



# 1Q22

## Earnings Call

April 26, 2022





**Ken Cook**  
**Investor Relations Officer**

# UPS Speakers

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**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.

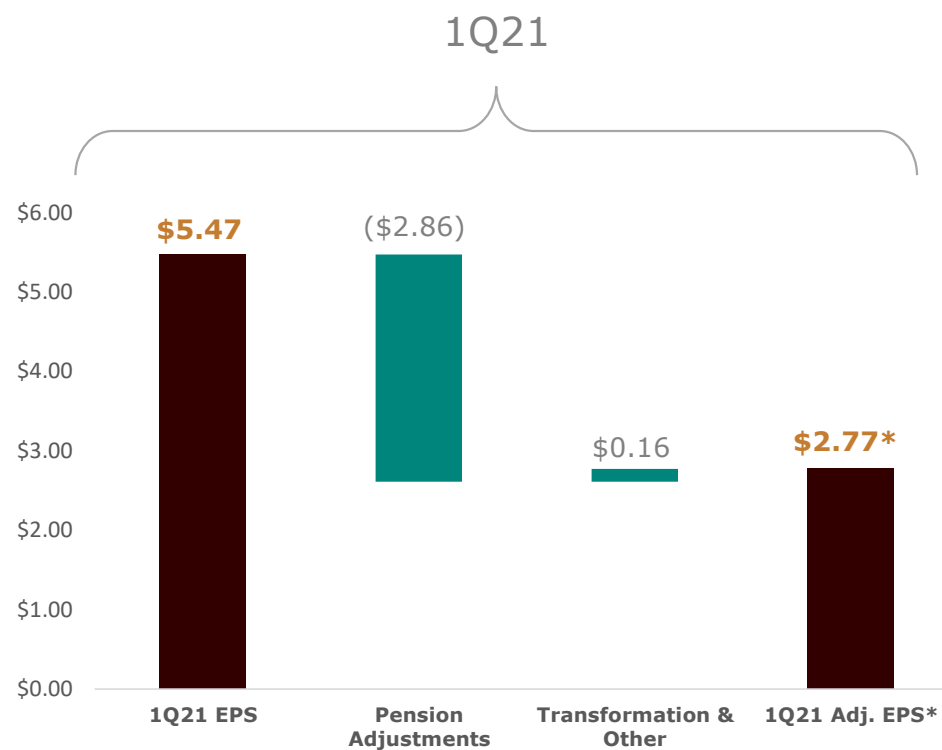
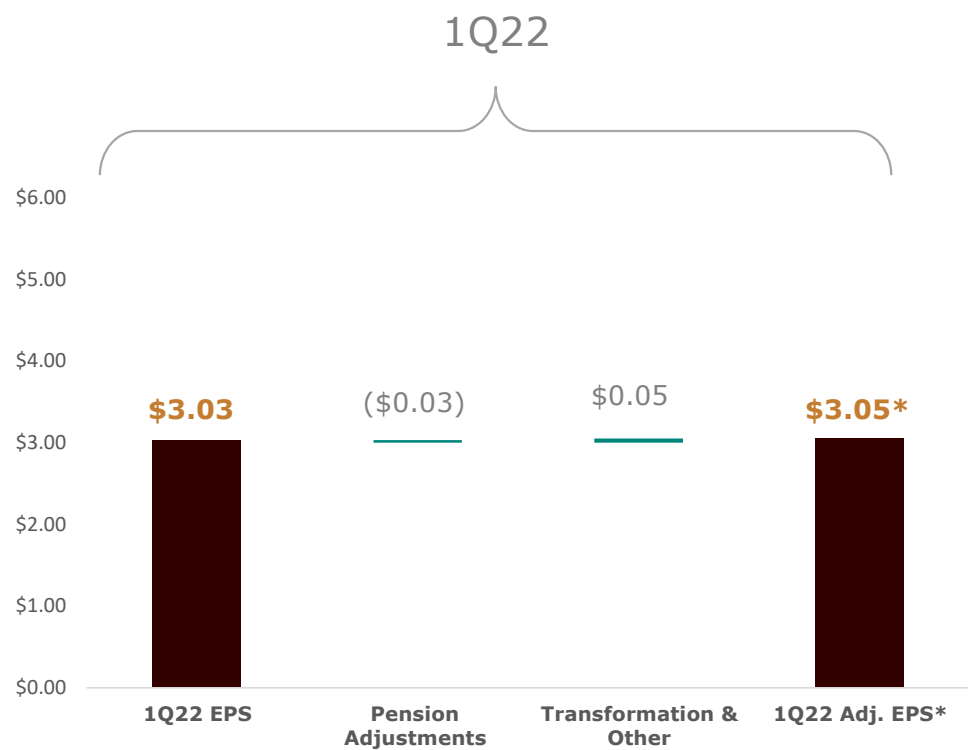
From time to time, we also include written or oral forward-looking statements in other publicly disclosed materials. Forward-looking statements may relate to our intent, belief, forecasts of, or current expectations about our strategic direction, prospects, future results, or future events; they do not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

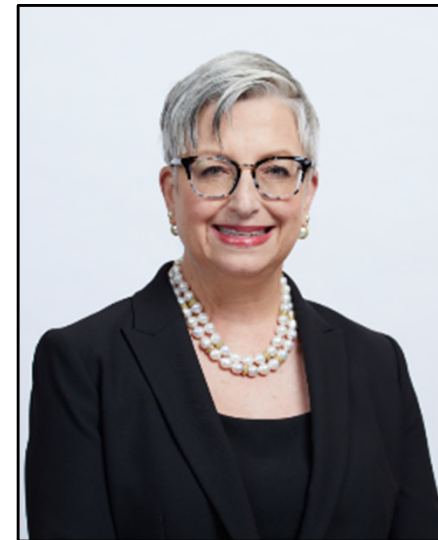
Information, including comparisons to prior periods, may reflect adjusted results. See the appendix for reconciliations of adjusted results and other non-GAAP financial measures.

# Diluted EPS



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





**Carol B. Tomé**  
**Chief Executive Officer**



MOVING OUR WORLD  
**FORWARD**  
BY DELIVERING  
**WHAT MATTERS**

**THANK  
YOU**  
UPSers



# Consolidated Results

## GAAP

<i>In \$ Millions (except per share)</i>	1Q22	1Q21	Change
Total Revenue	\$24,378	\$22,908	6.4%
Operating Profit	\$3,251	\$2,765	17.6%
Operating Margin	13.3%	12.1%	120 bps
Diluted EPS	\$3.03	\$5.47	(44.6%)

## Adjusted

<i>In \$ Millions (except per share)</i>	1Q22	1Q21	Change
Total Revenue	\$24,378	\$22,908	6.4%
Operating Profit*	\$3,306	\$2,949	12.1%
Operating Margin*	13.6%	12.9%	70 bps
Diluted EPS*	\$3.05	\$2.77	10.1%

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





## Customer First, People Led, Innovation Driven

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- Significant enhancements to the onboarding experience for SMBs
- Expanded Digital Access Program; now available in 27 countries around the world
- Network agility enabled us to continue delivering high service levels despite a dynamic environment
- Realigned our Executive Leadership Team to move faster and better serve our customers
- Turning productivity into a virtuous cycle at UPS
  - Rolling out smart package initiative with the intent of completing 100 centers in 2022



## Reaffirming 2022 Financial Goals

- Consolidated revenue ~\$102 billion
- Consolidated adjusted operating margin\* ~13.7%
- Return on invested capital\* above 30%
- Raising targeted share repurchases to \$2B in 2022

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



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**Brian Newman**  
**Chief Financial Officer**

# Consolidated Results

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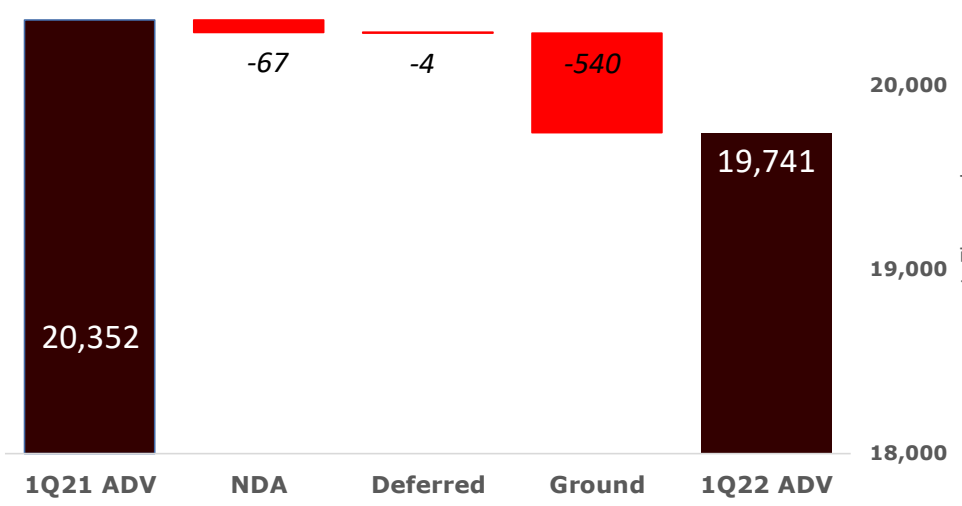


# Average Daily Volume Declined 3.0%

B2B average daily volume increased 3.6%, with growth from all segments

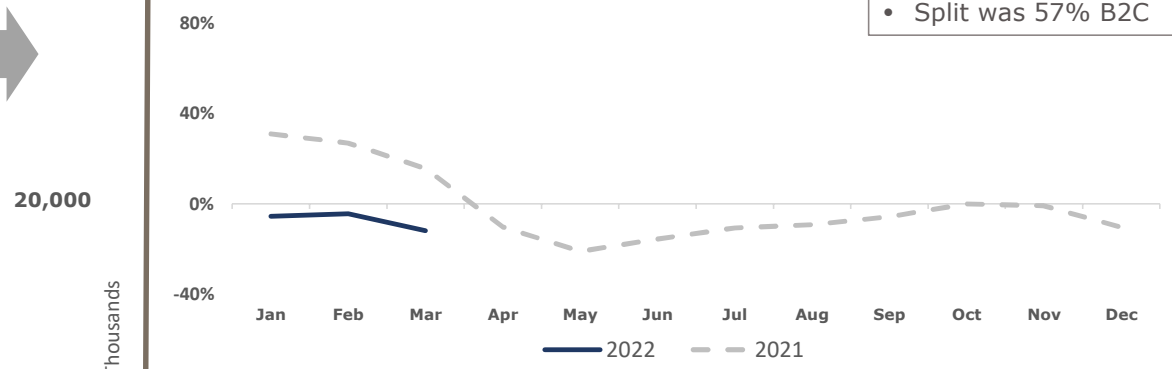
## U.S. ADV Change (Y/Y)

**-3.0% vs. Last Year**



- Ground included a reduction of 312,000 packages per day in SurePost volume

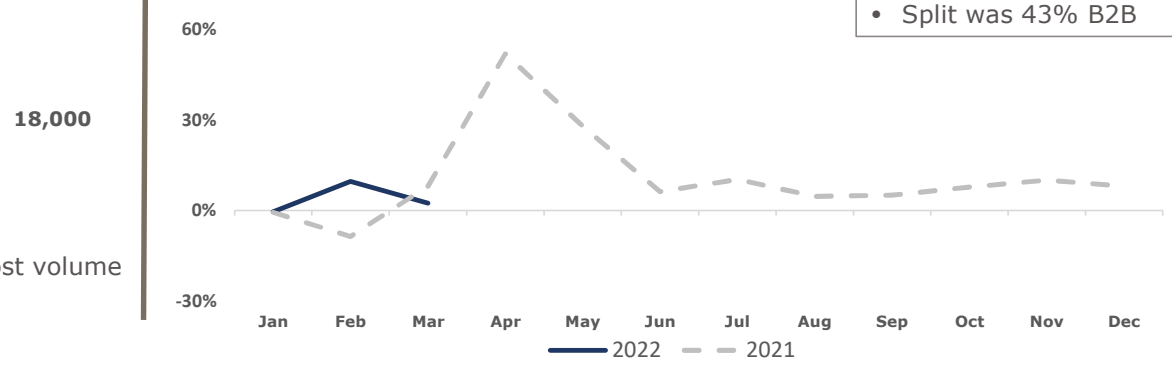
## Monthly B2C ADV (Y/Y)



**1Q22**

- B2C declined 7.4%
- Split was 57% B2C

## Monthly B2B ADV (Y/Y)



**1Q22**

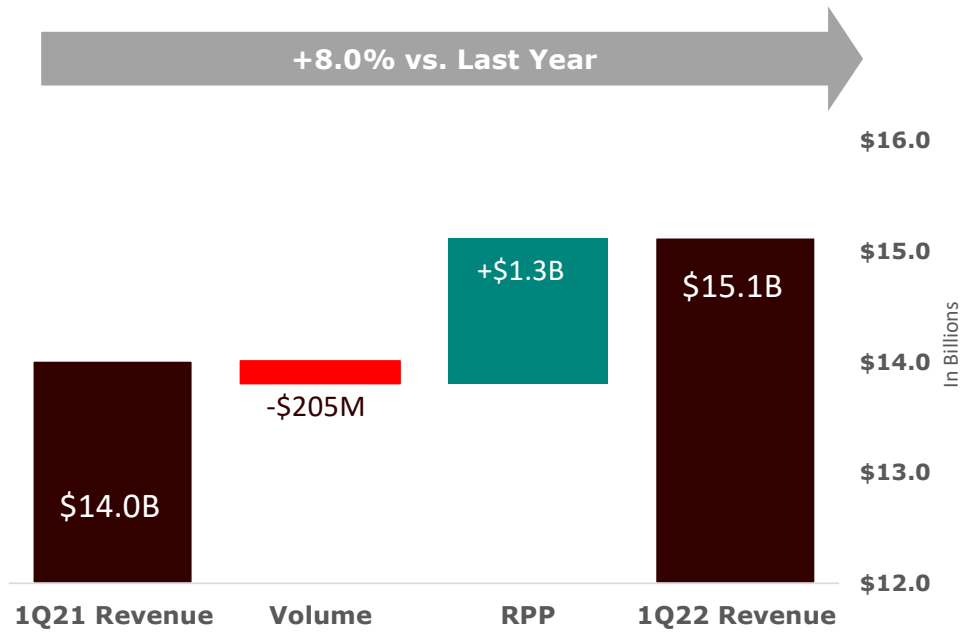
- B2B increased 3.6%
- Split was 43% B2B



# 1Q Revenue Increased 8.0% to \$15.1B

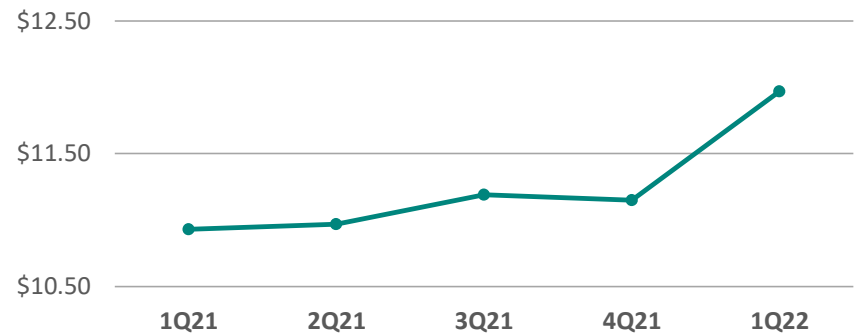
Driven by 9.5% increase in revenue per piece

### U.S. Revenue Change (Y/Y)



- 1Q22 includes one additional operating day versus prior year

### U.S. Revenue Per Piece



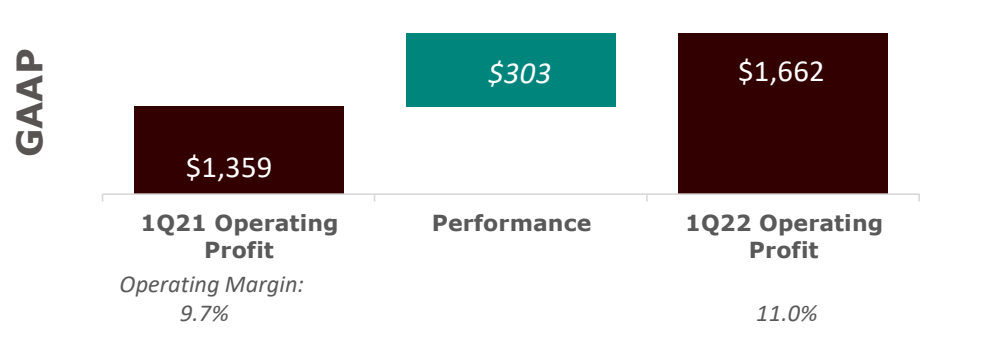
- 1Q revenue per piece growth of 9.5%
  - 820 basis point benefit driven by increases in fuel and base rates
- Revenue per piece grew across all products and customer segments



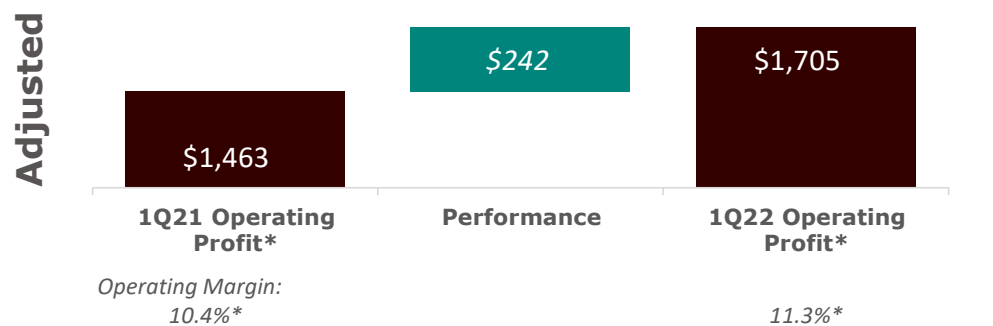
## 1Q Operating Profit and Margin Increased YoY

Driven by our focus on revenue quality and the agility of our network

### Operating Profit (In Millions)



### Operating Profit (In Millions)



- Adjusted operating expense\* grew 6.9% with total payroll and benefits driving 390 basis points of the increase, and fuel driving 230 basis points of the year-over-year expense growth rate
- Productivity improvements enabled us to eliminate >1,300 trailer loads per day
- Adjusted operating profit\* grew 16.5% to \$1.7B, and adjusted operating margin\* expanded 90 basis points to 11.3%

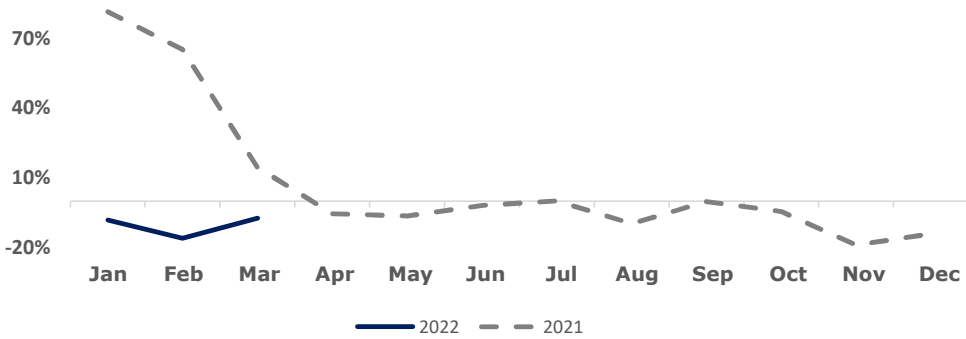
\* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.



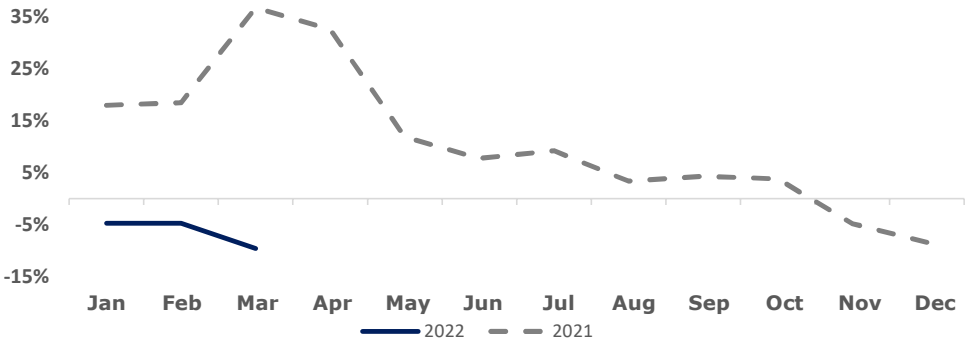
# 1Q Total Average Daily Volume Down 6.7%; Up 16.4% on a 2-year Stack

Export ADV down 2.9%; Domestic ADV Down 10.1%

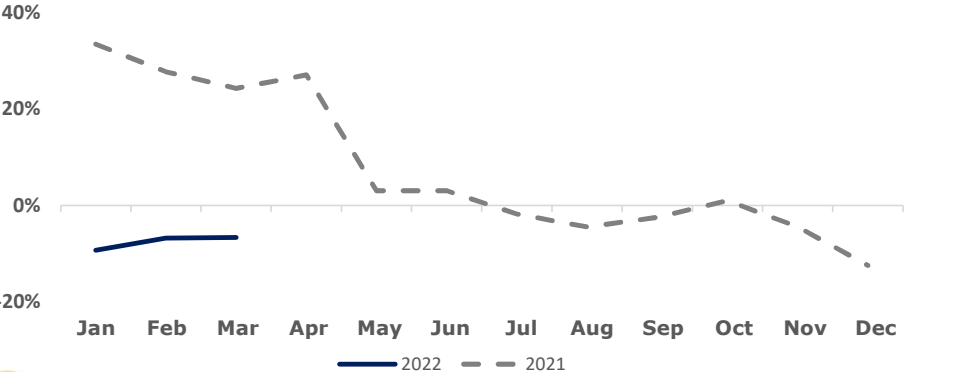
Asia Monthly ADV (Y/Y)



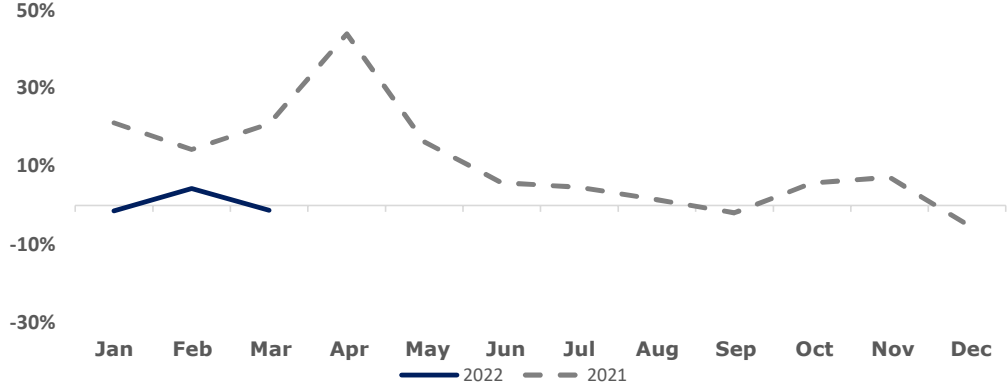
Europe Monthly ADV (Y/Y)



Americas Monthly ADV (Y/Y)



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

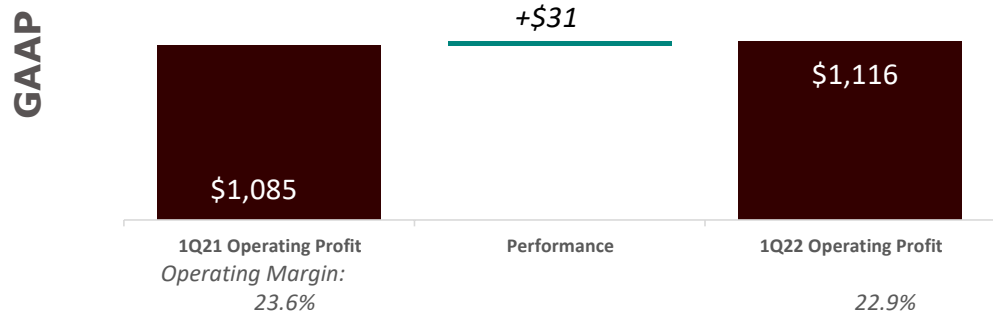




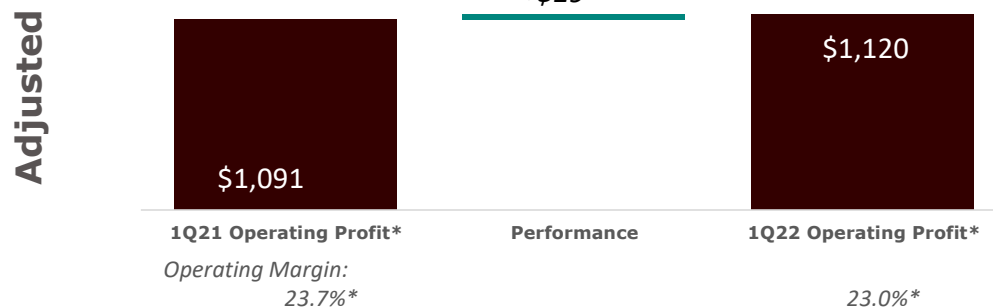
## Increased Operating Profit to \$1.1B in a Challenging Global Market

Adjusted the network and shifted capacity to serve our customers globally

### Operating Profit (In Millions)



### Operating Profit (In Millions)



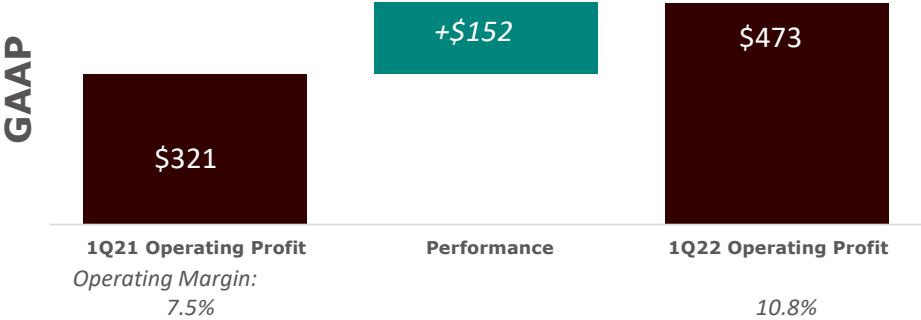
- Revenue per piece increased 10.5%
  - Included 710 basis point benefit from fuel, 680 basis point benefit from revenue quality and mix, offset by a 340 basis point negative impact due to a stronger U.S. dollar
- Adjusted operating margin\* of 23.0%, down 70 basis points from last year due to lower volume



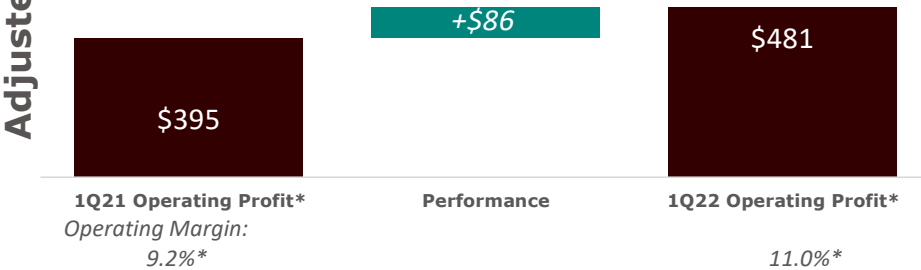
\* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.  
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# Delivered Strong Results in a Dynamic Environment

## Operating Profit (In Millions)



## Operating Profit (In Millions)



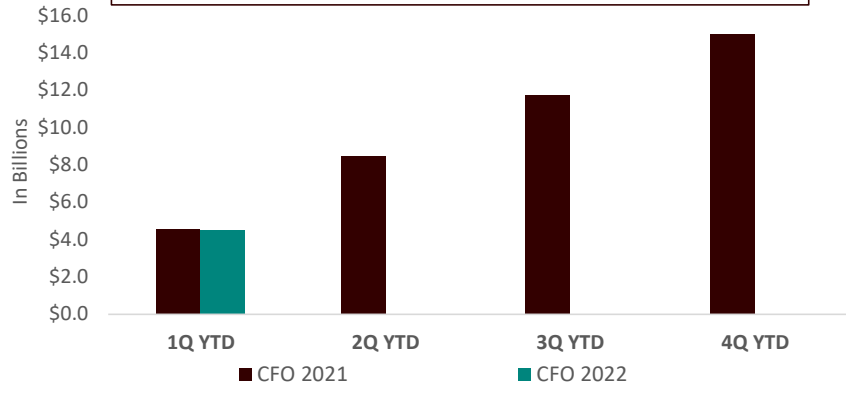
- Forwarding revenue increased 25.0% and operating profit more than doubled
- Healthcare business delivered record results, led by pharma, clinical trials and lab customers
- Adjusted operating profit\* of \$481M and adjusted operating margin\* increased 180 basis points to 11.0%; both are records for the segment



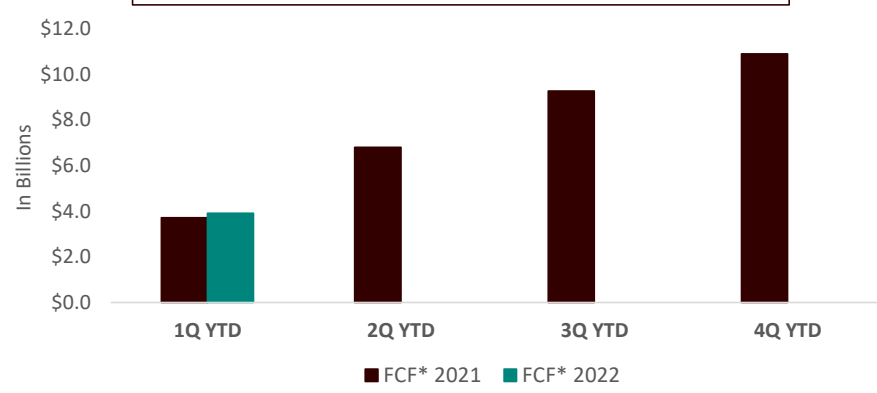
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# Cash Flow and Dividends

**1Q22 Cash From Operations of \$4.5B**

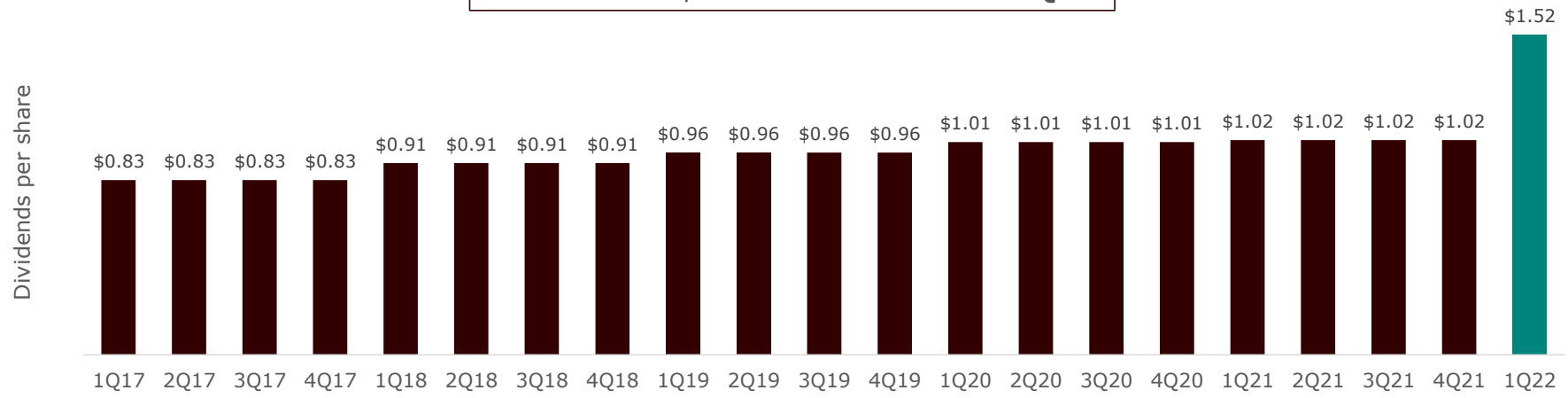


**1Q22 Free Cash Flow\* of \$3.9B**



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

**Distributed \$1.3B in Dividends in 1Q22**



# Reaffirming Full-Year 2022 Financial Targets

## Doubling Share Repurchase Target to \$2B

= Expect macro environment to remain dynamic with global GDP growing 3.2%

+ Focusing on revenue quality and continued productivity improvement

= Paying close attention to:

- COVID-19
- Upstream supply chain constraints
- Inventory and inflationary pressures
- Geopolitical environment

### Full-year 2022 Outlook

- Consolidated:
  - Revenue around \$102B
  - Adjusted operating margin\* about 13.7%
  - Adjusted Return on Invested Capital\* >30%
- Capital Allocation:
  - Free cash flow\* ~\$9.0B
  - Capital expenditures of ~\$5.5B
  - Planned dividend payout ~\$5.2B subject to board approval
  - Targeted share repurchases doubled to \$2B
- U.S. Domestic:
  - Revenue growth of ~5.5%; adjusted operating margin\* expansion ~50 basis points
- International:
  - Revenue growth ~7.7%; adjusted operating margin\* ~23.6%
- Supply Chain Solutions:
  - Revenue of ~\$17B; adjusted operating margin\* ~9.4%







# Questions & Answers

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# 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 and revenue per piece 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.

### *Return on Invested Capital*

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 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 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 March 31

(in millions, except per share amounts)

	2022				2021				% Change As Rep. (GAAP)	% Change As Adj. (Non-GAAP)
	As Reported (GAAP)	Pension Adj. <sup>(1)</sup>	Transform & Other Adj. <sup>(2)</sup>	As Adjusted (Non-GAAP)	As Reported (GAAP)	Pension Adj. <sup>(3)</sup>	Transform & Other Adj. <sup>(4)</sup>	As Adjusted (Non-GAAP)		
U.S. Domestic Package	\$ 13,462	\$ —	\$ 43	13,419	\$ 12,651	\$ —	\$ 104	\$ 12,547	6.4 %	6.9 %
International Package	3,780	—	4	3,756	3,522	—	6	3,516	6.8 %	6.8 %
Supply Chain Solutions <sup>(5)</sup>	3,905	—	8	3,897	3,970	—	74	3,896	(1.6)%	— %
Operating Expense	21,127	—	55	21,072	20,143	—	184	19,959	4.9 %	5.6 %
U.S. Domestic Package	\$ 1,662	\$ —	\$ 43	1,705	\$ 1,359	\$ —	\$ 104	\$ 1,463	22.3 %	16.5 %
International Package	1,116	—	4	1,120	1,085	—	6	1,091	2.9 %	2.7 %
Supply Chain Solutions <sup>(5)</sup>	473	—	8	481	321	—	74	395	47.4 %	21.8 %
Operating Profit	3,251	—	55	3,306	2,765	—	184	2,949	17.6 %	12.1 %
Other Income and (Expense):										
Other pension income (expense)	331	(33)	—	298	3,603	(3,290)	—	313	(90.6)%	(4.8)%
Investment income (expense) and other	(16)	—	—	(16)	13	—	—	13	N/M	N/M
Interest expense	(174)	—	—	(174)	(177)	—	—	(177)	(1.7)%	(1.7)%
Total Other Income (Expense)	\$ 141	\$ (33)	\$ —	\$ 108	\$ 3,439	\$ (3,290)	\$ —	\$ 149	(95.9)%	(27.5)%
Income Before Income Taxes	3,392	(33)	55	3,414	6,204	(3,290)	184	3,098	(45.3)%	10.2 %
Income Tax Expense	730	(9)	12	733	1,412	(788)	44	668	(48.3)%	9.7 %
Net Income	\$ 2,662	\$ (24)	\$ 43	\$ 2,681	\$ 4,792	\$ (2,502)	\$ 140	\$ 2,430	(44.4)%	10.3 %
Basic Earnings Per Share	\$ 3.05	\$ (0.03)	\$ 0.05	\$ 3.07	\$ 5.50	\$ (2.87)	\$ 0.16	\$ 2.79	(44.5)%	10.0 %
Diluted Earnings Per Share	\$ 3.03	\$ (0.03)	\$ 0.05	\$ 3.05	\$ 5.47	\$ (2.86)	\$ 0.16	\$ 2.77	(44.6)%	10.1 %
Weighted-average shares outstanding:										
Basic	874				872					
Diluted	879				876					

(1) Represents the impact of curtailment of benefits effective December 31, 2023, for the Canada Ltd Retirement Plan.

(2) Transformation & Other of \$55 million reflects other employee benefits costs of \$33 million and other costs of \$22 million.

(3) Represents a mark-to-market gain recognized outside of a 10% corridor for the UPS IBT Pension Plan

(4) Transformation & Other Adj. of \$164 million reflects a valuation allowance of \$69 million related to the divestiture of UPS Freight, other employee benefits costs of \$76 million and other costs of \$42 million.

(5) The divestiture of UPS Freight was completed on April 30, 2021.





# Reconciliations

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

**Currency Neutral Revenue Per Piece, Revenue and As Adjusted Operating Profit**

	Three Months Ended			Currency		
	March 31			Neutral		
	2022	2021	% Change	Currency	2022 <sup>(1)</sup>	% Change
<b>Average Revenue Per Piece:</b>						
International Package:						
Domestic	\$ 7.36	\$ 7.33	0.4%	\$ 0.47	\$ 7.83	6.8%
Export	34.10	31.10	9.6%	0.78	34.88	12.2%
Total International Package	<u>\$ 20.45</u>	<u>\$ 18.50</u>	10.5%	<u>\$ 0.62</u>	<u>\$ 21.07</u>	13.9%
Consolidated	<u>\$ 13.26</u>	<u>\$ 12.12</u>	9.4%	<u>\$ 0.09</u>	<u>\$ 13.35</u>	10.1%

	Three Months Ended			Currency		
	March 31			Neutral		
	2022	2021	% Change	Currency	2022 <sup>(1)</sup>	% Change
<b>Revenue (in millions):</b>						
U.S. Domestic Package	\$ 15,124	\$ 14,010	8.0%	\$ —	\$ 15,124	8.0%
International Package	4,876	4,607	5.8%	143	5,019	8.9%
Supply Chain Solutions <sup>(2)</sup>	4,378	4,291	2.0%	37	4,415	2.9%
Total revenue	<u>\$ 24,378</u>	<u>\$ 22,908</u>	6.4%	<u>\$ 180</u>	<u>\$ 24,558</u>	7.2%

	Three Months Ended			Currency		
	March 31			Neutral		
	2022	2021	% Change	Currency	2022 <sup>(1)</sup>	% Change
<b>As-Adjusted Operating Profit (in millions)<sup>(3)</sup>:</b>						
U.S. Domestic Package	\$ 1,705	\$ 1,463	16.5%	\$ —	\$ 1,705	16.5%
International Package	1,120	1,091	2.7%	28	1,148	5.2%
Supply Chain Solutions <sup>(2)</sup>	481	395	21.8%	(3)	478	21.0%
Total operating profit	<u>\$ 3,306</u>	<u>\$ 2,949</u>	12.1%	<u>\$ 25</u>	<u>\$ 3,331</u>	13.0%

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

(2) The divestiture of UPS Freight was completed on April 30, 2021.

(3) 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>	<b>TTM<sup>(1)</sup></b> <b>March 31,</b> <b>2022</b>	<b>TTM<sup>(1)</sup></b> <b>March 31,</b> <b>2021</b>
Net income	\$ 10,760	\$ 5,170
Add back:		
Income tax expense	3,023	1,628
Interest expense	691	711
Depreciation & amortization	2,995	2,772
EBITDA	<u>17,469</u>	<u>10,281</u>
Add back (deduct):		
Transformation and other	205	1,173
Defined benefit plans mark-to-market (gain) loss	(15)	3,194
Investment income and other	(1,163)	(1,326)
Adjusted EBITDA	<u>\$ 16,496</u>	<u>\$ 13,322</u>
Debt and finance leases, including current maturities	\$ 21,881	\$ 23,727
Add back:		
Non-current pension and postretirement benefit obligations	8,203	9,594
Adjusted total debt	<u>\$ 30,084</u>	<u>\$ 33,321</u>
Adjusted total debt/adjusted EBITDA	<u>1.82</u>	<u>2.50</u>

(1) Trailing twelve months



# Reconciliations

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

<i>(amounts in millions):</i>	TTM <sup>(1)</sup> March 31, 2022	TTM <sup>(1)</sup> March 31, 2021
Net income	\$ 10,760	\$ 5,170
Add back (deduct):		
Income tax expense	3,023	1,628
Interest expense	691	711
Other pension (income) expense	(1,185)	1,900
Investment (income) expense and other	7	(32)
Operating profit	13,296	9,377
Transformation and other	205	1,173
Adjusted operating profit	<u>\$ 13,501</u>	<u>\$ 10,550</u>
Average debt and finance leases, including current maturities	\$ 22,804	\$ 26,164
Average pension and postretirement benefit obligations	8,899	10,036
Average shareowners' equity	11,297	5,236
Average Invested Capital	<u>\$ 42,999</u>	<u>\$ 41,436</u>
Net income to average invested capital	<u>25.0 %</u>	<u>12.5 %</u>
Adjusted Return on Invested Capital	<u>31.4 %</u>	<u>25.5 %</u>

(1) Trailing twelve months



# Reconciliations

## Reconciliation of Free Cash Flow (Non-GAAP measure) (in millions):

	2021				2022
	Q1 YTD	Q2 YTD	Q3 YTD	Q4 YTD	Q1 YTD
Cash flows from operating activities	\$ 4,531	\$ 8,454	\$ 11,761	\$ 15,007	\$ 4,480
Capital expenditures	(834)	(1,670)	(2,570)	(4,194)	(548)
Proceeds from disposals of Property, plant & equipment	10	15	22	24	—
Net change in finance receivables	11	16	28	34	5
Other investing activities	(6)	(11)	24	18	(22)
Free Cash Flow (Non-GAAP measure)	\$ 3,712	\$ 6,804	\$ 9,265	\$ 10,889	\$ 3,915

