

## **Strong package volume, global economy boost FedEx profit**

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FedEx Corp reported a better-than-expected quarterly net profit due to strong global demand and increased package volumes during the peak holiday shipping season, but its results were hit by lingering effects from a cyber attack on its Dutch unit.

According to Reuters, the company, which is often considered a bellwether for the U.S. economy, said the June cyber attack on TNT Express cut \$100 million from fiscal second-quarter profit.

FedEx raised its projected costs of integrating TNT Express through fiscal 2020 to about \$1.4 billion from a previous estimate of \$800 million. It acquired the Dutch company last year for \$4.8 billion.

Chief Executive Officer Fred Smith said FedEx was “on track for another record holiday-shipping season,” referring to late November through the New Year.

Edward Jones analyst Logan Purk said FedEx “clearly exceeded expectations on the earnings front,” but “there might be some push-back in regards to the increased integration costs with TNT and the overall flat profitability in its ground (small-package delivery services) segment.”

FedEx and rival United Parcel Service Inc have spent billions to upgrade their networks to handle rapidly rising e-commerce package volumes, particularly in the weeks leading up to Christmas.

FedEx has been grappling with lower margins on its e-commerce business, as deliveries to individual homes are typically more expensive than deliveries to businesses that often receive several packages at once.

FedEx has also faced increased competition from Amazon.com Inc, which has expanded into the delivery business.

FedEx’s quarterly net income rose to \$775 million, or \$2.84 per share, from \$700 million, or \$2.59 per share, a year earlier. Adjusted for one-time items, FedEx reported earnings per share of \$3.18, beating analysts’ expectations of \$2.89.

Results also reflect a roughly \$80 million tax benefit from foreign tax credits associated with a dividend from overseas operations, and a favorable net impact from fuel, the company said.

FedEx said it expects full-year fiscal 2018 earnings per share in a range of \$12.70 to \$13.30, excluding items.

Analysts had forecast earnings of \$12.45 per share for the full fiscal year.

Its full-year estimate would be improved by changes the company has said it hopes to see under a sweeping tax overhaul that appeared headed for congressional approval soon.

The bill cuts the corporate income tax rate to 21 percent from 35 percent, beginning on Jan. 1. FedEx forecasts an effective 2018 tax rate of about 33 percent, it said.