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UPS Investor & Analyst Day

*Welcome*

**PJ GUIDO**

**INVESTOR RELATIONS OFFICER**



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# 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.

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# *A Better and Bolder UPS*

**CAROL B. TOMÉ**

**CHIEF EXECUTIVE OFFICER**



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# Our Core Principles

## Our Purpose

| Moving our world forward by delivering what matters

## Our Values

| Integrity, safety, teamwork and service

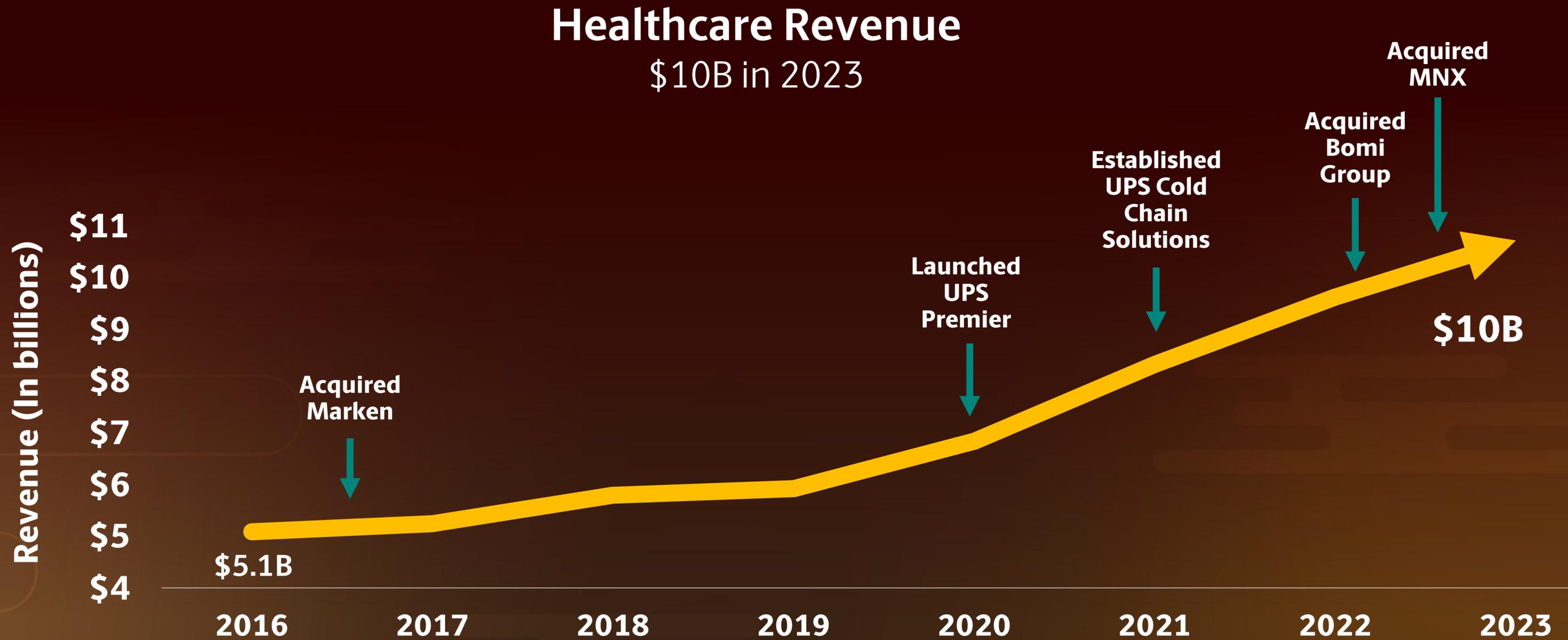
## Our Strong Financial Condition

| To deliver our business and financial goals

## Our Dividend

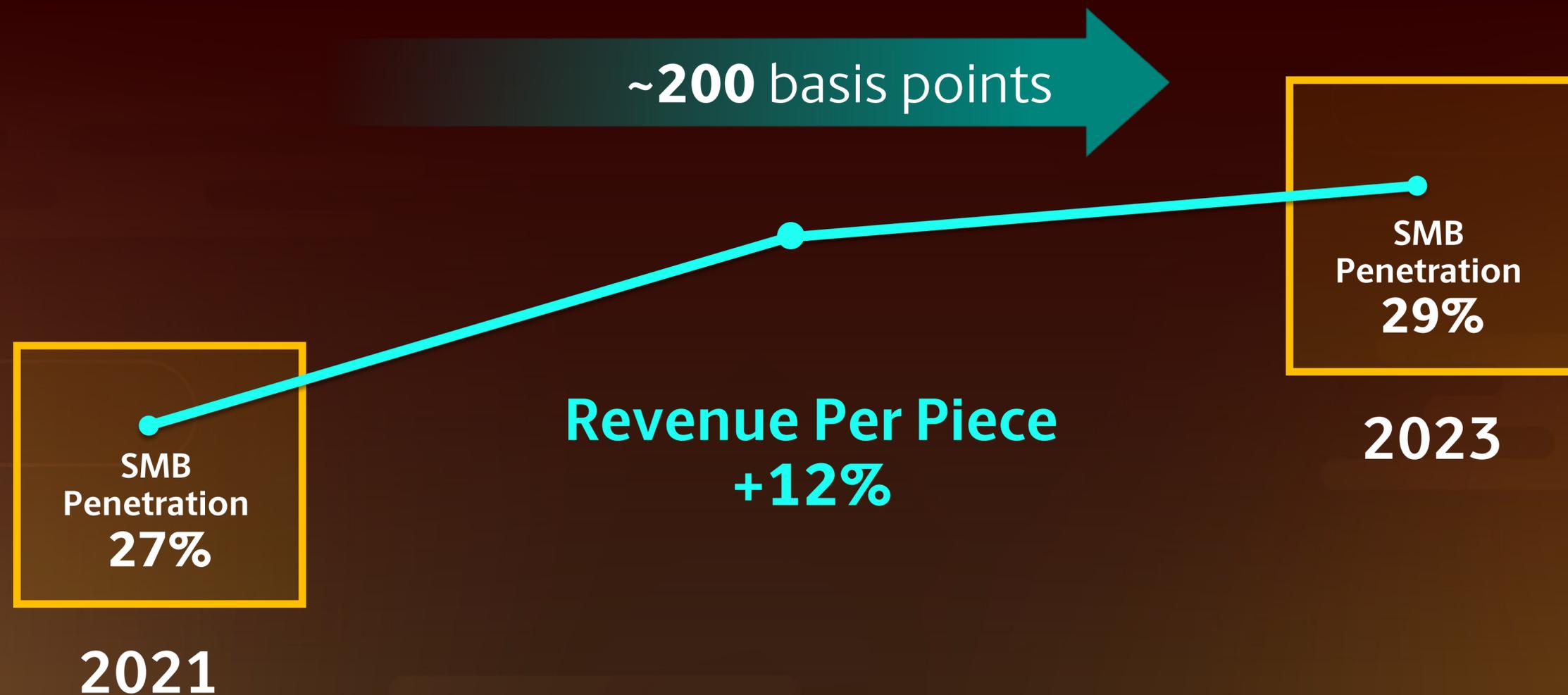
| 15th consecutive year of an increased dividend

# Much Has Changed Since 2021



# Much Has Changed Since 2021

## U.S. SMB Penetration and U.S. +RPP Growth



# Much Has Changed Since 2021

Visibility Pilot  
"Symphony"



2021



2023

# Much Has Changed Since 2021

## Labor Certainty

Teamsters



Aircraft Maintenance Technicians



Independent Pilots Association



Other Global Works Councils



# Much Has Changed Since 2021

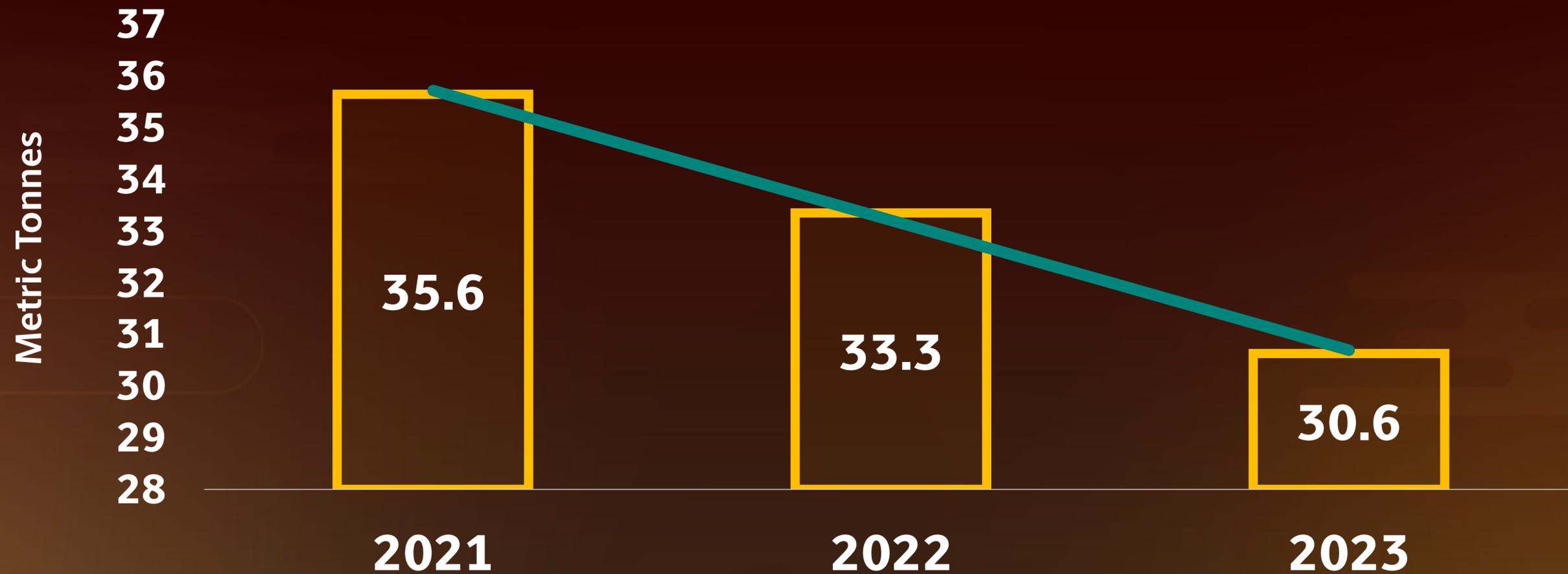
Pieces Per Hour  
+2.87 PPH vs. 2021



# Much Has Changed Since 2021

## Absolute Greenhouse Gas Emissions ('000 Metric Tonnes)

Lower by 14% since 2021



## 2023 Progress

**Customer First**

**People Led**

**Innovation Driven**

### **Customer First**

Reducing friction in the customer experience and meeting customer needs

**NPS = 44**

**+14 since 2021**

Measured by improvement in Net Promoter Score  
Target = 50

### **People Led**

About the employee experience and making UPS a great place to work

**LTR = 65%**

**+14 since 2019**

Measured by how likely an employee is to recommend others to work at UPS  
Target = 80 or higher

### **Innovation Driven**

Driving more productivity from the assets we own

**ROIC\* = 21.9%**

**Industry leading**

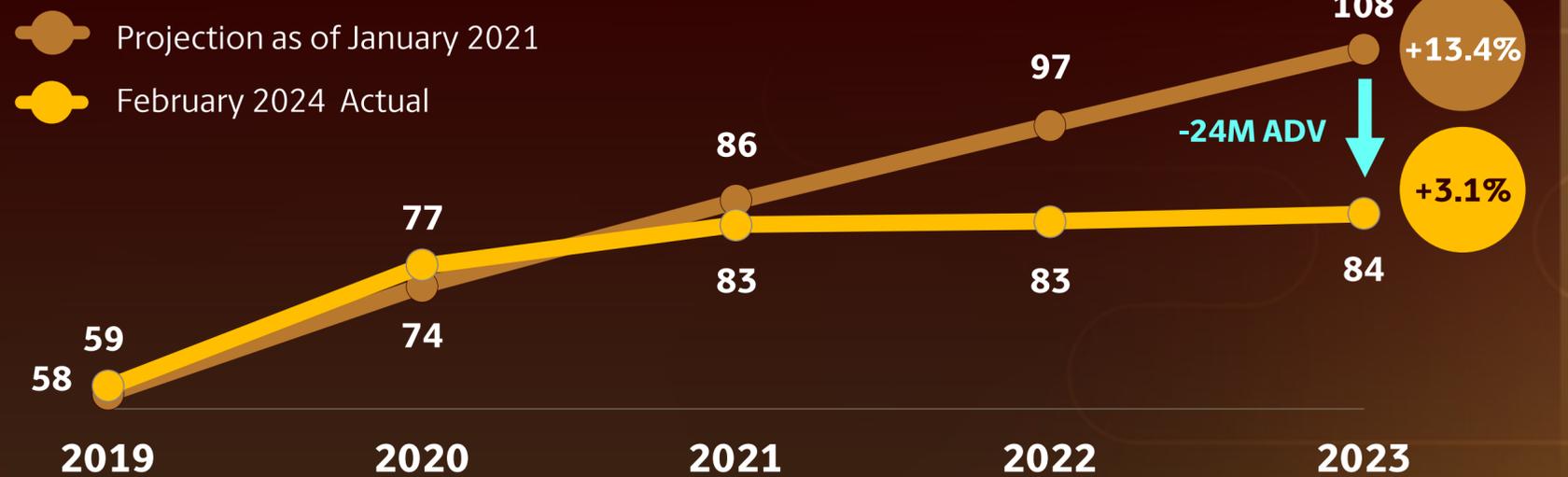
Measured by adjusted returns on invested capital\*

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

# Industry Dynamics

## Total U.S. Small Package Market Volume

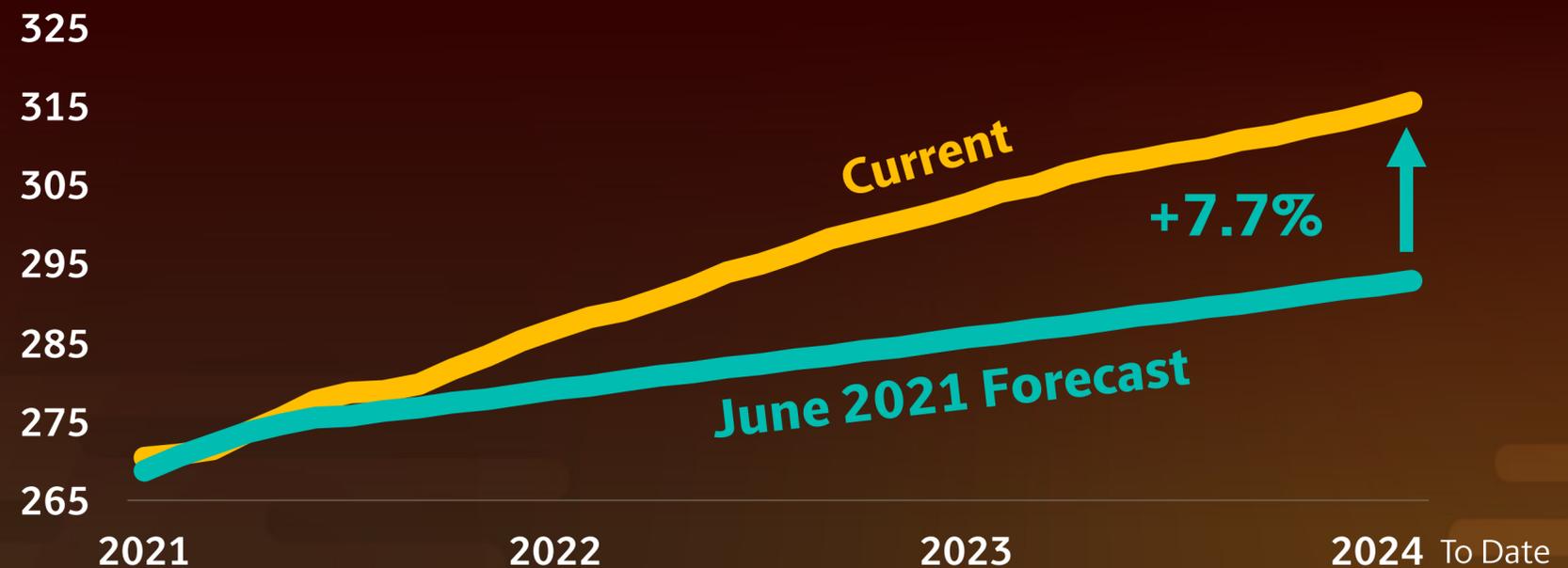
ADV millions



Source: Internal Analysis

## Core Consumer Price Index\*

Index (1982-1984 = 100)



\*S&P Global, Census Bureau/Haver Analytics

**Disrupt  
or Be  
Disrupted**

# **We Are Disrupting Ourselves**

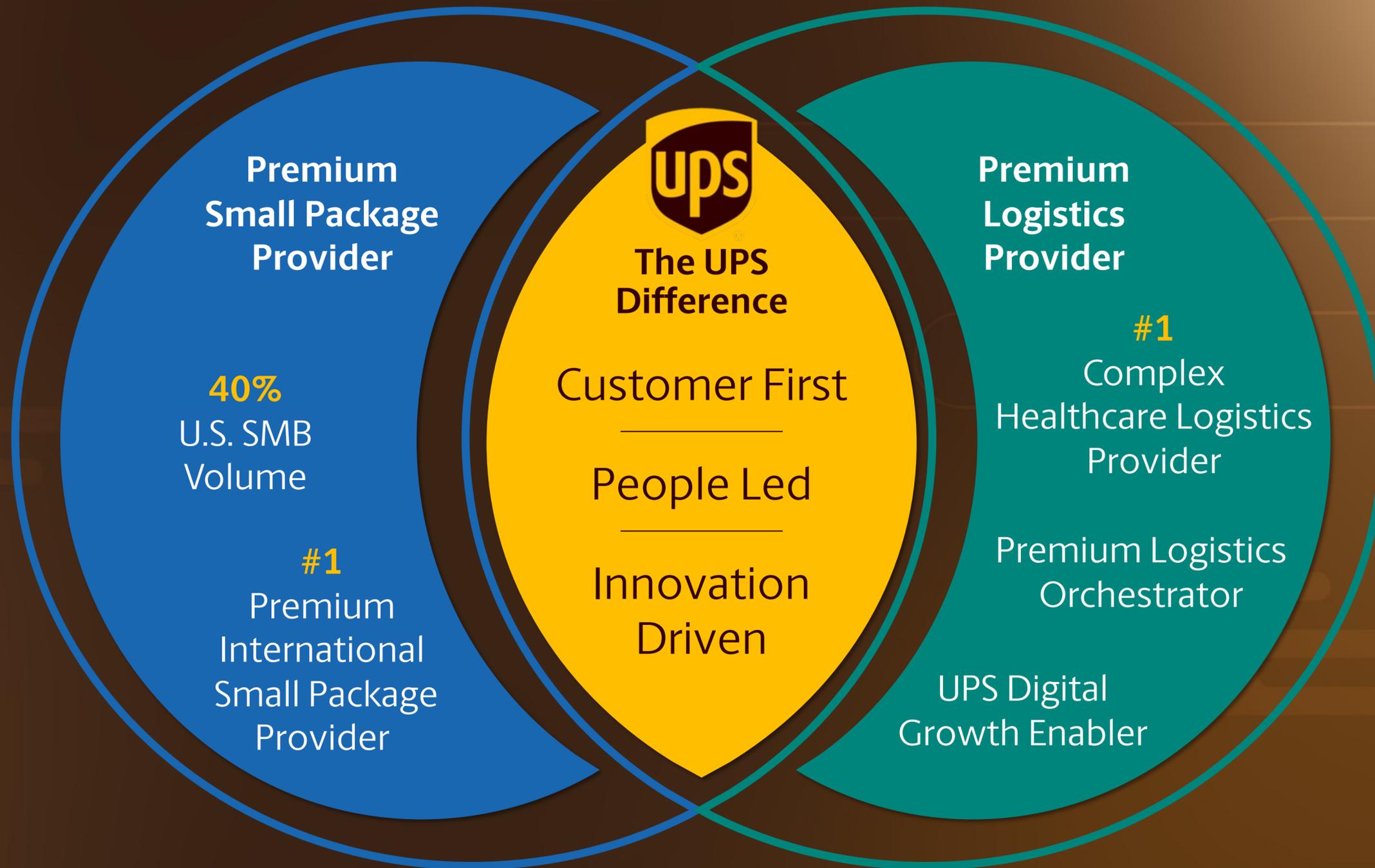
**Sold UPS Freight/Bought Digital Companies**

**New Ways of Working**

**Coyote Strategic Alternatives**

**Focused Declarations**

# Our Declarations



Powered by Productivity Flywheel

# Our 1+2 Plan

## 2024 – 2026

- ➔ **Market demand has reset**  
Pivot toward growth
- ➔ **Cost growth will ease**  
We will anniversary the 1st year of the Teamsters contract on August 1, 2024
- ➔ **We will win with a 1 + 2 plan**  
Year 1 – Focus on **volume** and adjusted operating profit\* **dollar** growth  
Years 2 and 3 – Focus on **volume** and adjusted operating profit **margin\*** growth

## 2026 Consolidated Financial Targets

Revenue between  
**\$108B - \$114B**

Adjusted Operating Margin\*  
**13%+**

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



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# *Market Outlook*

**MATT GUFFEY**

**CHIEF COMMERCIAL AND STRATEGY OFFICER**



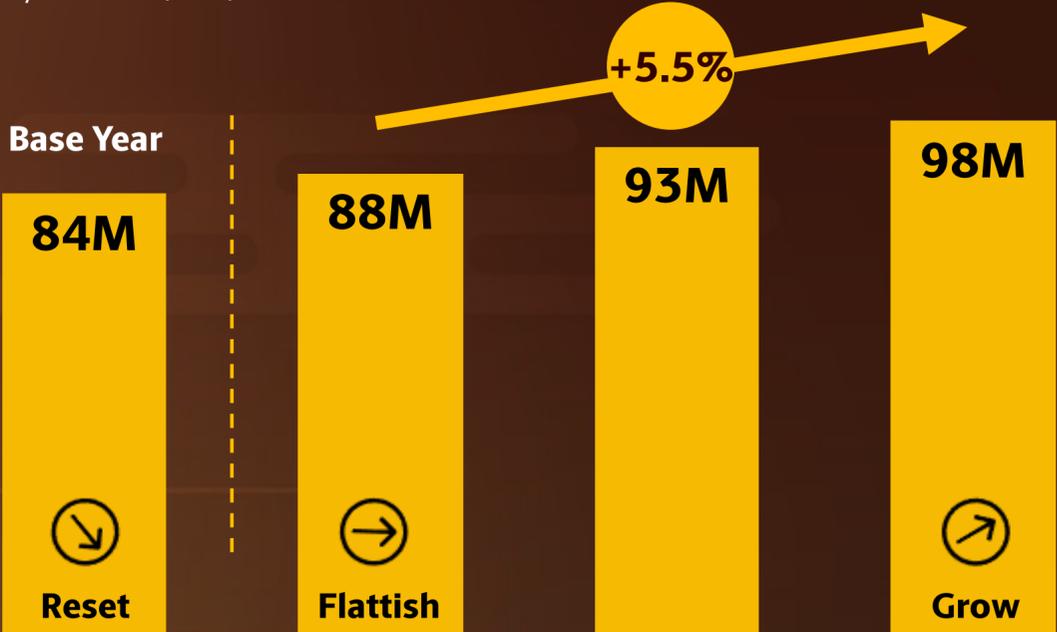
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# Growth is Returning to Our Core Markets

## U.S. Small Package Market

Average Daily Volume (ADV)  
Millions



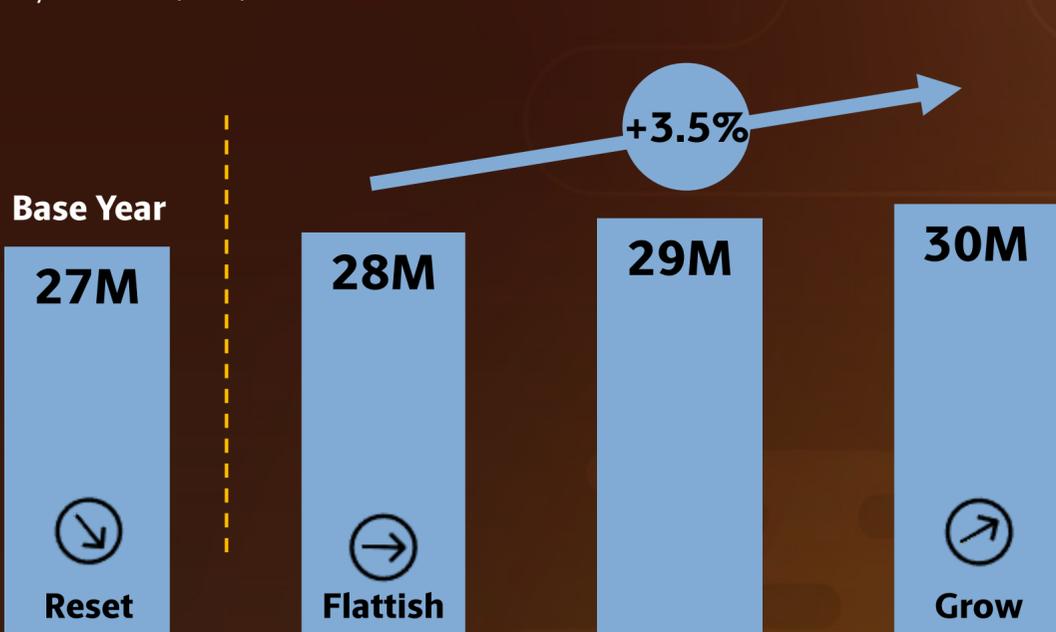
2023      2024E      2025E      2026E  
 1      +2

Projected Revenue  
USD, Billions

2024E      2026E  
 \$187B      \$215B

## Int'l Small Package Market

Average Daily Volume (ADV)  
Millions



2023E      2024E      2025E      2026E  
 1      +2

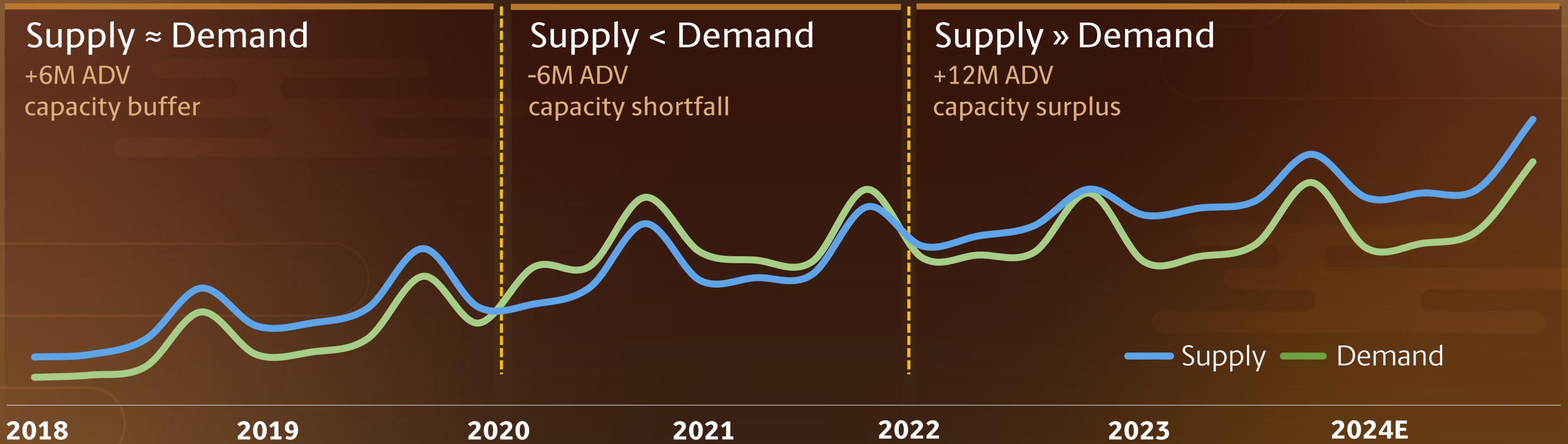
Projected Revenue  
USD, Billions

2024E      2026E  
 \$85B      \$91B

NOTE: Source – UPS Small Package Market Model (SPMM); U.S. numbers includes Amazon Self-Delivered, UPS Mail Innovations; International numbers represents addressable market

# Excess Market Capacity Has Emerged

## U.S. Small Package Market Supply and Demand (ADV)



# Targeting Premium Parts of the Market

## U.S. Small Package Market

### Customer Needs

Price, Convenience and Service

### Megatrends

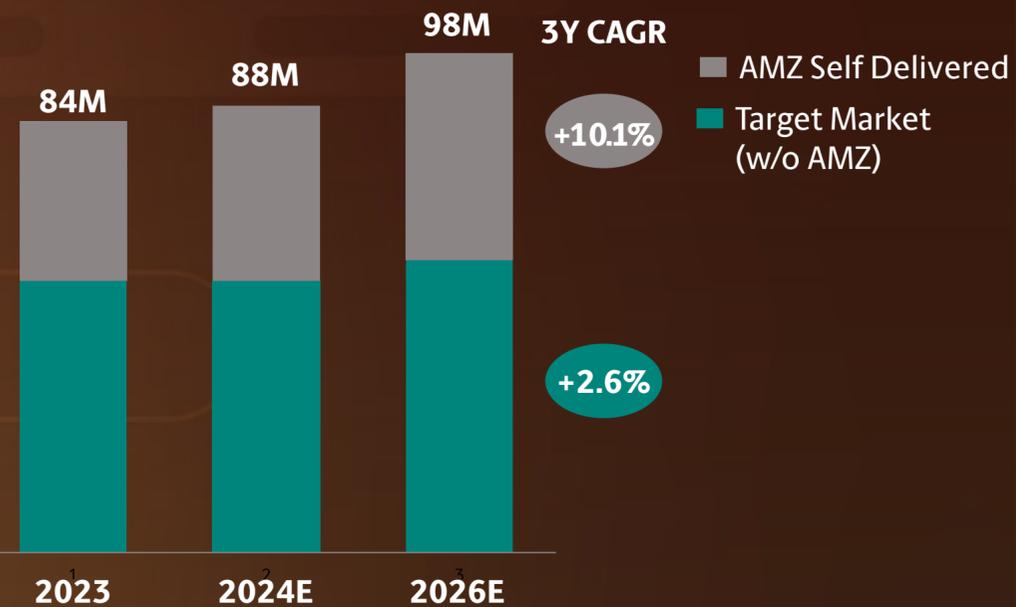


Consumers favor discounting and ease



Digitalization empowering SMBs

U.S. Small Package Market  
ADV, Millions



## U.S. Target Markets

### Customer Type

2026E Market Volume

■ SMB ■ ENT



2026E Market Revenue



### Product Type

2026E Market Volume

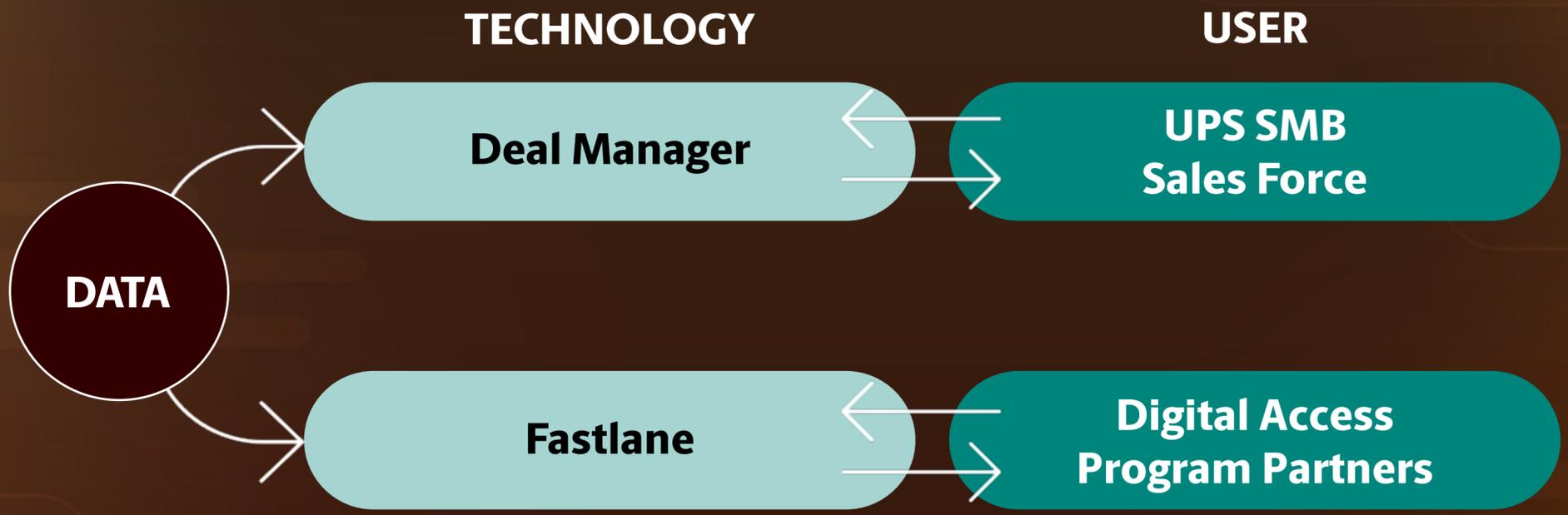
■ B2B ■ B2C



2026E Market Revenue



# Amplifying Our Right to Win



## DIGITAL ECOSYSTEM UNLOCK



Customer Value



Speed To Market



Revenue Quality

# Targeting Growing Markets

## Int'l Small Package Market

### Customer Needs

Flexibility, Visibility and End-to-End Solutions

#### Megatrends



Shifting Trade Lanes

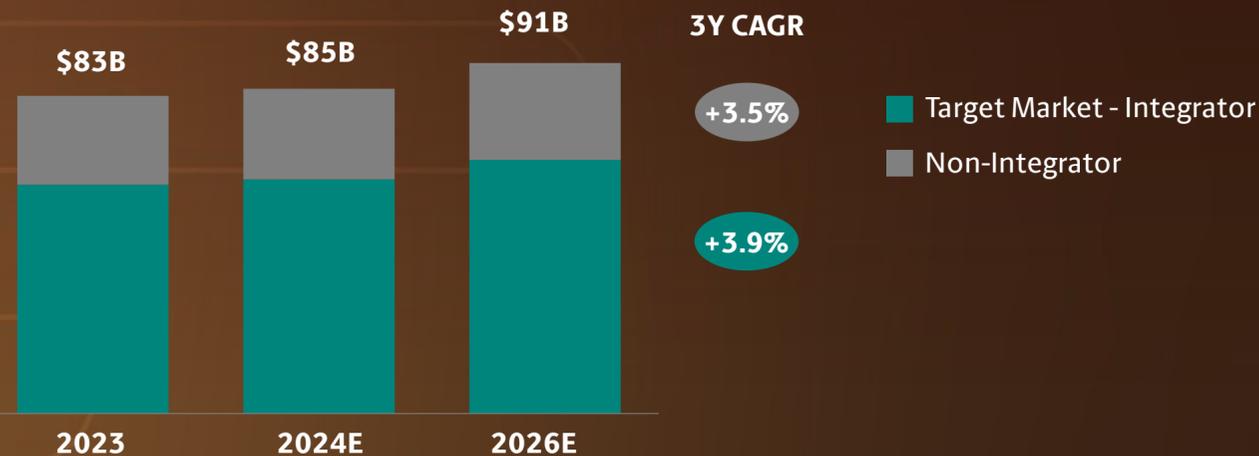


Integrated Supply Chains



Near-Shoring

### Int'l Small Package Market USD, Billions

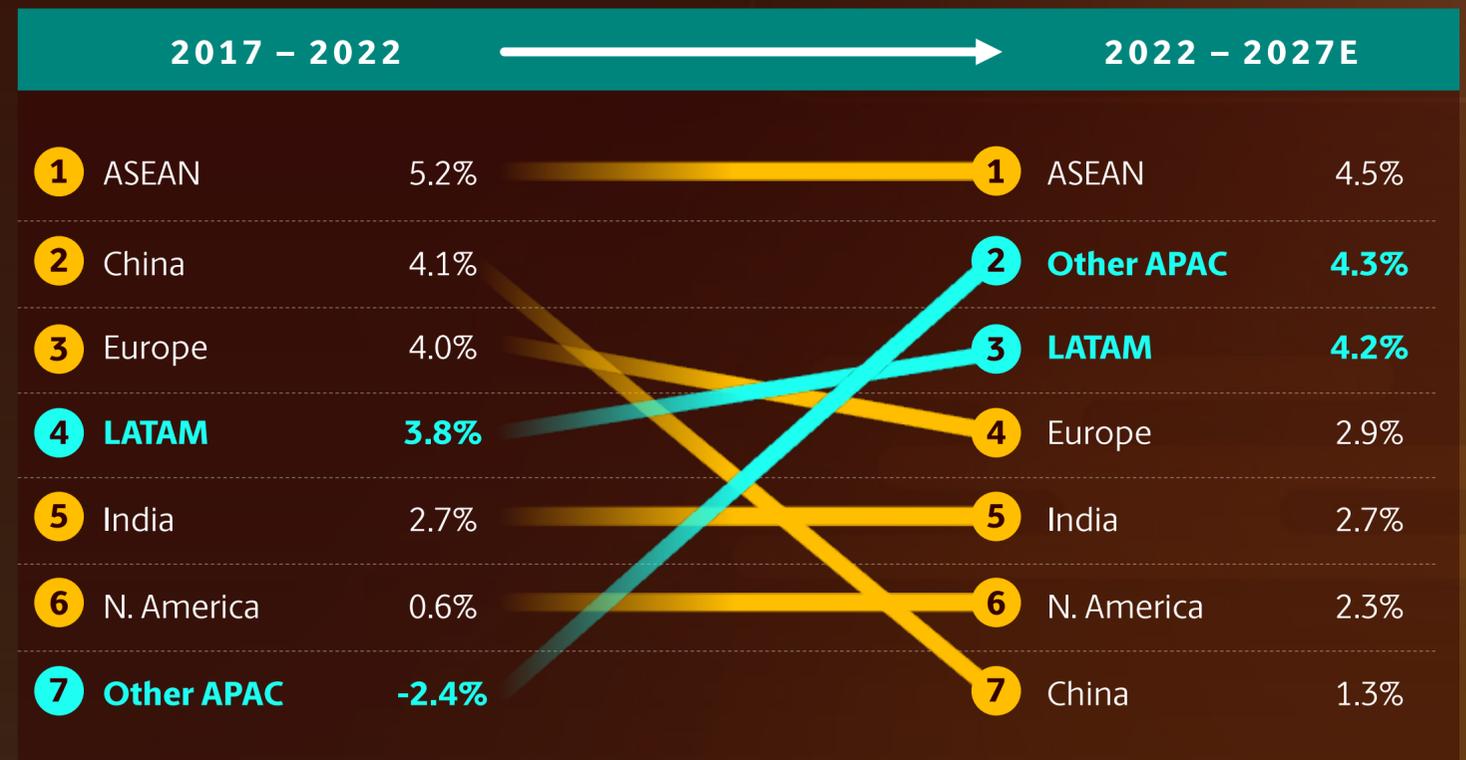


NOTE: Source – UPS SPMM; Represents Addressable International Market; IMF 4Q23 World Economic Outlook Excludes Africa and Middle East

## Export Volume Growth by Market

Historical vs. forecast CAGR

● Accelerating export growth in '22 – '27E



Source: IMF 4Q23 World Economic Outlook. Excludes Africa and Middle East due to limited data

# Accelerating Growth

## Re-Imagining Our Go-to-Market

### Differentiated Value

**Product Portfolio  
Simplification**

Economy vs. Premium  
Nearshoring

### Turbocharge the Core

**Product  
Enhancements**

Hyperlocal  
Commercial

### Grow on the Edge

**New Product  
Innovation**

Consolidated Returns  
Roadie XL and XD

**Network of the Future**

**Architecture of Tomorrow**

**Channel Optimization**



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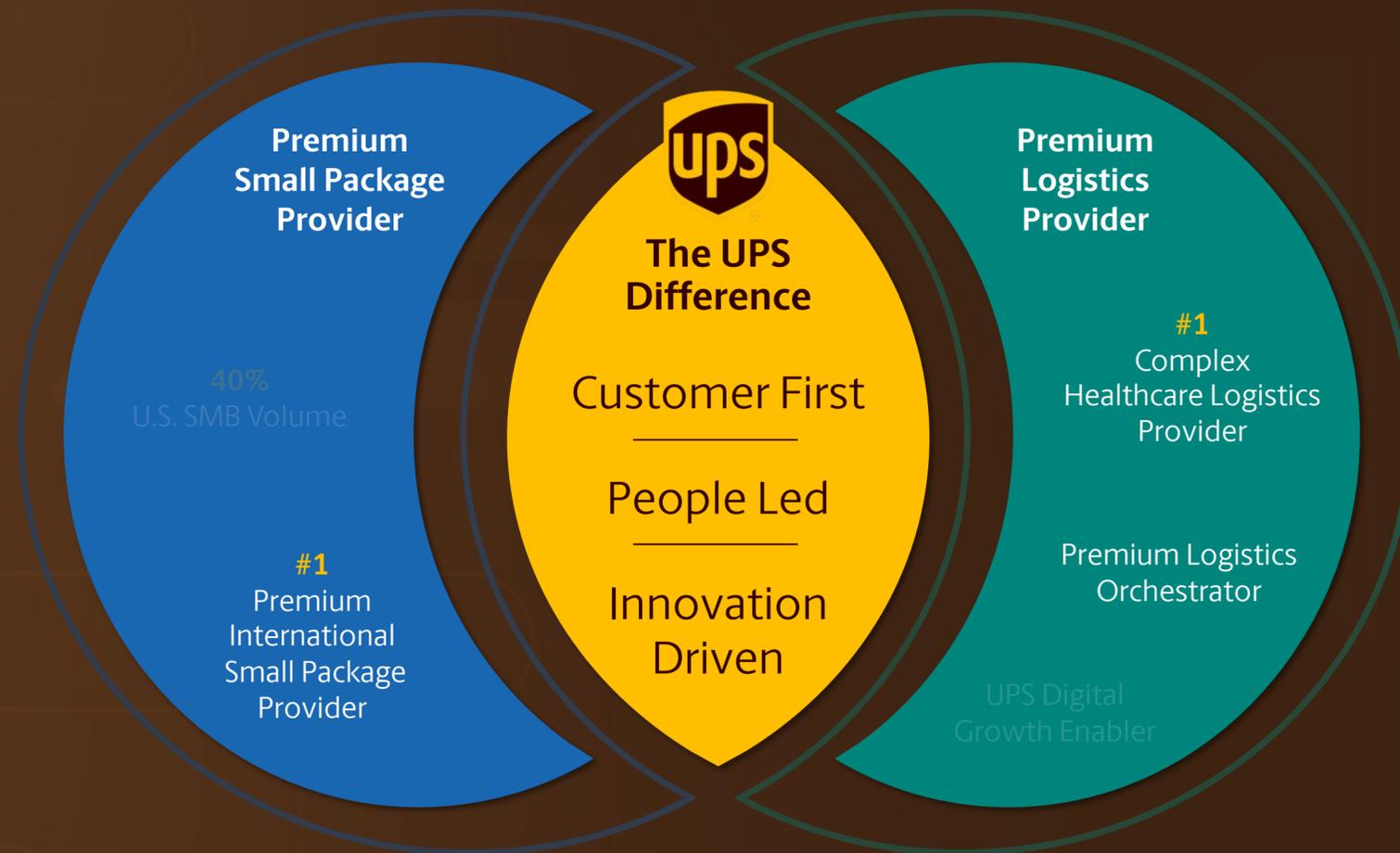
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*International, Healthcare and SCS*

**KATE GUTMANN**

**PRESIDENT INTERNATIONAL, HEALTHCARE AND  
SUPPLY CHAIN SOLUTIONS**

# Our Declarations



Powered by Productivity Flywheel

- ➔ #1 Premium International Small Package Provider
- ➔ #1 Complex Healthcare Logistics Provider
- ➔ Premium Logistics Orchestrator

# One UPS

International, Healthcare and Supply Chain Solutions

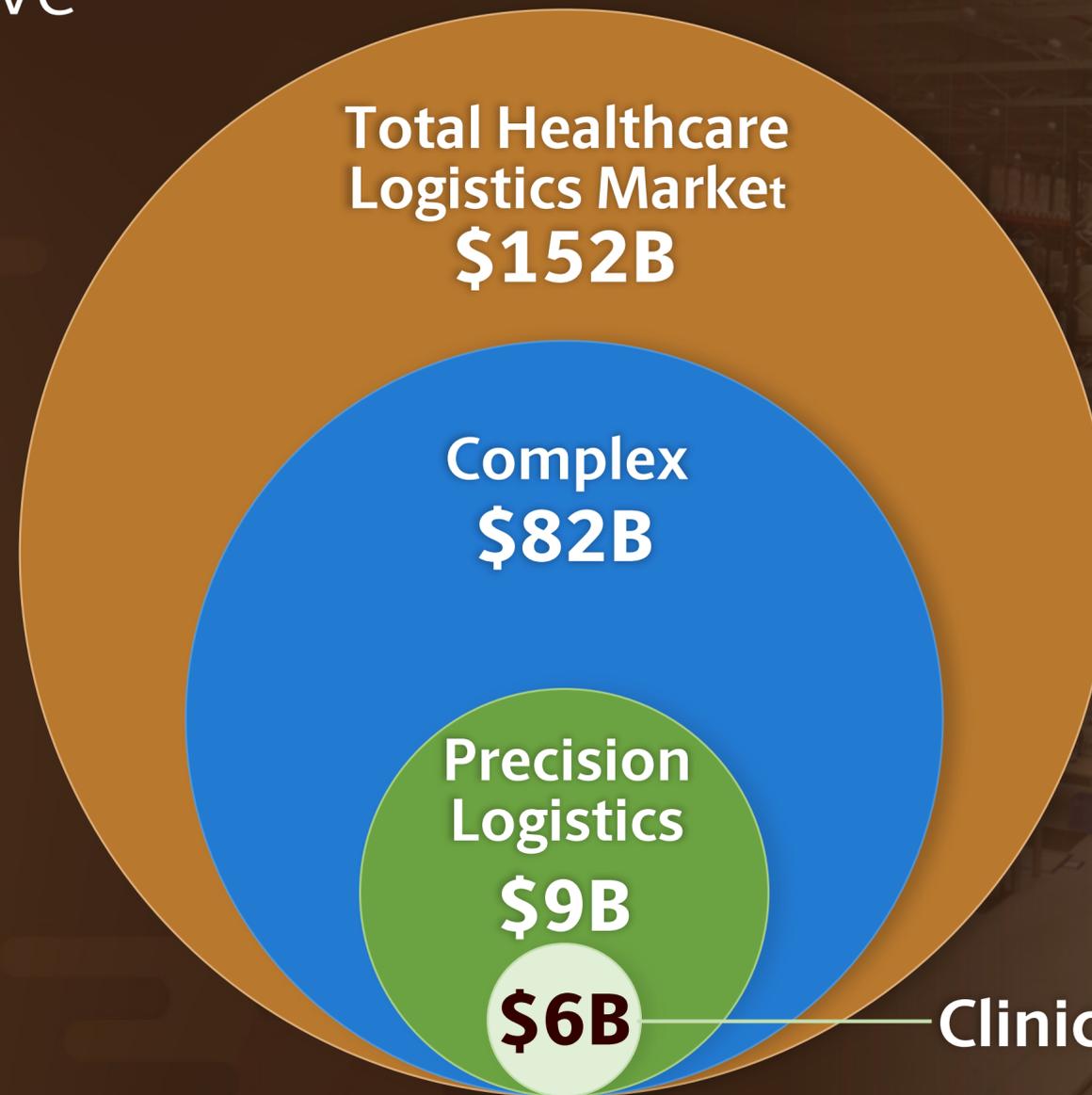


**One UPS end-to-end portfolio enables increased profitability and customer loyalty**

# Healthcare Market

We are focused on the most complex part of the market where margins are most attractive

2026 Projection



Fastest-growing part of the market for our customers

Clinical

# Attractiveness of Healthcare Logistics



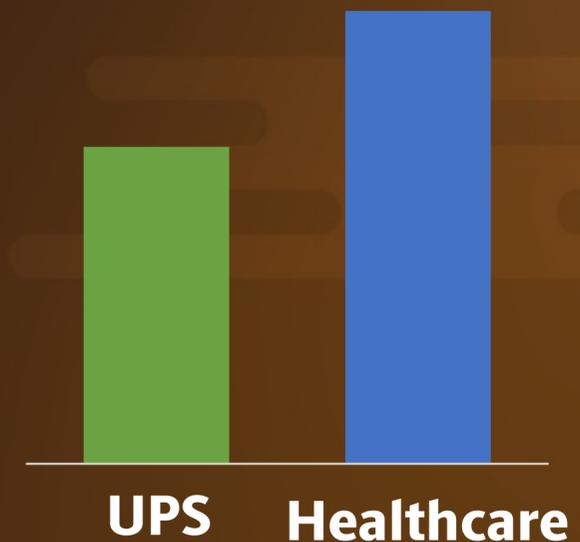
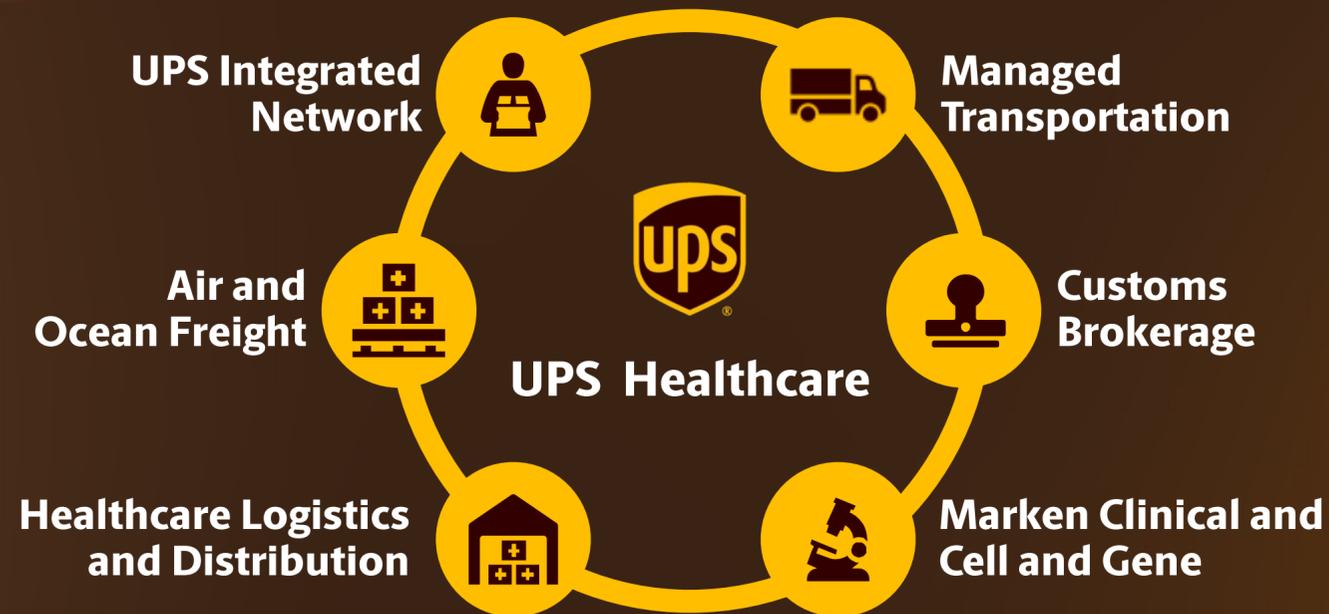
Year-Round Demand



End-to-End



Accretive Margins



Healthcare customers drive higher cross-portfolio utilization and increased loyalty

# Healthcare Investment Focus

Targeted within six growth pillars

Projected 2026  
Market Size **\$82B**

## COLD CHAIN



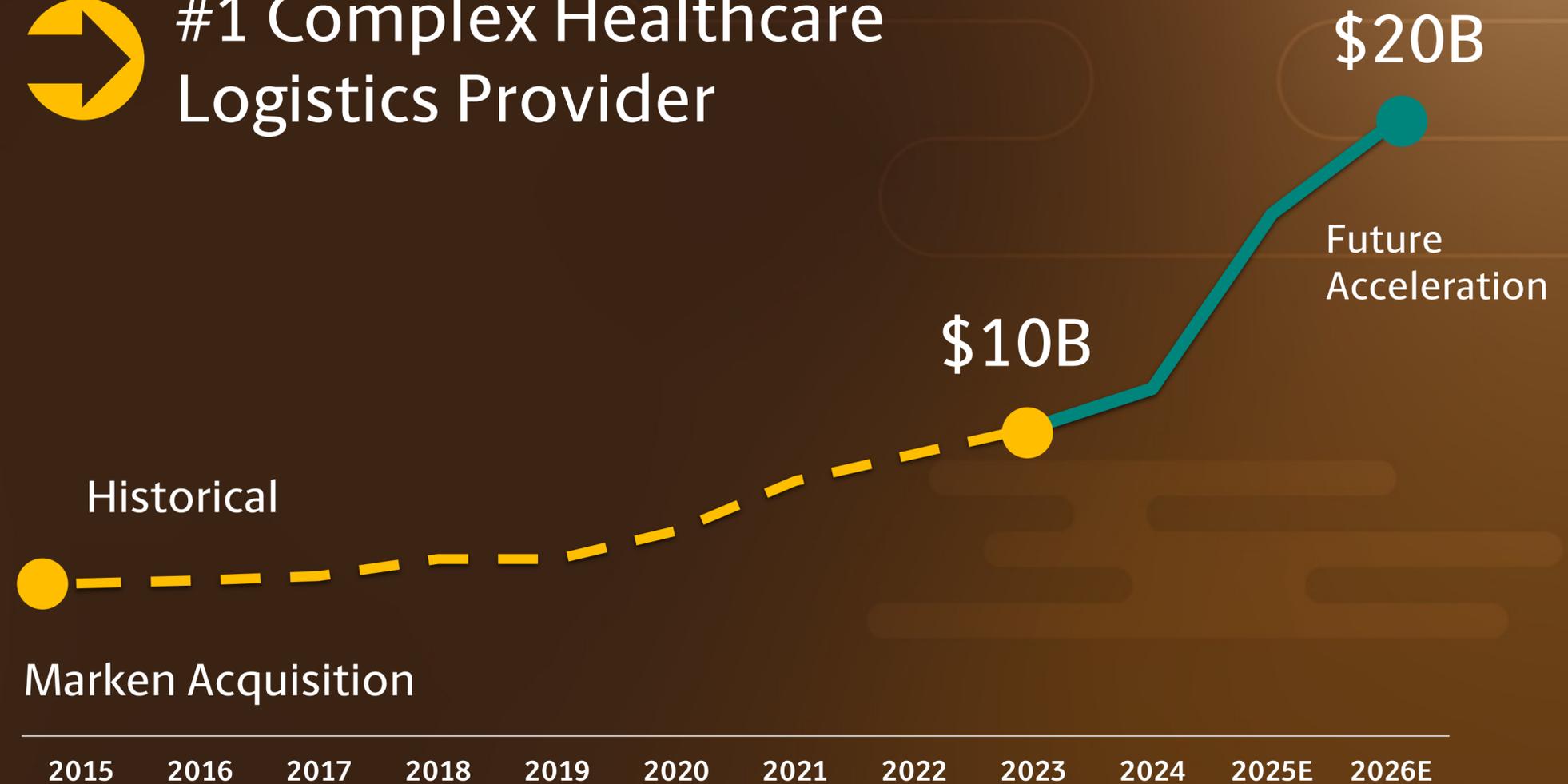
# Our Declarations

By developing capability in **six key areas ...**

- 1 Cold Chain
- 2 Clinical and Advanced Therapies
- 3 Labs and Diagnostics
- 4 Pharma
- 5 Home Healthcare
- 6 Medical Devices



#1 Complex Healthcare Logistics Provider



We will **double the size** of our Healthcare revenue by 2026

# Trade Lane Shifts

Global trade flows are evolving

Major companies are **restructuring** their supply chains, exploring new models that not only **reduce cost** but also **hedge against potential disruption, increasing resiliency**

Intra-Asia:  
an emergent trend

Asia to U.S.  
the legacy model

Asia to Mexico:  
an emergent trend

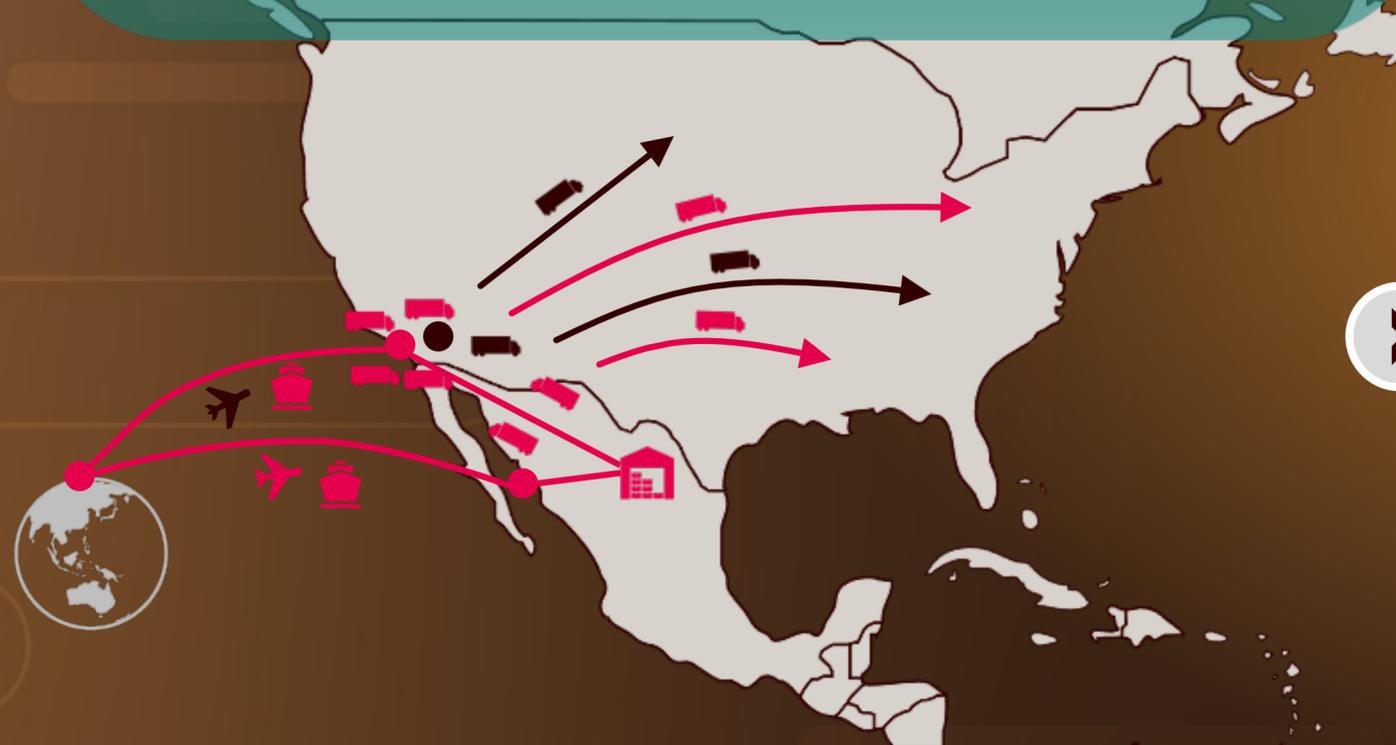


# Mexico Nearshoring

The relocation of supply chains to and through Mexico presents a major strategic opportunity for UPS

## From ...

A fragmented market in which most UPS value capture is only for **U.S. last-mile delivery**



## To ...

An **end-to-end** solution that unlocks value to gain more revenue and profit share **across every mode**

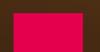


 Distribution

 Ocean

 Ground freight and last-mile

 Air

 Competitors

 UPS

# Asia Diversification

Targeted strategic investments to diversify revenue, accelerate growth and reduce risk

## Growth Acceleration in Nine High-Opportunity Countries



### Investments Unlock Accelerated Growth Trajectory

#### Air Network and Routing Enhancements



- Air Network and Routing changes speed time in transit and increase efficiency

#### Portfolio Expansion



- Coverage and capabilities in target countries
- Cold chain and specialized services

#### Customs Brokerage Excellence



- Customer technology drives less customs holds
- Automation increases efficiency

#### Go-to-Market Engagement



- One UPS alignment around the globe

- Nine Diversification Countries
- China and Hong Kong

Japan Korea Taiwan Vietnam Thailand Singapore Malaysia India UAE

Drive 2.5X market growth through operational and commercial investments

# Cross-Border Excellence

Capitalize on trade lane shifts through continued investment as #1 in Global Brokerage

## Next Gen Brokerage

We are simplifying global trade to position UPS as the **#1 Premium International Provider**

- The cross-border transportation landscape is **increasingly complex** due to regulatory and political dynamics
- Next Gen Brokerage solves for complexity with a **customer portal** that offers **ease and visibility** through every stage of the cross-border process
  - Pre-Shipping
  - Shipping
  - Clearance, Delivery and Billing

## Key UPS Investments in Brokerage

Superior Customer Experience



Operational Excellence



Improved Service Performance and Holds Reductions



# DAP

Available in 30 economies

Australia

Finland

Ireland

Mexico

Singapore

Taiwan

Austria

France

Italy

Netherlands

South Korea

Thailand

Belgium

Germany

Japan

Norway

Spain

UK/GB

Canada

Hong Kong

Luxemburg

Poland

Sweden

United States

Denmark

India

Malaysia

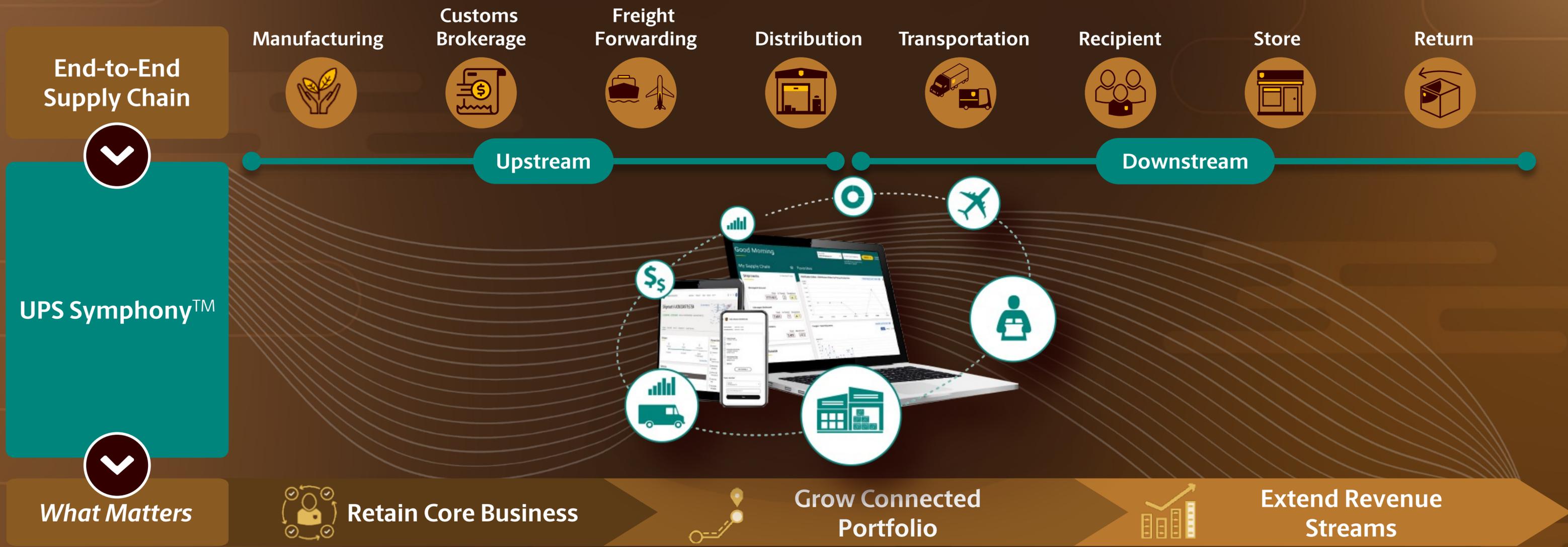
Portugal

Switzerland

Vietnam

# Supply Chain Orchestration

End-to-end visibility powered by Symphony platform





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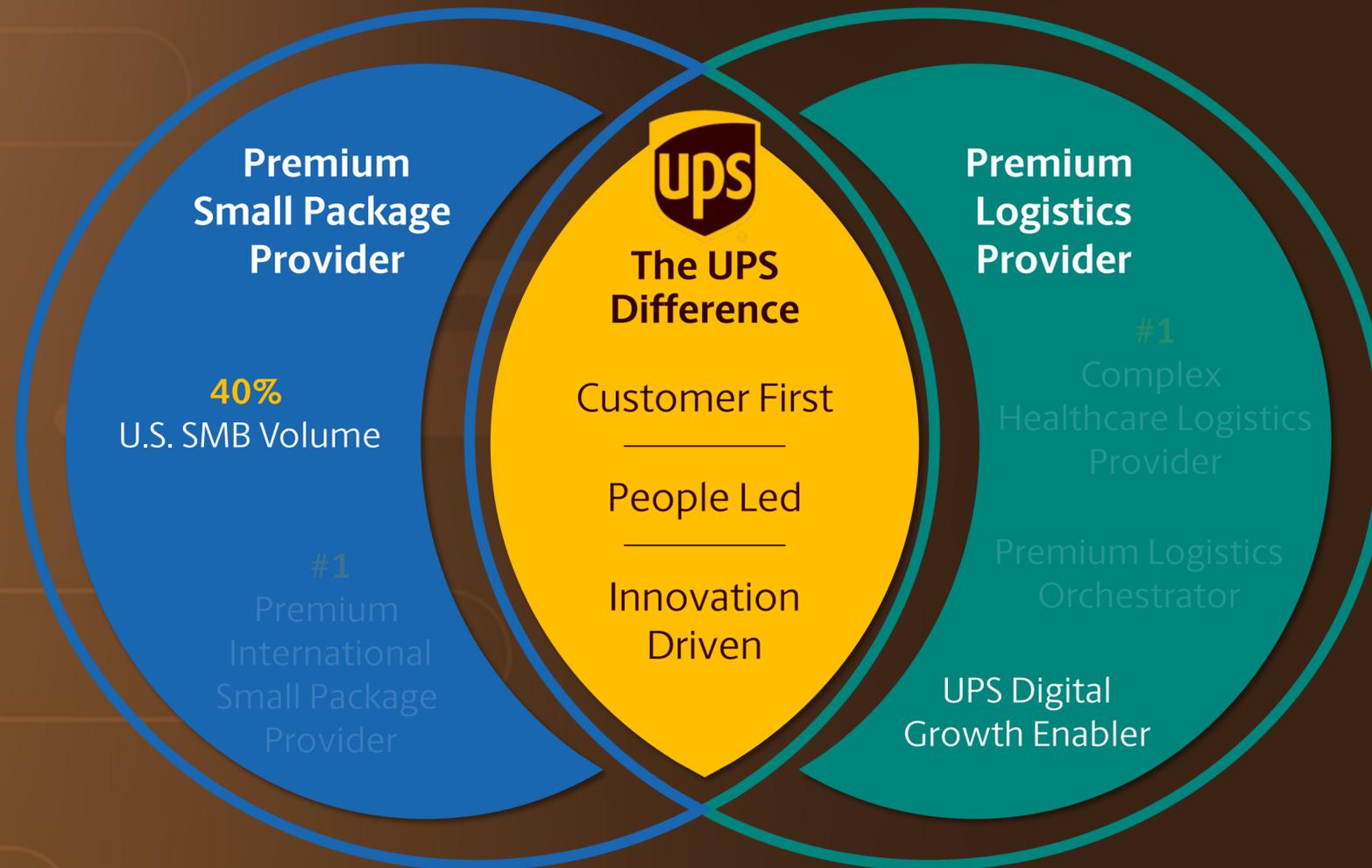
*U.S. Domestic*  
**NANDO CESARONE**  
**PRESIDENT U.S.**



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# Our Declarations



Powered by Productivity Flywheel

## Enablers



Return to volume growth by capturing share



Grow Revenue per Piece (RPP) faster than Cost per Piece (CPP)



Leverage new automation and technology tools to materially improve productivity

# Expand Adjusted\* Operating Margin to at Least 12% by 2026

**9%**  
2023

**12%**  
2026

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

# How We'll Capture SMB Growth

Meet them where they are...



Digital Access Program (DAP)

Fastlane and APIs



UPS.com

Hyper Personalization



The UPS Store

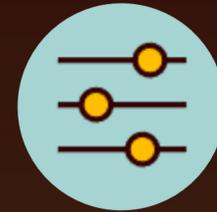
Single View of Customer

**CHANNEL**

DIGITAL

PHYSICAL

...with the products and capabilities they need



Simplified Portfolio

Premium and Economy



Value-based Pricing

Deal Manager



My Choice

Visibility and Notification

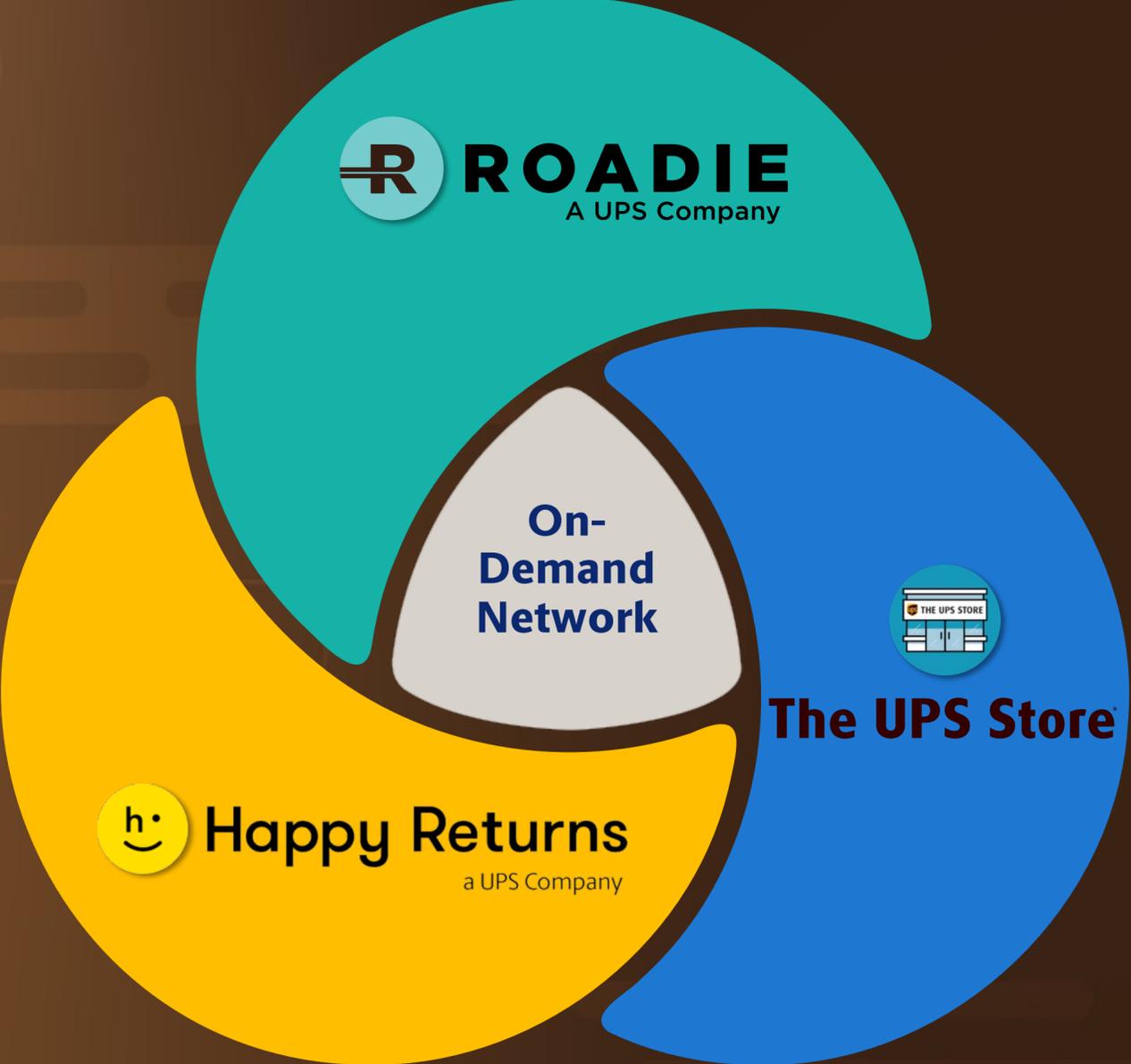
**EXPERIENCE**

SHIPPER

RECIPIENT

**Our Declaration: Reach 40% U.S. SMB Volume Penetration**

# On-Demand Network



**Speed**



**Scale**



**Synergies**

# How We'll Capture Commercial Growth ...Both SMB and Enterprise

## Play to Strengths

## Play Offense

## Play in New Markets

### OUR MOVES

-  Leverage superior network built to support commercial customers
-  Lean into markets where we have reliability and speed advantages
-  Expand Saturday pickup into new markets

-  Position new services and capabilities (e.g., Happy Returns)
-  Utilize new dynamic pricing to attract new volume while enhancing margins

-  Drive density with multi-piece offerings to LTL market
-  Bring industry-leading service and delivery windows to retailers to drive positive customer experience

**Defend and Grow Our #1 Position**

# Grow U.S. Revenue Per Piece Faster Than Cost Per Piece

Revenue per Piece

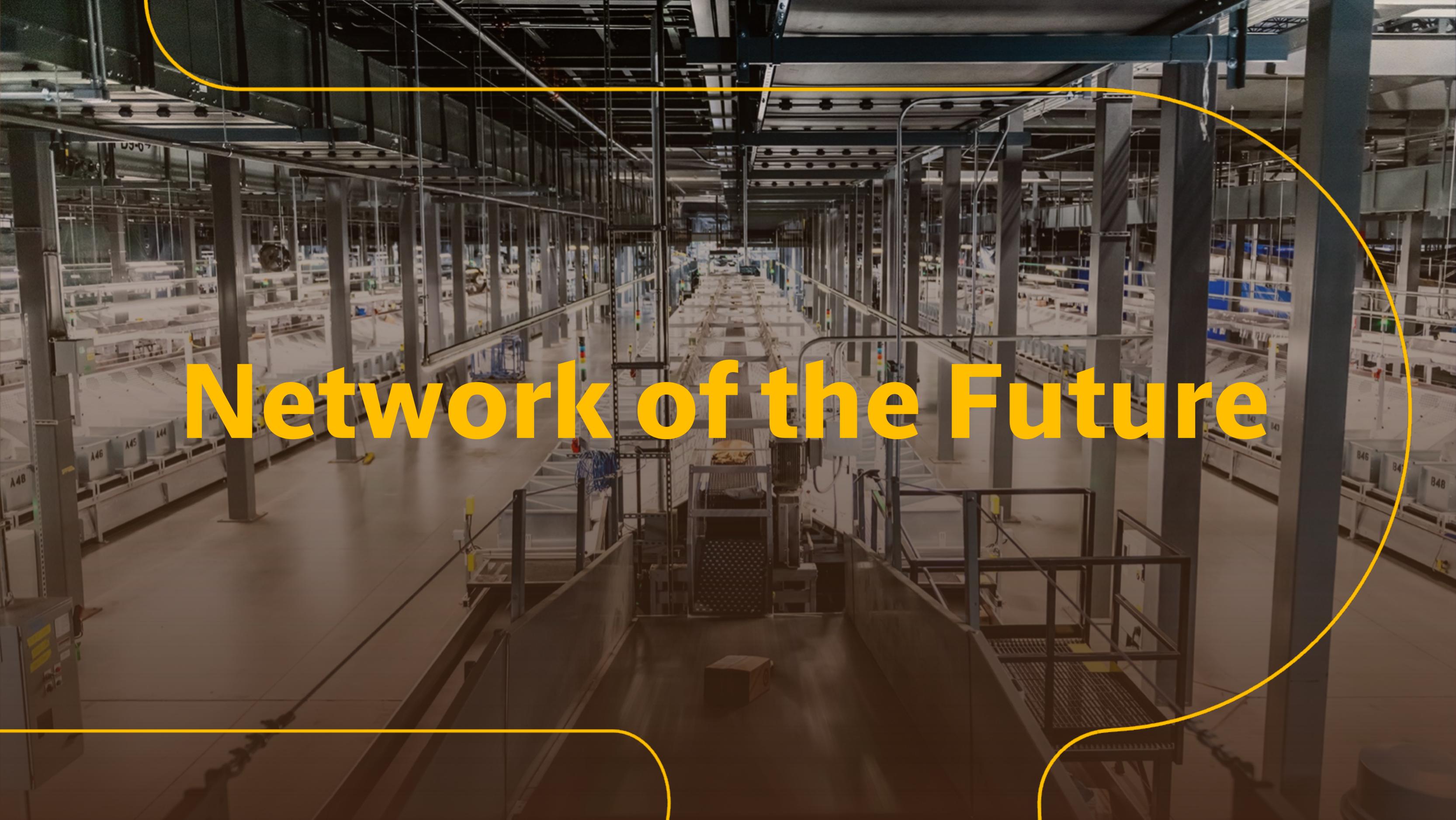
**+~2.5%**



Cost per Piece

**+~1.0%**

CAGR 2024 – 2026F

A wide-angle, perspective view of a modern data center. The room is filled with rows of server racks on both sides of a central aisle. The racks are white and blue, with various cables and components visible. The floor is a light-colored, polished surface. The ceiling is high, with a complex network of pipes, conduits, and lighting fixtures. The overall atmosphere is clean, organized, and technologically advanced. A large, bold, yellow text overlay reads "Network of the Future".

# Network of the Future

# Network of the Future

## What We're Solving For



Creating capacity through productivity with a lower cost per package



Enhancing a highly productive network, with less dependency on labor

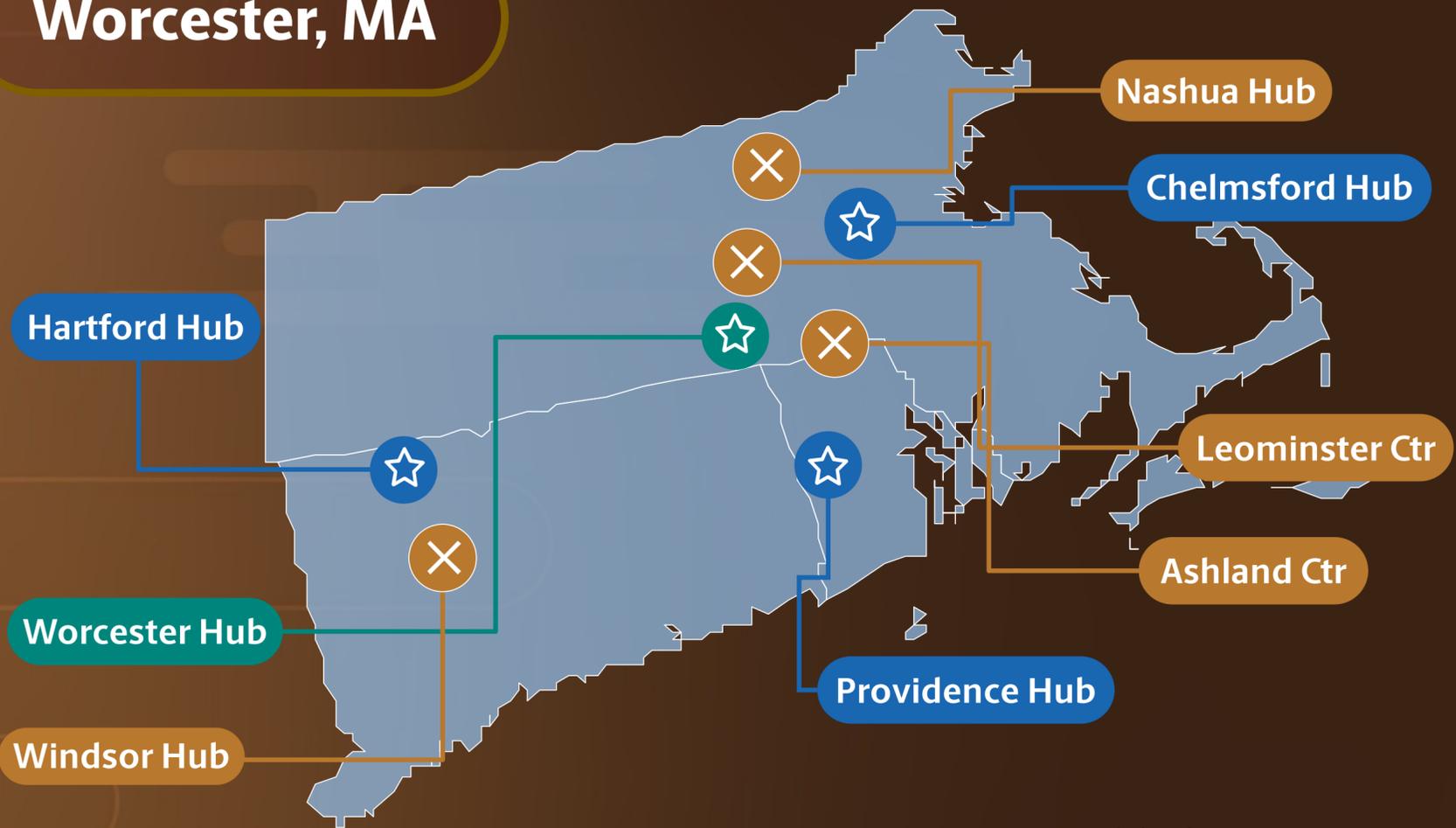


Building additional flexibility to better serve our customers



# Automation and Consolidation Projects

Worcester, MA



Project Type  
| Replacement  
(build new and expand capacity to enable consolidation)

- New build
- Enabled project for automation
- Consolidation

# Automation and Consolidation Projects

**Mesquite, TX**

Haslet Hub  
(Automated)

Independence Hub  
(Automated)

Dallas Hub  
(Smalls automated)

Mesquite Hub

Lone Star Hub  
(Automated)

Chalk Hill Ctr



Automation  
modernization



Nearby facilities  
out of scope



Consolidation

Project Type

| **Hub Modernization Retrofit  
and Consolidation**

# Automation and Consolidation Projects

**Albany, NY**

Syracuse Hub



Albany Hub



NY Capital Village Center



 Automation modernization

 Consolidation

Project Type  
| **Hub Modernization Retrofit and Consolidation**

# 63 Sites with Major Automation Projects by End of 2028



**By 2028**  
~\$9B Investment  
~\$3B in Savings

# Actions We Are Taking Right Now

1

Building and Sort  
Closures

2

Complete In-flight  
Automation Projects

3

Operational and Staffing  
Optimization

4

Evaluating Productivity Investments  
and Deploying New Automation

5

Operator of the Future Roles  
and Responsibilities

On path to  
**12%**  
adjusted\*  
operating margin  
by 2026

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

# Network of the Future (Productivity Flywheel)

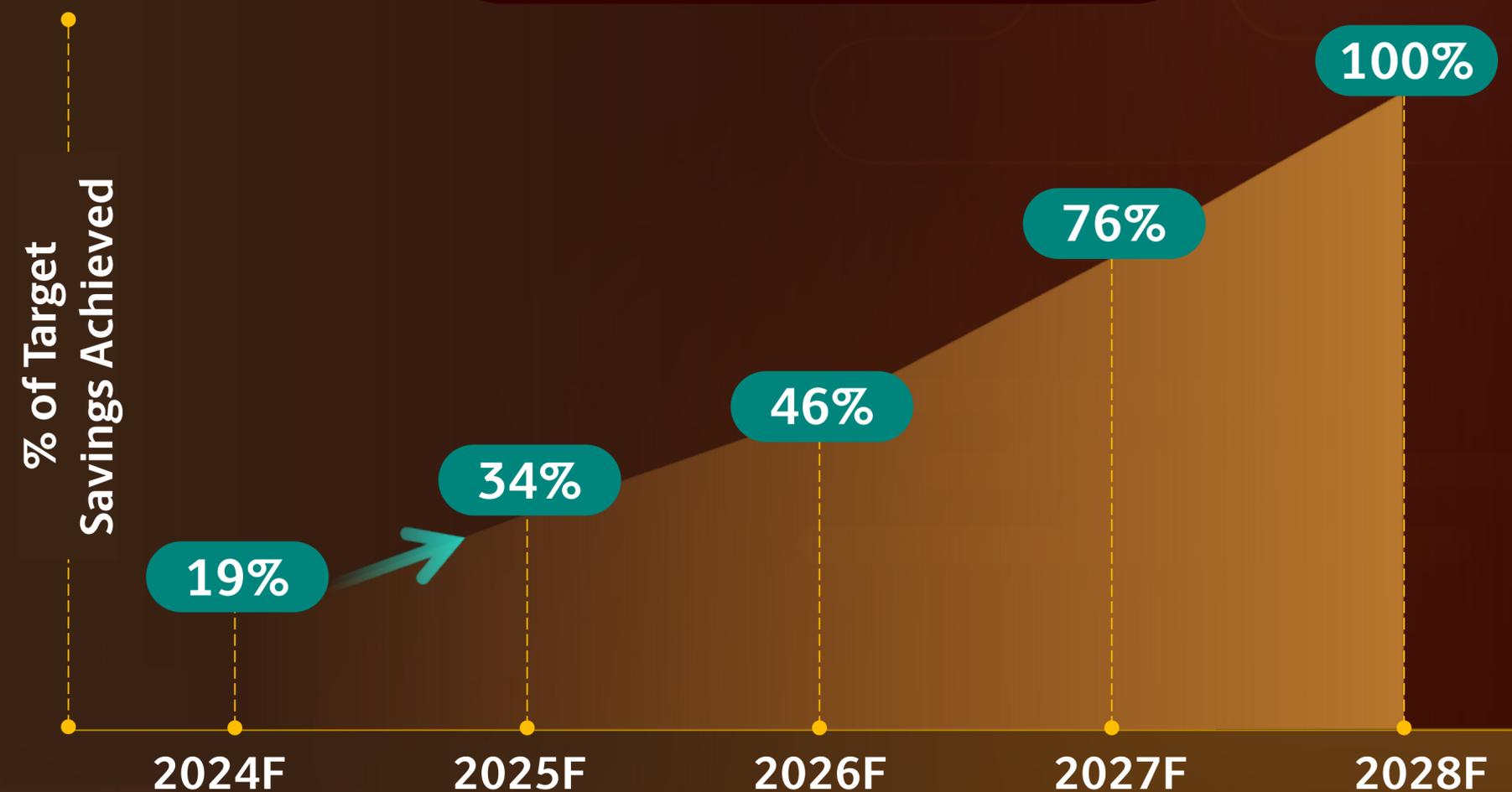
Total Savings |

**~\$3B** by the end of 2028

Grow Volume per Resource\* |

**~51**  **~59**  
2023                      2026

## Forecasted Timeline



\*Volume per Resource = ADV / U.S. Employees



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*Organizational Agility  
and Enabling the Business*

**BALA SUBRAMANIAN**

**CHIEF DIGITAL AND TECHNOLOGY OFFICER**

# Technology Underpins Our Enterprise Strategy and Goals, helping unlock revenue growth and drive cost optimization efforts

## Modernization of Technology Stack

### Brilliant Basics

- Implement Secure IT Infrastructure
- Introduce Enterprise API Architecture
- Upgrade Enterprise Technologies (Finance, HR, Payroll)
- Digitize Operations Technologies
- Modernize Customer and Commercial Technologies

### Strategic Bets

- Artificial Intelligence and GenAI
- Robotics and Automation
- Smart Package Smart Facility
- Digital Twins

*Optimizing our run-grow mix*

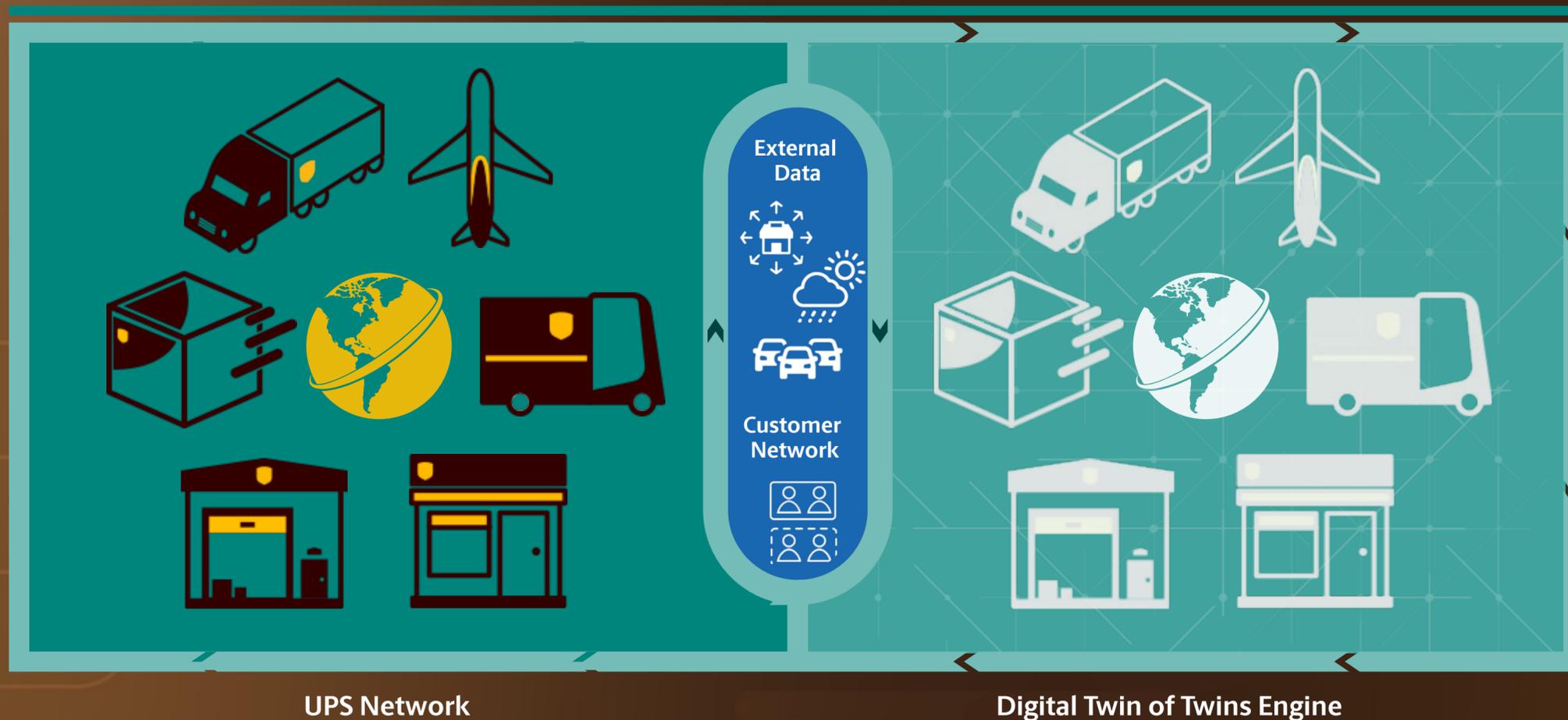
# We Have Made Significant Strides in Implementing Network of the Future by implementing tomorrow's technology today

Current UPS Network



# We Have Made Significant Strides in Implementing Network of the Future by implementing tomorrow's technology today

## Future State UPS Network



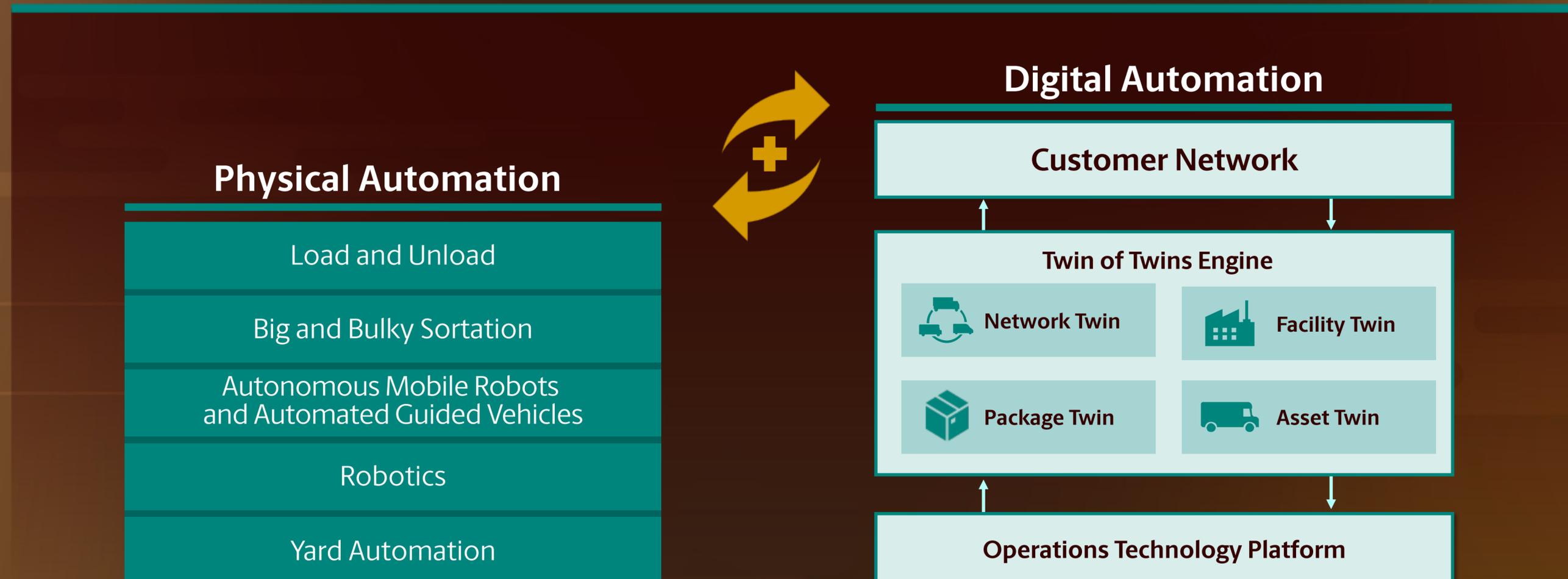
Near **real-time**, **scalable**, **flexible** using digital capabilities complementing the physical network

**Expand** from component level optimization to **system level optimization**

Multi-carrier, multi-customer, multi-package and multi-product

# We Are Driving an Accelerated Network Optimization Program through Robotics and Automation

## End-to-End Automated Network



# Moving from a Scanning to Sensing Based Network is helping drive greater efficiencies for the organization

## 1 Smart Preload

Moving from manual to automated scanning with new wearable technology

Already implemented



## Smart Driver 3

Technology shows driver instantly where the package is on the car

Implementation in Progress

## 2 Smart Package Car

Car is instrumented with RFID readers which enables customer pickup scan as smart packages are loaded into the car

Implementation in Progress



## Smart Customer 4

Customer will be printing RFID Smart Labels at Pickup (Applying RFID labels further upstream)

Implementation in Progress

# DeliveryDefense™ Address Confidence

A first-of-its kind technology that leverages AI to help shippers make smarter, safer shipping decisions, before they even print a label.

DeliveryDefense Address Confidence uses complex AI to generate simple, actionable confidence scores that help shippers identify the **top risks in their network that drives shipping loss**



**DeliveryDefense**

DeliveryDefense API

DeliveryDefense **Web Tool**

DeliveryDefense **Advisory Services**



**Save Money**

Reduce shipping loss  
by up to 30%



**Save Time**

Streamline the  
review of orders



**Save CX**

Avoid losses and offer  
safer service



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# *Financial Plan*

**BRIAN NEWMAN**

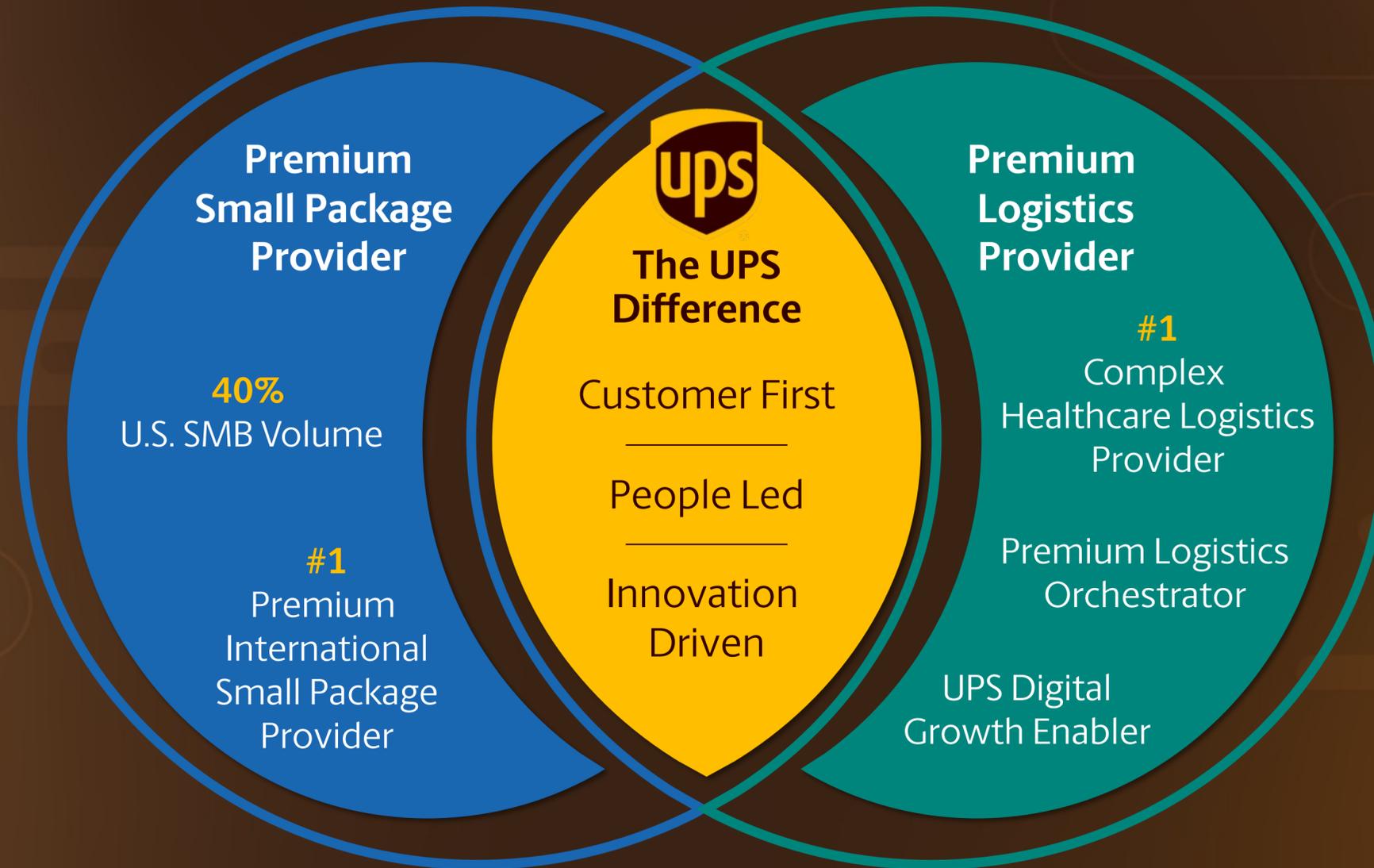
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# Our Declarations



Powered by Productivity Flywheel

# 2024 Guidance

## Consolidated Revenue

FY **\$92.0 - \$94.5** Billion

1H24 **down 1% - 2%** YOY

2H24 **up 4% - 8%** YOY

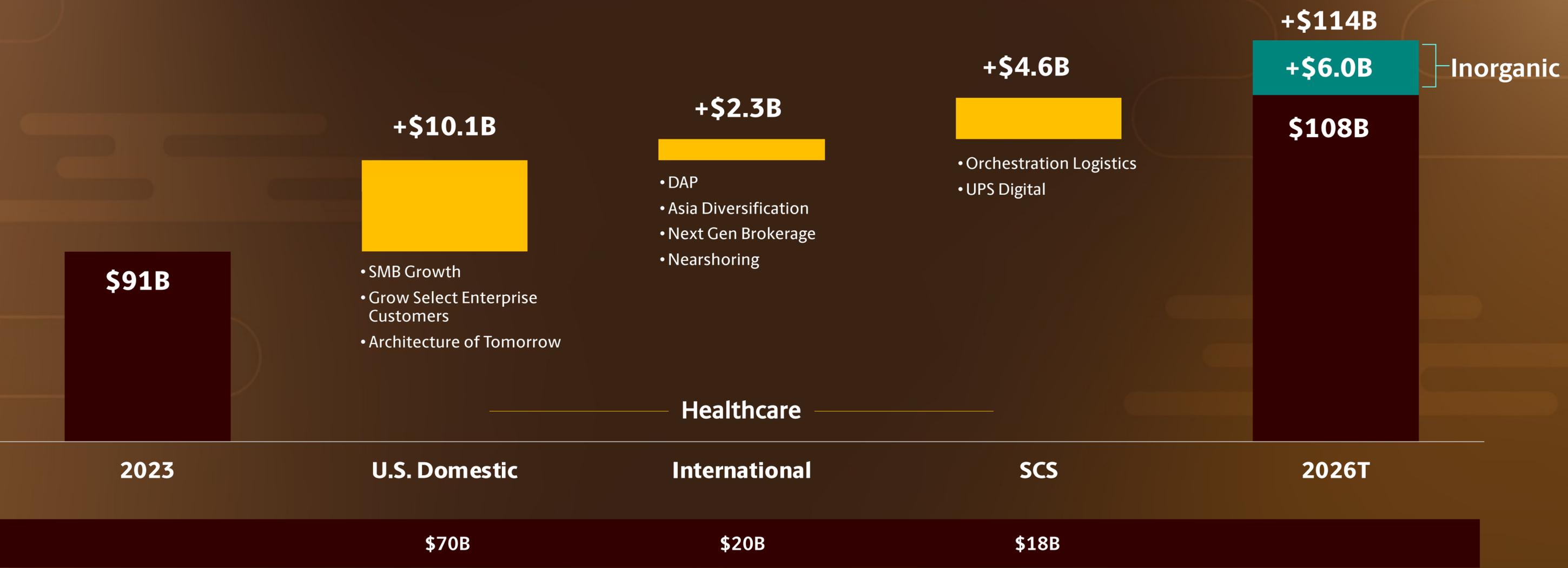
## Consolidated Adjusted Operating Profit\*

FY **\$9.2 - \$10.0** Billion

1H24 **down 20% - 30%** YOY

2H24 **up 20% - 30%** YOY

# 2026 Revenue Target Growth



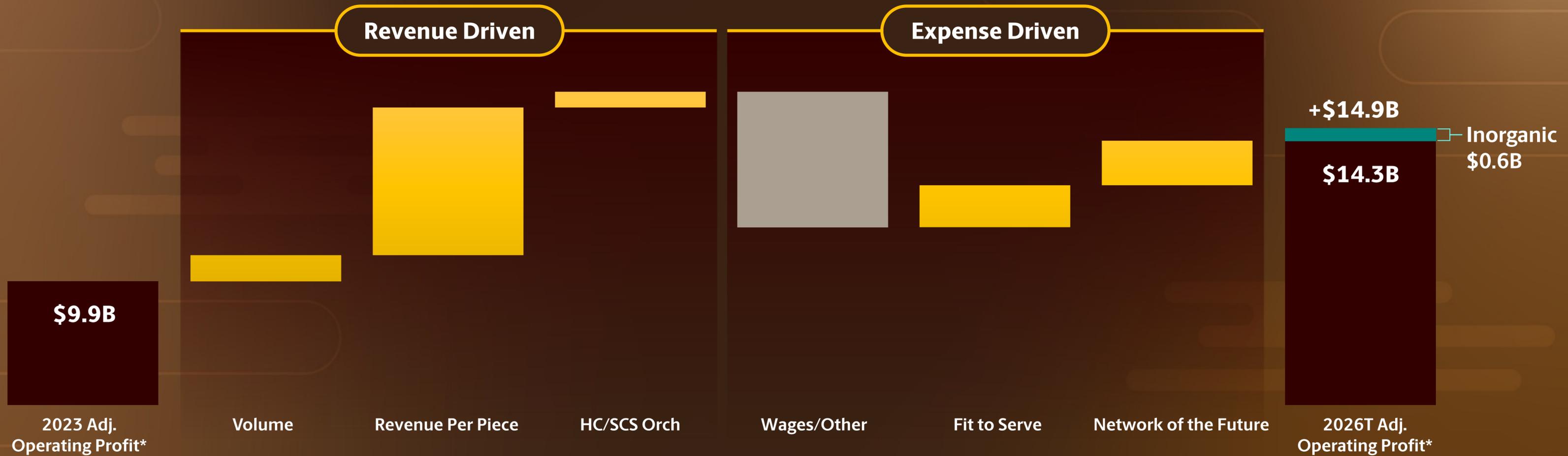
2026 Totals	\$70B	\$20B	\$18B
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# 2026 Adjusted\* Operating Profit Target Growth



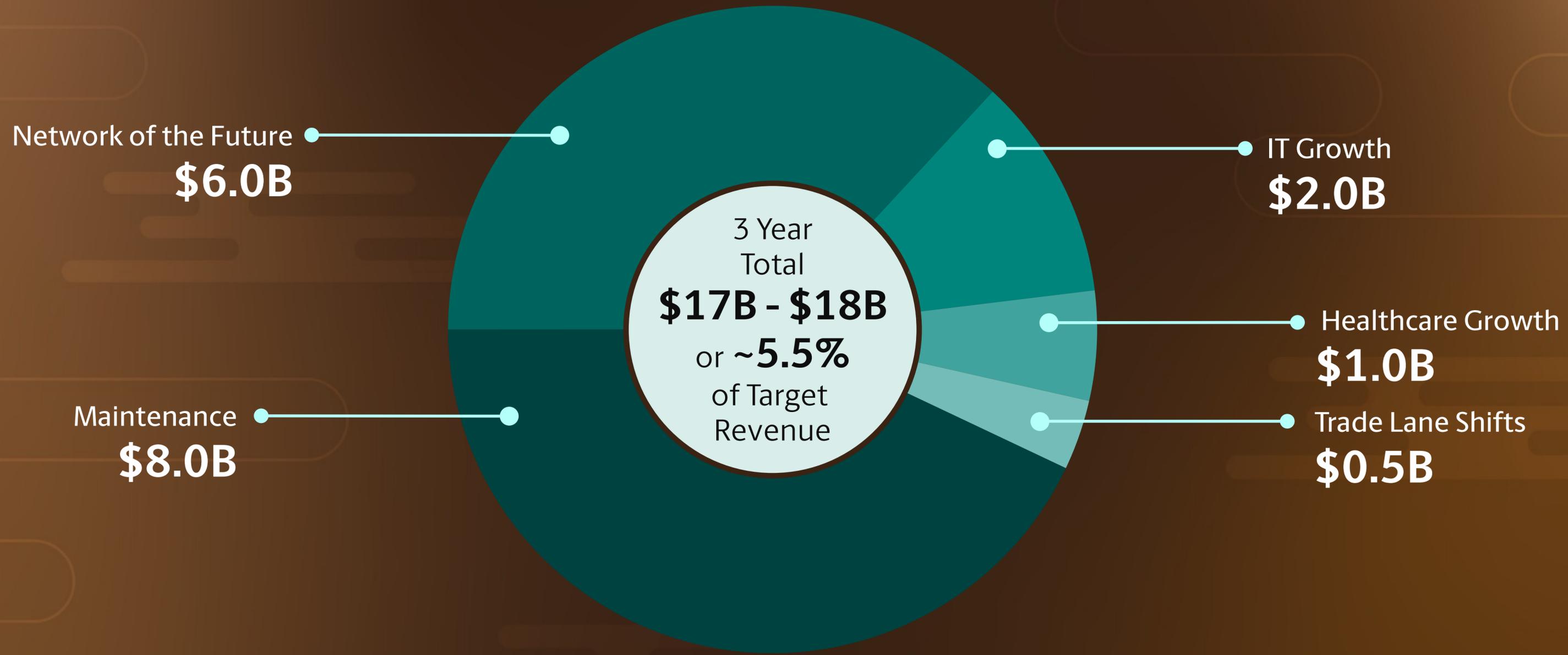
\*Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.

# Path to Profit Growth



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

# Capital Investments



Excludes Acquisition Capital

# Cumulative Free Cash Flow\* Generation Target Growth

- Targeted Cumulative Cash from Operations of \$35B
- Free Cash Flow\* 3-year CAGR of 10.5%

**\$5.2B**  
2023

**~\$7B**  
2026T

**\$17B - \$18B**  
2024-2026T

# Capital Allocation Policy/Priorities

## 1 Reinvest in the Business to Achieve Financial Targets

Targeting \$17B-\$18B in cumulative capex from 2024-2026

1

## 2 Stable and Growing Dividend

Targeted payout of ~50% of prior year adjusted EPS\*

2

## 3 Strong Balance Sheet

Target capital structure of ~2.5 times debt to EBITDA\*

3

## 4 Share Repurchases

Use excess cash to repurchase shares

4

**Maintain strong liquidity to give us the flexibility we need to run the business.**

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



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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.

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.

### *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.

### *Transformation Charges, and Goodwill, Asset Impairment and Divestiture 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, and goodwill, asset impairment and divestiture 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 pension and postretirement defined benefit plans immediately as part of Investment income 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 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 goodwill and 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

## Reconciliation of GAAP and Non-GAAP Income Statement Items (in millions, except per share data):

Twelve Months Ended December 31, 2023

	As Reported (GAAP)	Pension Adj. <sup>(1)</sup>	One-Time Compensation <sup>(2)</sup>	Goodwill & Asset Impairment Charges <sup>(3)</sup>	Transformation & Other Adj. <sup>(4)</sup>	As Adjusted (Non-GAAP)
U.S. Domestic Package	\$ 54,882	\$ —	\$ 61	\$ —	\$ 266	\$ 54,555
International Package	14,600	—	—	—	51	14,549
Supply Chain Solutions	12,335	—	—	236	118	11,981
Operating Expense	81,817	—	61	236	435	81,085
U.S. Domestic Package	5,076	—	61	—	266	5,403
International Package	3,231	—	—	—	51	3,282
Supply Chain Solutions	834	—	—	236	118	1,188
Operating Profit	9,141	—	61	236	435	9,873
Other Income and (Expense):						
Other pension income (expense)	(95)	359	—	—	—	264
Investment income (expense) and other	312	—	—	—	—	312
Interest expense	(785)	—	—	—	—	(785)
Total Other Income (Expense)	(568)	359	—	—	—	(209)
Income Before Income Taxes	8,573	359	61	236	435	9,664
Income Tax Expense	1,865	85	15	43	102	2,110
Net Income	\$ 6,708	\$ 274	\$ 46	\$ 193	\$ 333	\$ 7,554
Basic Earnings Per Share	\$ 7.81	\$ 0.32	\$ 0.05	\$ 0.22	\$ 0.40	\$ 8.80
Diluted Earnings Per Share	\$ 7.80	\$ 0.32	\$ 0.05	\$ 0.22	\$ 0.39	\$ 8.78

(1) Net mark-to-market loss recognized outside of a 10% corridor on company-sponsored defined benefit pension and postretirement plans.

(2) Represents a one-time payment of \$61 million to certain U.S.-based non-union part-time supervisors.

(3) Reflects impairment charges of \$125 and \$111 million in respect of goodwill and an indefinite-lived intangible asset, respectively.

(4) Reflects other employee benefits costs of \$337 million and other costs of \$98 million.

# Reconciliations

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

Twelve Months Ended December 31,

	<b>2023</b>
Cash flows from operating activities	\$ 10,238
Capital expenditures	(5,158)
Proceeds from disposals of property, plant and equipment	193
Other investing activities	(19)
Free Cash Flow (Non-GAAP measure)	<u>\$ 5,254</u>

# Reconciliations

## Reconciliation of Adjusted Debt to Adjusted EBITDA (Non-GAAP measure) (in millions):

	TTM <sup>(1)</sup> Ended December 31 2023
Net income	\$ 6,708
Add back:	
Income tax expense	1,865
Interest expense	785
Depreciation & amortization	3,366
EBITDA	\$ 12,724
Add back (deduct):	
Incentive compensation program redesign	—
One-time compensation	61
Goodwill & asset impairment charges	236
Transformation and other	435
Defined benefit plan (gains) and losses	359
Investment income and other pension income	(576)
Adjusted EBITDA	\$ 13,239
Debt and finance leases, including current maturities	\$ 22,264
Add back:	
Non-current pension and postretirement benefit obligations	6,159
Adjusted total debt	\$ 28,423
Adjusted total debt/Net income	4.24
Adjusted total debt/adjusted EBITDA (Non-GAAP)	2.15

(1) Trailing twelve months.

# Reconciliations

## Reconciliation of Adjusted Return on Invested Capital (Non-GAAP measure) (in millions):

	TTM <sup>(1)</sup> Ended December 31 2023
Net income	\$ 6,708
Add back (deduct):	
Income tax expense	1,865
Interest expense	785
Other pension (income) expense	95
Investment (income) expense and other	(312)
Operating profit	\$ 9,141
Incentive compensation program redesign	—
Long-lived asset estimated residual value changes	—
One-time compensation	61
Goodwill & asset impairment charges	236
Transformation and other	435
Adjusted operating profit	\$ 9,873
Average debt and finance leases, including current maturities	20,963
Average pension and postretirement benefit obligations	5,483
Average shareowners' equity	18,558
Average invested capital	\$ 45,004
Net income to average invested capital	14.9 %
Adjusted Return on Invested Capital (Non-GAAP)	21.9 %

(1) Trailing twelve months.



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