



We're Going Into A Worldwide Recession, FedEx CEO Warns "Numbers Don't Portend Very Well"

Description

USA: Update: Following FedEx's ugly pre-announcement, CEO Raj Subramaniam, went further into the drivers behind his company's decision to pull guidance during an interview with Jim Cramer of CNBC.

"I think so. But you know, these numbers, they don't portend very well," Subramaniam said in response to Cramer's question about whether the economy is "going into a worldwide recession."

FedEx's top executive, who took over the role at the beginning of this year, said that declining worldwide cargo volumes were the primary factor in the company's unsatisfactory performance.

"I'm very disappointed in the results that we just announced here, and you know, **the headline really is the macro situation that we're facing**," Subramaniam said tonight in an interview on CNBC's Mad Money.

Finally, the CEO said the drop in volumes is far-reaching:

"We are a reflection of everybody else's business, especially the high-value economy in the world," he concluded.

Watch the full interview below:

Which helps explain why futures are sliding further this morning.



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As we detailed earlier, in a surprise pre-announcement Thursday after the close, **FedEx said it's withdrawing its fiscal year 2023 earnings forecast** as a result of the preliminary 1Q financial performance and expectations for a continued volatile operating environment.

*First quarter results were adversely impacted by global volume softness that accelerated in the final weeks of the quarter. FedEx Express results were **particularly impacted by macroeconomic weakness in Asia and service challenges in Europe**, leading to a revenue shortfall in this segment of approximately \$500 million relative to company forecasts. FedEx Ground revenue was approximately \$300 million below company forecasts.*

Specifically for Q1:

- FedEx prelim 1Q adj EPS \$3.44, est. \$5.10
- FedEx prelim 1Q Rev. \$23.2B, est. \$23.54B
- FedEx prelim 1Q Adj. oper income \$1.23B, est. \$1.74B

As a result of the preliminary first quarter financial performance and expectations for a continued volatile operating environment, **FedEx is withdrawing its fiscal year 2023 earnings forecast provided on June 23, 2022.**



Additionally the firm said it was moving to cutting costs:

*"While this performance is disappointing, **we are aggressively accelerating cost reduction efforts and evaluating additional measures to enhance productivity, reduce variable costs, and implement structural cost-reduction initiatives.** These efforts are aligned with the strategy we outlined in June, and I remain confident in achieving our fiscal year 2025 financial targets."*

As part of these cost-cutting initiatives, FedEx will close 90 office locations, close five corporate office facilities, defer hiring efforts, reduce flights and cancel projects.

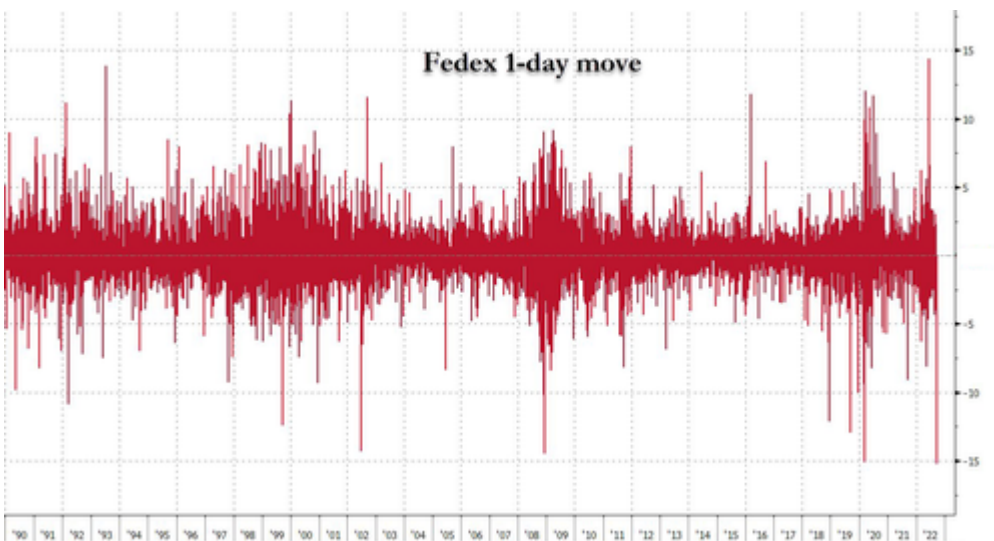
*"**Global volumes declined as macroeconomic trends significantly worsened later in the quarter, both internationally and in the U.S.** We are swiftly addressing these headwinds, but given the speed at which conditions shifted, first quarter results are below our expectations," said Raj Subramaniam, FedEx Corporation president and chief executive officer.*

"While this performance is disappointing, we are aggressively accelerating cost reduction efforts and evaluating additional measures to enhance productivity, reduce variable costs, and implement structural cost-reduction initiatives. These efforts are aligned with the strategy we outlined in June, and I remain confident in achieving our fiscal year 2025 financial targets."

FDX is down 14% after hours to its lowest since Aug 2020...



This FDX's biggest daily drop ever...



As @Knowledge_vital noted:

*A “horrible, miserable report... It’s a bit strange to hear \$FDX speak so negatively following... conference presentations when no one else hinted at an environment like this. .. However,.. investors should **assume EPS estimates across the board are at risk.**”*

Coming just hours after The Atlanta Fed slashed its Q3 GDP outlook, this is not a good sign for the domestic (or global) economy.

Just remember – it’s still definitely not a recession!

by Tyler Durden

Category

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