



This is a game-changing day for FedEx

On the February 26 episode of the *Tonight Show Starring Jimmy Fallon*, Brie Carere, executive vice president, Marketing and Communications, introduced a bold new advance in last mile delivery: the FedEx SameDay Bot. We expect many more media stories to cover the significance of this new robotic technology, the latest in a long line of innovations pioneered by FedEx.

The FedEx bot will be a safe, autonomous device designed for last mile delivery in the same day an item is ordered from a local merchant. Think of a parent who needs medicine for his or her sick child—a pharmacy can quickly dispatch a FedEx bot that arrives promptly at the family's front door with the prescription. Or an auto parts store can use a FedEx bot to deliver a part to a mechanic working late to repair his customer's car. Want to see it in action? Check out the FedEx bot ad for a quick demonstration at fromthechairman.com.

We've been developing this new device for some time with DEKA Research & Development Corp. in Manchester, NH, in response to the explosive growth of e-commerce, the growing costs of last mile delivery, and our commitment to environmental sustainability and public safety. The bot can travel within a merchant's trade area on the side of the road and sidewalks, safely delivering smaller shipments to customers at their homes and businesses.

FedEx plans to test the bot in select U.S. markets this summer, pending final city approvals. The initial test will involve deliveries between FedEx Office locations.

FAST FACTS ABOUT THE FEDEX BOT

- Zero-emission, environment-friendly, and battery powered
- Obstacle detection and avoidance capabilities
- Congestion reducer: Doesn't add cars and trucks on the road
- Sensors to provide 360-degree awareness
- Continual communication with remote operator who can control when needed
- Ability to navigate rough terrain and hills and stairs

A future-focused solution for a growing need

As you may know, in the last few years, interest in same day delivery has grown significantly for various products and merchandise.

We already have an excellent SameDay City service that operates from FedEx Office in 32 markets and 1,900 cities. That business serves a variety of customers who value a FedEx company-owned and -operated vehicle and uniformed courier. SameDay City is a differentiator for FedEx in the market.

These assets—combined with the FedEx Office SameDay City mobile app and unique dispatch, routing, and tracking capabilities—have grown the business impressively over the years. Our great FedEx SameDay City team has been instrumental in this growth.



From the Chairman

February 2019

As we started evaluating the changing needs in the same day, on-demand marketplace, we saw customers who needed alternative delivery options to reduce their costs. This trend is clearly playing out in food delivery through apps such as Grubhub or UberEats. A recent analysis from *CommonSense Robotics* found that same-day grocery delivery grew by 500% in 2018.

Given these trends, we saw the opportunity to combine our SameDay City technologies and infrastructure with the newest autonomous capabilities as a way to better serve customers' unmet needs and respond to their demand for lower costs.

We contacted a longtime friend, Dean Kamen, who is arguably the greatest inventor of our time. Dean's team at DEKA had already developed the iBot, which was originally designed to give mobility to individuals incapable of walking on their own. DEKA's iBot has more than 10 million hours of reliable, real-world operation, and we saw an opportunity to apply the proven technology to our idea. By adding new cost-effective mapping, imaging, and sensor technologies, a FedEx same-day, out-and-back delivery device was created.

In all our products, services, and operations, we begin with the proposition of Safety Above All! That certainly applies to the FedEx bot, which will be a safe, environmentally friendly alternative to delivering small payloads in large vehicles. It uses a sophisticated set of pedestrian-safe technologies, including radar, multiple cameras, and sensors that meet or exceed safety regulations. And its relatively tall profile is designed to be easily visible to pedestrians, bicyclists, and motorists.

Our FedEx bot dream team

Our Corporate Vice President of Operations and Service Support Gloria Boyland has been working with DEKA and overseeing the development of the FedEx bot. Her team coordinates all of our autonomous and robotic endeavors across our various operating companies. I would like to extend a big thank you to the hardworking O&SS group.

The FedEx Office SameDay City team will operate the new FedEx bot. All of the infrastructure for our same day routes can now be used for the out-and-back, on-demand market being serviced by companies such as DoorDash here in the U.S. and by many other brands overseas.

FedEx Office CEO Brian Philips and COO Kim Dixon will head up the operation of our portfolio of local solutions, including SameDay City and the FedEx bot. We appreciate the hard work of their teams, as well as many outstanding participants from Marketing, IT, Government Affairs, and Legal.

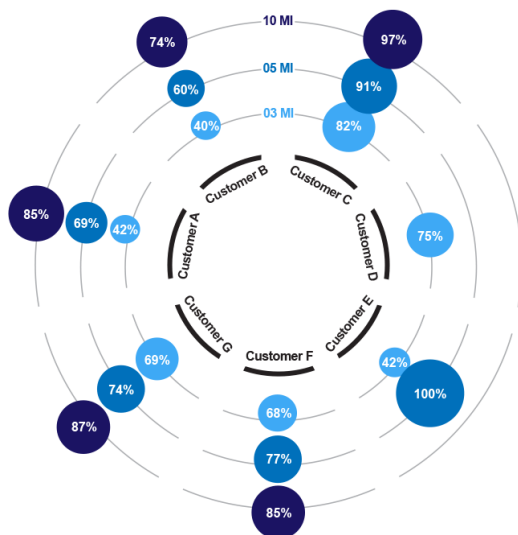
A new market for FedEx

Of great importance was the establishment of a group of "alpha" customers who needed low-cost, efficient solutions for same day, on-demand deliveries. We have been collaborating with several companies, including AutoZone, Lowe's, Pizza Hut, Target, Walgreens and Walmart, to develop a device that best meets the needs of their businesses.

The chart below shows the tremendous amount of opportunity that lies within close proximity of our alpha customers' locations. On average, more than 60% of our merchants' customers live within three miles, demonstrating the opportunity for on-demand, hyper-local delivery. The alpha customers will be able to display their own logos on the FedEx bot, if they desire to do so.

Store Density Map

Dots represent the percent of customers that live within noted radius of store.



As you can see, this is a new market for FedEx, one very different from our branded delivery systems at FedEx Express, FedEx Ground, FedEx SameDay City, and FedEx Freight.

- For the most part, the items we will be moving via the bots are not moving on FedEx vehicles today. It's not very efficient to have a two-ton vehicle deliver a one-pound pizza, but it does make sense to have a bot do it.
- With bots parked at the ready at each alpha customer location, we will provide a price/service offering that is not feasible using traditional vehicles and drivers.
- Given our very low-cost and unmatched delivery capabilities, FedEx will substantially expand this market and create many more jobs to oversee production, management, sales, mobility, and operations.

What's ahead

We expect our FedEx bot to become a very important new business, but it will not happen overnight. It will take a great deal of effort to achieve regulatory approvals at the local, state, and national levels. We are confident we will obtain these approvals because the bot combines the expertise of FedEx with the unique capabilities of DEKA, and it represents a safe, environmentally-efficient alternative to motor vehicles in neighborhoods.

While we are much further along in the U.S., we are also working toward offering this service outside the U.S. The use of an autonomous bot within our existing dispatch, maintenance, and logistics capabilities makes sense for FedEx locations around the world.

Furthermore, we intend to use our FedEx bot for good. Not only can this stair-climbing bot help people with mobility problems more easily retrieve their packages, but our mass production of the bot's base means the cost will drop, making wheelchairs using this same technology less expensive for others with disabilities, including wounded military veterans. As we roll out the device, we will work with the appropriate organizations to help ensure the technology is made available to those who need it most.

FedEx has been a technology leader for decades and has used innovation to deliver our Purple Promise which states, "I will make every FedEx experience outstanding." For example:

- We developed the ability to track and trace packages;

- We pioneered the technology that enables our pilots see through fog to land more safely;
- We migrated shipping technologies onto PCs, laptops and through the internet and mobile telephones, with every consignee in charge of their own logistics with FedEx Delivery Manager.

Some people may be surprised by the FedEx bot. But when it's viewed through this historical prism of innovation, it becomes another important milestone in the FedEx story that has changed the world for the better for more than 45 years. And the best is yet to come. We anticipate a bright future in which we continue to advance our global presence, anchored by a great strategy and strong FedEx leadership.

And, by the way, this isn't the last innovation you'll see from FedEx...more are in the works! We will continue to innovate in ways that change our industry and create more possibilities for people everywhere.



Frederick W. Smith
Chairman and CEO