

FEDEX CORP
Form 10-K/A
July 21, 2004

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 31, 2004.**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from ___ to ___.
Commission file number 1-15829**

FEDEX CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

*(State or Other Jurisdiction of
Incorporation or Organization)*

62-1721435

*(I.R.S. Employer
Identification No.)*

942 South Shady Grove Road, Memphis, Tennessee

(Address of Principal Executive Offices)

38120

(ZIP Code)

Registrant's telephone number, including area code: (901) 818-7500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock, par value \$.10 per share

Name of each exchange on which registered

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference

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in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act.) Yes No

The aggregate market value of the common stock held by non-affiliates of the Registrant, computed by reference to the closing price as of the last business day of the Registrant's most recently completed second fiscal quarter, November 28, 2003, was approximately \$20.2 billion. The Registrant has no non-voting stock.

As of July 12, 2004, 299,997,050 shares of the Registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement to be delivered to stockholders in connection with the 2004 annual meeting of stockholders to be held on September 27, 2004 are incorporated by reference in response to Part III of this Report.

EXPLANATORY NOTE

FedEx Corporation ("FedEx") hereby amends its Annual Report on Form 10-K for the fiscal year ended May 31, 2004 (the "Form 10-K") (filed on July 16, 2004) as set forth in this Annual Report on Form 10-K/A (Amendment No. 1) (this "Form 10-K/A").

This Form 10-K/A includes an amendment to Item 8 of the Form 10-K. Specifically, in the table on page F-13 in Note 2: "Business Combinations" of the Notes to Consolidated Financial Statements, which presents the unaudited pro forma combined results of operations of FedEx and FedEx Kinko's Office & Print Services, Inc. ("FedEx Kinko's") as if FedEx's acquisition of FedEx Kinko's had occurred at the beginning of the fiscal year ended May 31, 2003, revenues, net income, basic earnings per common share and diluted earnings per common share for the fiscal year ended May 31, 2004 should have been shown as \$26.056 billion, \$836 million, \$2.80 and \$2.75, respectively.

No other changes are being made to the Form 10-K by means of this Form 10-K/A.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements are filed with this Report:

	<u>Page Number</u>
Report of Ernst & Young LLP, Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets May 31, 2004 and 2003	F-2
Consolidated Statements of Income Years ended May 31, 2004, 2003 and 2002	F-4
Consolidated Statements of Cash Flows Years ended May 31, 2004, 2003 and 2002	F-5
Consolidated Statements of Changes in Stockholders' Investment and Comprehensive Income Years ended May 31, 2004, 2003 and 2002	F-6
Notes to Consolidated Financial Statements	F-7

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

The following exhibits are being filed or furnished with this Report:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FEDEX CORPORATION

Dated: July 21, 2004

By: /s/ JOHN L. MERINO

John L. Merino
Corporate Vice President and
Principal Accounting Officer

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**REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders
FedEx Corporation

We have audited the accompanying consolidated balance sheets of FedEx Corporation as of May 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' investment and comprehensive income, and cash flows for each of the three years in the period ended May 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of FedEx Corporation at May 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended May 31, 2004, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, in 2002.

/s/ Ernst &
Young LLP

Memphis, Tennessee
June 22, 2004

FEDEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

ASSETS

	May 31,	
	2004	2003
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,046	\$ 538
Receivables, less allowances of \$151 and \$149	3,027	2,627
Spare parts, supplies and fuel, less allowances of \$124 and \$101	249	228
Deferred income taxes	489	416
Prepaid expenses and other	159	132
	4,970	3,941
PROPERTY AND EQUIPMENT, AT COST		
Aircraft and related equipment	7,001	6,624
Package handling and ground support equipment and vehicles	5,296	5,013
Computer and electronic equipment	3,537	3,180
Other	4,477	4,200
	20,311	19,017
Less accumulated depreciation and amortization	11,274	10,317
	9,037	8,700
OTHER LONG-TERM ASSETS		
Goodwill	2,802	1,063
Prepaid pension cost	1,127	1,269
Intangible and other assets	1,198	412
	5,127	2,744
Total other long-term assets	5,127	2,744
	\$ 19,134	\$ 15,385

The accompanying notes are an integral part of these consolidated financial statements.

FEDEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE DATA)

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	May 31,	
	2004	2003
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 750	\$ 308
Accrued salaries and employee benefits	1,062	724
Accounts payable	1,615	1,168
Accrued expenses	1,305	1,135
Total current liabilities	4,732	3,335
LONG-TERM DEBT, LESS CURRENT PORTION	2,837	1,709
OTHER LONG-TERM LIABILITIES		
Deferred income taxes	1,181	882
Pension, postretirement healthcare and other benefit obligations	768	657
Self-insurance accruals	591	536
Deferred lease obligations	503	466
Deferred gains, principally related to aircraft transactions	426	455
Other liabilities	60	57
Total other long-term liabilities	3,529	3,053
COMMITMENTS AND CONTINGENCIES		
COMMON STOCKHOLDERS' INVESTMENT		
Common stock, \$0.10 par value; 800 million shares authorized; 300 million shares issued for 2004 and 299 million shares issued for 2003	30	30
Additional paid-in capital	1,079	1,088
Retained earnings	7,001	6,250
Accumulated other comprehensive loss	(46)	(30)
	8,064	7,338
Less deferred compensation and treasury stock, at cost	28	50
Total common stockholders' investment	8,036	7,288
	\$ 19,134	\$ 15,385

The accompanying notes are an integral part of these consolidated financial statements.

FEDEX CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Years ended May 31,		
	2004	2003	2002
REVENUES	\$ 24,710	\$ 22,487	\$ 20,607
OPERATING EXPENSES:			
Salaries and employee benefits	10,728	9,778	9,099
Purchased transportation	2,407	2,155	1,825
Rentals and landing fees	1,918	1,803	1,780
Depreciation and amortization	1,375	1,351	1,364
Fuel	1,481	1,349	1,100
Maintenance and repairs	1,523	1,398	1,240
Business realignment costs	435		
Airline stabilization compensation			(119)
Other	3,403	3,182	2,997
	<u>23,270</u>	<u>21,016</u>	<u>19,286</u>
OPERATING INCOME	1,440	1,471	1,321
OTHER INCOME (EXPENSE):			
Interest expense	(136)	(124)	(144)
Interest income	20	6	5
Other, net	(5)	(15)	(22)
	<u>(121)</u>	<u>(133)</u>	<u>(161)</u>
INCOME BEFORE INCOME TAXES	1,319	1,338	1,160
PROVISION FOR INCOME TAXES	481	508	435
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	838	830	725
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR GOODWILL, NET OF TAX BENEFIT OF \$10			(15)
NET INCOME	<u>\$ 838</u>	<u>\$ 830</u>	<u>\$ 710</u>
BASIC EARNINGS PER COMMON SHARE:			
Income before cumulative effect of change in accounting principle	\$ 2.80	\$ 2.79	\$ 2.43
Cumulative effect of change in accounting for goodwill			(0.05)
BASIC EARNINGS PER COMMON SHARE	<u>\$ 2.80</u>	<u>\$ 2.79</u>	<u>\$ 2.38</u>

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	Years ended May 31,		
DILUTED EARNINGS PER COMMON SHARE:			
Income before cumulative effect of change in accounting principle	\$ 2.76	\$ 2.74	\$ 2.39
Cumulative effect of change in accounting for goodwill			(0.05)
DILUTED EARNINGS PER COMMON SHARE	\$ 2.76	\$ 2.74	\$ 2.34

The accompanying notes are an integral part of these consolidated financial statements.

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FEDEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)

	Years ended May 31,		
	2004	2003	2002
OPERATING ACTIVITIES			
Net income	\$ 838	\$ 830	\$ 710
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	1,375	1,351	1,364
Provision for uncollectible accounts	106	105	110
Deferred income taxes and other noncash items	(8)	329	84
Cumulative effect of change in accounting principle			15
Tax benefit on the exercise of stock options	43	20	18
Changes in operating assets and liabilities, net of the effects of businesses acquired:			
Receivables	(307)	(197)	(88)
Other current assets	10	39	63
Pension assets and liabilities, net	155	(854)	(13)
Accounts payable and other operating liabilities	841	252	(37)
Other, net	(33)	(4)	2
Cash provided by operating activities	3,020	1,871	2,228
INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired	(2,410)		(35)
Capital expenditures	(1,271)	(1,511)	(1,615)
Proceeds from asset dispositions	18	22	27
Other, net	1	(1)	11
Cash used in investing activities	(3,662)	(1,490)	(1,612)
FINANCING ACTIVITIES			
Principal payments on debt	(319)	(10)	(320)
Proceeds from debt issuances	1,599		
Proceeds from stock issuances	115	81	88
Dividends paid	(66)	(60)	
Purchase of treasury stock	(179)	(186)	(177)
Other, net		1	3
Cash provided by (used in) financing activities	1,150	(174)	(406)
CASH AND CASH EQUIVALENTS			
Net increase in cash and cash equivalents	508	207	210
Cash and cash equivalents at beginning of period	538	331	121
Cash and cash equivalents at end of period	\$ 1,046	\$ 538	\$ 331

The accompanying notes are an integral part of these consolidated financial statements.

FEDEX CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS'
INVESTMENT AND COMPREHENSIVE INCOME
(IN MILLIONS, EXCEPT SHARE DATA)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Deferred Compensation	Total
BALANCE AT MAY 31, 2001	\$ 30	\$ 1,120	\$ 4,880	\$ (56)	\$ (53)	\$ (21)	\$ 5,900
Net income			710				710
Foreign currency translation adjustment, net of deferred taxes of \$1				6			6
Minimum pension liability adjustment, net of deferred tax benefit of \$2				(3)			(3)
Reclassification of deferred jet fuel hedging charges net of deferred tax benefit of \$6				(9)			(9)
Adjustment for jet fuel hedging charges recognized in expense during period, net of deferred taxes of \$6				9			9
Total comprehensive income							713
Purchase of treasury stock					(177)		(177)
Cash dividends declared (\$0.05 per share)			(15)				(15)
Employee incentive plans and other (4,224,444 shares issued)		24	(110)		210	(12)	112
Amortization of deferred compensation						12	12
BALANCE AT MAY 31, 2002	30	1,144	5,465	(53)	(20)	(21)	6,545
Net income			830				830
Foreign currency translation adjustment, net of deferred taxes of \$10				37			37
Minimum pension liability adjustment, net of deferred tax benefit of \$7				(14)			(14)
Total comprehensive income							853
Purchase of treasury stock					(186)		(186)
Cash dividends declared (\$0.15 per share)			(45)				(45)
Employee incentive plans and other (3,268,180 shares issued)		(56)			181	(16)	109
Amortization of deferred compensation						12	12
BALANCE AT MAY 31, 2003	30	1,088	6,250	(30)	(25)	(25)	7,288
Net income							