1Q24
Earnings Call

April 23, 2024

PJ GUIDO

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.

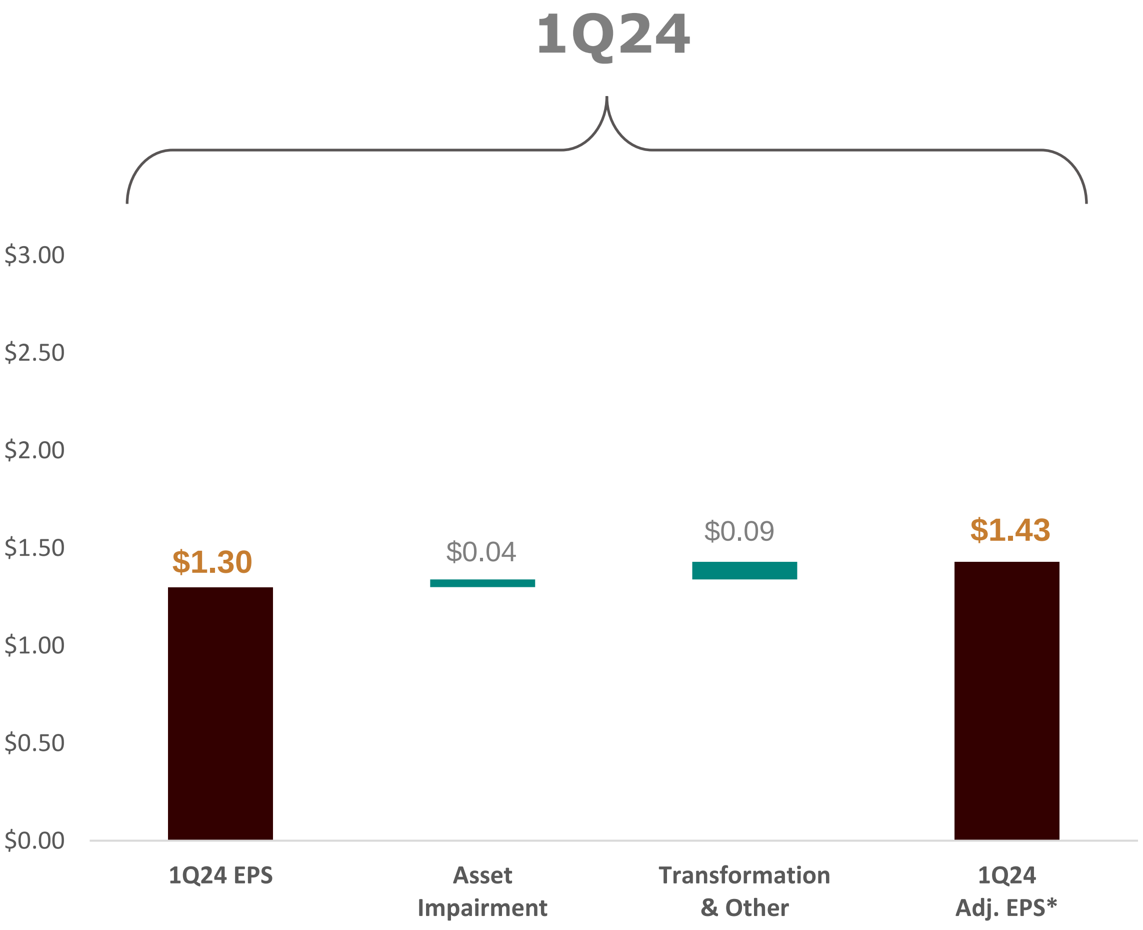
From time to time, we also include written or oral forward-looking statements in other publicly disclosed materials. Such statements may relate to our intent, belief, forecasts of, or current expectations about our strategic direction, prospects, future results, or future events; they do not relate strictly 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.

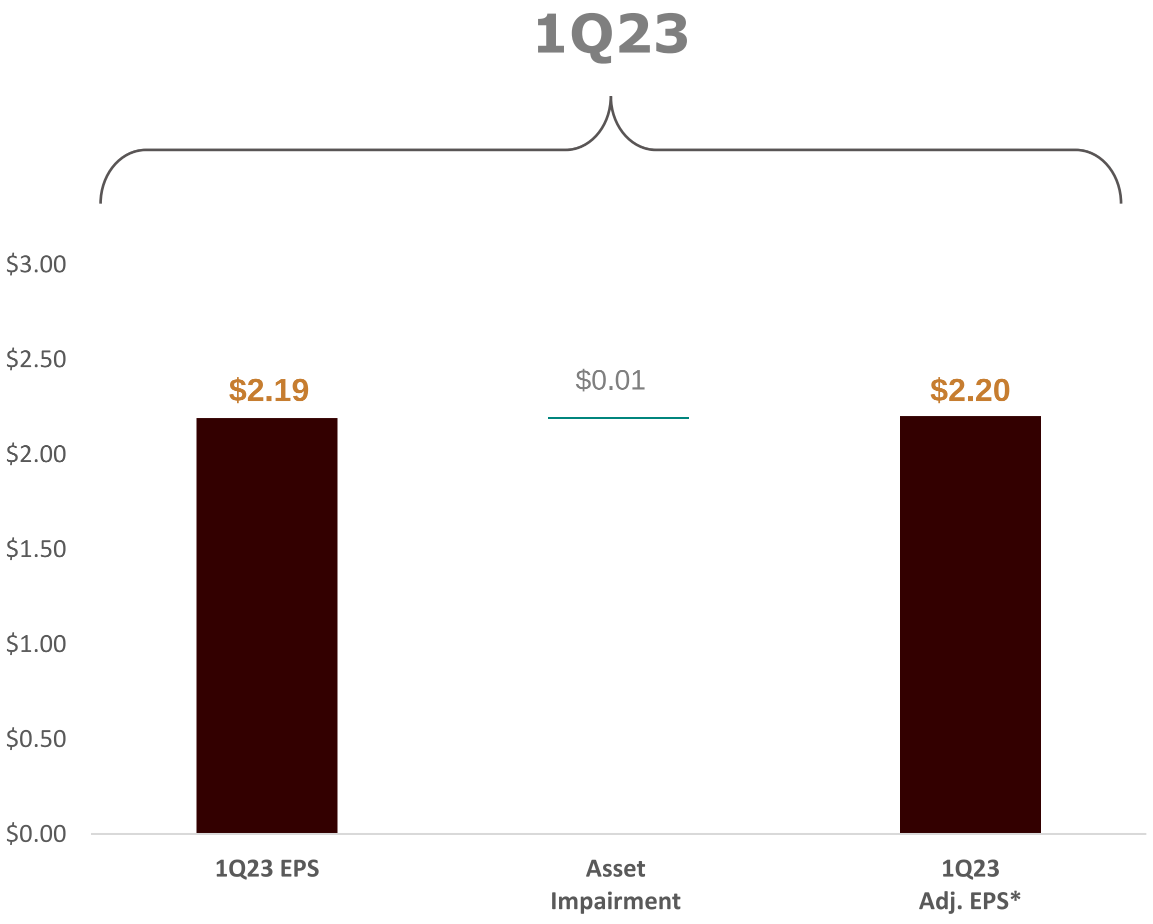
Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties include, but are not limited to: changes in general economic conditions in the U.S. or internationally; significant competition on a local, regional, national and international basis; changes in our relationships with our significant customers; our ability to attract and retain qualified employees; strikes, work stoppages or slowdowns by our employees; increased or more complex physical or operational security requirements; a significant cybersecurity incident, or increased data protection regulations; our ability to maintain our brand image and corporate reputation; impacts from 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, regulatory and social developments in international and emerging markets; our ability to realize the anticipated benefits from acquisitions, dispositions, joint ventures or strategic alliances; the effects of changing prices of energy, including gasoline, diesel, jet fuel, other fuels and interruptions in supplies of these commodities; changes in exchange rates or interest rates; our ability to accurately forecast our future capital investment needs; increases in our expenses or 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; 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, 2023, 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.

From time to time, the Company expects to participate in analyst and investor conferences. Materials provided or displayed at those conferences, such as slides and presentations, may be posted on our investor relations website at www.investors.ups.com under the heading “Presentations,” when made available. These presentations may contain new material nonpublic information about the Company and you are encouraged to monitor this site for any new posts, as we may use this mechanism as a public announcement.

Diluted EPS





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

CAROL B. TOMÉ

Chief Executive Officer

Thank You UPSers

For delivering industry-leading service

1Q24 Consolidated Results

In $ Millions **(except per share)**	**1Q24**	**1Q23**	**Change Y/Y**
Revenue	$21,706	$22,925	-5.3%
Adj. Operating Profit*	$1,747	$2,552	-31.5%
Adj. Operating Margin*	8.0%	11.1%	-310 bps
Adj. Diluted EPS*	$1.43	$2.20	-35.0%

"The first quarter turned out as we expected… U.S. average daily volume declined year over year but the rate of decline slowed as the quarter progressed, ending with March down less than one percent."

Carol B. Tomé, CEO

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

Customer First, People Led, Innovation Driven

- Expanding addressable market through On Demand Network made up of Happy Returns, The UPS Store and Roadie; launched RoadieXD for long-zone, big and bulky items
- Enhanced DAP with Fastlane to optimize rates within days or hours to target attractive volume growth
- Progressing with 16 customer journeys; drove 74% reduction in U.S. pickup concerns Y/Y, and since April of 2023, a 40% reduction in customs brokerage holds through Next Gen Brokerage
- Opened Labport, our end-of-runway facility for lab customers at Worldport
- Launched next-day flights between Shenzhen, CN and Sydney, AU, speeding up transit times between 11 Asian markets and AU

- Rolling out phase two of smart package smart facility to install RFID readers in over 40,000 U.S. package cars in 2024
- Launched Network of the Future; major projects in contracting and execution
- Reduced scope 1, 2 and 3 CO2 emissions by 8.1% in 2023 compared to 2022

2024 Outlook

Reaffirming 2024 financial goals, including:

- Expect revenue within a range of approximately $92.0B to $94.5B
- Expect adjusted operating margin* within a range of approximately 10.0% to 10.6%
- Expect to exit the year with a U.S. adjusted operating margin* of 10%

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

BRIAN NEWMAN

Chief Financial Officer

1Q24 Consolidated Results

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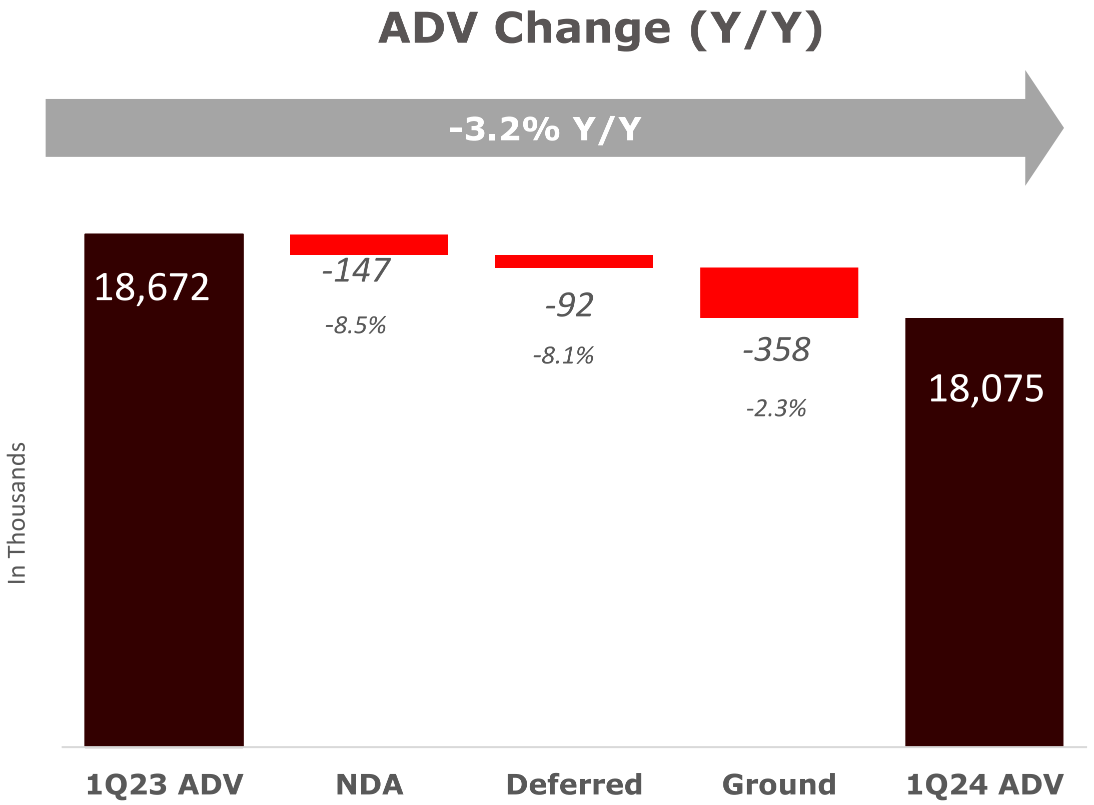
"All three of our segments demonstrated cost agility and on a combined basis drove down expense by $414 million in the first quarter. This enabled us to deliver $1.7 billion in consolidated operating profit."*

Brian Newman, CFO

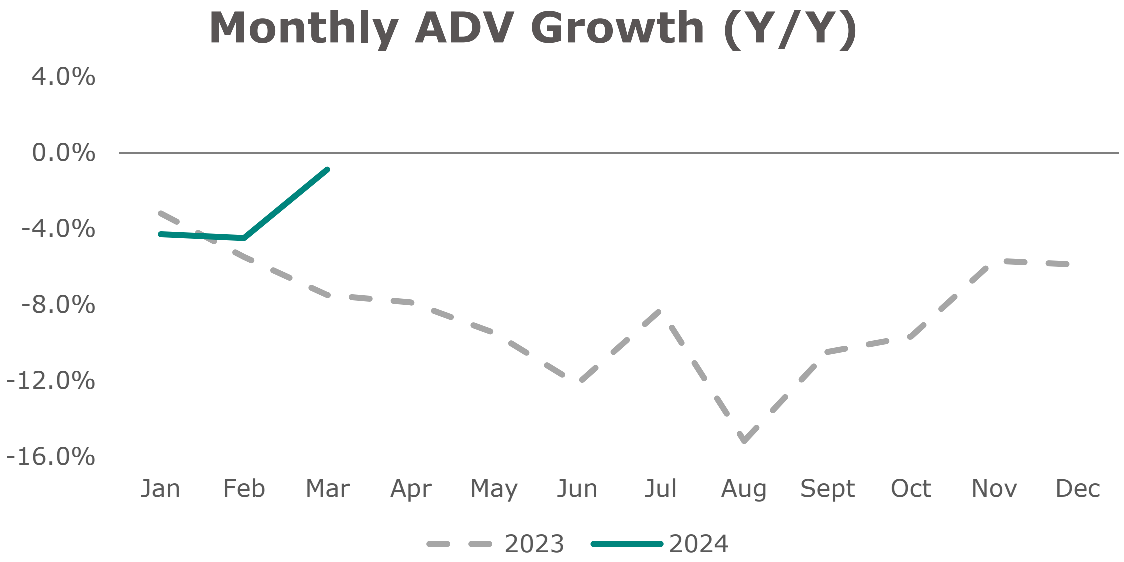
*Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.

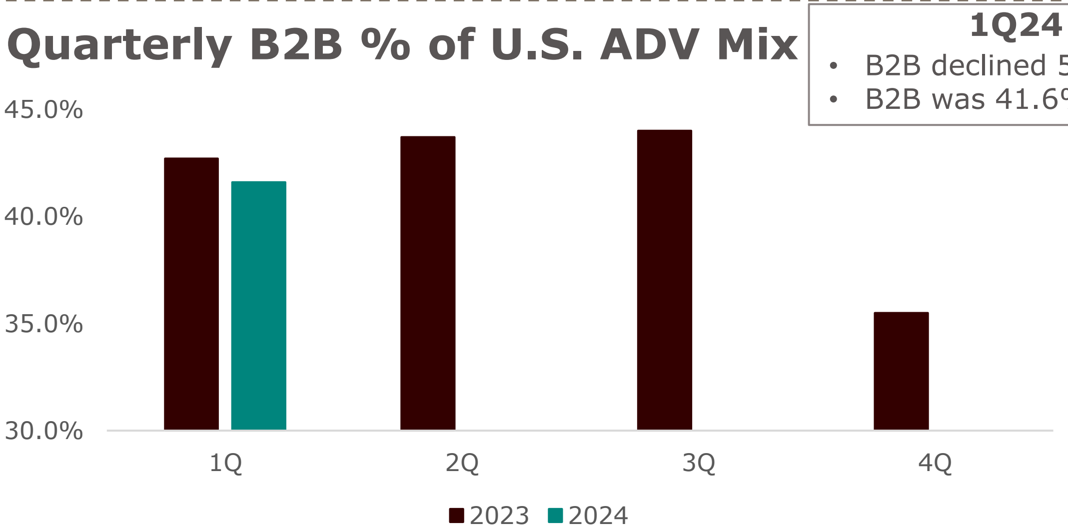
1Q Average Daily Volume Declined 3.2% Y/Y

Focused on controlling what we could control to improve volume growth and drive productivity



- Within Ground, SurePost volume grew 10.8%.



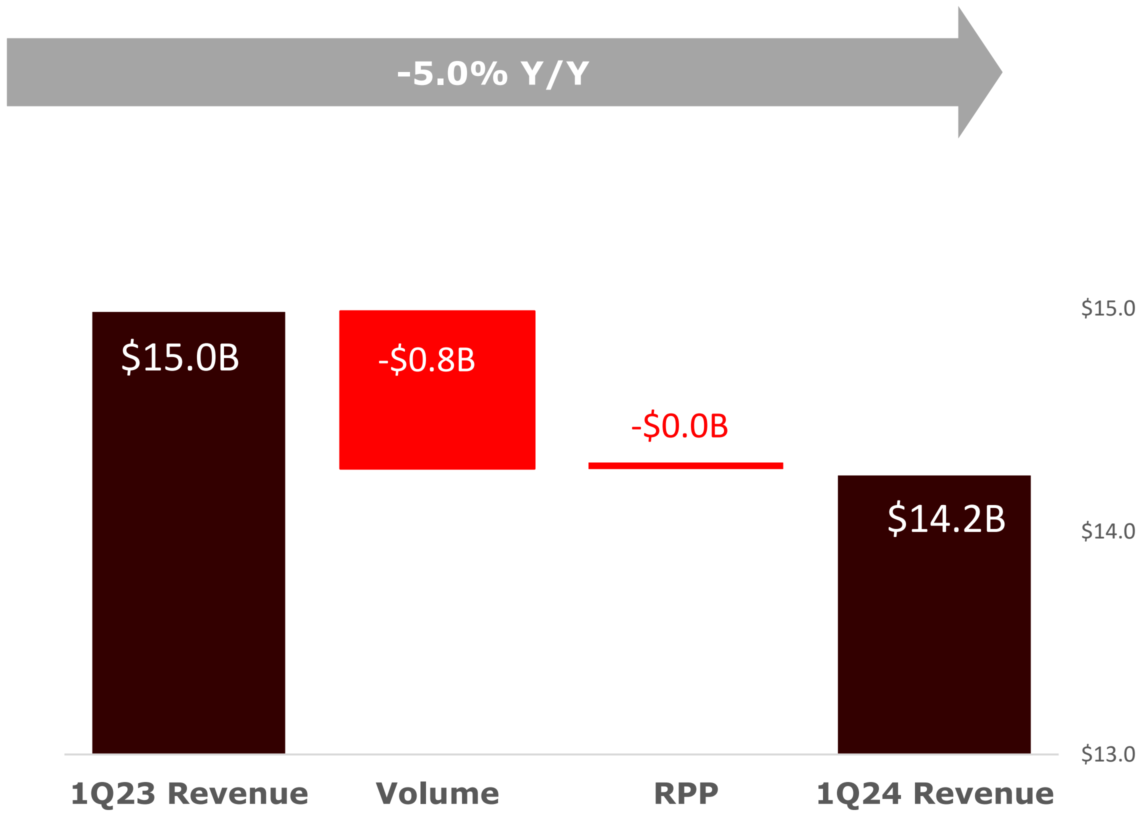


1Q24
- B2B declined 5.5%
- B2B was 41.6% of ADV

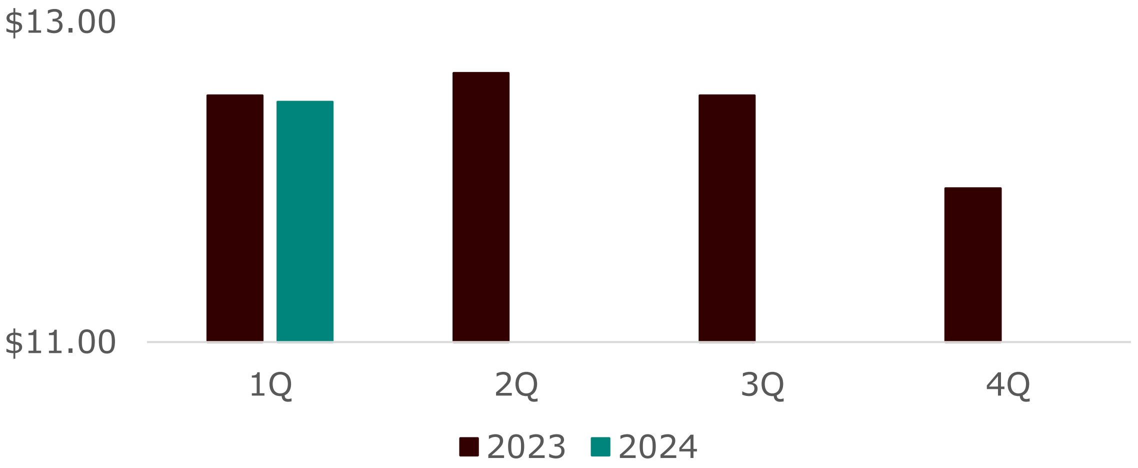
1Q Revenue of $14.2B, Down 5.0% Y/Y

Revenue per piece was relatively flat Y/Y

Revenue Change (Y/Y)



Revenue Per Piece



1Q revenue per piece (RPP) was relatively flat, driven by:

- Base rates increased RPP growth rate ~240 basis points
- Changes in customer and product mix due to growth in SurePost, combined with changes in package characteristics, decreased RPP growth rate ~180 basis points
- Fuel decreased the RPP growth rate ~90 basis points

Delivered $839M in Adjusted Operating Profit* in 1Q

Leveraged technology and the agility of our integrated network to reduce expense

U.S. Domestic Results

	1Q24	1Q23	Change Y/Y
Revenue	$14.2B	$15.0B	-5.0%
Adj. Operating Profit*	$0.8B	$1.5B	-43.6%
Adj. Operating Margin*	5.9%	9.9%	-400 bps

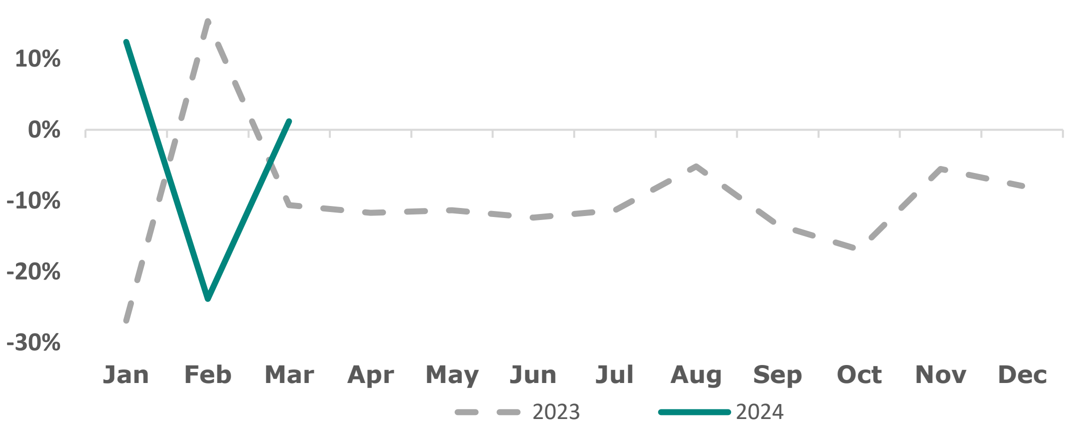
- Adjusted operating expense* was down 0.8% despite a 13.0% increase in union wage rates
  - Leveraged Network Planning Tools and Total Service Plan to reduce total operational hours 6.6%, which was more than the decline in average daily volume
  - Closed 18 sorts and reduced operational resources 4.8% Y/Y
  - Lowered block hours 15.2% versus last year
  - Reduced management and support staff by ~5,400 positions Y/Y
  - Reduced purchased transportation 17% Y/Y, primarily from continued optimization efforts
  - Lower fuel costs contributed to the total expense decrease

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

1Q International Average Daily Volume Down 5.8% Y/Y

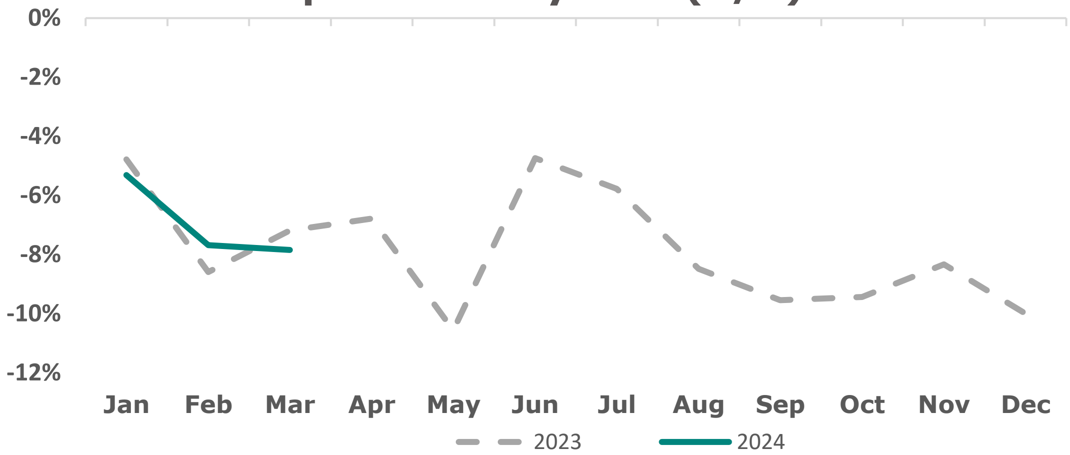
Domestic ADV down 8.1%; Export ADV down 3.6%

Total Asia* Monthly ADV (Y/Y)



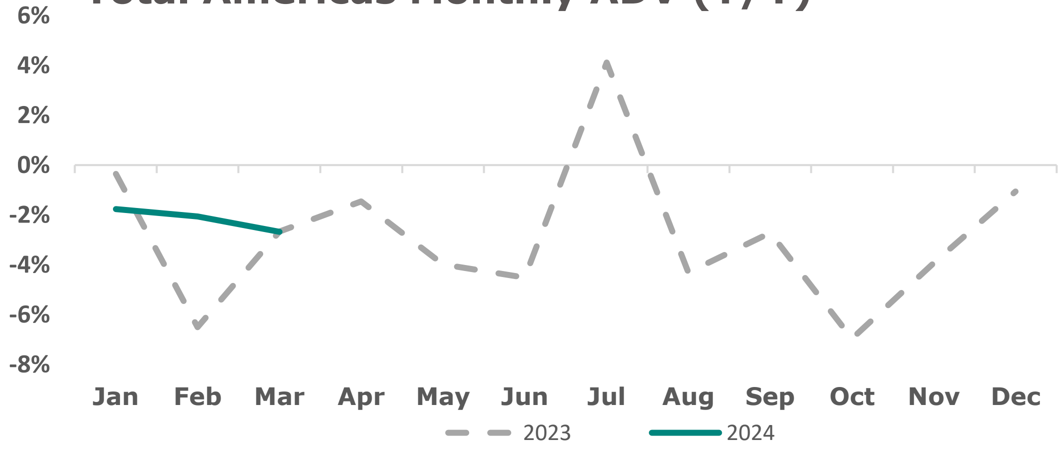
*Lunar New Year was in February of 2024 and in January of 2023

Total Europe** Monthly ADV (Y/Y)

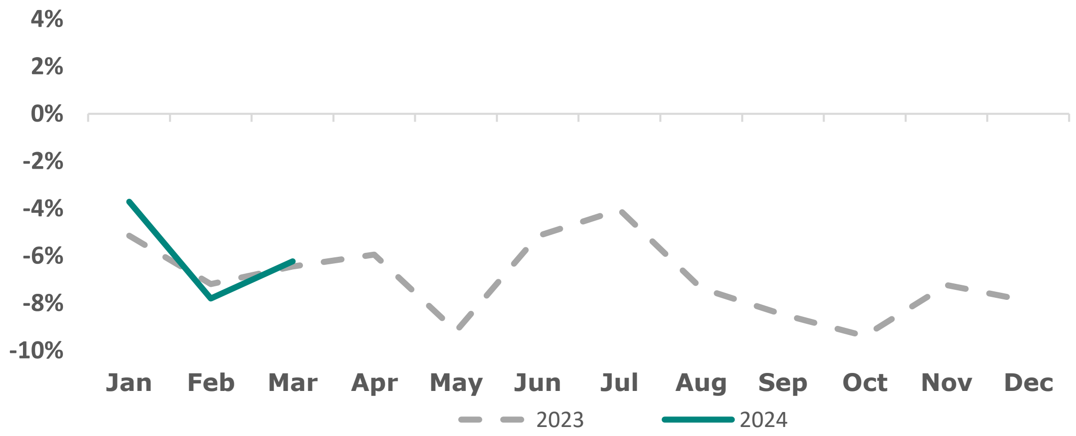


**Europe includes ISMEA (Indian Subcontinent, Middle East, and Africa)

Total Americas Monthly ADV (Y/Y)



Total Monthly ADV (Y/Y)



Generated 1Q Adjusted Operating Profit* of $682M

Leveraged agility of our integrated network to match capacity with demand

International Results

	1Q24	1Q23	Change Y/Y
Revenue	$4.3B	$4.5B	-6.3%
Adj. Operating Profit*	$0.7B	$0.8B	-15.4%
Adj. Operating Margin*	16.0%	17.7%	-170 bps

- Revenue per piece increased 2.0% Y/Y driven by:
  - Strong base pricing drove a ~360 basis point increase in the RPP growth rate
  - A decline in fuel surcharge revenue combined with a stronger U.S. dollar negatively impacted the RPP growth rate by ~80 basis points
  - Changes in demand-related surcharge revenue decreased the RPP growth rate by ~80 basis points
- Adjusted operating expense* decreased $163M Y/Y

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

Drove Expense Out While Navigating Challenging Macro Environment

Supply Chain Solutions Results

	1Q24	1Q23	Change Y/Y
Revenue	$3.2B	$3.4B	-5.3%
Adj. Operating Profit*	$226M	$258M	-12.4%
Adj. Operating Margin*	7.0%	7.6%	-60 bps

- Market rates in international air freight continued to drive down topline revenue
- In ocean freight, excess market capacity continued to pressure market rates, and drove down revenue, despite volume growth
- Our truckload brokerage unit continued to face soft demand and market rate pressures
- Logistics delivered revenue growth and increased operating profit driven by gains in healthcare

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

1Q24 Cash Flow and Dividends

Cash From Operations	Free Cash Flow*	Dividends Paid
$3.3B	$2.3B	$1.3B
+$959M Y/Y	+$510M Y/Y	$1.63 per share

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

2024 Full-year Consolidated Outlook

Reaffirming previously announced 2024 financial targets

2H24 Key Assumptions

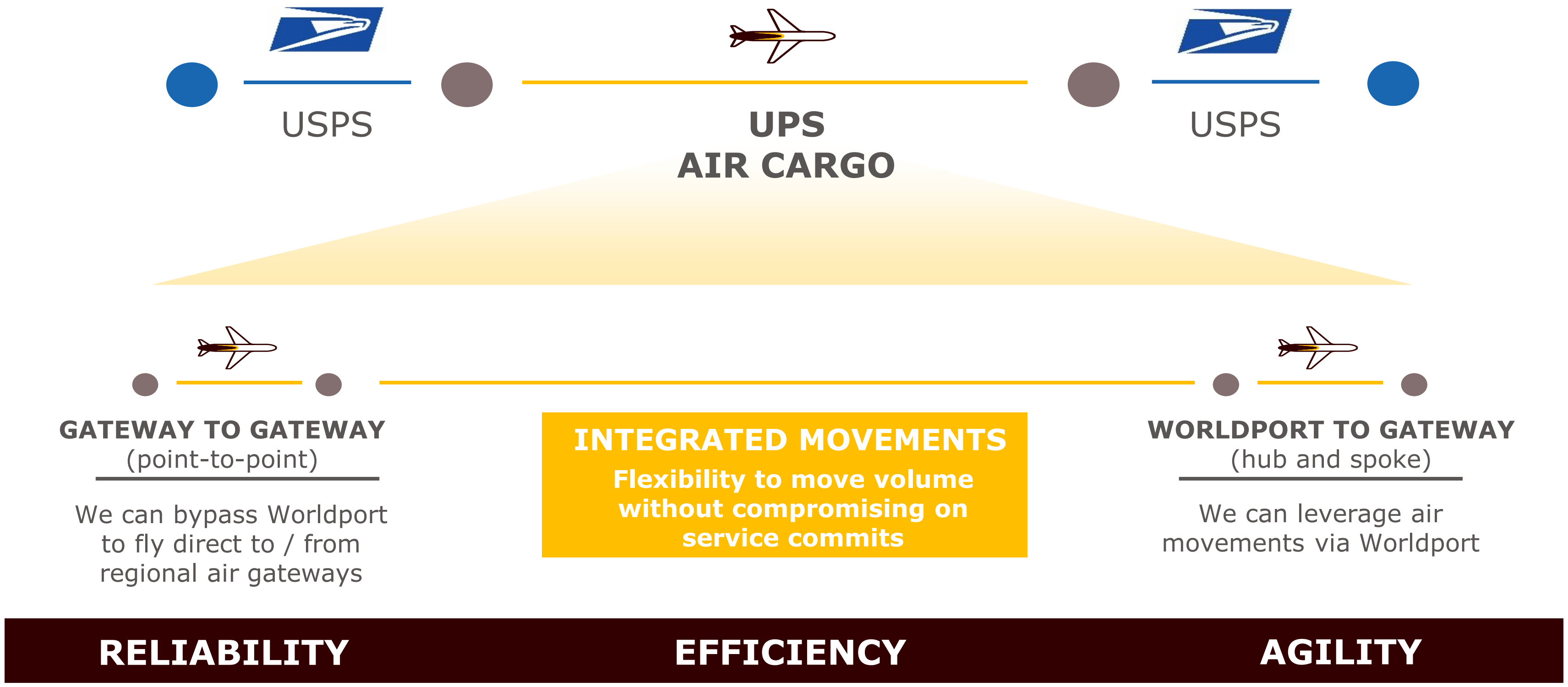
- *Return to positive volume and revenue growth*
- *Labor cost growth rate will drop substantially as we lap year one of our labor contract*
- *Majority of $1B in savings from Fit to Serve*
- *Revenue per piece to outperform cost per piece*

Full-year 2024 Consolidated Outlook

- Revenue within a range of approximately $92.0B - $94.5B
- Adjusted operating margin* within a range of approximately 10.0% - 10.6%
- 1H24 adjusted operating profit* down between 20%-30%
- U.S. Domestic to exit 2024 with 10% adjusted operating margin*
- Capital expenditures of around 5% of revenue or ~$4.5B
- Reviewing certain aspects of our pension strategy; therefore, expect free cash flow* to be within a range of approximately $5.9B - $6.7B, before reflecting any pension contributions

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

Leveraging the Flexibility of Our Integrated Network



USPS Air Cargo Financial Reporting

- Revenue and expense will be reported in SCS Other
- Higher share of the air network cost will be allocated to SCS, indirectly benefitting the U.S. Domestic segment

Reaffirming 3-year Consolidated Financial Targets

- Revenue between $108B and $114B by 2026
  - High end includes inorganic opportunities, primarily in healthcare and international
- Adjusted operating margin* of more than 13%
  - Includes U.S. Domestic adjusted operating margin* of at least 12%

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


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.

Adjusted 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 measures do not represent a comprehensive basis of accounting and therefore may not be comparable to similarly titled measures reported by other companies.

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.

Incentive Compensation Program Design Changes

During 2022, we completed certain structural changes to the design of our incentive compensation programs that resulted in a one-time, non-cash charge in connection with the accelerated vesting of certain equity incentive awards that we do not expect to repeat. We supplement the presentation of our operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of these changes. We believe excluding the impacts of such changes allows users of our financial statements to more appropriately identify underlying growth trends in compensation and benefits expense

Long-lived Asset Estimated Residual Value Changes

During the fourth quarter of 2022, we incurred a one-time, non-cash charge resulting from a reduction in the estimated residual value of our MD-11 fleet. We supplement the presentation of our operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of this charge. We believe excluding the impact of this charge better enables users of our financial statements to understand the ongoing cost associated with our long-lived assets.

Transformation and Other Costs, and Asset Impairment Charges

We supplement the presentation of our operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of charges related to transformation activities, asset impairments and other charges. We believe excluding the impact of these charges better enables users of our financial statements to view and evaluate underlying business performance from the perspective of management. We do not consider these costs when evaluating the operating performance of our business units, making decisions to allocate resources or in determining incentive compensation awards.

One-Time Compensation Payment

We supplement the presentation of our operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of a one-time payment made to certain U.S.-based, non-union part-time supervisors following the ratification of our labor agreement with the Teamsters. We do not expect this or similar payments to recur. We believe excluding the impact of this one-time payment better enables users of our financial statements to view and evaluate underlying business performance from the same perspective as management.

Defined Benefit Pension and Postretirement Medical Plan Gains and Losses

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 curtailments and settlements, for our defined benefit pension and postretirement medical plans immediately as part of Investment income (expense) and other in the statements of consolidated income. 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 pension and postretirement medical 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.

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 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 the impacts of incentive compensation program redesign, one-time compensation, goodwill & asset impairment charges, transformation and other costs, defined benefit plan gains and losses and other income. 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.

Reconciliations

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

Three Months Ended March 31,

(in millions, except per share data):	2024				2023					
	As Reported (GAAP)	Asset Impairment Charges[1]	Transformation & Other Adj.[2]	As Adjusted (Non-GAAP)	As Reported (GAAP)	Asset Impairment Charges[3]	Transformation & Other Adj.[4]	As Adjusted (Non-GAAP)	% Change As Rep. (GAAP)	% Change As Adj. (Non-GAAP)
U.S. Domestic Package	$ 13,409	$ 5	$ 9	$ 13,395	$ 13,521	$ —	$ 22	$ 13,499	(0.8)%	(0.8)%
International Package	3,600	2	24	3,574	3,715	—	(22)	3,737	(3.1)%	(4.4)%
Supply Chain Solutions	3,084	41	53	2,990	3,148	8	3	3,137	(2.0)%	(4.7)%
Operating Expense	20,093	48	86	19,959	20,384	8	3	20,373	(1.4)%	(2.0)%
U.S. Domestic Package	$ 825	$ 5	$ 9	$ 839	$ 1,466	$ —	$ 22	$ 1,488	(43.7)%	(43.6)%
International Package	656	2	24	682	828	—	(22)	806	(20.8)%	(15.4)%
Supply Chain Solutions	132	41	53	226	247	8	3	258	(46.6)%	(12.4)%
Operating Profit	1,613	48	86	1,747	2,541	8	3	2,552	(36.5)%	(31.5)%
Other Income and (Expense):										
Other pension income (expense)	67	—	—	67	66	—	—	66	1.5 %	1.5 %
Investment income (expense) and other	51	—	—	51	103	—	—	103	(50.5)%	(50.5)%
Interest expense	(195)	—	—	(195)	(188)	—	—	(188)	3.7 %	3.7 %
Total Other Income (Expense)	$ (77)	$ —	$ —	$ (77)	$ (19)	$ —	$ —	$ (19)	305.3 %	305.3 %
Income Before Income Taxes	1,536	48	86	1,670	2,522	8	3	2,533	(39.1)%	(34.1)%
Income Tax Expense	423	13	11	447	627	2	—	629	(32.5)%	(28.9)%
Net Income	$ 1,113	$ 35	$ 75	$ 1,223	$ 1,895	$ 6	$ 3	$ 1,904	(41.3)%	(35.8)%
Basic Earnings Per Share	$ 1.30	$ 0.04	$ 0.09	$ 1.43	$ 2.20	$ 0.01	$ —	$ 2.21	(40.9)%	(35.3)%
Diluted Earnings Per Share	$ 1.30	$ 0.04	$ 0.09	$ 1.43	$ 2.19	$ 0.01	$ —	$ 2.20	(40.6)%	(35.0)%
Weighted-average shares outstanding:										
Basic	856				862					
Diluted	857				865					

(1) Reflects impairment charges of $41 million for acquired trade names within Supply Chain Solutions and $7 million for software licenses.

(2) Reflects other employee benefits costs of $31 million and $55 million of other costs, including a one-time expense related to a regulatory matter.

(3) Reflects a goodwill impairment charge of $8 million within Supply Chain Solutions.

(4) Reflects other costs of $15 million, partially offset by a reduction in other employee benefit costs of $12 million.

Prior year amounts may have been reclassified to conform to the current year presentation. Certain amounts are calculated based on unrounded numbers. Earnings Per Share amounts disclosed above may not cross-foot due to calculations based on unrounded numbers.

Reconciliations

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

(amounts in millions):	TTM[(1)] Ended March 31, 2024	TTM[(1)] Ended March 31, 2023
Net income	$ 5,926	$ 10,781
Add back:		
Income tax expense	1,661	3,174
Interest expense	794	718
Depreciation & amortization	3,430	3,258
EBITDA	11,811	17,931
Add back (deduct):		
Incentive compensation program redesign	—	505
One-time compensation	61	—
Asset impairment charges	276	8
Transformation and other	518	126
Defined benefit plan (gains) and losses	359	(1,028)
Investment income and other pension income	(527)	(1,261)
Adjusted EBITDA	$ 12,498	$ 16,281
Debt and finance leases, including current maturities	$ 20,013	$ 22,188
Add back:		
Non-current pension and postretirement benefit obligations	6,323	4,602
Adjusted total debt	$ 26,336	$ 26,790
Adjusted total debt/Net income	4.44	2.48
Adjusted total debt/adjusted EBITDA (Non-GAAP)	2.11	1.65

(1) Trailing twelve months

Prior year amounts may have been reclassified to conform to the current year presentation. Certain amounts are calculated based on unrounded numbers.

Reconciliations

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

(amounts in millions):	**Three Months Ended March 31,**	
	2024	**2023**
Cash flows from operating activities	$ 3,316	$ 2,357
Capital expenditures	(1,035)	(609)
Proceeds from disposals of property, plant and equipment	13	5
Other investing activities	(14)	17
Free Cash Flow (Non-GAAP measure)	$ 2,280	$ 1,770

Prior year amounts may have been reclassified to conform to the current year presentation. Certain amounts are calculated based on unrounded numbers.