



3Q20 Earnings Call

October 28, 2020



Scott Childress
Investor Relations Officer



UPS Speakers

Carol Tomé

Chief Executive Officer

Brian Newman

Chief Financial Officer



Forward-Looking Statements and Non-GAAP Reconciliations

This presentation, our Annual Report on Form 10-K for the year ended December 31, 2019 and our other filings with the Securities and Exchange Commission contain and refer to “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 “believe,” “project,” “expect,” “estimate,” “assume,” “intend,” “anticipate,” “target,” “plan,” and variations thereof, 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.

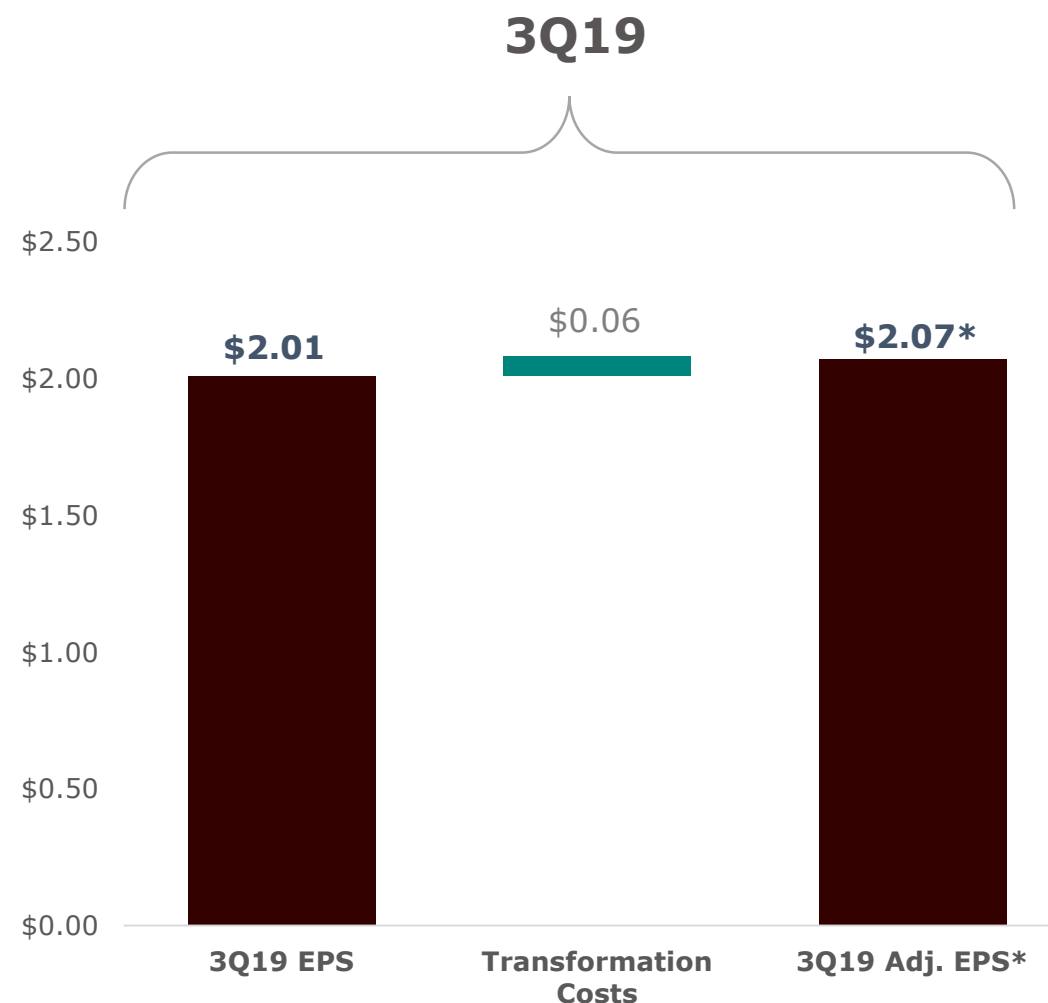
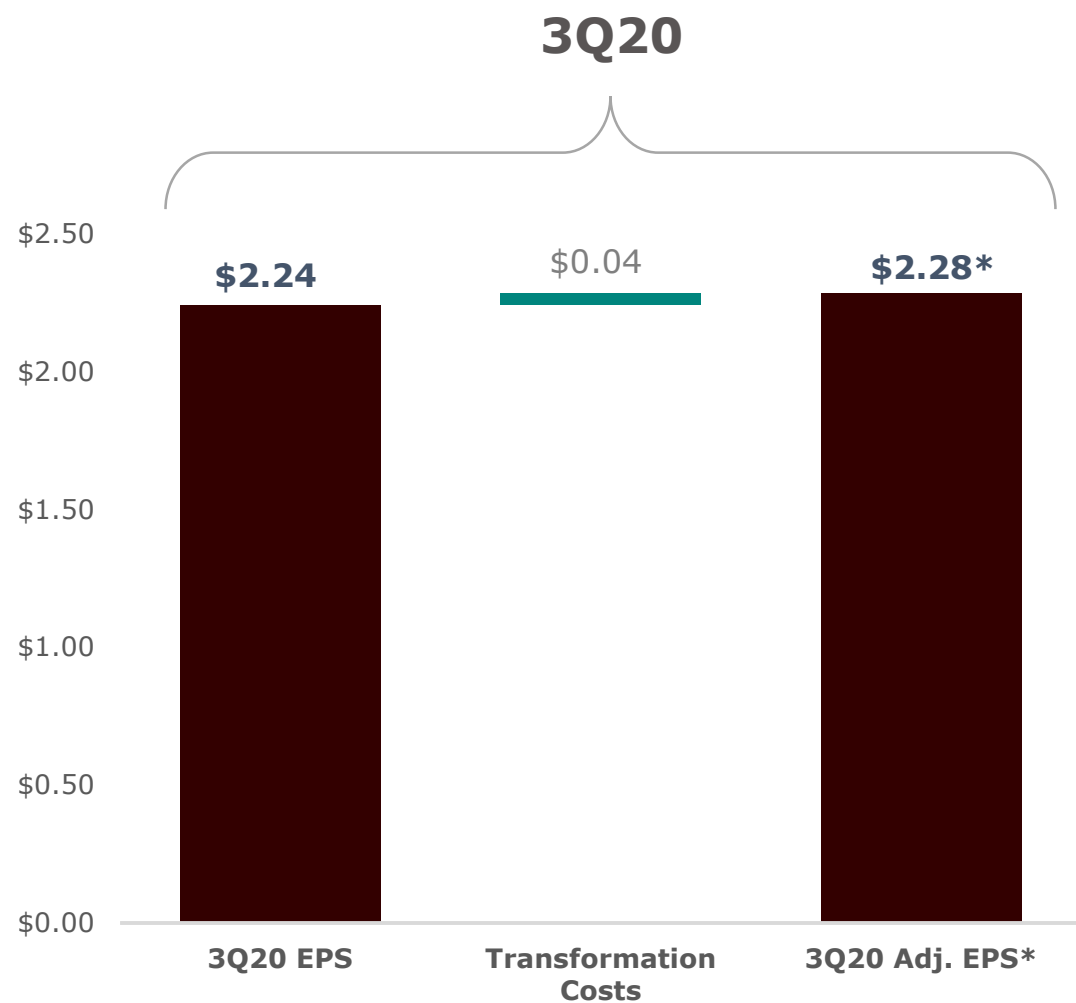
From time to time, we also include forward-looking statements in other publicly disclosed materials. Such statements may relate to our intent, belief and current expectations about our strategic direction, prospects and future results, and give our current expectations or forecasts of future events; 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, present expectations or anticipated results. These risks and uncertainties, many of which are outside of our control, include, but are not limited to: continued uncertainties related to the impact of the COVID-19 pandemic on our business and operations, financial condition, financial results and financial position, our customers and suppliers, and on the global economy; 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; changes in the complex and stringent regulation in the U.S. and internationally (including tax laws and regulations); increased or more complex physical or data security requirements; legal, regulatory or market responses to global climate change; results of negotiations and ratifications of labor contracts; strikes, work stoppages or slowdowns by our employees; the effects of changing

prices of energy, including gasoline, diesel and jet fuel, and interruptions in supplies of these commodities; changes in exchange rates or interest rates; uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; our ability to maintain our brand image; breaches in data security; disruptions to the Internet or our technology infrastructure; interruptions in or impacts on our business from natural or man-made events or disasters including terrorist attacks, epidemics or pandemics; our ability to accurately forecast our future capital investment needs; exposure to changing economic, political and social developments in international and emerging markets; changes in business strategy, government regulations, or economic or market conditions that may result in impairment of our assets; increases in our expenses or funding obligations relating to employee health, retiree health and/or pension benefits; 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; our ability to realize the anticipated benefits from acquisitions, joint ventures or strategic alliances; our ability to realize the anticipated benefits from our transformation initiatives; cyclical and seasonal fluctuations in our operating results; our ability to manage insurance and claims expenses; 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, 2019, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 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 information 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, except as required by law.

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 Tomé
Chief Executive Officer

Thank You **UPSers**



Consolidated Results

GAAP

<i>In Millions (except per share)</i>	3Q20	3Q19	% Change
Total Revenue	\$21,238	\$18,318	15.9%
Operating Profit	\$2,363	\$2,128	11.0%
Other Pension Income	\$327	\$191	71.2%
Interest Expense	-\$176	-\$159	10.7%
Effective Tax Rate	22.5%	20.7%	180 bps
Net Income	\$1,957	\$1,750	11.8%
Diluted EPS	\$2.24	\$2.01	11.4%

Adjusted

<i>In Millions (except per share)</i>	3Q20	3Q19	% Change
Total Revenue	\$21,238	\$18,318	15.9%
Operating Profit*	\$2,407	\$2,191	9.9%
Other Pension Income	\$327	\$191	71.2%
Interest Expense	-\$176	-\$159	10.7%
Effective Tax Rate*	22.5%	20.8%	170 bps
Net Income*	\$1,990	\$1,797	10.7%
Diluted EPS*	\$2.28	\$2.07	10.1%

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



Customer First

Delivering capabilities that matter

- Completed weekend expansion
 - Weekend ground volume up 161%
- Accelerated Our Fastest Ground Ever initiative
 - SMB volume grew 25.7% on enhanced lanes since being improved
- Expanded Digital Access Program
 - Added 150,000 new accounts
- We will be ready to support COVID-19 vaccine distribution
 - UPS offers the most sophisticated suite of services in the industry, including UPS Premier sensor technology



People Led

Successful outcomes are built on strong culture

- Increasing decision-making authority
- Investing in training
- Creating fewer, but more impactful jobs through a Voluntary Separation Allowance Program announced in September



Innovation Driven

Being “Better, not Bigger”

- Growing in the most attractive areas
 - Seeing gains in SMB and Healthcare
- Lowering our cost to serve through continuous transformation
 - 2.0 launched with VSAP; road-mapping 3.0
- Improving our return on invested capital
 - Expect 2021 capital expenditures lower than 2020
- Outside of our five core principles – everything is under review



We are Ready for Peak

- Safety first
- Collaborate with our customers to match their needs to our available capacity
- Leverage proven tools to ensure network flexibility and control





Brian Newman
Chief Financial Officer

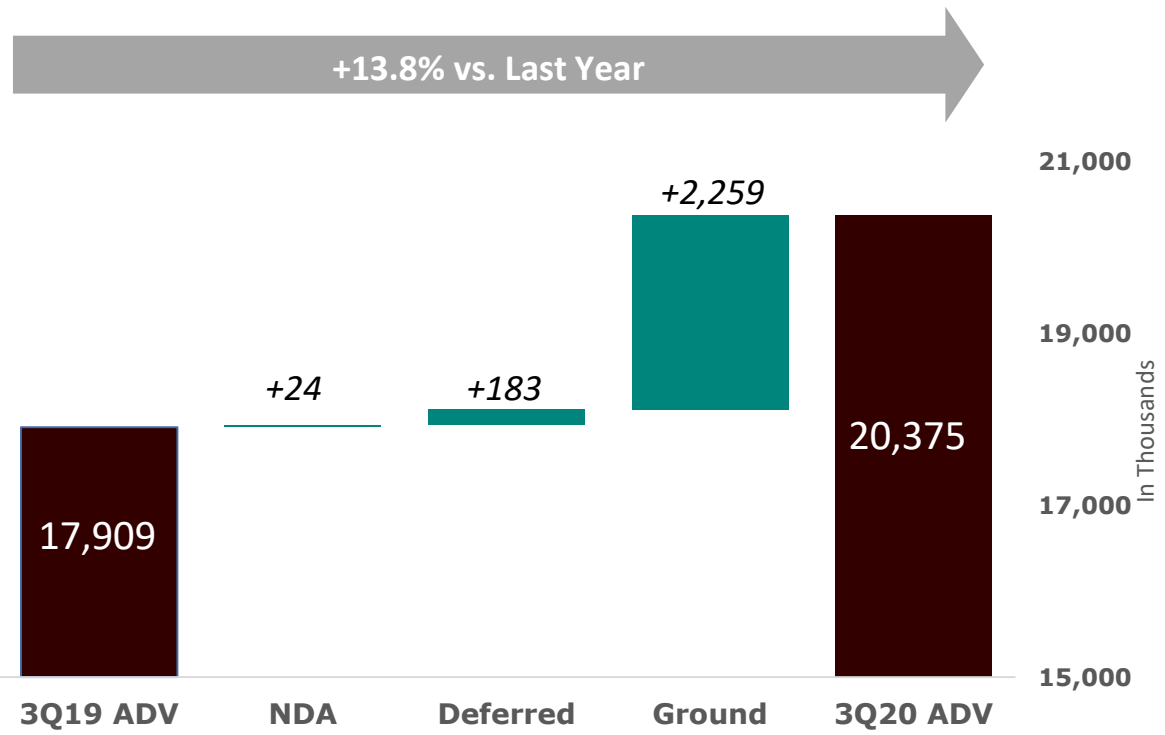
3Q20 Performance Drivers

- Record quarterly profits in both International and Supply Chain and Freight
 - Executed extremely well to meet high demand out of Asia
- Revenue quality actions began yielding results
- U.S. Domestic faced planned and unplanned expense pressures

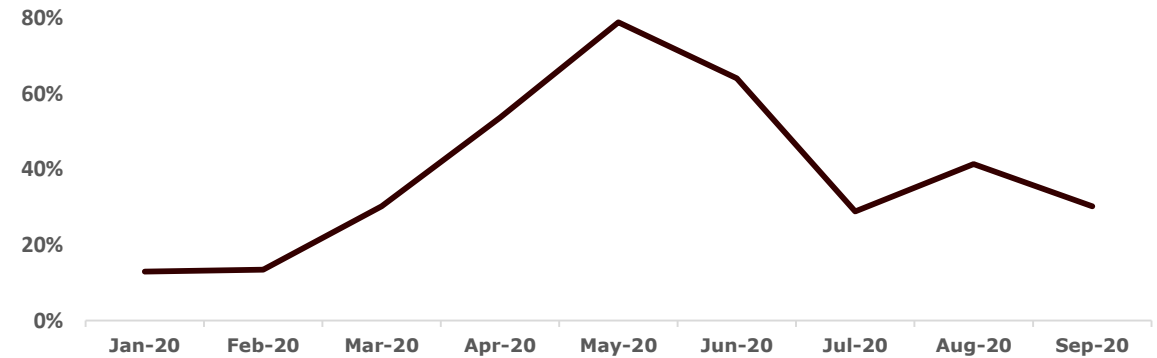


B2C Demand Remained Strong, Increasing Average Daily Volume 13.8%

SMB growth accelerated to 18.7%, B2B improved from Q2



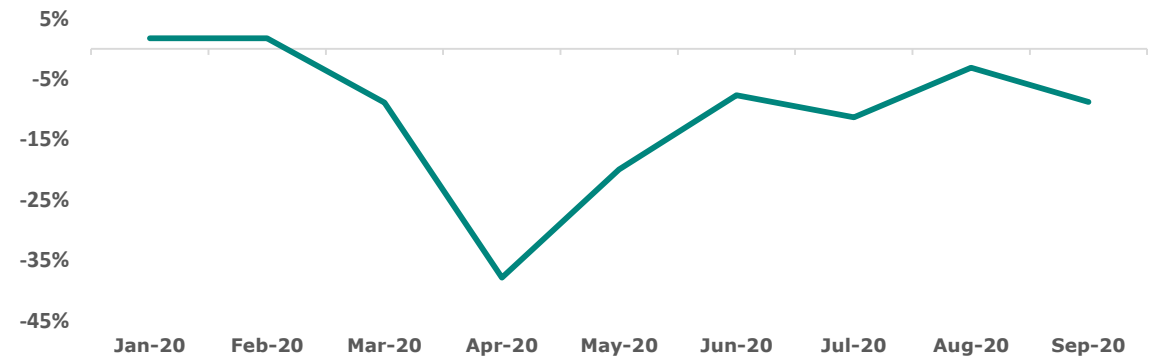
Monthly B2C ADV (Y/Y)



3Q20

- B2C grew 33.4%
- Split was 61% B2C

Monthly B2B ADV (Y/Y)

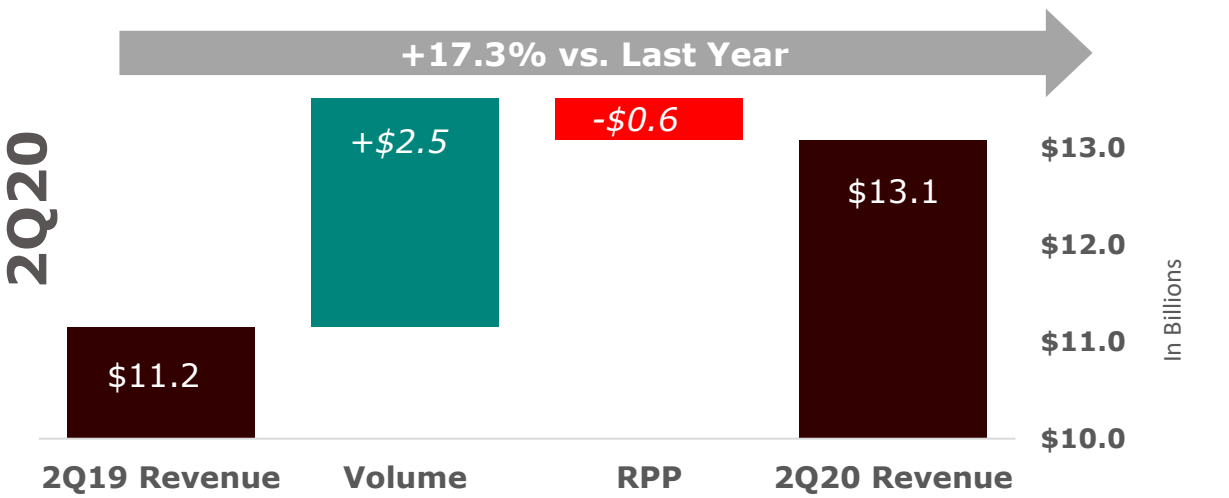
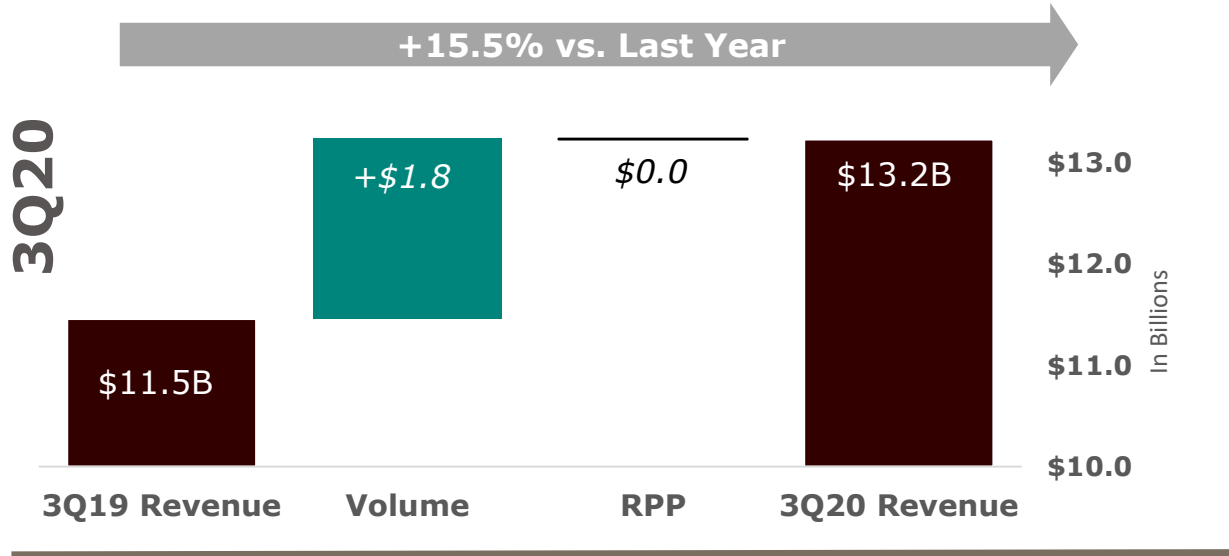


3Q20

- B2B down 7.8%
- Split was 39% B2B



Revenue Increased 15.5%, Driven By Ground and Deferred Air Products



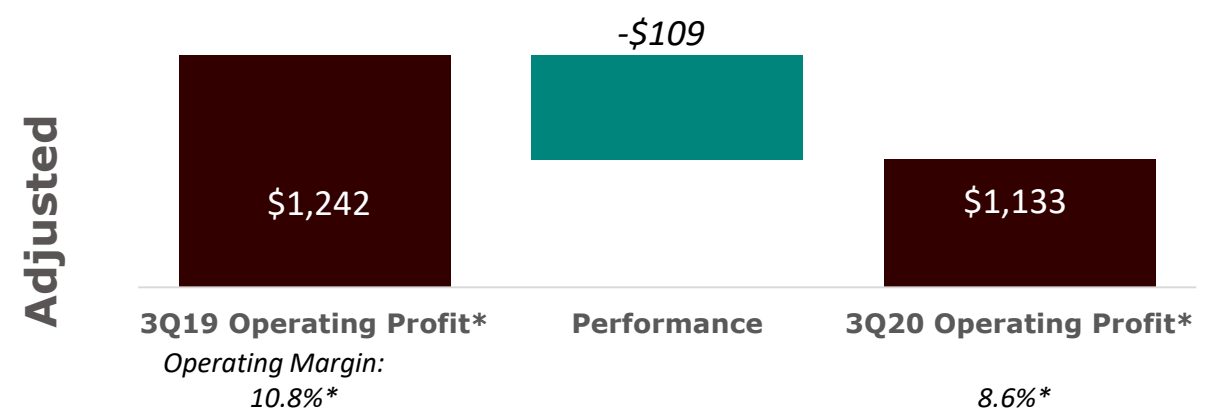
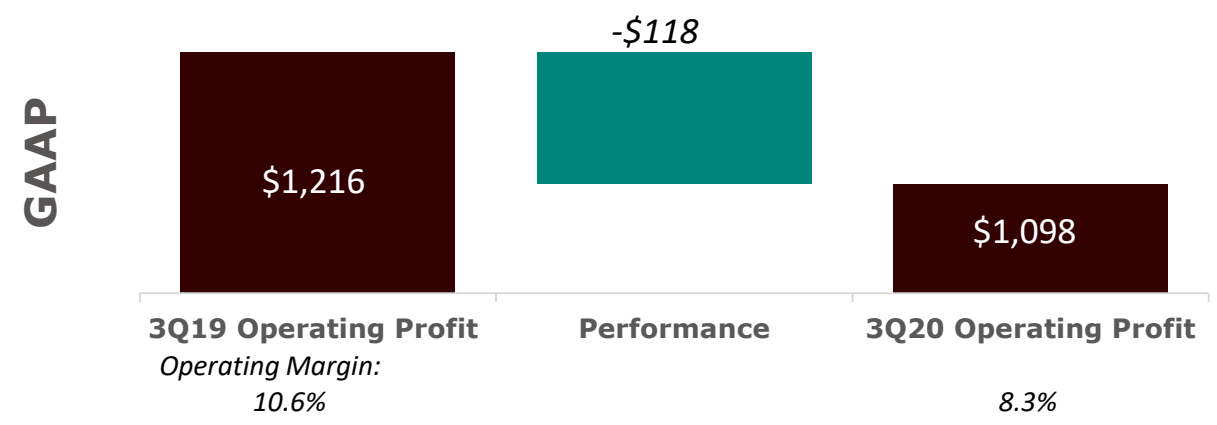
- Total ground revenue increased by over \$1.7 billion
- Revenue per piece of \$9.99 was flat to last year despite negative impact from:
 - Lower fuel prices (-130 bps)
 - Elevated SurePost growth (-230 bps)
- Our revenue quality actions are beginning to have a positive impact with improvements sequentially and Y/Y



U.S. Domestic Generated \$1.1B of Operating Profit

Revenue growth was not enough to offset cost pressure

Operating Profit (In Millions)



- Cost per piece excluding fuel increased \$0.37 or +4.4%* Y/Y from:
 - Accelerated initiatives to expand weekend operations and speed up the Ground network
 - Benefit expenses from additional employees we hired in the second quarter
 - Lower productivity gains than planned and lower delivery density
- Pleased with early revenue progress and see opportunities to reduce our costs

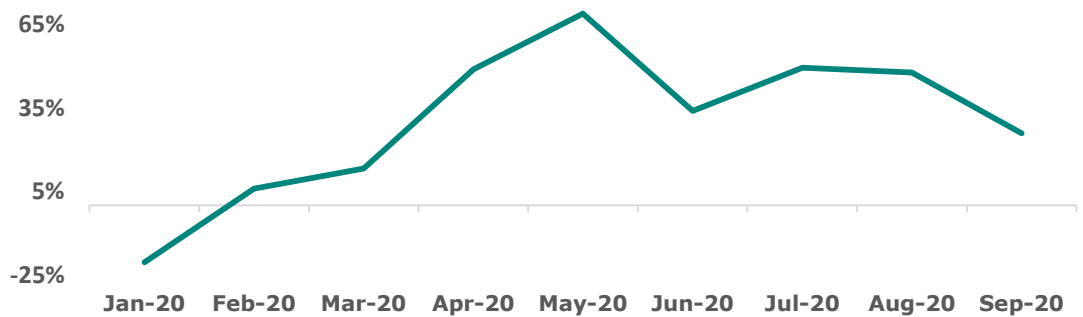
* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.



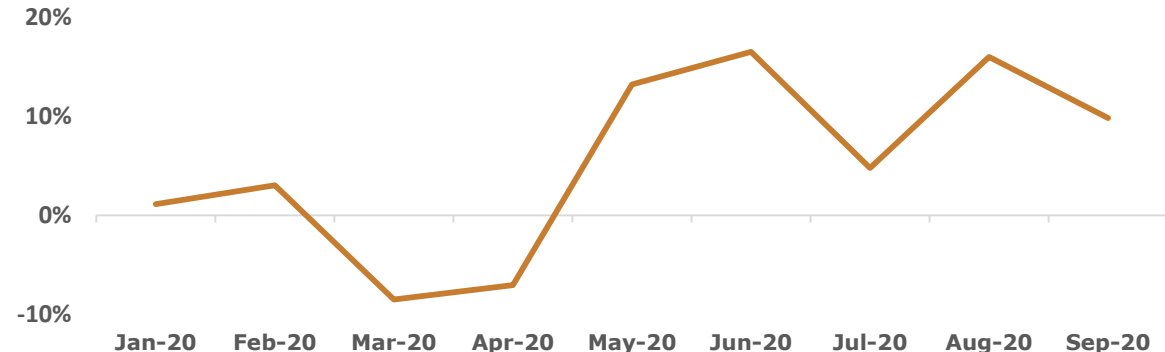
Total Average Daily Volume Increased Double-digits Y/Y In All Regions

Export average daily volume grew 16.5%; domestic average daily volume up 8.3%

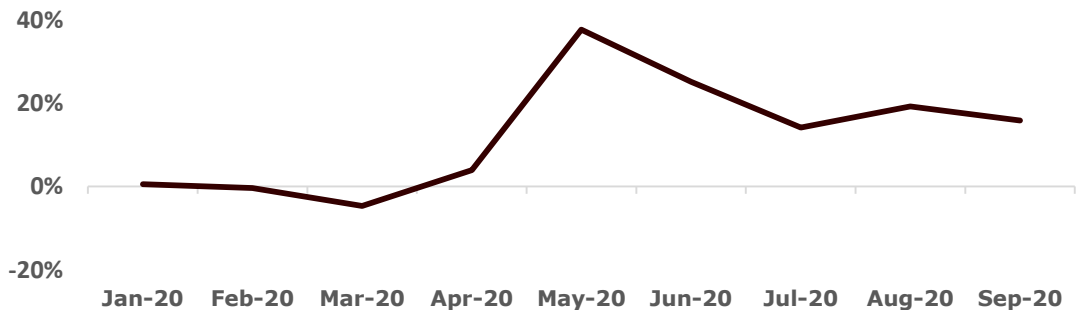
Asia Monthly ADV (Y/Y)



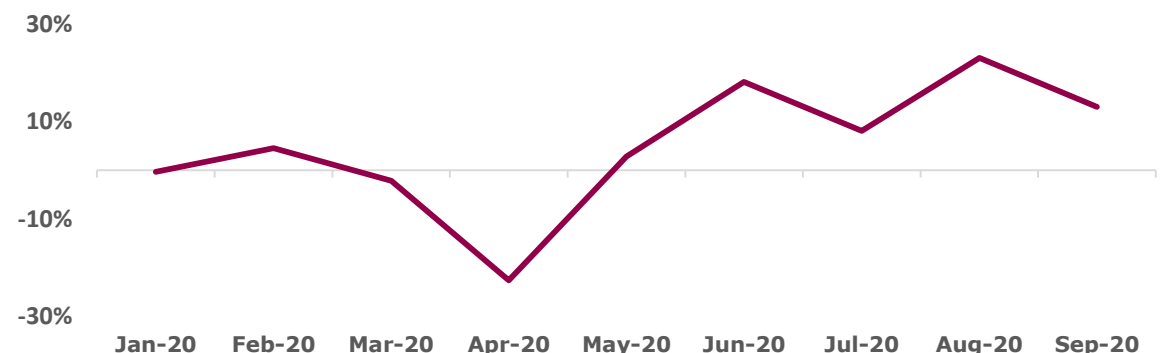
Europe Monthly ADV (Y/Y)



Americas Monthly ADV (Y/Y)



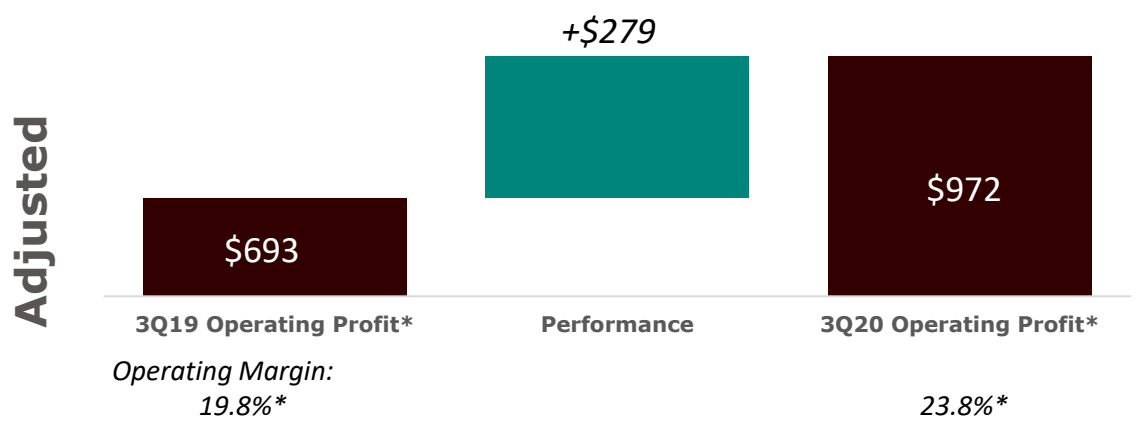
U.S. Export Monthly ADV (Y/Y)



Revenue Growth of 17.0%, Drove Record Quarterly Operating Profit

Operating margin expanded sequentially and Y/Y

Operating Profit (In Millions)



- Revenue per piece increased 2.7% including:
 - Lower Fuel Prices (-260 bps)
 - Currency (+ 140 bps)
- Adjusted cost per piece declined 2.3%* primarily due to lower fuel costs
- Operating margin expanded to 23.6% GAAP and 23.8%* adjusted

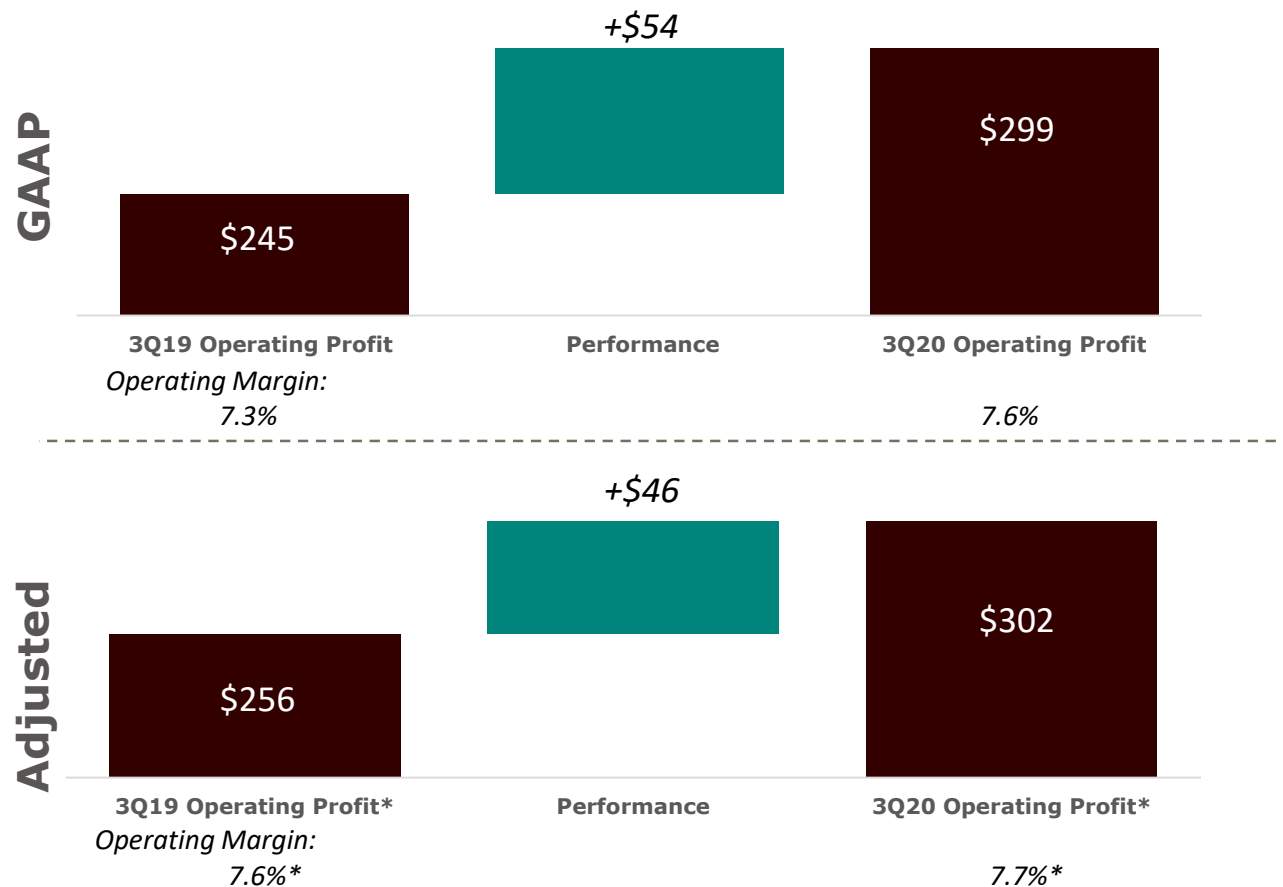
* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.



Revenue Increased 16.5%; Drove Record Quarterly Operating Profit

Operating margin expanded sequentially and Y/Y

Operating Profit (In Millions)



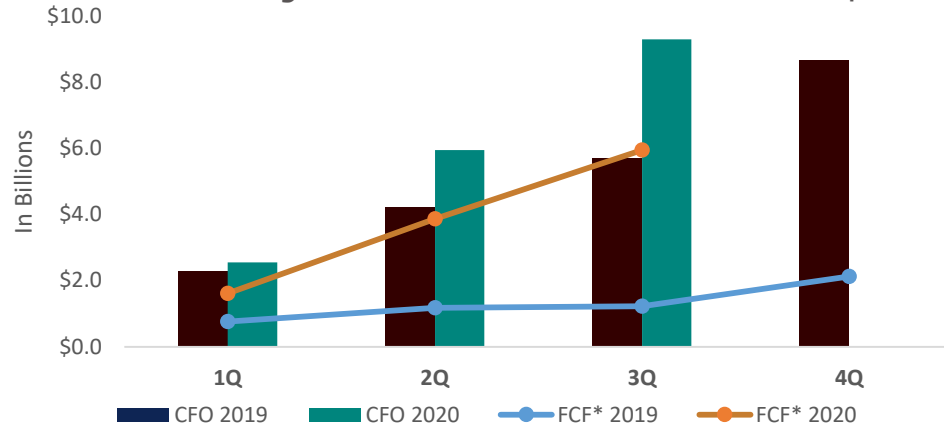
- Served high forwarding demand out of Asia in tight capacity environment
- LTL improved efficiency and productivity, and enhanced revenue quality
- Truckload brokerage faced continued market challenges

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



UPS Cash Flow Remains Strong

Cumulative Cash from Operations of \$9.3B and Adjusted Free Cash Flow* of \$5.9B



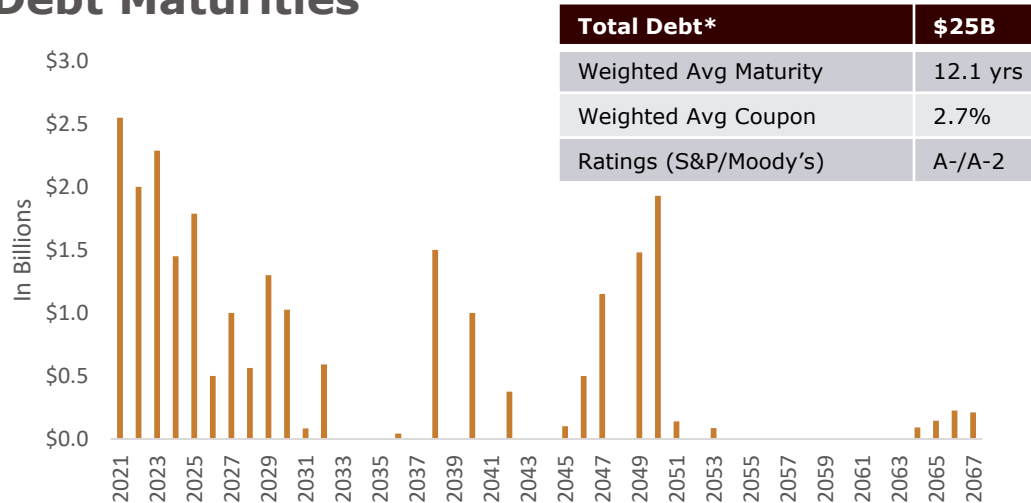
*Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure. Note: Results include \$725M benefit from CARES Act payroll tax deferral (2019-nil) and YTD discretionary pension contribution of \$1B (2019 of \$2B).

Capital Expenditures*

(In Billions)	YTD	4Q20E**	2020E**
Buildings & Facilities	\$1.7	\$1.0	\$2.7
Aircraft & Parts	\$0.7	\$0.6	\$1.3
Vehicles	\$0.4	\$0.4	\$0.8
IT	\$0.6	\$0.2	\$0.8
Total CapEx	\$3.4	\$2.2	\$5.6
<hr/>			
<i>Dep. & Amortization</i>	\$2.0	\$0.7	\$2.7

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

Debt Maturities



* Includes Commercial Paper, excludes finance lease obligations of \$411M at 09/30/20.

Liquidity

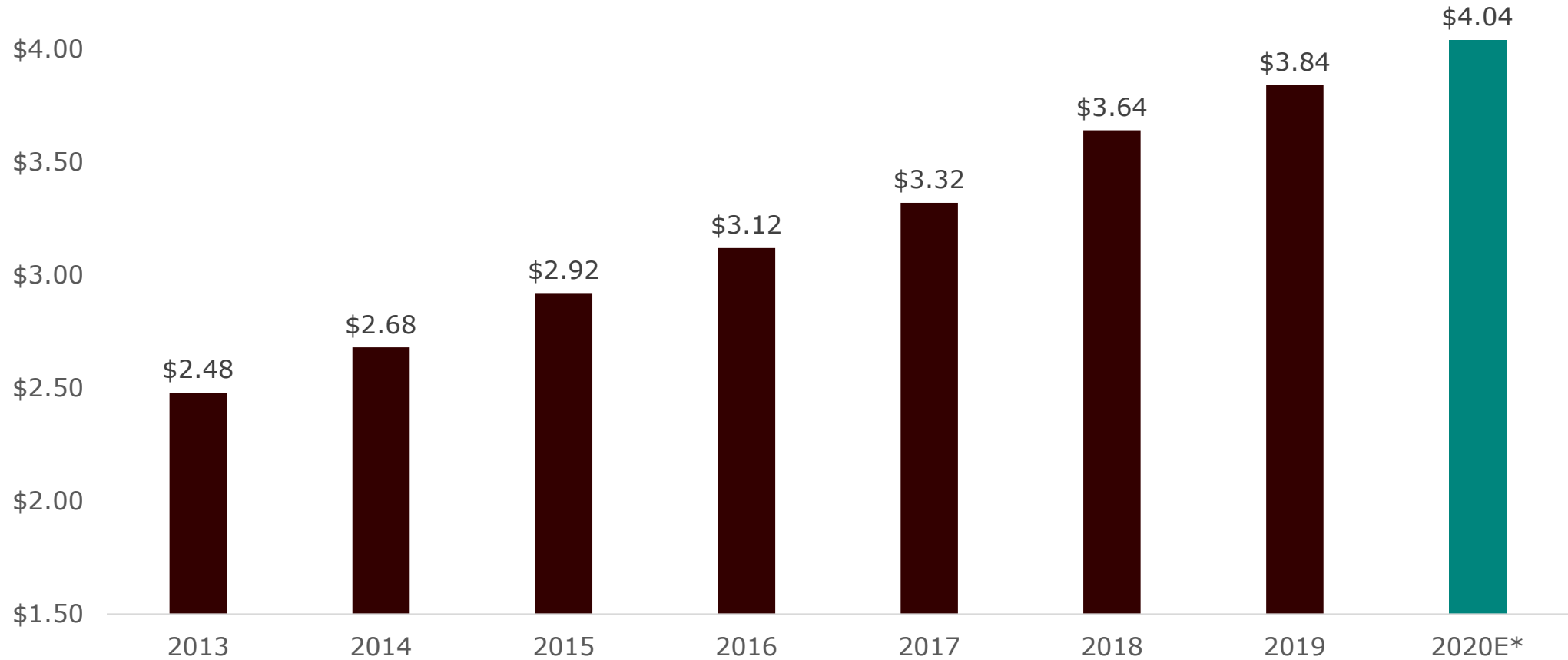
\$8.8B
Cash and Cash
Equivalents
as of
September 30,
2020

\$2.0B
Syndicated
Credit Facility
expires Dec
2020
(undrawn)

\$2.5B
Syndicated
Credit Facility
expires Dec
2023
(undrawn)



The UPS Dividend Is a Hallmark Of Our Financial Strength



*Estimated based on 1Q20 and 2Q20 dividends declared per share.



Turning to Peak Season

- We will ensure the resiliency of our network using proven technology
- We expect strong consumer demand and some industry capacity constraints through the period
 - Working with customers to pull demand forward
- Peak planning efforts and surcharges will help promote a more optimized volume mix





Questions & Answers



Reconciliation of GAAP and Non-GAAP Financial Measures

Reconciliation of GAAP and non-GAAP Financial Measures

We supplement the reporting of our financial information determined under generally accepted accounting principles ("GAAP") with certain non-GAAP financial measures, including "adjusted" compensation and benefits, operating profit, operating margin, other income (expense), income before income taxes, income tax expense, effective tax rate, net income and earnings per share. We also supplement the reporting of revenue, revenue per piece and operating profit with non-GAAP measures that exclude the period-over-period impact of foreign currency exchange rate changes and hedging activities. Additionally, we periodically disclose free cash flow, free cash flow excluding discretionary pension contributions, and capital expenditures including principal repayments of capital lease obligations. The equivalent measures determined in accordance with GAAP are also referred to as "reported" or "unadjusted."

We believe that these non-GAAP measures provide additional meaningful information to assist users of our financial statements in 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.

Costs Related to Restructuring Programs; Transformation Strategy Costs

Adjusted operating profit, operating margin, pre-tax income, net income and earnings per share exclude the impact of costs related to restructuring programs, including Transformation strategy costs.

Impact of Changes in Foreign Currency Exchange Rates and Hedging Activities

Currency-neutral revenue, revenue per piece and operating profit 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 period over period impact of 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 currency fluctuations.

Impact of Changes in Pension Discount Rates

Non-GAAP pension discount rate-neutral operating profit excludes the period over period impact of discount rate changes on pension service cost. Effective January 1, 2020, we began evaluating our segments using pension discount rate-neutral operating profit in addition to our current segment operating profit measure.

Pension discount rate-neutral operating profit is calculated by discounting the value of benefits attributable to employee service in the current period utilizing the prior year discount rate applicable to each of our company-sponsored defined benefit plans. The difference between this derived amount and the current period reported service cost is the period over period impact of pension discount rate movements on operating profit.

Free Cash Flow and Adjusted Capital Expenditures

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. Free cash flow excluding discretionary pension contributions adds back any discretionary pension contributions made during the period. We believe free cash flow, free cash flow excluding discretionary pension contributions and free cash flow adjusted for principal repayments of finance lease obligations are important indicators of how much cash is generated by regular business operations and we use them as a measure of incremental cash available to invest in our business, meet our debt obligations and return cash to shareowners. Additionally, we believe that adjusting capital expenditures for principal repayments of finance lease obligations more appropriately reflects the overall cash that we have invested in capital assets.

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 non-GAAP financial information does not represent a comprehensive basis of accounting. Therefore, our non-GAAP financial information may not be comparable to similarly titled measures reported by other companies.



Reconciliations

Reconciliation of GAAP and Non-GAAP Income Statement Data (in millions, except per share amounts):

Three Months Ended September 30, 2020

	As-Reported (GAAP)	Transformation Strategy Costs ⁽¹⁾	As-Adjusted (Non-GAAP)
Operating profit:			
U.S. Domestic Package	\$ 1,098	\$ 35	\$ 1,133
International Package	966	6	972
Supply Chain & Freight	299	3	302
Total operating profit	<u>\$ 2,363</u>	<u>\$ 44</u>	<u>\$ 2,407</u>
Income before income taxes	\$ 2,525	\$ 44	\$ 2,569
Income tax expense	\$ 568	\$ 11	\$ 579
Net income	<u>\$ 1,957</u>	<u>\$ 33</u>	<u>\$ 1,990</u>
Diluted earnings per share	\$ 2.24	\$ 0.04	\$ 2.28

⁽¹⁾ Reflects other employee benefits costs of \$18 million and other costs of \$26 million

Reconciliation of GAAP and Non-GAAP Income Statement Data (in millions, except per share amounts):

Three Months Ended September 30, 2019

	As-Reported (GAAP)	Transformation Strategy Costs ⁽¹⁾	As-Adjusted (Non-GAAP)
Operating profit:			
U.S. Domestic Package	\$ 1,216	\$ 26	\$ 1,242
International Package	667	26	693
Supply Chain & Freight	245	11	256
Total operating profit	<u>\$ 2,128</u>	<u>\$ 63</u>	<u>\$ 2,191</u>
Income before income taxes	\$ 2,206	\$ 63	\$ 2,269
Income tax expense	\$ 456	\$ 16	\$ 472
Net income	<u>\$ 1,750</u>	<u>\$ 47</u>	<u>\$ 1,797</u>
Diluted earnings per share	\$ 2.01	\$ 0.06	\$ 2.07

⁽¹⁾ Transformation strategy costs include other employee benefits costs of \$41 million, and other costs of \$22 million



Reconciliations

Reconciliation of GAAP and Non-GAAP Revenue, Revenue Per Piece, and Adjusted Operating Profit (in millions, except per piece amounts):

Three Months Ended September 30						
	2020 As-Reported (GAAP)	2019 As-Reported (GAAP)	% Change (GAAP)	Currency Impact	2020 Currency Neutral (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 6.61	\$ 6.45	2.5%	\$ (0.18)	\$ 6.43	-0.3%
Export	28.98	29.06	-0.3%	(0.30)	28.68	-1.3%
Total International Package	<u>\$ 17.37</u>	<u>\$ 16.92</u>	2.7%	<u>\$ (0.23)</u>	<u>\$ 17.14</u>	1.3%
Consolidated	<u>\$ 11.06</u>	<u>\$ 11.02</u>	0.4%	<u>\$ (0.03)</u>	<u>\$ 11.03</u>	0.1%
Revenue:						
U.S. Domestic Package	\$ 13,225	\$ 11,455	15.5%	\$ -	\$ 13,225	15.5%
International Package	4,087	3,494	17.0%	(54)	4,033	15.4%
Supply Chain & Freight	3,926	3,369	16.5%	8	3,934	16.8%
Total revenue	<u>\$ 21,238</u>	<u>\$ 18,318</u>	15.9%	<u>\$ (46)</u>	<u>\$ 21,192</u>	15.7%

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

	2020 As-Adjusted (Non-GAAP) ⁽¹⁾	2019 As-Adjusted (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)	Currency Impact	2020 As-Adjusted Currency Neutral (Non-GAAP) ⁽²⁾	% Change (Non-GAAP)
As-Adjusted Operating Profit:						
U.S. Domestic Package	\$ 1,133	\$ 1,242	-8.8%	\$ -	\$ 1,133	-8.8%
International Package	972	693	40.3%	(7)	965	39.2%
Supply Chain & Freight	302	256	18.0%	2	304	18.8%
Total operating profit	<u>\$ 2,407</u>	<u>\$ 2,191</u>	9.9%	<u>\$ (5)</u>	<u>\$ 2,402</u>	9.6%

⁽¹⁾ Amounts adjusted for transformation strategy costs

⁽²⁾ Amounts adjusted for transformation strategy costs and period over period foreign currency exchange rate and hedging differences



Reconciliations

Reconciliation of Non-GAAP Pension Discount Rate Neutral Operating Profit and Margin (in millions):

Three Months Ended September 30						
	2020 As-Adjusted (Non-GAAP) ⁽¹⁾	2019 As-Adjusted (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)	Pension	2020 As-Adjusted Pension Discount Rate Neutral (Non-GAAP) ⁽²⁾	% Change (Non-GAAP)
As-Adjusted Operating Profit:						
U.S. Domestic Package	\$ 1,133	\$ 1,242	-8.8%	\$ 63	\$ 1,196	-3.7%
International Package	972	693	40.3%	4	976	40.8%
Supply Chain & Freight	302	256	18.0%	7	309	20.7%
Total operating profit	<u>\$ 2,407</u>	<u>\$ 2,191</u>	9.9%	<u>\$ 74</u>	<u>\$ 2,481</u>	13.2%
	2020 As-Adjusted (Non-GAAP) ⁽¹⁾	2019 As-Adjusted (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)	Pension	2020 As-Adjusted Pension Discount Rate Neutral (Non-GAAP) ⁽²⁾	% Change (Non-GAAP)
As-Adjusted Operating Margin:						
U.S. Domestic Package	8.6%	10.8%	-2.2%	0.4%	9.0%	-1.8%
International Package	23.8%	19.8%	4.0%	0.1%	23.9%	4.1%
Supply Chain & Freight	7.7%	7.6%	0.1%	0.2%	7.9%	0.3%
Total operating margin	<u>11.3%</u>	<u>12.0%</u>	-0.7%	<u>0.4%</u>	<u>11.7%</u>	-0.3%

⁽¹⁾ Amounts adjusted for transformation strategy costs

⁽²⁾ Amounts adjusted for transformation strategy costs and period over period impact of discount rates on pension service cost



Reconciliations

Reconciliation of Adjusted Capital Expenditures and Free Cash Flow (Non-GAAP measures) (in millions):

	2019				2020		
	Q1 YTD	Q2 YTD	Q3 YTD	Q4 YTD	Q1 YTD	Q2 YTD	Q3 YTD
Cash flows from operating activities	\$ 2,277	\$ 4,207	\$ 5,693	\$ 8,639	\$ 2,550	\$ 5,947	\$ 9,283
Capital expenditures	(1,514)	(2,861)	(4,336)	(6,380)	(933)	(2,065)	(3,219)
Principal repayments of finance lease obligations	(4)	(85)	(120)	(140)	(6)	(33)	(136)
Adjusted Capital Expenditures (Non-GAAP measure)	(1,518)	(2,946)	(4,456)	(6,520)	(939)	(2,098)	(3,355)
Proceeds from disposals of PP&E	4	6	61	65	1	2	10
Net change in finance receivables	10	8	8	13	3	16	24
Other investing activities	(16)	(96)	(84)	(75)	(5)	(6)	(15)
Adjusted Free Cash Flow (Non-GAAP measure)	\$ 757	\$ 1,179	\$ 1,222	\$ 2,122	\$ 1,610	\$ 3,861	\$ 5,947
Discretionary pension contributions	-	1,005	2,000	2,000	-	-	1,000
Adjusted Free cash flow (Non-GAAP measure) excluding discretionary pension contributions	\$ 757	\$ 2,184	\$ 3,222	\$ 4,122	\$ 1,610	\$ 3,861	\$ 6,947

