**NEW RISK ALERT: (FDX)**

# FedEx Warns of New International Risks in Latest 10-Q Language Changes

Changes hint at rising European integration costs as well as Brexit related disruption to operations and FX volatility.

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*This alert compares the language used in the company's latest filing with the period before. Research suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.*

## International Spending Hike Now Certain

It's subtle but new language in FedEx's latest 10-Q signals spending on international operations is set to rise. Last quarter, FDX suggested it was possible it may have to spend more internationally to expand its ecommerce capabilities and reduce overhead:

> *"**We may incur** additional costs, including capital investments related to these actions."*

The latest 10-Q removes all doubt, and signals the increased spending will be a staple for years to come:

> *"**We expect to incur** additional costs, over multiple years, which may be material, including transformation costs and capital investments related to these actions."*

Last quarter, FedEx told investors it would spend $1.7 billion on the physical network integration of TNT Express into FedEx Express in 2022. In the latest filing, FedEx repeats the $1.7 billion figure regarding TNT but does not offer an update on how much extra it may spend internationally.

## Brexit Risk Rises as Deadline Nears

Though Brexit is cited as a bullet point risk in the prior 10-Q, FedEx's latest quarterly includes new language clarifying the potential impact of a no-deal Brexit scenario that did not appear in the company's last filing:

> *"..we may face new regulations regarding trade, aviation, tax, security and employees, among others, in the United Kingdom. Compliance with such regulations could be costly, negatively impacting our business, results of operations and financial condition."*

Besides operations— trucks may have to wait to cross borders— FDX also highlights new potential FX risks impacting its European operations:

> "Brexit could also adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the euro and the British pound."