



3Q22

Earnings Call

October 25, 2022





Ken Cook
Investor Relations Officer

UPS Speakers

Carol B. Tomé

Chief Executive Officer

Brian Newman

Chief Financial Officer



Forward-Looking Statements and Non-GAAP Reconciliations



Forward-Looking Statements

This presentation and our filings with the Securities and Exchange Commission contain and in the future may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements other than those of current or historical fact, and all statements accompanied by terms such as “will,” “believe,” “project,” “expect,” “estimate,” “assume,” “intend,” “anticipate,” “target,” “plan,” and similar terms, are intended to be forward-looking statements. Forward-looking statements are made subject to the safe harbor provisions of the federal securities laws pursuant to Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

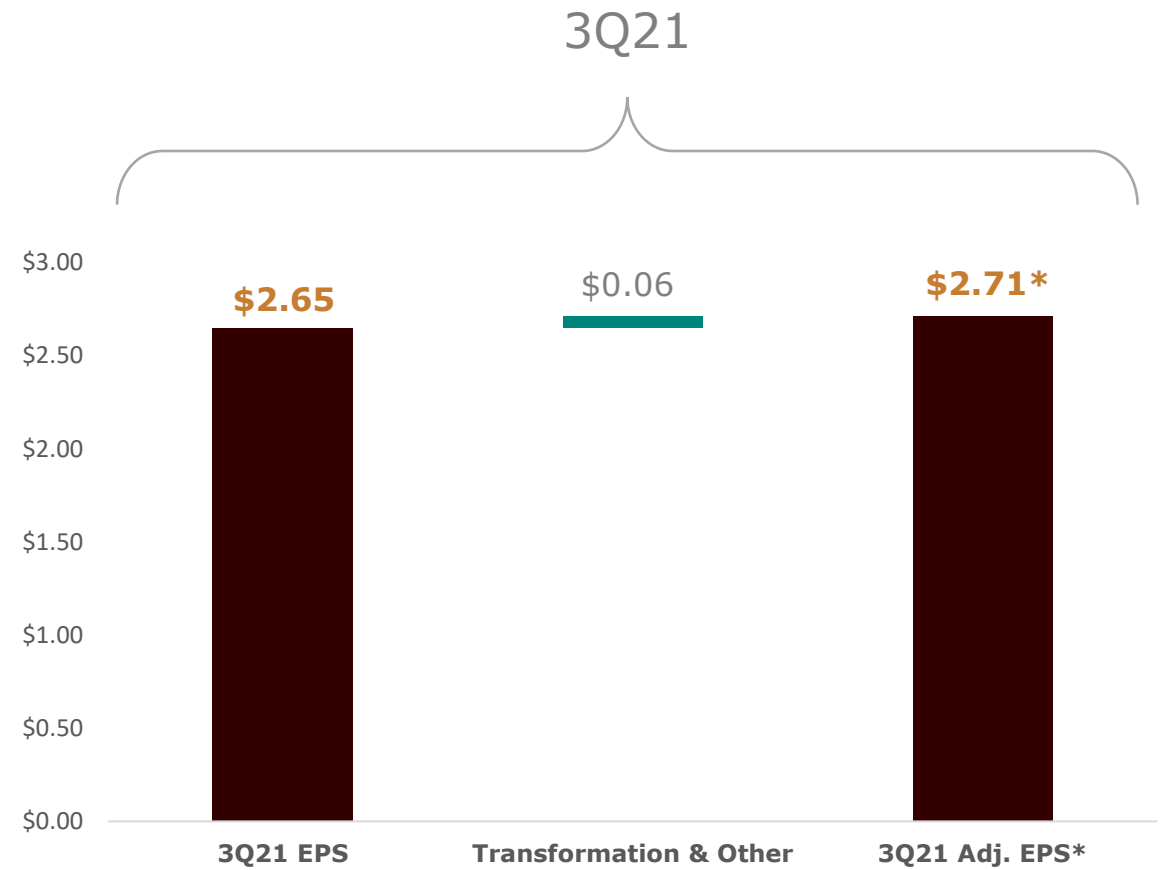
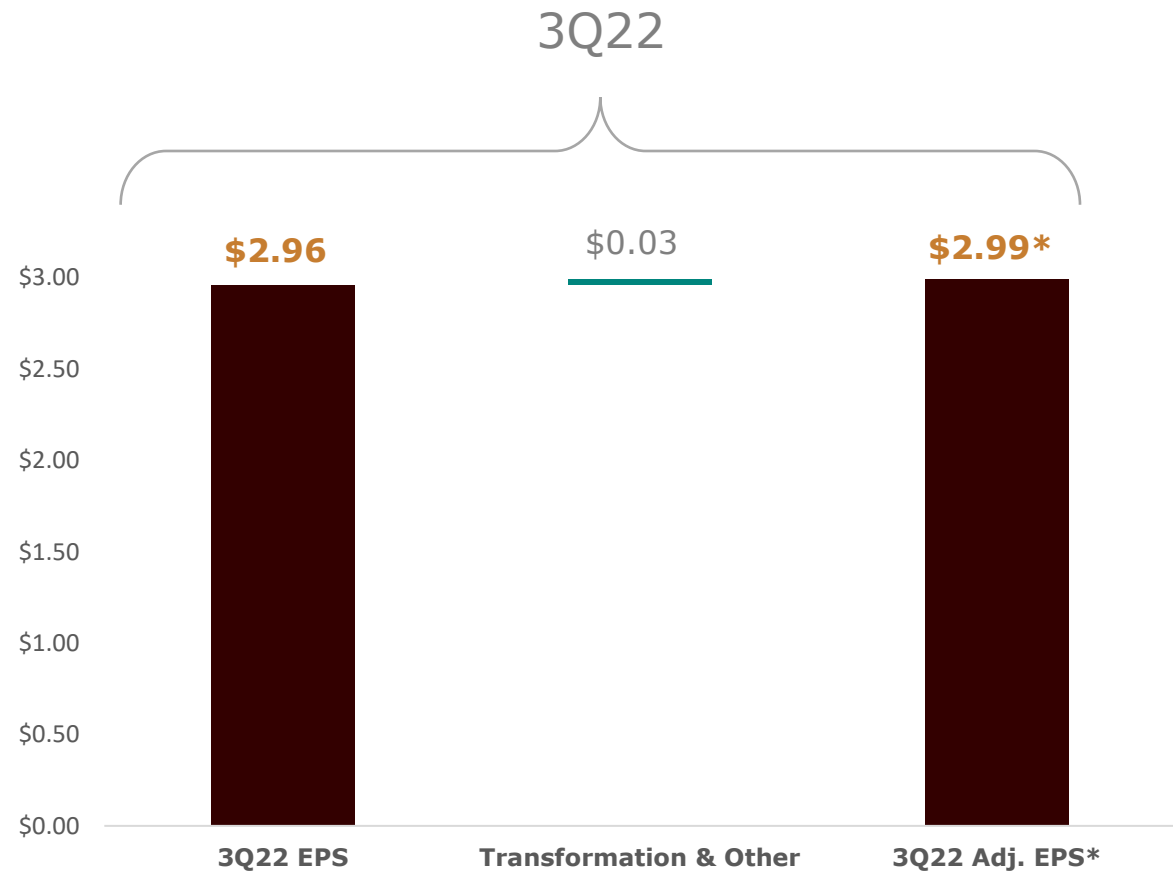
From time to time, we also include written or oral forward-looking statements in other publicly disclosed materials. Forward-looking statements may relate to our intent, belief, forecasts of, or current expectations about our strategic direction, prospects, future results, or future events; they do not relate strictly to historical or current facts. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any forward-looking statements because such statements speak only as of the date when made and the future, by its very nature, cannot be predicted with certainty.

Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties, include, but are not limited to the impact of: continued uncertainties related to the COVID-19 pandemic on our business and operations, financial performance and liquidity, our customers and suppliers, and on the global economy; changes in general economic conditions, in the U.S. or internationally; industry evolution and significant competition; changes in our relationships with our significant customers; our ability to attract and retain qualified employees; increased or more complex physical or data security requirements, or any data security breach; strikes,

work stoppages or slowdowns by our employees; results of negotiations and ratifications of labor contracts; our ability to maintain our brand image and corporate reputation; disruptions to our information technology infrastructure; global climate change; interruptions in or impacts on our business from natural or man-made events or disasters including terrorist attacks, epidemics or pandemics; exposure to changing economic, political and social developments in international markets; our ability to realize the anticipated benefits from acquisitions, dispositions, joint ventures or strategic alliances; changing prices of energy, including gasoline, diesel and jet fuel, or interruptions in supplies of these commodities; changes in exchange rates or interest rates; our ability to accurately forecast our future capital investment needs; significant expenses and funding obligations relating to employee health, retiree health and/or pension benefits; our ability to manage insurance and claims expenses; changes in business strategy, government regulations, or economic or market conditions that may result in impairments of our assets; potential additional U.S. or international tax liabilities; increasingly stringent laws and regulations, including relating to climate change; potential claims or litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters; and other risks discussed in our filings with the Securities and Exchange Commission from time to time, including our Annual Report on Form 10-K for the year ended December 31, 2021, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, and subsequently filed reports. You should consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements. We do not undertake any obligation to update forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements.

Information, including comparisons to prior periods, may reflect adjusted results. See the appendix for reconciliations of adjusted results and other non-GAAP financial measures.

Diluted EPS



* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.





Carol B. Tomé
Chief Executive Officer



**Thank
You
UPSers
Are
Unstoppable**



Consolidated Results

GAAP

<i>In \$ Millions (except per share)</i>	3Q22	3Q21	Change
Total Revenue	\$24,161	\$23,184	4.2%
Operating Profit	\$3,113	\$2,896	7.5%
Operating Margin	12.9%	12.5%	40 bps
Diluted EPS	\$2.96	\$2.65	11.7%

Adjusted

<i>In \$ Millions (except per share)</i>	3Q22	3Q21	Change
Total Revenue	\$24,161	\$23,184	4.2%
Operating Profit*	\$3,149	\$2,970	6.0%
Operating Margin*	13.0%	12.8%	20 bps
Diluted EPS*	\$2.99	\$2.71	10.3%

* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.



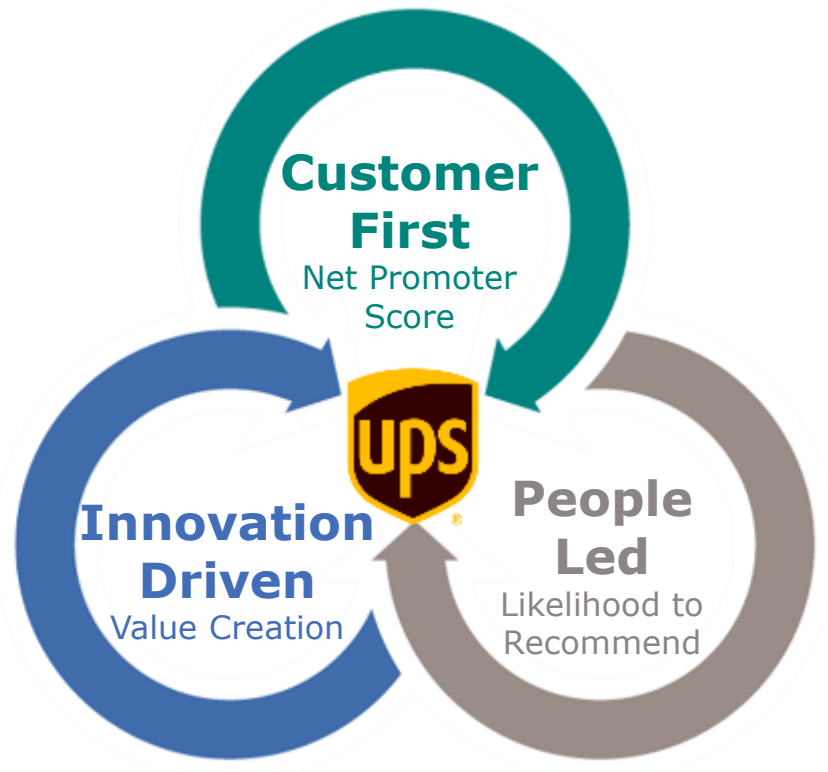
Moving to the Next Phase of Our Strategic Framework

- Building on strong foundation of better not bigger
- Moving faster to grow in our targeted market segments
- Combining digital solutions with our global integrated network
- Creating a powerful offering of logistics as a service

Better and
BOLDER



Customer First, People Led, Innovation Driven



- Winning in Europe on time-in-transit and visibility advantages
- Continuing to win with SMBs as DAP revenue exceeded \$1.6B through 3Q
- Extended Independent Pilots Association and aircraft maintenance contracts
- Created individualized dispatch plans for our drivers in the U.S.
- Total Service Plan improved on-time feeder departures/arrivals 6.5% YOY
- Smart Package Smart Facility in first 101 buildings in the U.S.; opened Harrisburg, PA regional hub



We Are Ready to Deliver Another Successful Peak

- Industry-leading service for the last four peak seasons
- Made enhancements to our peak plans:
 - Sped up digital hiring process, enabling qualified candidates to receive a job offer within 25 minutes
 - Digitized driver helper training so new hires can begin work on day one



Reaffirming 2022 Financial Targets

- Consolidated revenue around \$102B
- Consolidated adjusted operating margin* about 13.7%
- Adjusted return on invested capital* above 30%



* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.





Brian Newman
Chief Financial Officer

Consolidated Results

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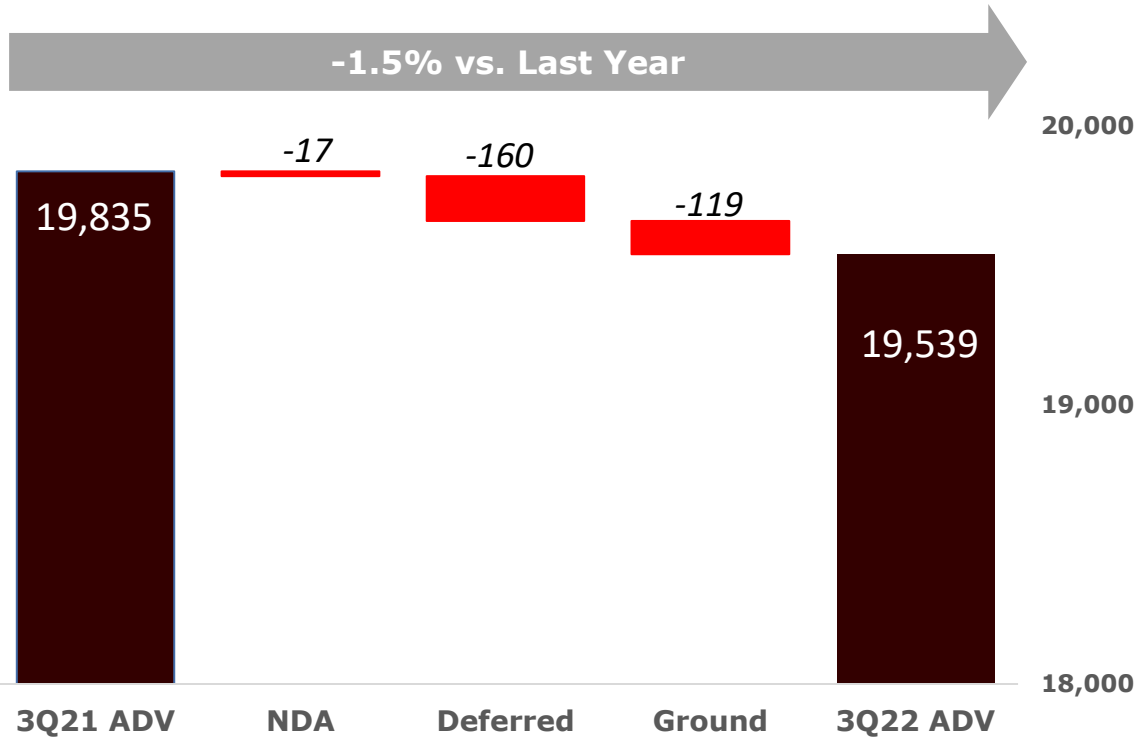
* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.



3Q Average Daily Volume Decline 1.5%

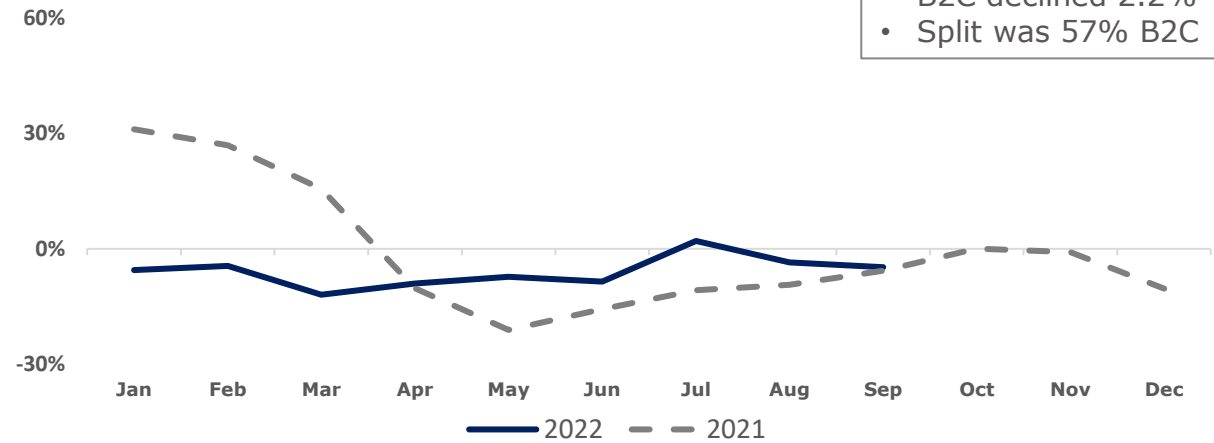
ADV growth rate improved relative to 1H22 as volume from 2Q wins entered the network

ADV Change (Y/Y)



- B2C ADV declined 2.2% driven by contractual agreements reached with certain enterprise customers
- SMB ADV increased 1.9% year over year and made up 28.3% of total U.S. volume, an increase of 90 basis points from last year

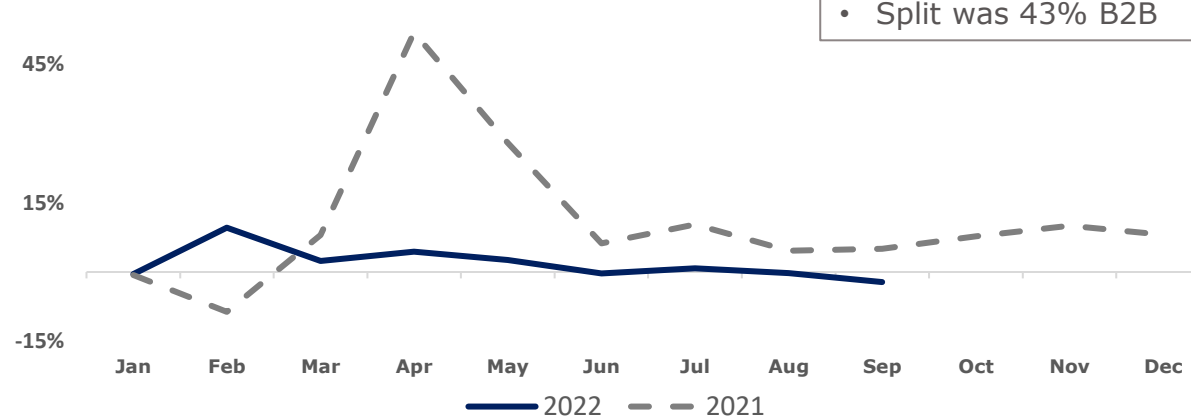
Monthly B2C ADV (Y/Y)



3Q22

- B2C declined 2.2%
- Split was 57% B2C

Monthly B2B ADV (Y/Y)



3Q22

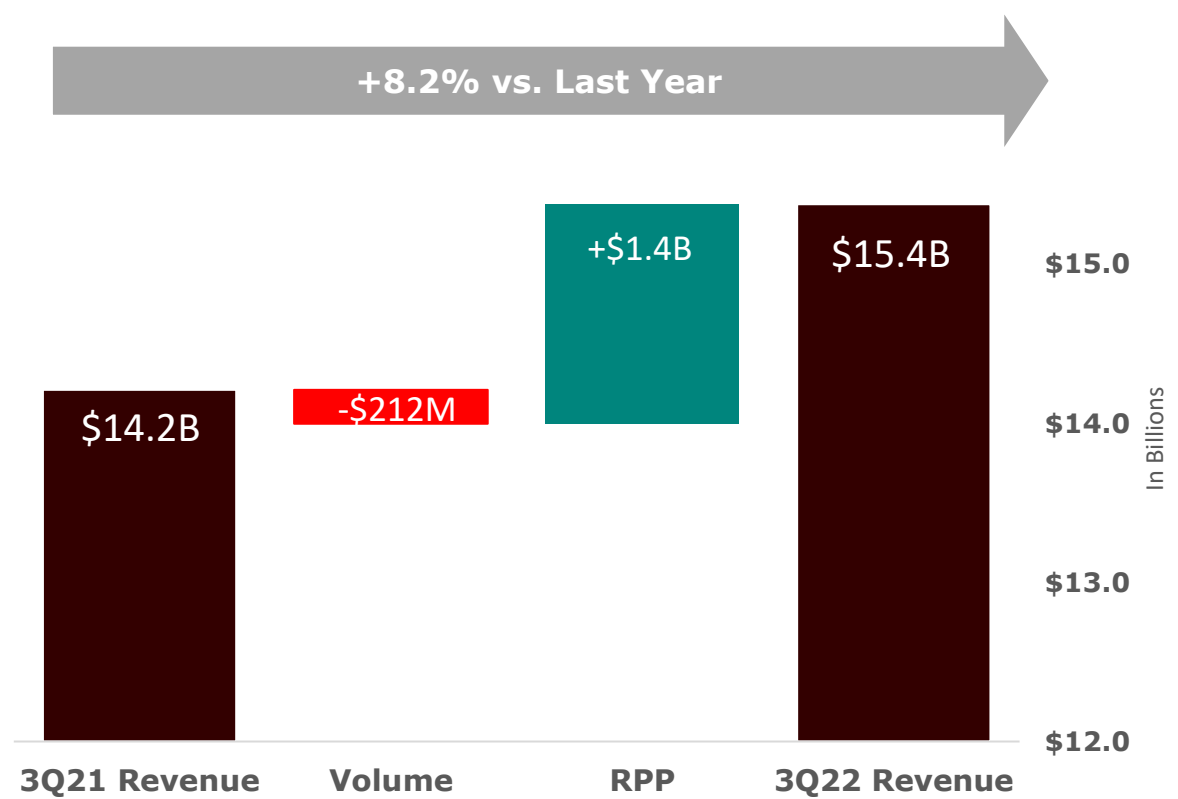
- B2B declined 0.5%
- Split was 43% B2B



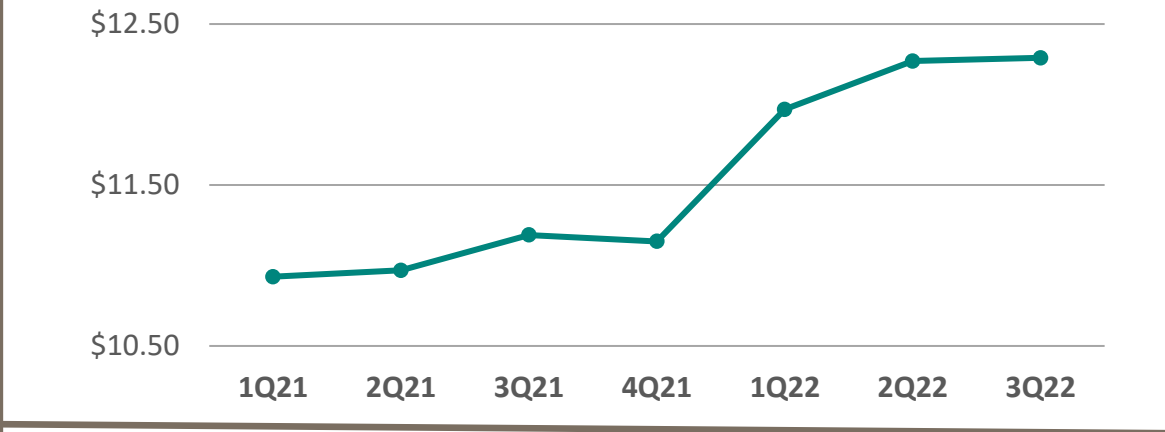
3Q Revenue Increased 8.2% to \$15.4B

Revenue-quality efforts continue to deliver results as RPP increased 9.8%

Revenue Change (Y/Y)



Revenue Per Piece



- 3Q revenue per piece growth of 9.8%
 - One-third of growth rate increase came from base pricing
 - One-third was from changes in fuel price-per-gallon
 - One-third was from the combination of mix and fuel pricing actions

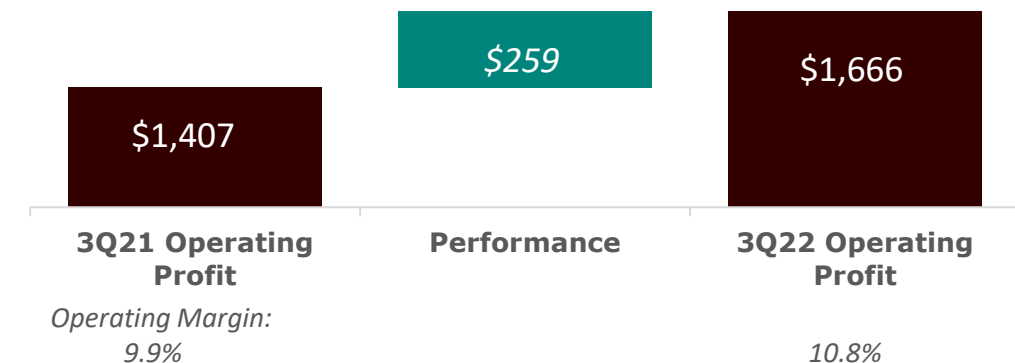


3Q Operating Profit of \$1.7B

7th consecutive quarter of positive operating leverage

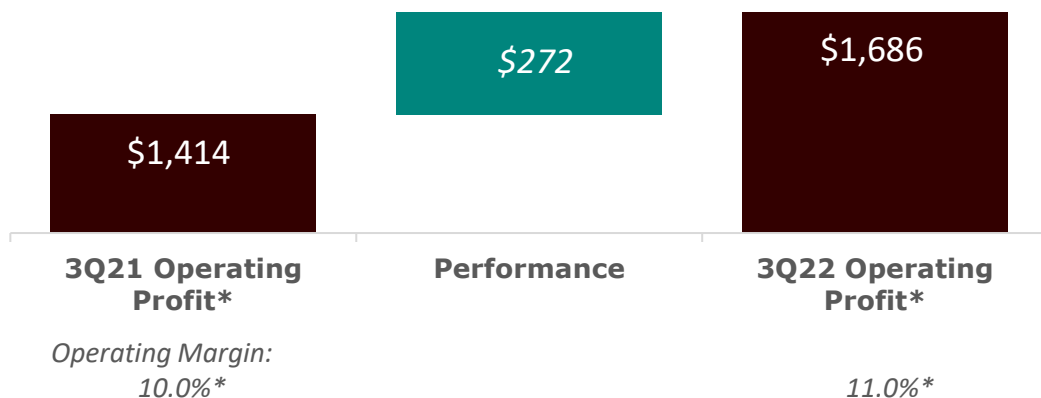
Operating Profit (In Millions)

GAAP



Operating Profit (In Millions)

Adjusted



- Adjusted operating expense* increased 7.0%
 - Wages and benefits contributed ~310 basis points of the expense growth rate increase
 - Fuel drove 220 basis points of the increase
- Productivity initiatives partially offset wage and benefit rate increases
- Adjusted operating margin* expanded to 11.0%, up 100 basis points compared to 3Q21

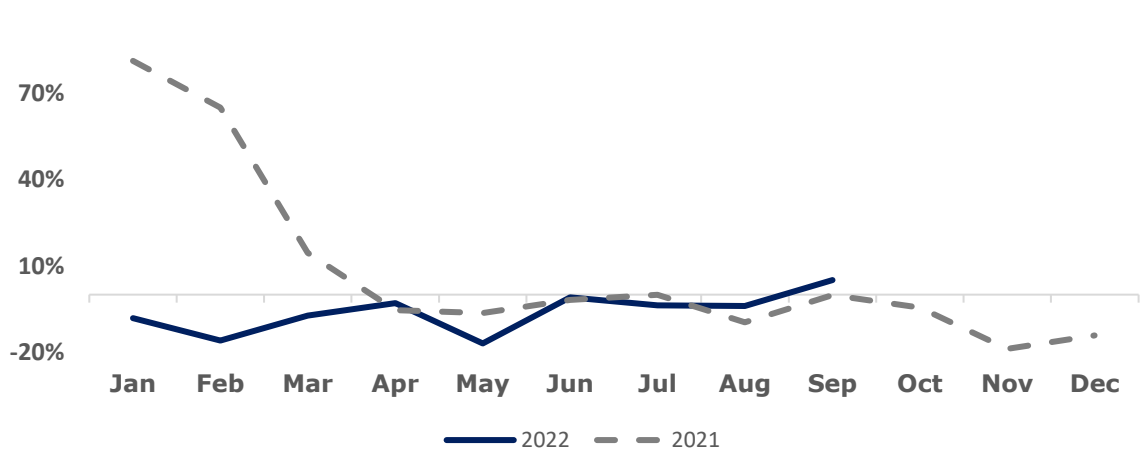
* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.



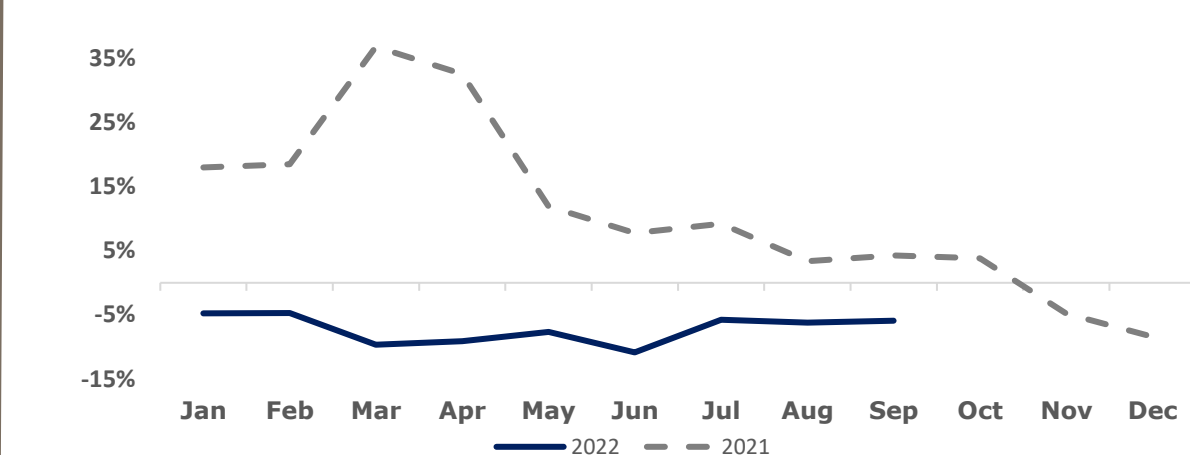
3Q Total Average Daily Volume Down 5.2%

Domestic ADV down 9.4%; export ADV down 0.6%

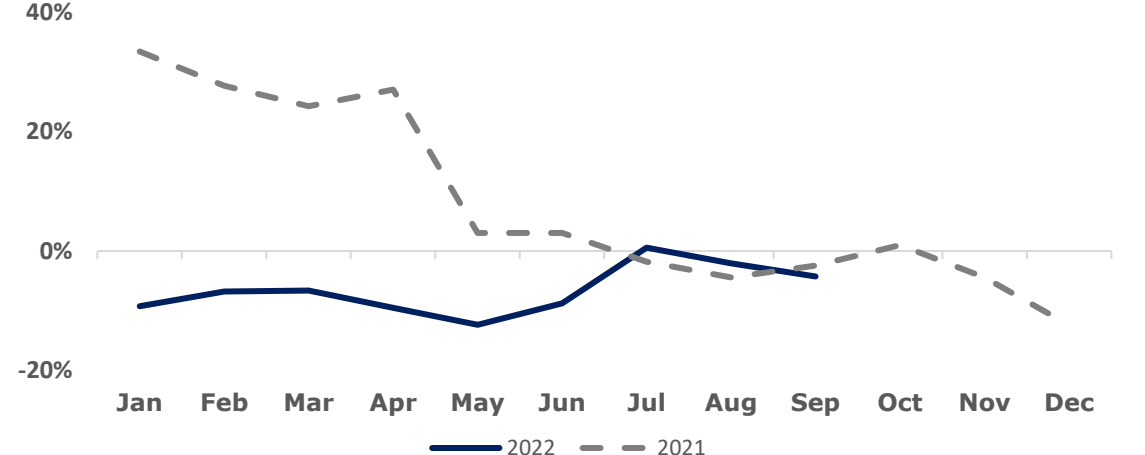
Asia Monthly ADV (Y/Y)



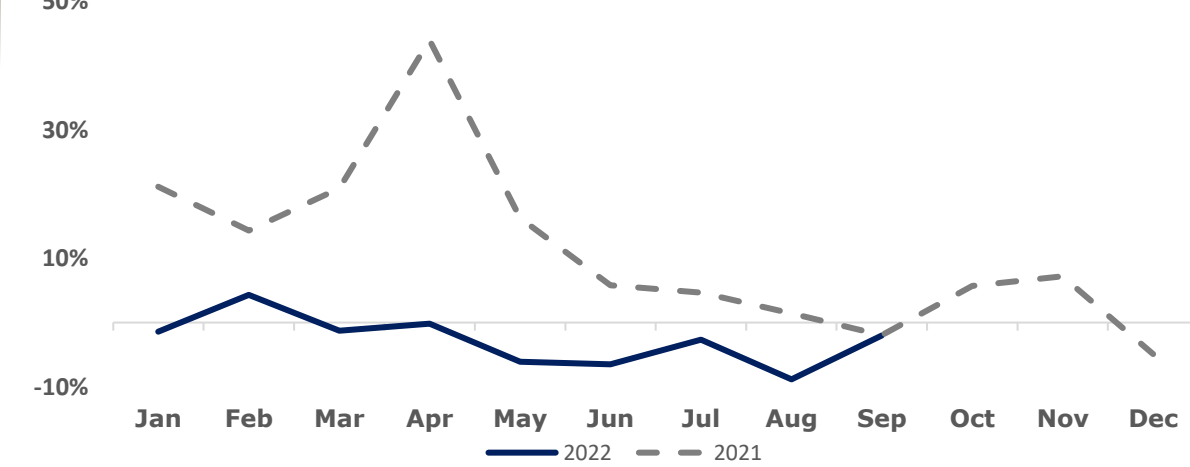
Europe Monthly ADV (Y/Y)



Americas Monthly ADV (Y/Y)

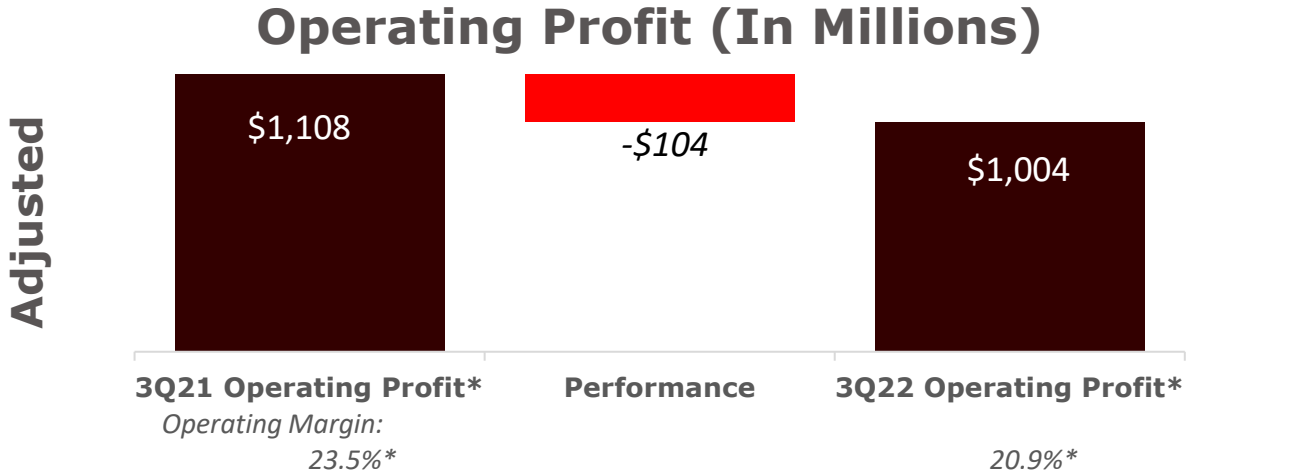
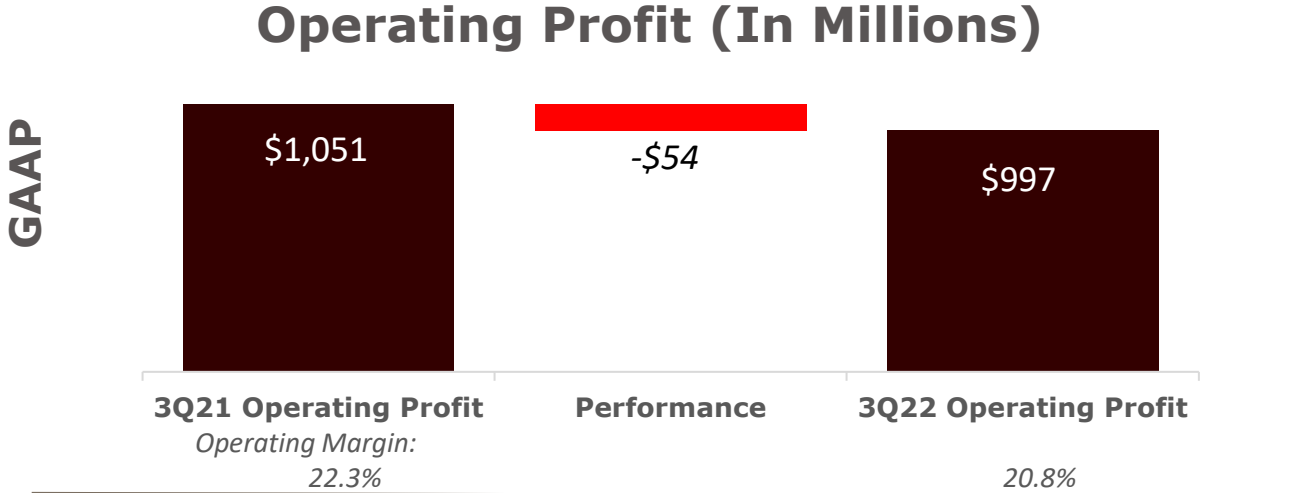


U.S. Export Monthly ADV (Y/Y)



Generated Operating Profit of \$1.0B

Remained agile and flexed our network in response to changing market conditions



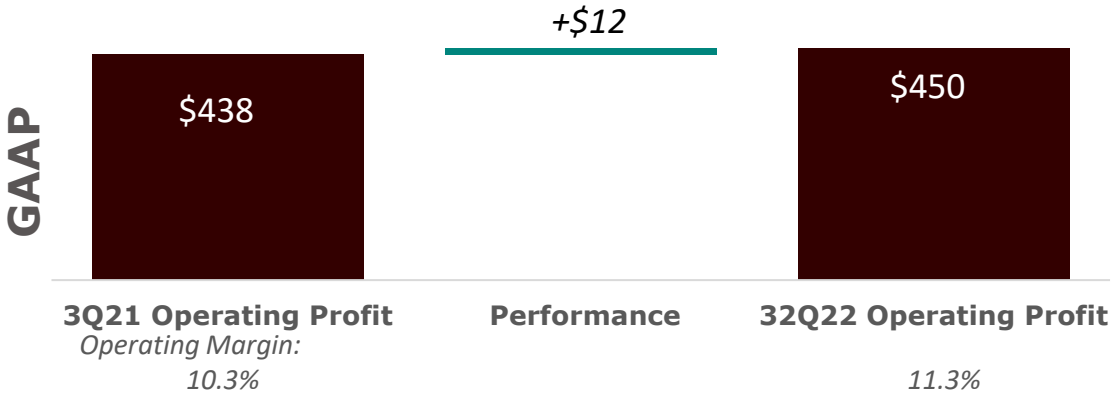
- Revenue per piece increased 6.4%, which included impacts from fuel, currency and a 510 basis point increase from the combination of product mix and revenue-quality actions
- Currency negatively impacted profit by \$82M
- Adjusted operating margin* of 20.9%, down from same period last year due to de-levering fixed costs and the impact of a stronger U.S. dollar



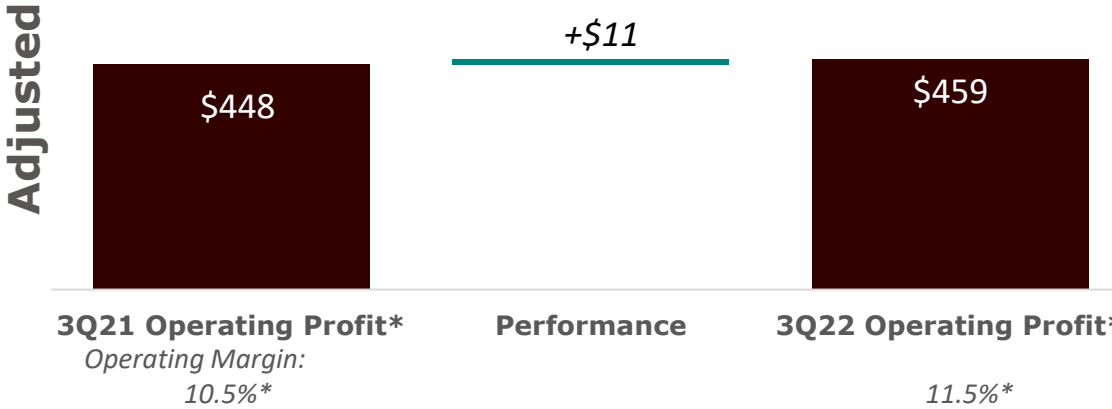
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Generated Operating Profit Growth and Margin Expansion

Operating Profit (In Millions)



Operating Profit (In Millions)

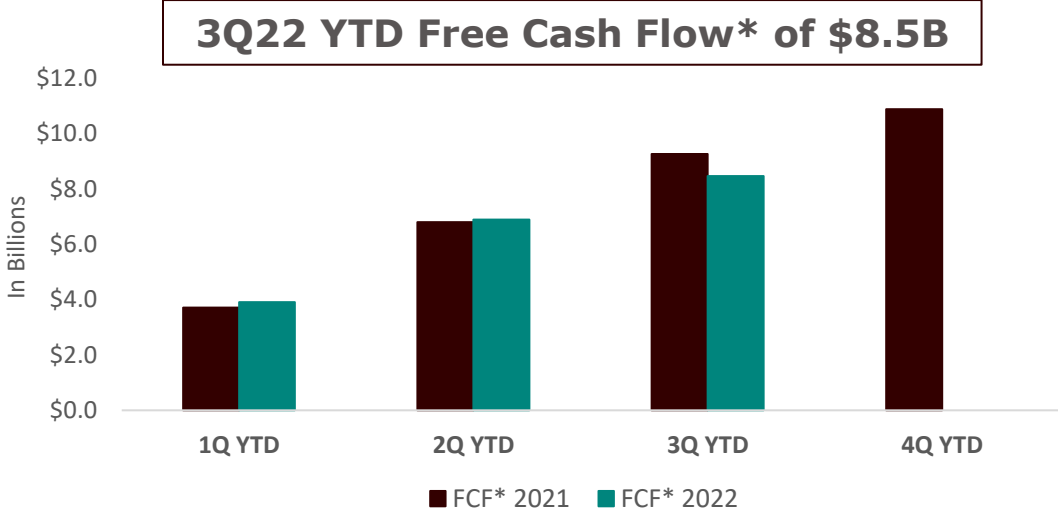
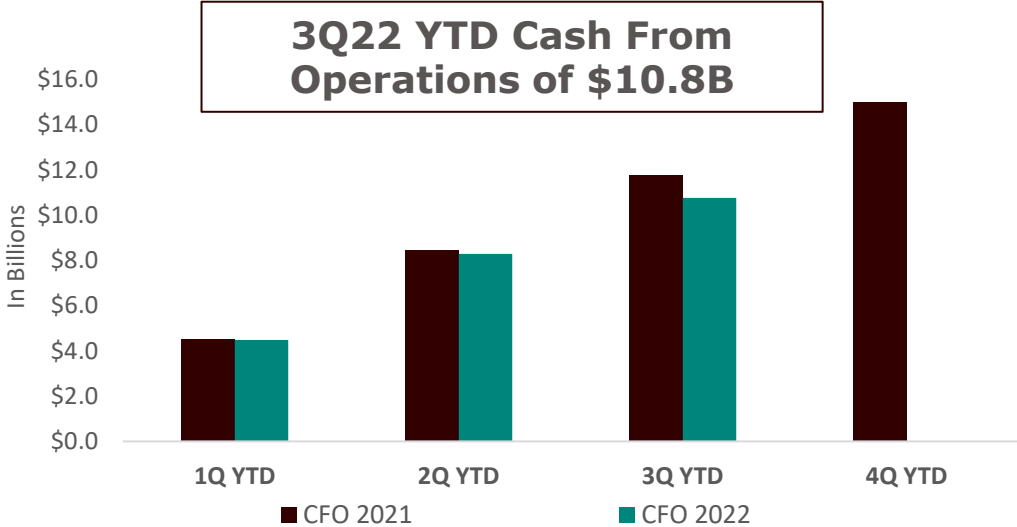


- Revenue of \$4B, a decline of \$268M year over year; included a \$92M negative impact from currency
- Forwarding effectively managed buy-sell spreads and continued supporting our customers
- Logistics delivered strong top- and bottom-line results, driven by our complex healthcare business



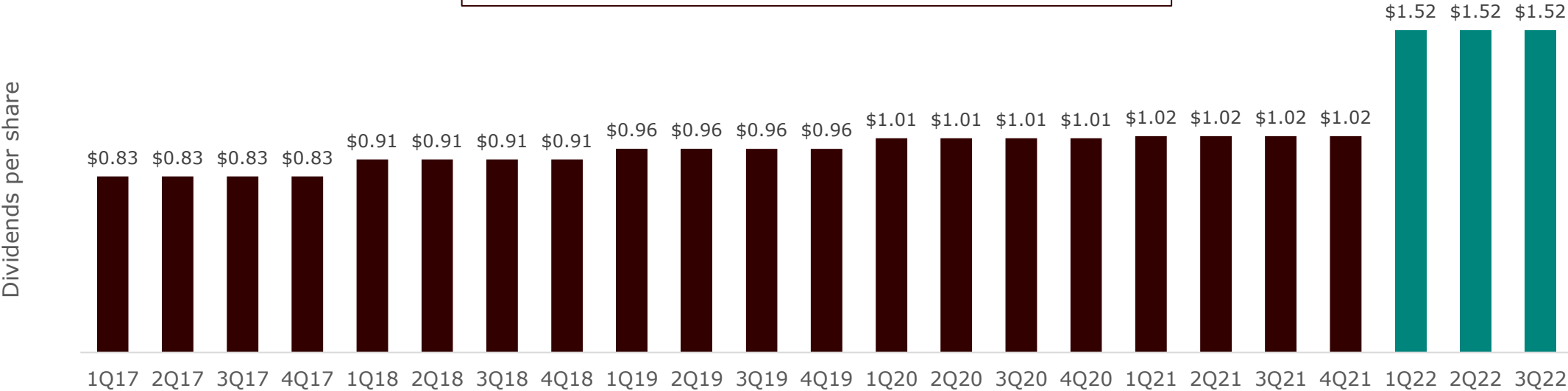
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Cash Flow and Dividends



* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure. In 2021, results include total pension contributions of \$0.6B.

Paid \$3.8B in Dividends 3Q22 YTD



Reaffirming Full-Year 2022 Financial Targets

We are remaining agile in a dynamic macro environment

- ± Expect macro environment to remain dynamic with full-year global GDP growing 2.8% and U.S. GDP growing 1.7%
- + Agility in network to match changes in volume levels and deliver excellent service
- = Paying close attention to:
 - Asia lockdowns
 - Inflationary pressures
 - Consumer economic health
 - Geopolitical environment

Full-year 2022 Outlook

- Consolidated Financial Targets:
 - Revenue around \$102B
 - Adjusted operating margin* about 13.7%
 - Adjusted return on invested capital* >30%
- Capital Allocation:
 - Free cash flow* >\$9B
 - Capital expenditures of ~\$5.0B, \$500M less than original plan
 - Planned dividend payout ~\$5.2B, subject to board approval
 - Expect share repurchases of at least \$3B

4Q 2022 Outlook

- U.S. Domestic: revenue growth of ~4.5%; adjusted operating margin* ~12.4%
- International: revenue growth relatively flat; adjusted operating margin* ~21.5%
- Supply Chain Solutions: revenue >\$4B; adjusted operating margin* ~11.4%





Questions & Answers





Appendix

Reconciliation of GAAP and Non-GAAP Financial Measures

Non-GAAP Financial Measures; Reconciliations

From time to time we supplement the reporting of our financial information determined under generally accepted accounting principles ("GAAP") with certain non-GAAP financial measures. These include: "adjusted" compensation and benefits; operating expenses; earnings before interest, taxes, depreciation and amortization ("EBITDA"); operating profit; operating margin; other income and (expense); income before income taxes; income tax expense; effective tax rate; net income; and earnings per share. We present revenue, revenue per piece and operating profit on a constant currency basis. Additionally, we disclose free cash flow, return on invested capital ("ROIC") and the ratio of adjusted total debt to adjusted EBITDA.

We believe that these non-GAAP measures provide meaningful information to assist users of our financial statements in more fully understanding our financial results and cash flows and assessing our ongoing performance, because they exclude items that may not be indicative of, or are unrelated to, our underlying operations and may provide a useful baseline for analyzing trends in our underlying businesses. These non-GAAP measures are used internally by management for business unit operating performance analysis, business unit resource allocation and in connection with incentive compensation award determinations.

Non-GAAP financial measures should be considered in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP. Our adjusted financial information does not represent a comprehensive basis of accounting. Therefore, our adjusted financial information may not be comparable to similarly titled information reported by other companies.

Transformation and Other Charges

Adjusted EBITDA, operating profit, operating margin, income before income taxes, net income and earnings per share may exclude the impact of charges related to transformation activities, goodwill and asset impairments, and divestitures.

Changes in Foreign Currency Exchange Rates and Hedging Activities

Currency-neutral revenue, revenue per piece and operating profit exclude the period over period impact of foreign currency exchange rate changes and any foreign currency hedging activities. These measures are calculated by dividing current period reported U.S. dollar revenue, revenue per piece and operating profit by the current period average exchange rates to derive current period local currency revenue, revenue per piece and operating profit. The derived amounts are then multiplied by the average foreign exchange rates used to translate the comparable results for each month in the prior year period (including the impact of any foreign currency hedging activities). The difference between the current period reported U.S. dollar revenue, revenue per piece and operating profit and the derived current period U.S. dollar revenue, revenue per piece and operating profit is the period over period impact of foreign currency exchange rates and hedging activities.

Pension and Postretirement Adjustments

We recognize changes in the fair value of plan assets and net actuarial gains and losses in excess of a 10% corridor (defined as 10% of the greater of the fair value of plan assets or the plan's projected benefit obligation), as well as gains and losses resulting from plan amendments, for our pension and postretirement defined benefit plans immediately as part of other pension income (expense). We supplement the presentation of our income before income taxes, net income and earnings per share with adjusted measures that exclude the impact of these gains and losses and the related income tax effects. We believe excluding these defined benefit plan gains and losses provides important supplemental information by removing the volatility associated with plan amendments and short-term changes in market interest rates, equity values and similar factors.

The deferred income tax effects of pension and postretirement adjustments are calculated by multiplying the statutory tax rates applicable in each tax jurisdiction, including the U.S. federal jurisdiction and various U.S. state and non-U.S. jurisdictions, by the adjustments.

Free Cash Flow

We calculate free cash flow as cash flows from operating activities less capital expenditures, proceeds from disposals of property, plant and equipment, and plus or minus the net changes in finance receivables and other investing activities. We believe free cash flow is an important indicator of how much cash is generated by our ongoing business operations and we use this as a measure of incremental cash available to invest in our business, meet our debt obligations and return cash to shareowners.

Adjusted Return on Invested Capital

Adjusted ROIC is calculated as the trailing twelve months ("TTM") of adjusted operating income divided by the average of total debt, non-current pension and postretirement benefit obligations and shareowners' equity, at the current period end and the corresponding period end of the prior year. Because adjusted ROIC is not a measure defined by GAAP, we calculate it, in part, using non-GAAP financial measures that we believe are most indicative of our ongoing business performance. We consider adjusted ROIC to be a useful measure for evaluating the effectiveness and efficiency of our long-term capital investments.

Adjusted Total Debt / Adjusted EBITDA

Adjusted total debt is defined as our long-term debt and finance leases, including current maturities, plus non-current pension and postretirement benefit obligations. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization adjusted for restructuring and other costs and investment income and other. We believe the ratio of adjusted total debt to adjusted EBITDA is an important indicator of our financial strength, and is a ratio used by third parties when evaluating the level of our indebtedness.

Forward-Looking Non-GAAP Metrics

From time to time when presenting forward-looking non-GAAP metrics, we are unable to provide quantitative reconciliations to the most closely correlated GAAP measure due to the uncertainty in the timing, amount or nature of any adjustments, which could be material in any period.



Reconciliations

United Parcel Service, Inc. Reconciliation of GAAP and As Adjusted Income Statement Data (unaudited)

Three Months Ended September 30,

(in millions, except per share data)

	2022			2021			% Change As Rep. (GAAP)	% Change As Adj. (Non-GAAP)
	As Reported (GAAP)	Transformation & Other Adj. ⁽¹⁾	As Adjusted (Non-GAAP)	As Reported (GAAP)	Transformation & Other Adj. ⁽²⁾	As Adjusted (Non-GAAP)		
U.S. Domestic Package	\$ 13,708	20	\$ 13,688	\$ 12,801	\$ 7	\$ 12,794	7.1 %	7.0 %
International Package	3,802	7	3,795	3,669	57	3,612	3.6 %	5.1 %
Supply Chain Solutions	3,538	9	3,529	3,818	10	3,808	(7.3)%	(7.3)%
Operating expense	21,048	36	21,012	20,288	74	20,214	3.7 %	3.9 %
U.S. Domestic Package	\$ 1,666	20	\$ 1,686	\$ 1,407	\$ 7	\$ 1,414	18.4 %	19.2 %
International Package	997	7	1,004	1,051	57	1,108	(5.1)%	(9.4)%
Supply Chain Solutions	450	9	459	438	10	448	2.7 %	2.5 %
Operating Profit	3,113	36	3,149	2,896	74	2,970	7.5 %	6.0 %
Other Income and (Expense):								
Other pension income (expense)	297	—	297	285	—	285	4.2 %	4.2 %
Investment income (expense) and other	36	—	36	(11)	—	(11)	N/M	N/M
Interest expense	(177)	—	(177)	(177)	—	(177)	0.0 %	0.0 %
Total Other Income (Expense)	\$ 156	\$ —	\$ 156	\$ 97	\$ —	\$ 97	60.8 %	60.8 %
Income Before Income Taxes	3,269	36	3,305	2,993	74	3,067	9.2 %	7.8 %
Income Tax Expense	685	9	694	664	20	684	3.2 %	1.5 %
Net Income	\$ 2,584	\$ 27	\$ 2,611	\$ 2,329	\$ 54	\$ 2,383	10.9 %	9.6 %
Basic Earnings Per Share	\$ 2.97	\$ 0.03	\$ 3.00	\$ 2.66	\$ 0.06	\$ 2.72	11.7 %	10.3 %
Diluted Earnings Per Share	\$ 2.96	\$ 0.03	\$ 2.99	\$ 2.65	\$ 0.06	\$ 2.71	11.7 %	10.3 %
Weighted-average shares outstanding:								
Basic	870			875				
Diluted	872			879				

(1) Transformation & Other of \$36 million reflects other employee benefits costs of \$15 million and other costs of \$21 million.

(2) Transformation & Other of \$74 million reflects other employee benefits costs of \$33 million and other costs of \$41 million.



Reconciliations

United Parcel Service, Inc.
Supplemental Analysis of Currency - Third Quarter
(unaudited)

Reconciliation of Currency Neutral Revenue Per Piece, Revenue and As Adjusted Operating Profit

(in millions, except per piece data)

	GAAP			Non-GAAP		
	Three Months Ended September 30			Currency Neutral		
	2022	2021	% Change	Currency	2022 ⁽¹⁾	% Change
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 7.31	\$ 7.19	1.7 %	\$ 1.08	\$ 8.39	16.7 %
Export	34.77	33.56	3.6 %	1.96	36.73	9.4 %
Total International Package	\$ 21.07	\$ 19.80	6.4 %	\$ 1.52	\$ 22.59	14.1 %
Consolidated	\$ 13.58	\$ 12.50	8.6 %	\$ 0.23	\$ 13.81	10.5 %
Revenue (in millions):						
U.S. Domestic Package	\$ 15,374	\$ 14,208	8.2 %	\$ —	\$ 15,374	8.2 %
International Package	4,799	4,720	1.7 %	335	5,134	8.8 %
Supply Chain Solutions	3,988	4,256	(6.3)%	92	4,080	(4.1)%
Total revenue	\$ 24,161	\$ 23,184	4.2 %	\$ 427	\$ 24,588	6.1 %
As Adjusted Operating Profit (in millions)⁽²⁾:						
U.S. Domestic Package	\$ 1,686	\$ 1,414	19.2 %	\$ —	\$ 1,686	19.2 %
International Package	1,004	1,108	(9.4)%	82	1,086	(2.0)%
Supply Chain Solutions	459	448	2.5 %	(7)	452	0.9 %
Total operating profit	\$ 3,149	\$ 2,970	6.0 %	\$ 75	\$ 3,224	8.6 %

(1) Amounts adjusted for period over period foreign currency exchange rate and hedging differences

(2) Amounts adjusted for transformation & other



Reconciliations

United Parcel Service, Inc.
Reconciliation of Adjusted Debt to Adjusted EBITDA (Non-GAAP measure)
(unaudited)

<i>(amounts in millions)</i>	TTM ⁽¹⁾ Ended September 30, 2022	TTM ⁽¹⁾ Ended September 30, 2021
Net Income	\$ 11,188	\$ 6,450
Add back:		
Income tax expense	3,132	1,895
Interest expense	695	696
Depreciation and amortization	3,054	2,911
EBITDA	18,069	11,952
Add back (deduct):		
Transformation and other	193	1,106
Defined benefit plan (gains) and losses	(15)	3,194
Investment income and other	(1,210)	(1,279)
Adjusted EBITDA	\$ 17,037	\$ 14,973
Debt and finance leases, including current maturities	\$ 20,350	\$ 22,106
Add back:		
Non-current pension and postretirement benefit obligations	6,747	7,672
Adjusted total debt	\$ 27,097	\$ 29,778
Adjusted total debt/adjusted EBITDA	<u>1.59</u>	<u>1.99</u>

(1) Trailing twelve months



Reconciliations

United Parcel Service, Inc.
Reconciliation of Adjusted Return on Invested Capital (Non-GAAP measure)
(unaudited)

<i>(amounts in millions)</i>	TTM ⁽¹⁾ Ended September 30, 2022	TTM ⁽¹⁾ Ended September 30, 2021
Net Income	\$ 11,188	\$ 6,450
Add back (deduct):		
Income tax expense	3,132	1,895
Interest expense	695	696
Other pension (income) expense	(1,193)	1,967
Investment (income) expense and other	(32)	(52)
Operating profit	13,790	10,956
Transformation and other	\$ 193	\$ 1,106
Adjusted operating profit	<u>\$ 13,983</u>	<u>\$ 12,062</u>
Average debt and finance leases, including current maturities	\$ 21,228	\$ 23,912
Average non-current pension and postretirement benefit obligations	7,210	8,651
Average shareowners' equity	14,523	8,832
Average Invested Capital	<u>\$ 42,961</u>	<u>\$ 41,395</u>
Net income to average invested capital	<u>26.0 %</u>	<u>15.6 %</u>
Adjusted Return on Invested Capital	<u>32.5 %</u>	<u>29.1 %</u>

(1) Trailing twelve months



Reconciliations

United Parcel Service, Inc.
Reconciliation of Free Cash Flow (Non-GAAP measure)
(unaudited)

(amounts in millions)

	Nine Months Ended	
	September 30	
	2022	2021
Cash flows from operating activities	\$ 10,772	\$ 11,761
Capital expenditures	(2,278)	(2,570)
Proceeds from disposals of property, plant and equipment	12	22
Net change in finance receivables	23	28
Other investing activities	(57)	24
Free Cash Flow (Non-GAAP measure)	<u>\$ 8,472</u>	<u>\$ 9,265</u>

