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FedEx Corp. F4Q09 (Qtr End 05/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Jon Langenfeld - Robert W. Baird

Jon Langenfeld - Robert W. Baird

I guess if we could just start on the domestic side, can you talk a little bit about the core pricing environment, I know its difficult to get down to, but can we kind of strip out fuel and talk about what core trends were like throughout the quarter.

Mike Glenn

The pricing environment certainly is competitive and that's not unusual when there's capacity in the market during recessionary periods. We certainly see more aggressive pricing on an account by account basis but our hope is that as the economy starts to improve, we'll see stabilization of the environment and hope to see an improving pricing environment where we're certainly competing on value and not so focused on competitors trying to fill up networks.

Jon Langenfeld - Robert W. Baird

And then moving over to the cost side, if we take that billion dollars that you had outlined three months ago, what is the run rate that you realized this quarter and how much of that cost take out do you view as permanent take out versus cost that are going to have to return to the business when volumes improve.

Dave Bronczek

I'll start off at FedEx Express you probably have seen it in our numbers but our expenses were better year over year excluding one-time costs by 21%, almost \$1.300 billion in Q4 year over year. Obviously we've done a lot of things that are permanent in our cost structure. We've replaced, we've eliminated some aircraft, we've parked some aircraft, we've made some headcount reductions across the board. We are anticipating the same kind of performance in FY10.

As to what's permanent and what's not we have a tremendous amount of leverage at Express and Freight where if we get the turn that we think we might in early calendar 2010 we can take a lot of that additional revenue to the bottom line with very little limited incremental variable costs added. So we should see significant cash flow and earnings leverage from that. And even at Ground, we're anticipating increased productivity and a further tightening of that network as it grows during fiscal 2010.

Operator

Your next question comes from the line of Peter Jacobs - Ragen McKenzie

Peter Jacobs - Ragen McKenzie

I guess the first question I would have is in the FedEx Freight segment, you talked about you mentioned that you're seeing a difference in the regional and national carriers, could you just talk about some of the dynamics that are playing out and why you saw the base rates fall in national but they were holding up in regional. Anything going on there.

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