	2.37	12.33%	0.19	0.40	17.55
	FDX	FedEx	\$ 46,703.00	\$ 164.59	\$ 10.86	15.16	17.14%	0.88	3.27	11.01%	0.30	0.99	9.1
Implied Price based on:					P/E (forward)	PEG	P/B	Value	P/S	P/CF			
1	UPS	United Parcel Service			\$181.80	\$367.89	\$2,055.11	\$457.29	\$249.38	\$318.15			
2	CHRW	CH Robinson Worldwide			\$210.93	\$430.40	\$513.90	\$148.04	\$131.34	\$381.45			
3	EXPD	Expeditors			\$220.74	\$376.47	\$247.64	\$145.88	\$232.75	\$387.96			
4	HUBG	Hub Group			\$189.34	\$348.95	\$119.29	\$106.52	\$66.50	\$317.42			
	High				\$220.74	\$430.40	\$2,055.11	\$457.29	\$249.38	\$387.96			
	Low				\$181.80	\$348.95	\$119.29	\$106.52	\$66.50	\$317.42			
	Mean				\$200.70	\$380.93	\$293.61	\$133.48	\$169.99	\$351.25			

**Note:** Your discussions in this section should address all of the following valuation metrics: forward P/E, PEG, P/B (MRQ), P/S (TTM), and P/CF (TTM). If you made a decision excluding a competitor from calculation of median of a particular valuation multiple, you must justify your decision (i.e., reasons why you feel strongly that particular valuation multiple from a particular competitor is not a good indicator).

- 1) Discuss various valuation multiples of your stock and its peers. Comment if any of these stocks have multiples far off from the others and explain whether it makes sense.
  - Forward P/E: While our company's ratio is the lowest, the other companies' ratios are not significantly different. Compared to other firms, we are undervalued here.
  - PEG: We have a significantly low PEG ratio compared to the peers which suggest that we are paying less per one percentage of growth, therefore we are relatively undervalued here too.
  - P/B and value ratios: UPS' ratio is really big, after investigating their annual report, we find that this is because their book value has been very small due to comprehensive losses related to future pension liabilities. Therefore we deem it as an outlier and exclude the stock from our mean calculations. While we look cheaper when considering P/B ratio, we look more expensive than our peers when value ratio is used. This is because the peers have higher 5 year ROE averages.
  - P/S and P/CF: While the average of P/S suggests that our stock is fairly valued, P/CF shows that our stock is cheaper than our peers

- 2) Discuss the various implied prices of your stock derived from peers' ("Comparables") multiples. Compare these implied prices to current price and 52-week high and low. How different are the prices derived from the various valuation metrics? Note any valuation metrics that seem to yield outlier prices and explain whether it makes sense.

With an exception of value ratio which is near our 52-week low, we look relatively undervalued in all of the other ratios used and most of the means suggest prices that are higher than our stock's 52-week high

- 3) Compare your findings with comments from analysts from *Morningstar Direct* and other online resources.

Morningstar's fair value estimate is \$171 which is not far from our estimate. The analyst mentioned that he believes that FedEx and UPS are both fairly valued.

- 4) Other observations worth noting?

As UPS is the closest company to FedEx, it is worth noting that we are undervalued relative to UPS in all of the ratios used in our analysis.

## Section (E) Revenue and Earnings Estimates

(E-1) Copy/Paste “Historical Surprises” Table from <http://www.reuters.com/>, “Analysts” tab (include both revenue and earnings; make note that revenues might be in “millions”)

### HISTORICAL SURPRISES

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
<b>SALES (in millions)</b>				
Quarter Ending Feb-15	11,791.30	11,700.00	91.35	-0.77
Quarter Ending Nov-14	11,985.00	11,939.00	46.03	-0.38
Quarter Ending Aug-14	11,482.00	11,684.00	201.97	1.76
Quarter Ending May-14	11,658.50	11,839.00	180.53	1.55
Quarter Ending Feb-14	11,434.50	11,301.00	133.54	-1.17
<b>Earnings (per share)</b>				
Quarter Ending Feb-15	1.87	2.01	0.14	7.23
Quarter Ending Nov-14	2.22	2.14	0.08	-3.58
Quarter Ending Aug-14	1.96	2.10	0.14	6.98
Quarter Ending May-14	2.36	2.46	0.10	4.32
Quarter Ending Feb-14	1.45	1.23	0.22	-15.37

Review recent trends in company’s reported revenue and earnings, and discuss whether (1) the company has a pattern of “surprising” the market with numbers different from analysts’ estimates; (2) Were the surprises positive(actual greater than estimate) or negative (actual less than estimate)? (3) Were the surprises more notable for revenue or earnings? (4) Look up the stock chart to see how the stock price reacted to the “surprises.

**NOTE:** Reuters does not put the sign on the surprise. You need to put a “-” sign when it is a negative surprise.

FedEx has reported revenues that have stayed fairly consistent with analysts' estimates however their earnings per share saw more surprises. The surprises for revenue were small staying below a 2% surprise. They went back and forth between positive and negative starting out negative, than positive, and then negative for the last two quarters. The earnings per share surprises were much higher starting with a negative 15% surprise in the first quarter of 2014. The surprise then went positive for the following 2 quarters by 4% and then 7%. They went down 3% and then backup 7% in the first quarter of 2015.

(E-2) Copy/paste "*Consensus Estimates Analysis*" Table from <http://www.reuters.com/>, "*Analysts*" tab (include both revenue and earnings)

**CONSENSUS ESTIMATES ANALYSIS**

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

	# of Estimates	Mean	High	Low	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending May-15	18	12,320.40	12,837.00	12,038.20	12,344.40
Quarter Ending Aug-15	13	12,440.50	12,750.10	11,954.90	12,012.20
Year Ending May-15	23	47,665.50	48,175.30	47,376.80	47,559.70
Year Ending May-16	26	50,634.00	52,045.10	49,313.00	50,254.70
<b>Earnings (per share)</b>					
Quarter Ending May-15	22	2.68	2.81	2.55	2.82
Quarter Ending Aug-15	16	2.66	2.97	2.41	2.40
Year Ending May-15	25	8.94	9.06	8.80	8.82
Year Ending May-16	30	10.86	11.63	10.10	10.70
LT Growth Rate (%)	5	17.14	23.51	11.00	15.88

Review the range and the consensus of analysts' estimates. (1) Calculate the % difference of the "high" estimate from the consensus (mean); (2) Calculate the % (negative) difference of the "low" estimate from the consensus; (3) Are the divergent more notable for the current or out- quarter, FY1 or FY2, revenue or earnings? (4) Note the number of analysts providing LT growth rate estimate. It that roughly the same as the number of analysts providing revenue and earnings estimates?

**Percent Difference in Revenue of High Estimate from the Mean**

Q1: 4.19% Q2: 2.49% FY1: 1.10% FY2: 2.79%

**Percent Difference in Revenue of Low Estimate from the Mean**

Q1: 2.29% Q2: 3.44% FY1: 0.22% FY2: 0.75%

**Percent Difference in Earnings Per Share of High Estimate from the Mean**

Q1: 4.85% Q2: 11.65% FY1: 13.42% FY2: 7.09%

**Percent Difference in Earnings Per Share of Low Estimate from the Mean**

Q1: 4.85% Q2: 9.40% FY1: 1.57% FY2: 7.00%

The earnings had higher percentage difference from the mean for earnings compare to the low percentage differences for revenue. Q2 and FY2 saw large differences from the mean for high and low estimates for earnings per share. There were slightly more analysts providing estimates for earnings per share however there were not too many more than those providing estimates for revenue. Only five analysts provided estimates for long term growth compared to the close to 20 to 25 analysts that consistently provided estimates for earnings and revenue.

**(E-3) Copy/paste “Consensus Estimates Trend” Table from <http://www.reuters.com/>, “Analysts” tab (include both revenue and earnings)**

**CONSENSUS ESTIMATES TREND**

**Sales and Profit Figures in US Dollar (USD)**

**Earnings and Dividend Figures in US Dollar (USD)**

	<b>Current</b>	<b>1 Week Ago</b>	<b>1 Month Ago</b>	<b>2 Month Ago</b>	<b>1 Year Ago</b>
<b>SALES (in millions)</b>					
Quarter Ending May-15	12,320.40	12,323.40	12,298.30	12,296.70	12,344.40
Quarter Ending Aug-15	12,440.50	12,440.50	12,372.00	12,372.00	12,012.20
Year Ending May-15	47,665.50	47,690.70	47,733.90	47,731.40	47,559.70
Year Ending May-16	50,634.00	50,634.00	50,383.20	50,370.40	50,254.70
<b>Earnings (per share)</b>					
Quarter Ending May-15	2.68	2.69	2.87	2.87	2.82
Quarter Ending Aug-15	2.66	2.66	2.64	2.64	2.40
Year Ending May-15	8.94	8.93	8.98	8.98	8.82
Year Ending May-16	10.86	10.87	10.98	10.98	10.70

**Review recent trend of analysts’ consensus (mean) estimates on revenue and earnings. (1) Are the consensus estimates trending up, down, or stay the same? (2) Is the trend more notable for the near- or out- quarter, FY1 or FY2, revenue or earnings?**

**Revenue is estimated to be trending up in FY1 and FY2. Revenue is also trending up in Q2 however is estimated to be trending down in Q1 but only very slightly. Each trend up and down was very small for revenue. Looking at earnings we see a slight trend up in FY1 and FY2 as well as Q2, however there is a slight trend down in Q1. The trend is not much more notable when looking at the quarter, year, revenue, or earnings.**

(E-4) Copy/paste the “*Estimates Revisions Summary*” Table from <http://www.reuters.com/>, “*Analysts*” tab (include both revenue and earnings)

**ESTIMATES REVISIONS SUMMARY**

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending May-15	0	0	9	9
Quarter Ending Aug-15	0	0	7	2
Year Ending May-15	0	0	9	14
Year Ending May-16	0	0	14	10
<b>Earnings</b>				
Quarter Ending May-15	0	0	1	21
Quarter Ending Aug-15	0	0	8	4
Year Ending May-15	0	1	3	20
Year Ending May-16	0	1	7	16

**Review the number of analysts revising up or down their estimates (both revenue and earnings) in the last and last four weeks. (1) Note whether there are more up or down revisions; (2) are the revisions predominantly one directional? (3) Any notable difference last week versus last four weeks, revenue versus earnings?**

**There have been no revisions for revenue in the last week and only 1 revisions down for earnings in FY1 and one revision down for FY2. Over the last four weeks there have been a decent amount of analysts’ revisions both up and down for revenue. The revisions have been about equal up and down. There have been about twice as many revisions down for earnings within the past 4 weeks.**

(E-5) "Consensus Earnings Revisions" from CNBC

Go to <http://www.cnbc.com/>, "news", "earnings", "calendar", "consensus revisions". Look for whether your stock had consensus earnings revision today. Copy/paste the information, if any, to the following table. Go back one day, copy/paste the information if there was consensus earnings revision. Repeat the process back one month. Add rows to the table if needed.

Revision Date	Revision Type	Revision Up/Down	Current	Previous	% Change	# of Analysts Reporting
Most recent revision date						
3/25	1/22	Down	\$2.68	\$2.69	-0.56	22
3/20	1/22	Down	\$2.69	\$2.72	-0.88	24
3/19	3/19	Down	\$2.72	\$2.81	-3.35	24
3/18	4/10	Down	\$2.81	\$2.86	-1.65	24
3/16	2/5	Down	\$2.85	\$2.86	-0.07	24
Earliest revision date in the last month 3/4	2/0	Up	\$2.87	\$2.84	0.99	24

- 1) Make note of the company's (1) last earnings reporting date, and (2) next earnings reporting date.

The last earnings report date was March 18, 2015. The next earnings report date is May 31, 2015.

- 2) Review revisions day by day, and comment on (1) whether they tend to be clustered, and (2) if clustered, were they near earnings reporting date?

The revisions seem to be clustered between the 16<sup>th</sup> and 20<sup>th</sup> of March which is right around the release of their earnings which was on the 18<sup>th</sup> of March.

- 3) Were there any greater than 10% consensus revisions? What is the maximum % consensus revision?

No revisions were above 10% with the highest revision being down 3.35%.

- 4) Observe stock price chart, how did the stock trade around dates of greater than 10% consensus revisions?

No revisions above 10% however the stock did drop slightly after these revision dates.

## Section (F) Analysts' Recommendations

### (F-1) Reuters Most Recent Three Months Analysts Recommendations

Copy/paste the "Analyst Recommendations and Revisions" Table from

<http://www.reuters.com/>, "Analysts" tab. NOTE: Make sure you copy the entire table including "Mean Rating" at the bottom of the table.

#### ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	12	12	12	11
(2) OUTPERFORM	5	4	4	4
(3) HOLD	12	13	13	14
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.00	2.03	2.03	2.10

- 1) Review the trend of analyst recommendations over the last three months. Is there a notable change of analyst opinions, turning more bullish or bearish?

There is not a trend over the past three months of analysts being more bullish or bearish on FedEx. One analyst went from hold to buy and another went from hold to outperform but no big change has taken place

2) How many different ratings out of the five possible ones did the company receive currently, one, two, and three months ago?

Out the five ratings, FedEx received 3 with most analysts' saying hold or buy with only a few suggesting outperform.

3) Is there a notable trend of opinion convergence or divergence?

There is not a trend of opinion convergence or divergence.

4) Cross check (1) *Morningstar* analyst's research report; and (2) media or other analysts' comments from online financial sites. Is what you see here consistent to comments elsewhere?

*Morningstar* as well as other analysts such as those at Yahoo Finance suggest consistent comments with that of Reuters. Yahoo gives FedEx a mean rating of 2.1 which is very close to that of Reuters which is a 2.0.

5) Other observations worth noting?

NOTE: On a Five-point scale, Reuters assigns "1" to "Buy", the most bullish recommendation, and "5" to "Sell", the most bearish recommendation. Some other online sites have opposite scale, with their "1" being the most bearish and "5" being the most bullish recommendations.

Reuters assigns FedEx with a 2 rating which is fairly bullish but not as promising as we would hope.

**(F-2) Most Recent One Month Analysts Upgrades/Downgrades from CNBC**

Go to <http://www.cnbc.com/>, “news”, “earnings”, “calendar”, “upgrades” and “downgrades”. Look for whether your stock was up- or down-graded by one or more analysts today. Copy/paste the information, if any, to the following table. Go back one day, copy/paste the information if there was (were) upgrades or downgrades. Repeat the process back one month. Add rows to the table if needed.

Revision Date	Current Recommendation	Previous Recommendation	Firm	Last Revision
Most recent revision date				
Earliest revision date in the last month				

- 1) Make note of the company’s (1) last earnings reporting date, and (2) next earnings reporting date.

The last earnings report date was March 18, 2015. The next earnings report date is May 31, 2015.

- 2) Add up the number of upgrades on weekly basis. Do the same for downgrades. Were there more up- or down-grades? Were there any consistent trend you observe in the recent month? Were there any up- or down-grades of more than “one grade”?

FedEx saw no upgrades of downgrades within the past month.

- 3) Were there clustering of up- or down-grades? If so, were they clustered around earnings report date?

N/A

- 4) Observe stock price chart, how did the stock trade around dates of up- or down-grades?

N/A

- 5) Other observations worth noting?

## Section (G) Institutional Ownership (Guidelines Have Been Updated)

Copy/paste the completed "CIF Institutional Ownership" spreadsheet here.

Section 1				
Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			283,765,042	100.00%
# of Holders; Total Shares Held/% Shares	1,214	109.37%	218,555,835	77.02%
# New Positions	168	15.14%		
# Closed Positions	64	5.77%		
# Increased Positions	528	47.57%		
# Decreased Positions	457	41.17%		
Beg. Total Inst. Positions	1,110	100.00%	222,546,870	78.43%
# Net Buyers; 3 Mo. Net Chg	71	53.60%	-3,991,035	-1.41%
Section 2				
Ownership Information	% Outstanding			
% Institutional Ownership	70.62%			
Top 10 Institutions % Ownership	38.97%			
Mutual Fund % Ownership	36.40%			
Section 3				
> 5% Ownership				
Holder Name	% Outstanding	Report Date		
Vanguard Group, Inc	5.71%	12/31/2014		
PRIMECAP Management Compan	5.48%	12/31/2014		
Dodge & Cox	5.17%	12/31/2014		
Fidelity Management and Researc	5.05%	12/31/2014		

Combine information provided in all three sections to discuss:

- 1) Whether institutions, on net basis, have been increasing or decreasing ownership and whether the change can be considered as substantial

The institutions ownership has increased on net basis but the increase is not substantial

- 2) Whether the stock has sizable institution interests/support

Yes as the % of Institutional ownership is 70.62%

- 3) The extent of the (> 5%) owners by adding up all >5% ownership, and make an effort to identify those that are mutual funds

If we add up all the four >5% we have, we get a total of 21.41%. Vanguard PrimeCap Fund owns 3.46% of shares outstanding and Dodge & Cox Stock Fund owns 3.11%. No other fund has any holding larger than 1.50% of the shares outstanding.

Note:

Select “mutual fund ownership” in the view box, it will bring up large mutual fund ownership. Cross check the two lists. You need to know that the “institution ownership” list is reported at the fund family level, while the “mutual fund ownership” list is reported at the fund level.

Alternatively, you can google funds included in the “institution ownership” list to learn if they are mutual fund family or hedged funds, etc.

- 4) Other observations worth noting?

N/A

## Section (H) Short Interest (**Guidelines for H-2 Have Been Updated**)

(H-1) Short Interest Data from <http://www.nasdaq.com/> (NASDAQ's website)

Copy/paste or type the information from "short interest" table for (1) your stock and (2) two competitors (in separate tables). You will start from the most recent release date, and go back for a year (some stocks may not have data going back 1 year)

Copy/paste the chart to the right of the "short interest" table, immediately follow the table below

<u>Settlement Date</u>	<u>Short Interest</u>	<u>Avg Daily Share Volume</u>	<u>Days To Cover</u>
3/13/2015	2,882,288	1,242,637	2.319493
2/27/2015	2,946,733	1,525,750	1.931334
2/13/2015	2,892,558	1,465,874	1.973265
1/30/2015	2,758,549	1,952,159	1.413076
1/15/2015	2,794,851	1,841,490	1.517712
12/31/2014	2,685,295	2,346,372	1.144446
12/15/2014	2,425,366	2,038,037	1.190050
11/28/2014	2,598,484	1,371,750	1.894284
11/14/2014	2,457,920	1,428,390	1.720763
10/31/2014	2,735,861	2,032,545	1.346027
10/15/2014	3,204,832	2,141,146	1.496783
9/30/2014	2,778,674	2,365,378	1.174727
9/15/2014	3,641,217	1,348,548	2.700102
8/29/2014	3,900,724	1,002,524	3.890903
8/15/2014	3,569,350	1,009,636	3.535284
7/31/2014	3,651,952	1,344,730	2.715751
7/15/2014	3,626,039	1,068,566	3.393369
6/30/2014	3,591,808	2,485,735	1.444968
6/13/2014	4,145,682	1,458,357	2.842707
5/30/2014	5,862,379	1,787,198	3.280207
5/15/2014	4,366,073	1,482,981	2.944119
4/30/2014	4,447,340	1,940,278	2.292115
4/15/2014	4,144,125	2,053,580	2.018000
3/31/2014	5,591,843	3,708,358	1.507903
3/14/2014	8,070,175	1,748,752	4.614820

(H-2) Short Interest Data From <http://finance.yahoo.com/>

Copy/paste required data from the "share statistics" table to the following table for (1) your stock, and (2) two competitors (in separate tables).

### FedEx

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
1,677,100	1,528,230	283.76 M	263.12 M
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
2.88 M (as of 3/13/15)	2.10% (as of 3/13/15)	1.10% (as of 3/13/15)	2.95 M

### UPS

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
3,462,280	2,982,210	902.54 M	701.71 M
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
7.90 M (as of 3/13/15)	2.80% (as of 3/13/15)	1.10% (as of 3/13/15)	9.06 M

- 1) Make note of the company's (1) last earnings reporting date, and (2) next earnings reporting date.

Last earnings reporting date was 3/18 while the next reporting date is expected to be on 6/17. Unfortunately, the last update reported is before the last earnings reporting date.

- 2) Discuss market sentiment on the stock based on the short interest statistics, recent trend reported in in (H-1) and (H-2)? Has the sentiment turned more bullish or bearish over the last year? How about in more recent month and why?

While overall the short interest has been decreasing, it has actually increased over the last few months from 2.4 M to 2.94 M and then back to 2.88 M at the last update. The short ratio is currently at 2.10% which is considered as low

- 3) From (H-1), observe "short interest" and "# of days to cover" values for two reporting dates immediately before and one reporting date immediately after earnings report. (1) Were there notable increase or decrease in the values, right before or right after earnings

report? (2) Observe stock price chart and comment on how stock traded around those dates.

Unfortunately, the last update reported is before the last earnings reporting date. The stock has been declining since the last earnings reporting date

4) Other observations worth noting?

N/A

**Section (I) Stock Charts (Guidelines for I-4 Have Been Updated)**

**For (I-1) – (I-3), the stock price charts should include (1) your stock, (2) 1 competitor, (3) sector ETF, and (4) SP500**

**(I-1) A three months price chart**

Copy/paste the “3 Mos.” stock chart here



**(I-2) A one year price chart**

Copy/paste the “1 Yr” stock chart here



**(I-3) A five year price chart**

Copy/paste the “5 Yrs.” stock chart here



- 1) (I-1) – (I-3) Discuss what you observe from the above stock price charts. This should include comparing your stock to competitors, sector, and SP500 over the three different time horizons.

While the 3-month chart shows that we have underperformed the sector and S&P500, we have significantly outperformed when 1-year horizon is considered. On the 5-year chart, while we had been lagging until late 2013, we have been experiencing a great performance since then up till now

- 2) Other observations worth noting?

It worth noting that we have been consistently overperforming UPS on all the time horizons

- (I-4) Technical Indicators (“Moving Average” and “Relative Strength Index” from

<https://www.google.com/finance?tab=we>

Short-term moving average and relative strength index indicators

Follow instructions in the revised guidelines to generate price chart. Copy/Paste to the report



### Long-term moving average and relative strength index indicators

Follow instructions in the revised guidelines to generate price chart. Copy/Paste to the report



- 1) Discuss your findings from these sets of technical indicators. Compare your findings here to findings from fundamental analysis. Are findings from technical analysis supportive of your other findings?

Regarding the short term chart, although the stock has gained 26.3%, we have recently had the death cross and the RSI is 17 which indicates that the stock might go down a bit.

While on the 10 year chart, it shows that we have been experiencing an upward trend since late 2010 when the 50 days SMA had exceeded the 200 days SMA and never went below it since then.

- 2) Other observations worth noting?