

FedEx Freight plans diversification as spin-off date approaches



FedEx Freight expects a 4% to 6% compound annual growth rate in revenue as it disentangles its operations from FedEx's parcel business. Photo credit: Just dance / Shutterstock.com.

[William B. Cassidy, Senior Editor, Trucking](#) | Apr 8, 2026, 4:31 PM EDT

FedEx Freight is planning for growth despite a weak industrial freight economy by reaching into new markets as it prepares for a June 1 spin off from parent company FedEx.

The largest US less-than-truckload (LTL) provider and US trucking company sees big opportunities in small businesses, as well as the healthcare, data center, energy, and food and grocery sectors. Those markets represent a \$9 billion revenue opportunity largely untapped by FedEx Freight, which had \$8.9 billion in revenue in fiscal 2025.

“We’re doing little business in those verticals,” John Smith, FedEx Freight’s incoming president and CEO, told analysts Wednesday at the company’s first standalone

investor day in New York.

The company expects “modest” top-line growth in a transition period from June 1 through Dec. 31, CFO Marshall Witt said at the event, which was webcast. He stressed the company will put profit before short-term volume growth.

In its current fiscal year, which ends on the eve of the spin-off on May 31, FedEx Freight expects \$8.7 billion in revenue and \$1.1 billion in adjusted operating profit. In its last quarter ending February, revenue dropped 4.6% year over year, but operating profit increased 8.5%.

Going forward, the company expects a 4% to 6% compound annual growth rate in revenue as it disentangles its operations from FedEx’s parcel business.

“We’re focused on improving our financial position within the first 12 months of the spin-off,” Witt said, noting the industry is facing a “tough freight market with macro-economic volatility.”

FedEx Freight, which has reduced its physical network by a net of 30 terminals and 400 service center doors over the past three years, doesn’t plan to cut capacity. “We have 30% excess capacity in our network today, and we feel we’re in a good position in the right markets,” said COO Clint McCoy.

LTL carriers typically try to keep 20% to 30% excess capacity in their terminal networks to avoid chokepoints and allow for expansion in times of growth. FedEx Freight currently has 355 LTL service centers and 10 linehaul relay centers or hubs.

Shipment shortfall

Most of the company’s shipments come from industrial, transportation, logistics, and consumer goods customers, according to data shared during the event. Those shipments are declining amid industrial weakness.

Total shipments per day at FedEx Freight fell 5.7% year over year in the fiscal quarter ending Feb. 28, dropping to 80,233 daily shipments. The year-to-date average daily shipment count, at 85,938 shipments, is down 13.8% from 2023, FedEx data shows.

That underscores a long industry-wide decline in LTL shipment volumes attributed to weakness in US manufacturing and lower demand for physical goods.

Recent improvements in US manufacturing activity, evident in Purchasing Managers’ Indexes (PMIs) from S&P Global and the Institute for Supply Management, haven’t

added much to LTL volumes yet, although XPO and Saia both saw volumes rise in February.

“We’re seeing some upside” in manufacturing, compared with other sectors, Witt said. But he expects improved profitability and yield to drive revenue growth more than volume.

Weak volumes are driving the focus on growing business with new shippers in markets underserved by LTL carriers. “We are targeting higher growth in end-markets that align with our offerings,” said Mike Lyons, the company’s chief specialized services and commercial officer.

The hiring of a dedicated sales force of 500 regional sales representatives “gives us the engine to go out and address markets where we have little penetration today,” Lyons said.

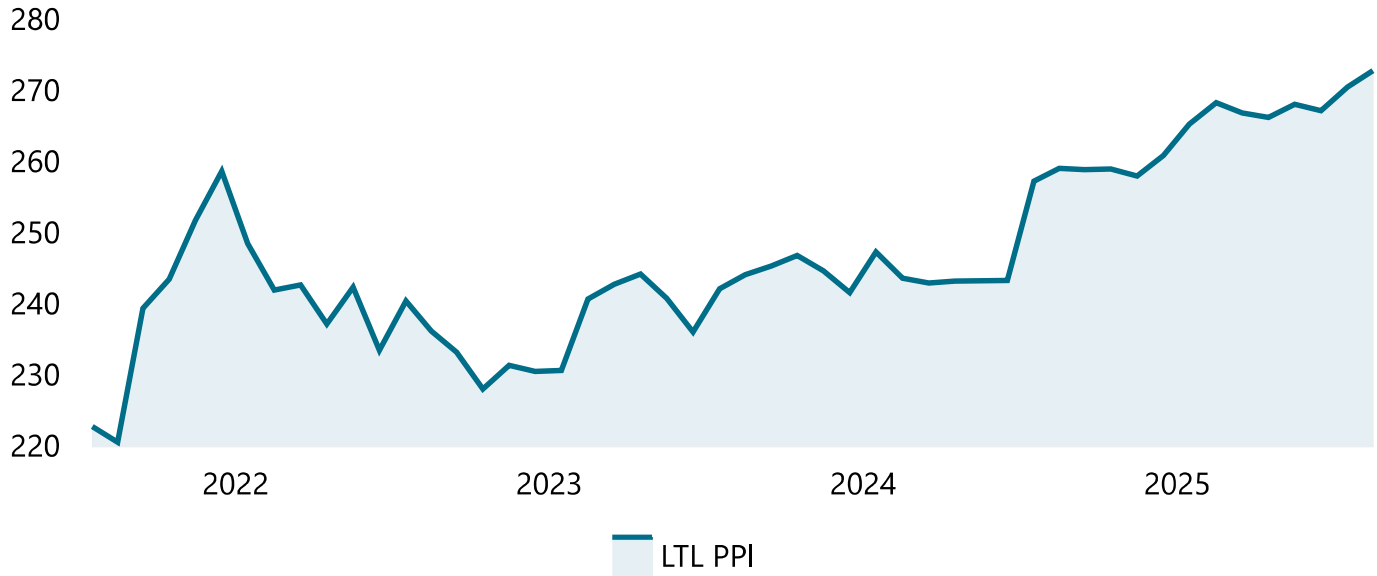
Disciplined pricing

FedEx isn’t the only LTL carrier eyeing new customers and new markets. XPO, the third-largest LTL provider, also has strengthened its sales force and targeted small businesses, while launching new premium services that support higher profit margins.

“The expansion we’re driving with local customers and premium services is contributing to our above-market pricing growth,” XPO CEO Mario Harik said during a March earnings call. Increases in yield helped offset lower volumes in the fourth quarter at XPO.

LTL PPI climbed 5.3% year over year in February

US long-haul less-than-truckload (LTL) producer price index (PPI)



Source: S&P Global

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|----|----|----|-----|----|-----|-----|
| 6M | 1Y | 2Y | 27M | 3Y | YTD | MAX |
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The focus on yield, a measure of profitability based partly on pricing, means a rate war for market share is not on the table, even as LTL carriers sweat the decline in shipments.

FedEx Freight plans to increase its market share, currently at about 15%, according to SJ Consulting Group data, but only when it can do so profitably.

“This will be done through maintaining a disciplined approach to pricing, optimizing productivity, and reducing the overall cost to serve and support growth,” Witt said.

LTL carriers are still seeing mid-single-digit price increases, according to the producer price index, but those increases are lower than last year. In February, the LTL producer price index rose 5.3% year over year, compared with a 9.5% average increase for the last six months of 2025.

Contact William B. Cassidy at bill.cassidy@spglobal.com.

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