Raymond James & Associates

44th Annual Institutional Investors Conference

March 7, 2023

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; changes in general economic conditions, in the U.S. or internationally; industry evolution and significant competition; changes in our relationships with any of our significant customers; our ability to attract and retain qualified employees; 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; increased or more complex physical security requirements; a significant data breach or information technology system disruption; 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, 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.

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.

By the Numbers

Spanning
220+
countries & territories

Operating
580+
aircraft

Serving
750+
airports

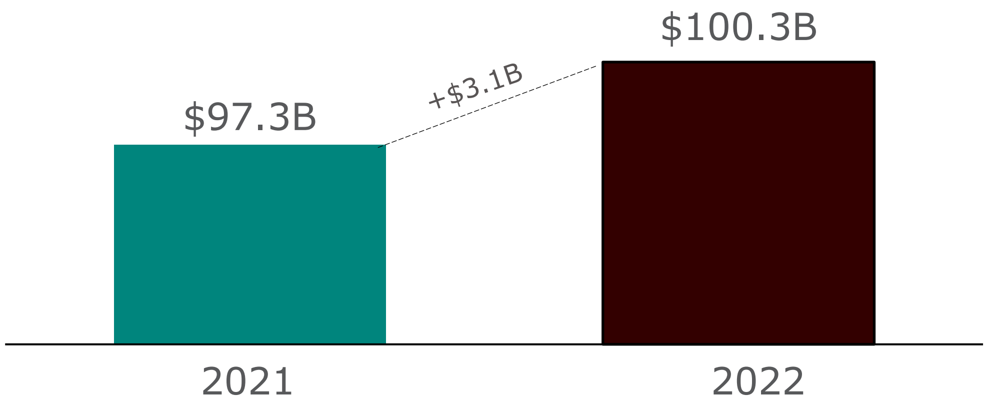
In 2022, delivered
6.2B
letters and packages

Using our fleet of
125,000+
delivery vehicles

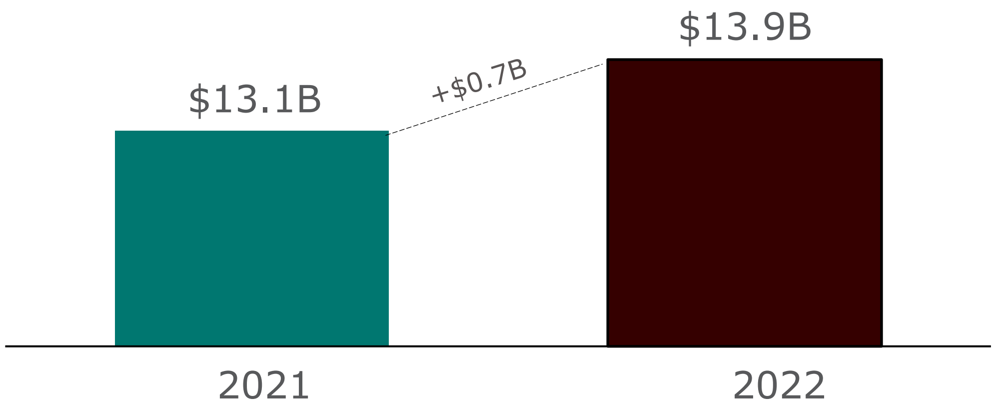
Employing
536,000+
UPSers globally

Full-year 2022 Consolidated Results

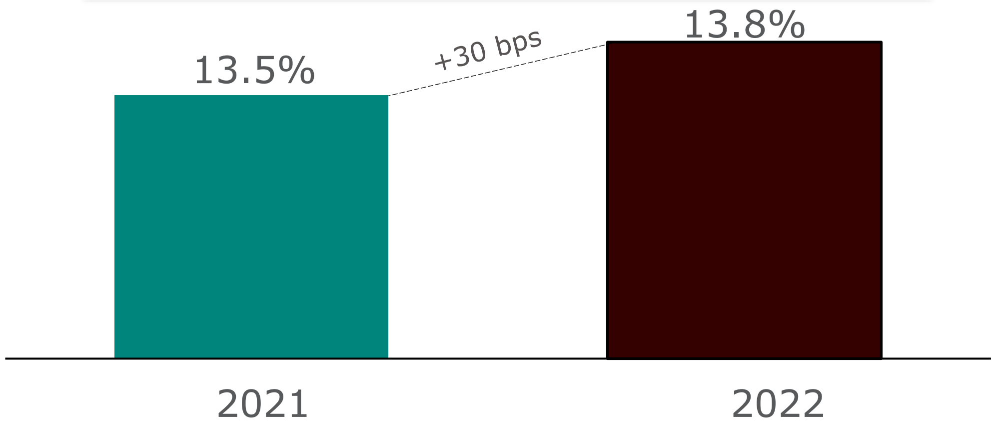
Revenue



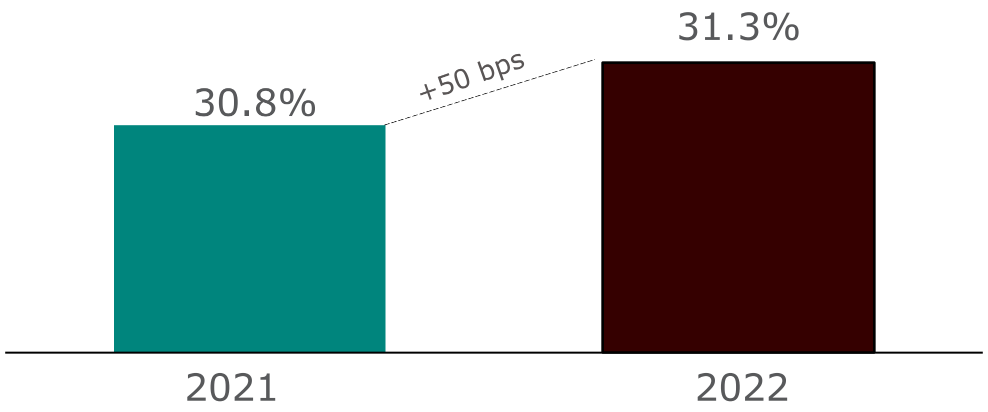
Adjusted Op Profit*



Adjusted Op Margin*



Adjusted Return on Invested Capital*



Exceeded 2021 Investor Day Targets For Consolidated Adjusted Operating Margin* and Adjusted ROIC* Ahead of Original Schedule

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

2023 Full-year Outlook (no updates being provided to outlook given on 4Q22 earnings call on 01/31/23)

Multiple plan scenarios enable us to quickly pivot in an uncertain environment

\- Uncertain macro environment

- Rising interest rates
- High inflation
- Recession forecasts
- Geopolitical environment
- COVID-19

\+ Accelerated investments in projects that drive efficiency and growth, including smart package smart facility, international DAP, healthcare and customer experience

\+ Developed multiple plan scenarios, including Base Case and Downside plans

Consolidated Full-year 2023 Outlook†

- Revenue between $97.0B - $99.4B
- Adjusted operating margin* between 12.8% - 13.6%
- Shape of 2023 will be different with a higher proportion of adjusted operating profit generated in 2H23
  - ~44% of adjusted operating profit expected in 1H23, with ~56% expected in 2H23
  - Expect a similar split in 1H23 between 1Q23 and 2Q23
- Tax rate of ~23.5% with 1Q23 higher compared to the rest of the year due to the timing of our employee stock awards
- Capital expenditures of ~$5.3B
- Free cash flow* of ~$8B in Base Case
- Dividend payout of ~$5.4B and share repurchases ~$3B

†As of January 31, 2023. No updates being given based on any business or economic development since that date.
*Non-GAAP financial measure.

UPS Board of Directors Approved Dividend Increase and New Share Repurchase Authorization

- In January 2023, UPS Board of Directors approved a quarterly dividend of $1.62 per share

- New $5B share repurchase authorization replaced existing authorization

* Estimated based on Board approved dividend per share of $1.62 in 1Q23.

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.

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.

Incentive Compensation Program Design Changes

During 2022, we undertook 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 determined to retire six of our existing MD-11 aircraft from operational use in 2023. In connection therewith, 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 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. We believe excluding the impact of these charges better enables users of our financial statements to view underlying business performance from the same perspective as 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.

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 pension and postretirement defined benefit 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 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 the impacts of incentive compensation program redesign, 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)

Twelve Months Ended December 31,

(in millions, except per share data)	2022						2021					
	As Reported (GAAP)	Pension Adj.[1]	Incentive Compensation Design Adj.[2]	Aircraft Residual Value Adj.[3]	Transformation & Other Adj.[4]	As Adjusted (Non-GAAP)	As Reported (GAAP)	Pension Adj.[5]	Transformation & Other Adj.[6]	As Adjusted (Non-GAAP)	% Change As Rep. (GAAP)	% Change As Adj. (Non-GAAP)
U.S. Domestic Package	$ 57,212	$ —	$ 431	$ 25	121	$ 56,635	$ 53,881	$ —	$ 281	$ 53,600	6.2 %	5.7 %
International Package	15,372	—	30	51	12	15,279	14,895	—	74	14,821	3.2 %	3.1 %
Supply Chain Solutions	14,660	—	44	—	45	14,571	15,701	—	(21)	15,722	(6.6)%	(7.3)%
Operating expense	87,244	—	505	76	178	86,485	84,477	—	334	84,143	3.3 %	2.8 %
U.S. Domestic Package	$ 6,997	$ —	$ 431	$ 25	121	$ 7,574	$ 6,436	$ —	$ 281	$ 6,717	8.7 %	12.8 %
International Package	4,326	—	30	51	12	4,419	4,646	—	74	4,720	(6.9)%	(6.4)%
Supply Chain Solutions	1,771	—	44	—	45	1,860	1,728	—	(21)	1,707	2.5 %	9.0 %
Operating Profit	13,094	—	505	76	178	13,853	12,810	—	334	13,144	2.2 %	5.4 %
Other Income and (Expense):												
Other pension income (expense)	2,251	(1,061)	—	—	—	1,190	4,457	(3,272)	—	1,185	(49.5)%	0.4 %
Investment income (expense) and other	184	—	—	—	—	184	22	—	—	22	N/M	N/M
Interest expense	(704)	—	—	—	—	(704)	(694)	—	—	(694)	1.4 %	1.4 %
Total Other Income (Expense)	$ 1,731	$ (1,061)	$ —	$ —	$ —	$ 670	$ 3,785	$ (3,272)	$ —	$ 513	(54.3)%	30.6 %
Income Before Income Taxes	14,825	(1,061)	505	76	178	14,523	16,595	(3,272)	334	13,657	(10.7)%	6.3 %
Income Tax Expense	3,277	(255)	121	18	36	3,197	3,705	(784)	84	3,005	(11.6)%	6.4 %
Net Income	$ 11,548	$ (806)	$ 384	$ 58	$ 142	$ 11,326	$ 12,890	$ (2,488)	$ 250	$ 10,652	(10.4)%	6.3 %
Basic Earnings Per Share	$ 13.26	$ (0.93)	$ 0.44	$ 0.07	$ 0.16	$ 13.00	$ 14.75	$ (2.85)	$ 0.29	$ 12.19	(10.1)%	6.6 %
Diluted Earnings Per Share	$ 13.20	$ (0.92)	$ 0.44	$ 0.07	$ 0.15	$ 12.94	$ 14.68	$ (2.83)	$ 0.28	$ 12.13	(10.1)%	6.7 %
Weighted-average shares outstanding:												
Basic	871						874					
Diluted	875						878					

(1) Net mark-to-market gain of $1.0 billion recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans and $34 million gain representing the curtailment of benefits for certain Canadian pension plans.
(2) One-time non-cash expense related to stock-based awards that were accelerated to fully vest at December 31, 2022 in connection with a change in incentive compensation program design.
(3) One-time non-cash charge reflecting a reduction in the estimated residual value of fully-depreciated MD-11 aircraft.
(4) Reflects other employee benefits costs of $46 million and other costs of $132 million.
(5) Net mark-to-market gain recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.
(6) Reflects a gain on the divestiture of UPS Freight of $112 million, net of a previously-recognized valuation allowance of $66 million, other employee benefits costs of $206 million and other costs of $174 million.

Reconciliations

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

(amounts in millions)		TTM[1] Ended December 31, 2022		TTM[1] Ended December 31, 2021
Net income	$	11,548	$	12,890
Add back:				
Income tax expense		3,277		3,705
Interest expense		704		694
Depreciation & amortization		3,188		2,953
EBITDA	$	18,717	$	20,242
Add back (deduct):				
Incentive compensation program redesign		505		—
Transformation and other		178		334
Defined benefit plan (gains) and losses		(1,061)		(3,272)
Investment income and other pension income		(1,374)		(1,207)
Adjusted EBITDA	$	16,965	$	16,097
Debt and finance leases, including current maturities	$	19,662	$	21,915
Add back:				
Non-current pension and postretirement benefit obligations		4,807		8,047
Adjusted total debt	$	24,469	$	29,962
Adjusted total debt/Net Income		2.12		2.32
Adjusted total debt/adjusted EBITDA (Non-GAAP)		1.44		1.86

(1) Trailing twelve months.

Reconciliations

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

(amounts in millions)	TTM[1] Ended December 31, 2022	TTM[1] Ended December 31, 2021
Net income	$ 11,548	$ 12,890
Add back (deduct):		
Income tax expense	3,277	3,705
Interest expense	704	694
Other pension (income) expense	(2,251)	(4,457)
Investment (income) expense and other	(184)	(22)
Operating profit	$ 13,094	$ 12,810
Incentive compensation program redesign	505	—
Long-lived asset estimated residual value changes	76	—
Transformation and other	178	334
Adjusted operating profit	$ 13,853	$ 13,144
Average debt and finance leases, including current maturities	$ 20,789	$ 23,285
Average pension and postretirement benefit obligations	6,427	11,932
Average shareowners' equity	17,036	7,469
Average invested capital	$ 44,252	$ 42,686
Net income to average invested capital	26.1 %	30.2 %
Adjusted Return on Invested Capital (Non-GAAP)	31.3 %	30.8 %

(1) Trailing twelve months.

Reconciliations

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

(amounts in millions)	Twelve Months Ended December 31	
	2022	**2021**
Cash flows from operating activities	$ 14,104	$ 15,007
Capital expenditures	(4,769)	(4,194)
Proceeds from disposals of property, plant and equipment	12	24
Net change in finance receivables	24	34
Other investing activities	(333)	18
Free Cash Flow (Non-GAAP)	$ 9,038	$ 10,889