

## CORPORATE PROFILE FEDEX CORP.



Photos by Ricky Flores/The Journal News

Silvio Ruvalo of Eastchester, a handler and shuttle driver, and other FedEx workers, at right, sort packages at the distribution center in Elmsford.

# GOING YOUR WAY

## FedEx brings the world to small entrepreneurs

Julie Moran Alterio  
The Journal News

If you want to understand today's FedEx Corp., there's no better place to start than at Oxygen Electronics in White Plains.

Oxygen sells high-tech parts to customers around the world who need them in a hurry.

"We supply hard-to-find, I-need-it-tomorrow kind of stuff," said co-founder Mark Pasdon.

Defense, aerospace and technology companies turn to Oxygen for parts such as chips, memory circuits and connectors that they need to get a plane off the ground or goods out of the factory.

When a missing component brings your whole business to a halt, you'll pay almost anything to get that part — that's how Oxygen makes its money.

"We fill short-term needs," Pasdon said. "Like if cell phones sell around the holidays, and manufacturers run short on a part."

Oxygen uses FedEx — the company that invented overnight delivery in 1973 — to send its packages, but that's not all the shipper provides.

FedEx Trade Networks Inc. has taught Pasdon how to handle the myriad tangles of U.S. Customs. Plus, its online shipping tool is linked directly into Oxygen's database of 500,000 different part numbers and more than 1.5 million spot prices.

Turning smaller businesses into international players is a vital part of FedEx's strategy.

The same factors helping small international companies like Oxygen are behind the growth of FedEx, a \$29.36 billion corporation:

■ **Lightweight, but pricey goods:** Computers, drugs, auto parts, electronics, high-fashion clothing and similar goods are easy to ship and worth the airfare.

■ **International commerce:** FedEx customers are buying and selling in more than 220 countries and territories. About 70 percent of Oxygen's business is overseas.

■ **Speed:** Businesses can't wait weeks for components or products from around the world, especially in competitive industries.

■ **Online:** The Internet lets small and mid-sized companies buy and sell globally, just like large corporations.

Dan Mullally, senior vice president of worldwide sales at

FedEx, said there are opportunities in marketing his company's speedy, global delivery network to entrepreneurial companies.

FedEx's revenue from international shipments has grown from \$5.21 billion in 2003 to \$7.22 billion in the 2005 fiscal year.

"Small and medium customers in the United States now know no boundaries," Mullally said. "They used to think of themselves as domestic shippers, but now the world is their oyster."

The U.S. Department of Commerce estimates that small and medium businesses exported \$182 billion in goods in 2001, 29 percent of total export value.

But unlike corporations that have departments to handle international regulations and shipping, smaller businesses need a helping hand, said transportation analyst Satish Jindal, president of SJ Consulting of Sewickley, Pa.

"We're increasingly conducting commerce across national boundaries, and doing so enhances the difficulty of managing aspects of that commerce," Jindal said.

"Most large companies find it a challenge to handle the regulation side of tariffs and trade restrictions. They deal with it by having a whole staff. If you are a small- or medium-size company, you are challenged to support that kind of overhead."

That's where FedEx Trade Networks comes in.

The division was formed after FedEx purchased Tower Group International, an international logistics company, and WorldTariff, a customs duty and tax information company, in 2000.

"There's a lot of paperwork behind global trade. The deal is to simplify international shipping, which a lot of people think is confusing," Mullally said.

Earlier this month, FedEx upgraded its trade tools to give customers access to documents and regulatory advisories for more than 200 countries, up from 42.

Tools that allow shippers to avoid delivery to people and companies on banned lists now includes information from the European Union, Japan, Canada and countries that belong to the United Nations as well as the United States.

Oxygen's Pasdon said FedEx taught him how to ship overseas when the White Plains resident



Mark Pasdon, co-founder of Oxygen Electronics in White Plains, uses FedEx for international shipments.

Please see FEDEX, 2D

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FEDEX, from 1D

started the company in 1995 after a stint on Wall Street.

"When we did our first international shipment, we had no idea what we were doing. I don't have a background in logistics. I had no idea how it works. I knew FedEx could get it international. As a small business, trying to get through different governmental bodies that regulate that, I didn't have a chance," Pasdon said.

Back then, Pasdon marketed his electronic components by traveling to trade shows with reams of printed paper listing the parts for sale. Paper was replaced by compact discs and then the Web.

His strategy at the outset was to find customers around the world at a time when most electronic parts were sold by vendors in their own countries.

"Ten years ago, when I called someone in France asking for the purchasing department, people were amazed," he said.

As Oxygen has expanded, so has the help FedEx has provided.

In 2003, the companies integrated their computer systems. When a customer places an order, data about the shipment is pulled from the Oxygen database and linked to shipping and trade information from FedEx.

Overseas shipments are required by law to include a lot of identifying information, including special codes depending on the contents. "You need to figure that out because that's what the Customs Bureau uses to figure out exports and imports to our country," Pasdon said.

Before the computers were linked, it would take an Oxygen employee about 15 minutes of data entry to ship an order, everything from name and address to package weight to customs codes.

Now, Pasdon said it takes just eight seconds to type in a six-digit order number to automatically create a shipping record.

The time savings has enabled Oxygen to increase its business without adding to its staff of nine in White Plains, three in Connecticut, eight in France and four in the United Kingdom.

In 2003, Oxygen processed

## Financial snapshot: FedEx Corp.

### The company

**Ticker:** FDX (NYSE)  
**Address:** 942 S. Shady Grove Road, Memphis, TN 38120  
**Telephone:** 901-818-7500  
**Web site:** www.fedex.com  
**Worldwide work force:** 260,000  
**New York state work force:** 9,600

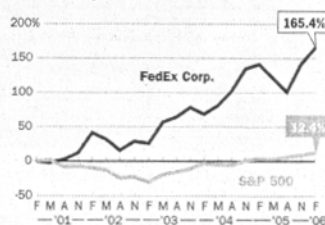
### The stock

**Last:** \$114.94  
**52-week high:** \$116.00  
**52-week low:** \$76.81  
**YTD change:** +11.17 percent  
**P/E:** \$21.81  
**Average volume:** 1.66 million  
**Annual dividend:** 32 cents  
**EPS (estimated):** 5.82  
**Analysts' advice:** 14 buys, six holds



Ricky Flores/The Journal News  
 FedEx employees unload an air freight container at the distribution center in Elmsford.

### 5-year comparative total return



The Journal News

### If you had bought ...

1,000 shares of FedEx Corp. on Feb. 28, 2001, you would have paid \$40,930. If you had held those shares through Feb. 28, 2006, and had reinvested the dividends, you would have a total gain of \$67,695, or a total return of 165.4 percent (an annual equivalent of 21.5 percent). By comparison, the S&P 500 had a total return of 12.4 percent (2.4 percent on an annual basis).

Sources: The Journal News Research, FedEx Corp., Bloomberg News

3,500 transactions. Last year, there were 7,800 transactions. This year, Pasdon expects 11,000.

"When we look at the way we were able to increase transactions while keeping head count flat or going down, there is no way we

could have done it without FedEx," Pasdon said.

Two years ago, FedEx invited Pasdon to an international trade seminar, where he learned about new customs requirements affecting his business.

"They've done a great job educating customers to make good business decisions," Pasdon said.

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## Leadership

### Frederick W. Smith

**Title:** Chairman, president and chief executive officer  
**Age:** 62  
**2005 pay:** \$8,669,965, including salary, bonus, long-term incentive payouts and all other compensation.

**Options value:** \$131,560,805 (May 31, 2005)  
**Shares:** 19.5 million, or 7.2 percent of outstanding shares (as of Aug. 1, 2005)  
**Background:** Smith started Federal Express in 1971 on the idea of delivering packages and air freight in one or two days. He has been in top management posts at the company since its founding. Smith has held his current titles since 1998. **Education:** Bachelor's degree, Yale University

**Other top officers**  
**David J. Bronczek**, 51, president and CEO, FedEx Express. 2005 pay: \$4,586,648. Options value: \$23,702,977. Shares: 112,297.  
**Alan B. Graf Jr.**, 52, executive vice president and chief financial officer. 2005 pay: \$3,571,769. Options value: \$18,067,388. Shares: 190,155.

**T. Michael Glenn**, 50, executive vice president, market development and corporate communications. 2005 pay: \$3,491,323. Options value: \$10,568,259. Shares: 206,554.

**Board of directors**  
**Frederick W. Smith**, 62, chairman, president and CEO, FedEx Corp.  
**James L. Barksdale**, 62, chairman and president, Barksdale Management Corp., an investment management company. Former president and CEO of Netscape Communications Corp. He also held senior management positions at FedEx Express from 1979 to 1992. Other boards: Sun

**Microsystems Inc. and Time Warner Inc.**  
**August A. Busch IV**, 41, president of Anheuser-Busch Inc.  
**John A. Edwardson**, 56, chairman and CEO of CDW Corp., a provider of technology products and services.  
**Judith L. Estrin**, 50, president and CEO of Packet Design LLC, an Internet technology company. Other board: The Walt Disney Co.

**J. Kenneth Glass**, 59, chairman, president and CEO of First Horizon National Corp. and First Horizon Bank National Association. Other board: GTX Inc.  
**Philip Greer**, 69, managing director, Greer Family Consulting and Investments LLC, an investment management firm.  
**J.R. Hyde III**, 62, chairman of GTX Inc.

**Shirley A. Jackson**, 59, president of Rensselaer Polytechnic Institute. Other board: New York Stock Exchange.  
**Charles T. Manatt**, 69, partner and co-founder of Manatt, Phelps & Phillips LLP, a diversified law firm. U.S. ambassador to the Dominican Republic from 1999 to 2001.

**Joshua I. Smith**, 64, chairman and managing partner, Coaching Group LLC, a consulting firm. Other boards: The Alistate Corp., CardioComm Solutions Inc. and Caterpillar Inc.

**Paul S. Walsh**, 50, CEO of Dia-geo PLC, a consumer food and beverage company. Other board: Centrica PLC.  
**Peter S. Willmott**, 68, chairman and CEO of Willmott Services Inc., a retail and consulting firm. Senior management positions at FedEx Express from 1974 to 1983.

### 5-year earnings per share



### 5-year revenue and net income

(Revenue in billions of dollars, income in millions)

	2001	2002	2003	2004	2005
Revenue	\$19.63	\$20.61	\$22.49	\$24.71	\$29.36
Income	\$584	710	830	838	1,449
Sales per employee:	\$158,759				
Interest expense:	\$160 million				