



UPS Freight Divestiture

January 25, 2021



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Forward-Looking Statements

This presentation contains and refers 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 “expect,” “anticipate,” “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. 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: our and TFI International, Inc.’s ability to satisfy the closing conditions and obtain necessary regulatory approvals in a timely manner; the risk that any regulatory approval, consent or authorization required for the proposed transaction is not obtained or is obtained subject to conditions that are not anticipated; unanticipated difficulties or expenditures relating to the transaction; business disruptions during or following the sale, including the diversion of management time and attention; the response of business partners to the announcement and pendency of the transaction; our ability to successfully reinvest the proceeds (after adjustment) from the sale as part of our core business in a way that creates value for our shareholders; and the 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.

Key Transaction Terms: UPS Freight Divestiture

- UPS has signed an agreement to sell UPS Freight to an affiliate of TFI International Inc.
- Transaction expected to close in 2Q 2021 for \$800M before adjustments
- UPS Freight employees will go with the business to TFI
- UPS to retain historical pension assets and liabilities; pension benefits earned after closing are the responsibility of TFI
- Transition Services Agreement will go into effect at closing
- Commercial agreement will allow UPS customers to continue using UPS Ground with Freight Pricing
- No operational impact to UPS Small Package



Transaction Rationale

“Better, Not Bigger”

- 1 Expected to improve overall company operating margin and return on invested capital by roughly 20 basis points
- 2 Eliminates future capital investments required to maintain and improve UPS Freight’s market position
- 3 Enables UPS to pay down long-term debt and further strengthen our balance sheet
- 4 No customer impact



UPS Freight by the Numbers

Large, nationwide LTL and dedicated carrier

UPS Freight Operations



- Offers service across U.S., to/from Canada and Mexico
- Also serves Puerto Rico, U.S. Virgin Islands and Guam



- ~14,500 employees (80% Full-Time)
- 11,500 are covered by collective bargaining agreements



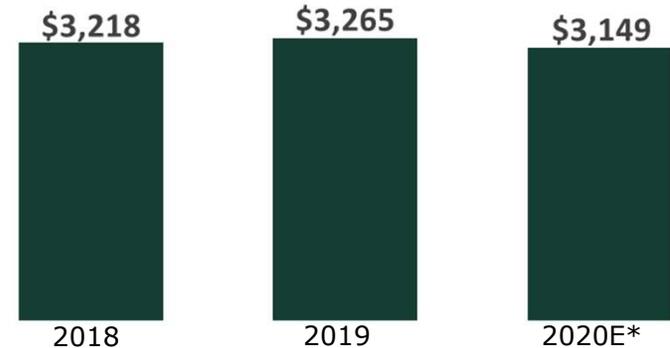
- 197 Facilities (147 owned)
- 6,340 Tractors; 23,400 Trailers



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UPS Freight Financial Summary

Revenue (USD in millions)



Operating Profit & Operating Margin

USD in millions	2018	2019	2020E*
Operating Profit (GAAP)	(\$26)	\$75	(\$463)
Operating Profit (As Adjusted)**	(\$20)	\$75	\$39
Operating Margin (GAAP)	-0.8%	2.3%	-14.7%
Operating Margin (As Adjusted)**	-0.6%	2.3%	1.2%

*Represents estimated results

**As Adjusted financials – see appendix for details

UPS Financial Statement Impact

- Following the closing, the UPS Supply Chain and Freight segment will no longer include UPS Freight results
 - Margin on the UPS Ground with Freight Pricing product will flow to the U.S. Domestic segment
- UPS expects to recognize a non-cash, pre-tax impairment charge of approximately \$500 million on its statement of consolidated income for the year ended December 31, 2020
 - Will be excluded from adjusted results
- For modeling purposes, below are UPS Freight's 2020 quarterly results

<i>USD in millions</i>	Q1	Q2	Q3	Q4E*	2020E*
Revenue	\$766	\$724	\$870	\$789	\$3,149
Operating Profit (GAAP)	(\$21)	(\$2)	\$39	(\$479)	(\$463)
Operating Profit (As Adjusted)**	(\$21)	(\$2)	\$39	\$23	\$39
Operating Margin (GAAP)	-2.7%	-0.3%	4.5%	-60.7%	-14.7%
Operating Margin (As Adjusted)**	-2.7%	-0.3%	4.5%	2.9%	1.2%

*Represents estimated results

**As Adjusted financials – see appendix for details





Thank You



UPS Freight Financial Information

We believe that the following non-GAAP measures provide additional meaningful information to assist users of the financial information in understanding the financial results and assessing ongoing performance, because they exclude items that may not be indicative of, or are unrelated to, the underlying operations and may provide a useful baseline for analyzing trends in the 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 excludes the impact of costs related to restructuring programs, including Transformation strategy costs.

Impairment Charges

Adjusted operating profit excludes the impact of impairment charges

Reconciliation of GAAP and Non-GAAP Income Statement Data (in millions)

	2020				Twelve months ended December 31, 2019			2018		
	GAAP ⁽³⁾	Transformation Strategy Costs ⁽¹⁾	Estimated Impairment Charge ⁽²⁾	As-Adjusted (Non-GAAP)	GAAP	Transformation Strategy Costs	As-Adjusted (Non-GAAP)	GAAP	Transformation Strategy Costs ⁽²⁾	As-Adjusted (Non-GAAP)
Operating profit (loss):	\$ (463)	\$ 2	\$ 500	\$ 39	\$ 75	\$ —	\$ 75	\$ (26)	\$ 6	\$ (20)

(1) Consists of other employee benefits costs

(2) Consists of other employee benefits costs

(3) GAAP and as adjusted operating profit (loss) for the twelve months ended December 31, 2020 includes an estimated impairment charge of \$500 million recognized in connection with the entry into the stock purchase agreement. The actual amount of the impairment charge recognized and the actual GAAP and as adjusted operating profit for UPS Freight may remain subject to completion in connection with the finalization of our financial results as of and for the year ended December 31, 2020.

	30-Sep-20			Three months ended, 30-Jun-20			31-Mar-20		
	GAAP	Transformation Strategy Costs	As-Adjusted (Non-GAAP)	GAAP	Transformation Strategy Costs	As-Adjusted (Non-GAAP)	GAAP	Transformation Strategy Costs	As-Adjusted (Non-GAAP)
Operating profit (loss):	\$ 39	\$ —	\$ 39	\$ (2)	\$ —	\$ (2)	\$ (21)	\$ —	\$ (21)

