



1Q21 Earnings Call

April 27, 2021





Scott Childress
Investor Relations Officer

UPS Speakers

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 (“SEC”), 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.

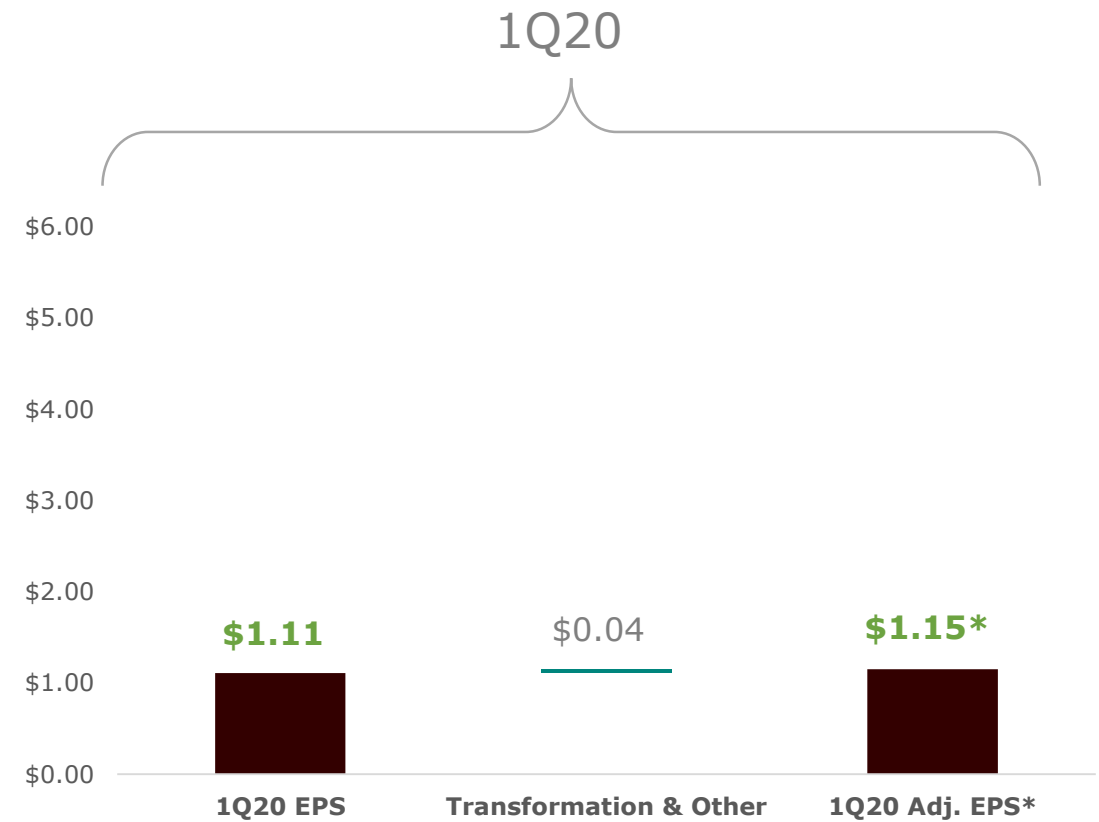
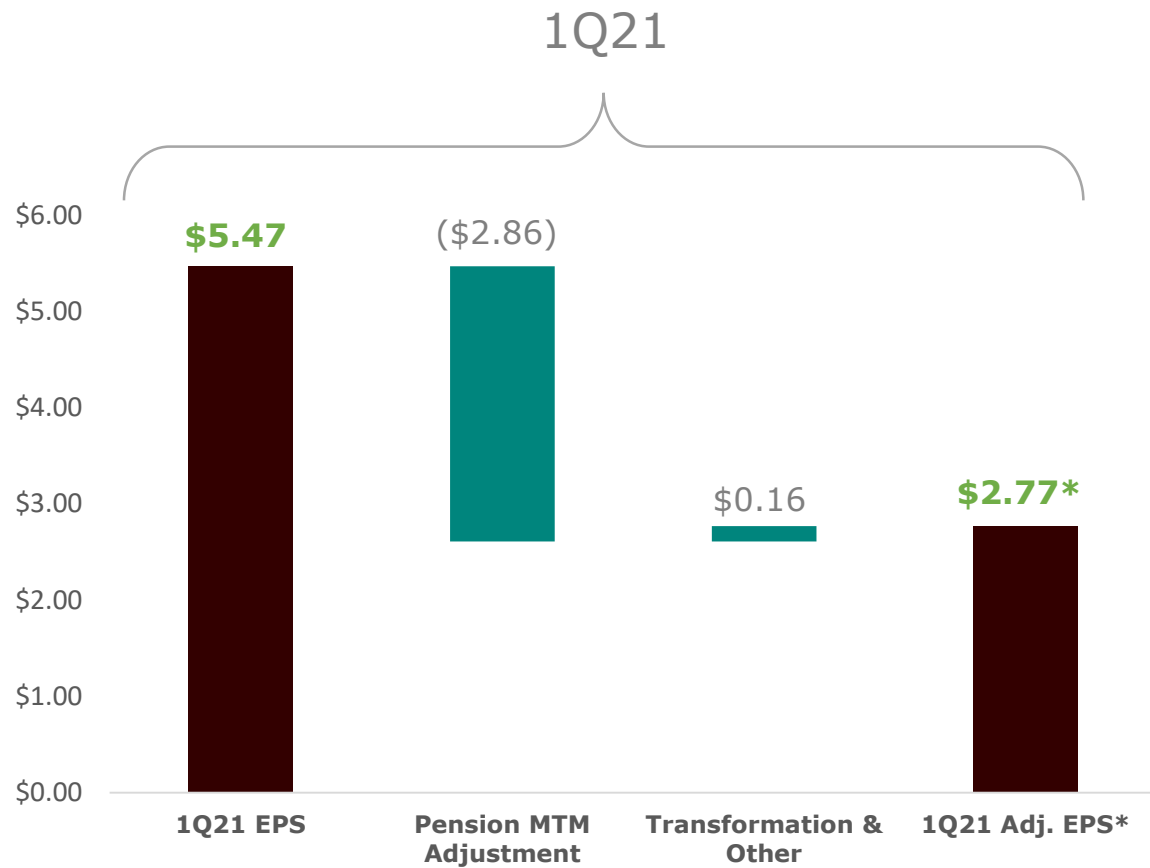
From time to time, we also include forward-looking statements in other publicly disclosed materials. Such statements may relate to our intent, belief and current expectations about our strategic direction, prospects and future results, and give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any forward-looking statements because such statements speak only as of the date when made.

Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience, present expectations or anticipated results. These risks and uncertainties, many of which are outside of our control, include, but are not limited to continued uncertainties related to the impact of the COVID-19 pandemic on our business and operations, financial performance and liquidity, our customers and suppliers, and on the global economy; changes in general economic conditions, in the U.S. or internationally; significant competition on a local, regional, national and international basis; changes in our relationships with our significant customers; changes in the regulatory environment in the U.S. or internationally; increased or more complex physical or data security requirements; legal, regulatory or market responses to global climate change; results of negotiations and ratifications of labor contracts; strikes, work stoppages or slowdowns by our employees; the effects of changing prices of energy, including gasoline, diesel and jet fuel, and interruptions in supplies of these commodities; changes in exchange rates or interest rates; uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; our ability to maintain our brand image; our ability to attract and retain qualified employees; breaches in data security; disruptions to the Internet or our technology infrastructure; interruptions in or impacts on our business from natural or man-made events or disasters including terrorist attacks, epidemics or pandemics; our ability to accurately forecast our future capital investment needs; exposure to changing economic, political and social developments in international and emerging markets; changes in business strategy, government regulations, or economic or market conditions that may result in impairment of our assets; increases in our expenses or funding obligations relating to employee

health, retiree health and/or pension benefits; potential additional U.S. or international tax liabilities; potential claims or litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters; our ability to realize the anticipated benefits from acquisitions, dispositions, joint ventures or strategic alliances; our ability to realize the anticipated benefits from our transformation initiatives; cyclical and seasonal fluctuations in our operating results; our ability to manage insurance and claims expenses; and other risks discussed in our filings with the Securities and Exchange Commission from time to time, including our Annual Report on Form 10-K for the year ended December 31, 2020 and subsequently filed reports. You should consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of information contained in such forward-looking statements. We do not undertake any obligation to update forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements, except as required by law.

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

Diluted EPS



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





Carol Tomé
Chief Executive Officer



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

Thank You UPSers



Consolidated Results

GAAP

<i>In \$ Millions (except per share)</i>	1Q21	1Q20	% Change
Revenue	\$22,908	\$18,035	27.0%
Operating Profit	\$2,765	\$1,072	157.9%
Operating Margin	12.1%	5.9%	620 bps
Diluted EPS	\$5.47	\$1.11	392.8%

Adjusted

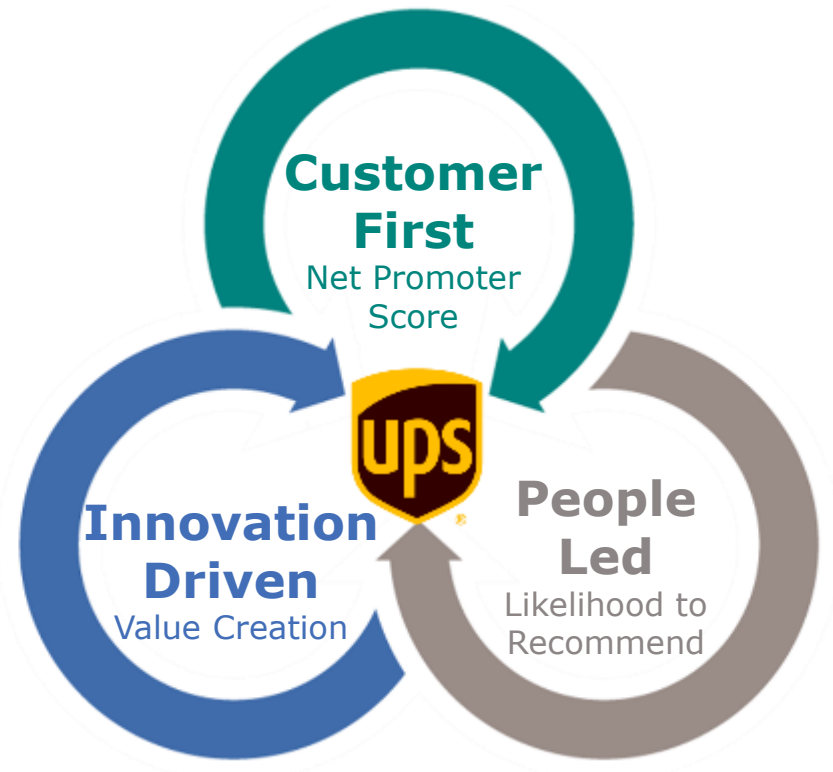
<i>In \$ Millions (except per share)</i>	1Q21	1Q20	% Change
Revenue	\$22,908	\$18,035	27.0%
Operating Profit*	\$2,949	\$1,117	164.0%
Operating Margin*	12.9%	6.2%	670 bps
Diluted EPS*	\$2.77	\$1.15	140.9%

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



Operationalizing Our Strategy

Through a Better Not Bigger Framework



- Creating capabilities that enable us to capture most attractive segments of the market:
 - Grew SMB ADV by 35.6% in the U.S., and 23% Int'l in Q1
- Reinstated Next Day Air and Worldwide Express service guarantees
- To date, delivered around 196M COVID-19 vaccine doses with 99.9% on time delivery

- Focus on safety and training led to improvements in accident frequency

- Network automation and technology enhancements driving flexibility and efficiencies





Brian Newman
Chief Financial Officer

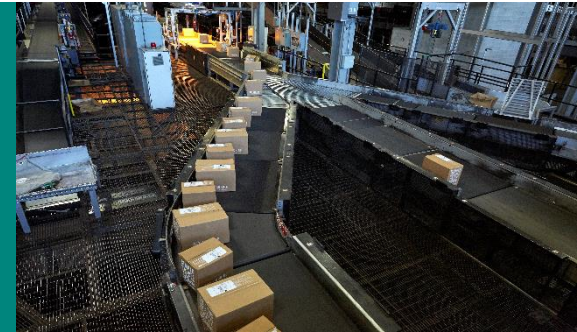
Macro Environment

2021 Forecasts Have Moved Higher

Global GDP for 2021 expected to grow **5.3%**;
U.S. GDP for 2021 expected to grow **6.2%**



U.S. nominal retail sales is anticipated to grow **11.7%**



U.S. industrial production forecast to increase **6.5%**



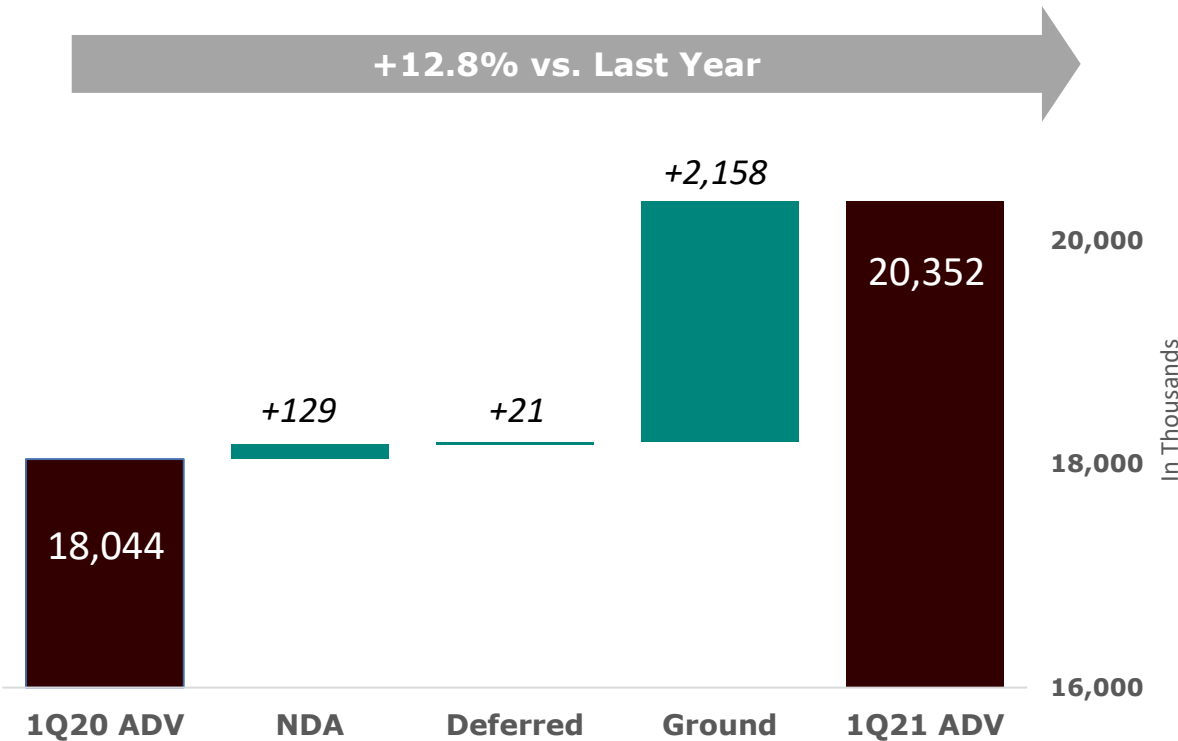
UPS expects the imbalance between market demand and industry capacity to continue

Source: IHS Markit

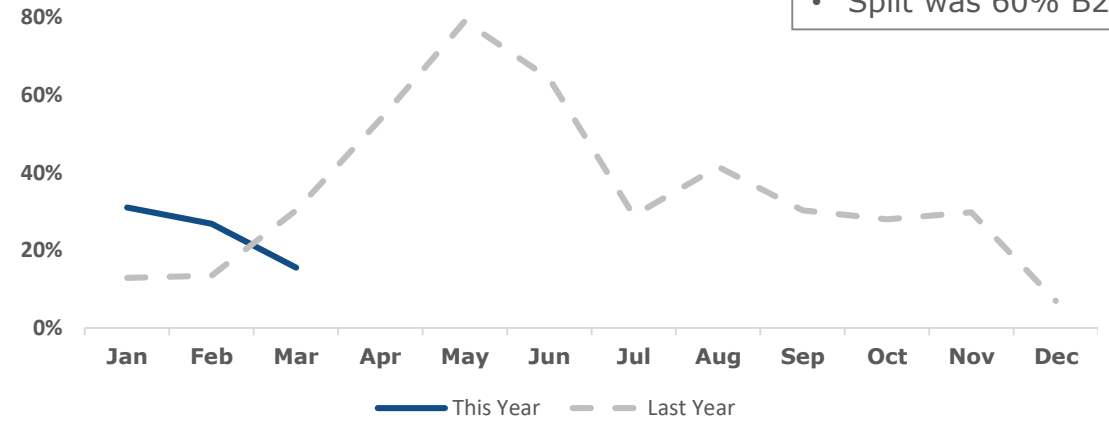


Average Daily Volume Grew 12.8%, Led by B2C

B2B average daily volume declined 0.6%, but turned positive in March



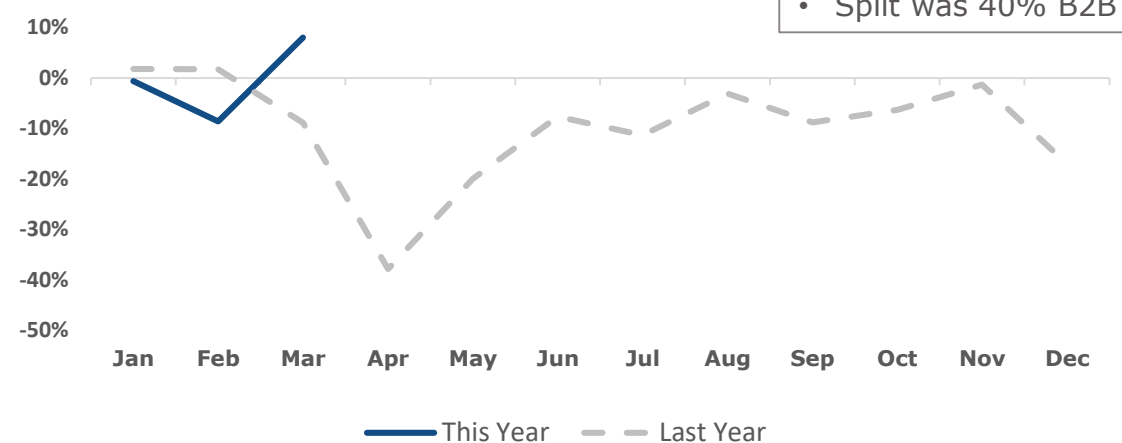
Monthly B2C ADV (Y/Y)



1Q21

- B2C grew 23.8%
- Split was 60% B2C

Monthly B2B ADV (Y/Y)



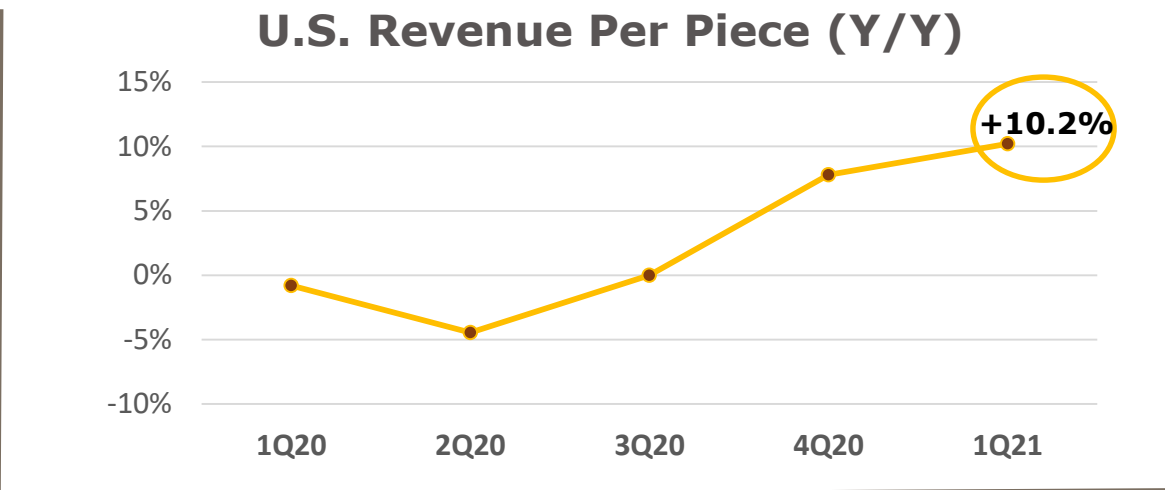
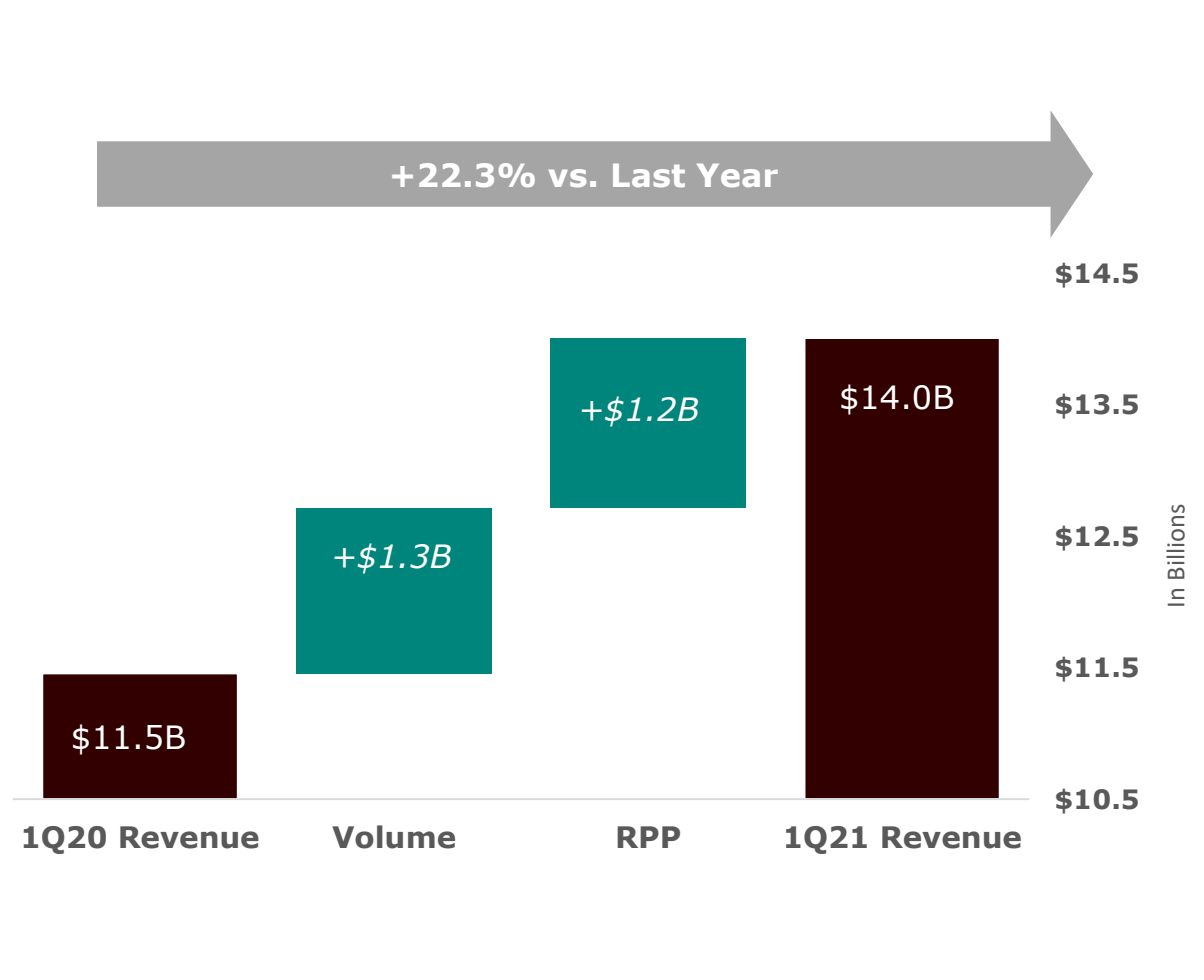
1Q21

- B2B down 0.6%
- Split was 40% B2B



Revenue Increased 22.3% to \$14.0B

RPP increased 10.2%, driven by strong SMB ADV growth and demand-related surcharges



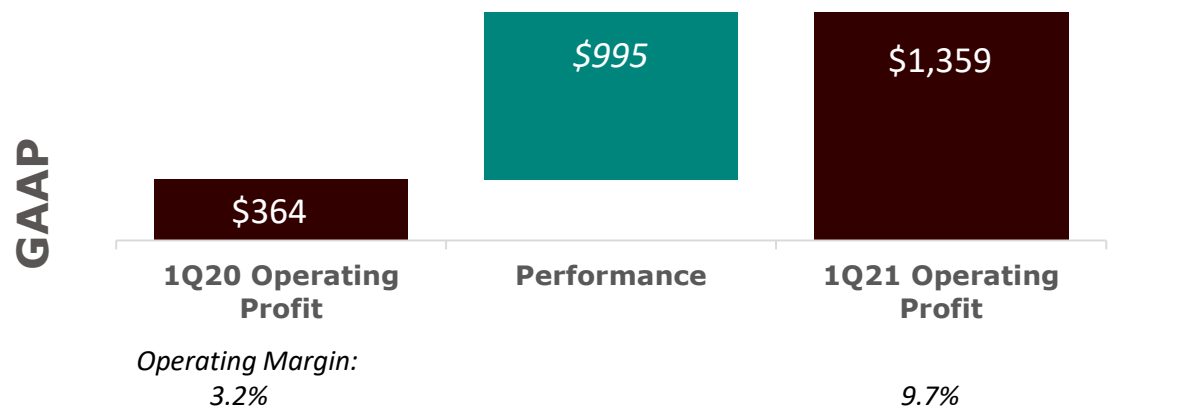
- Strongest RPP growth rate in more than 19 years
- Ground revenue per piece increased 12.5%



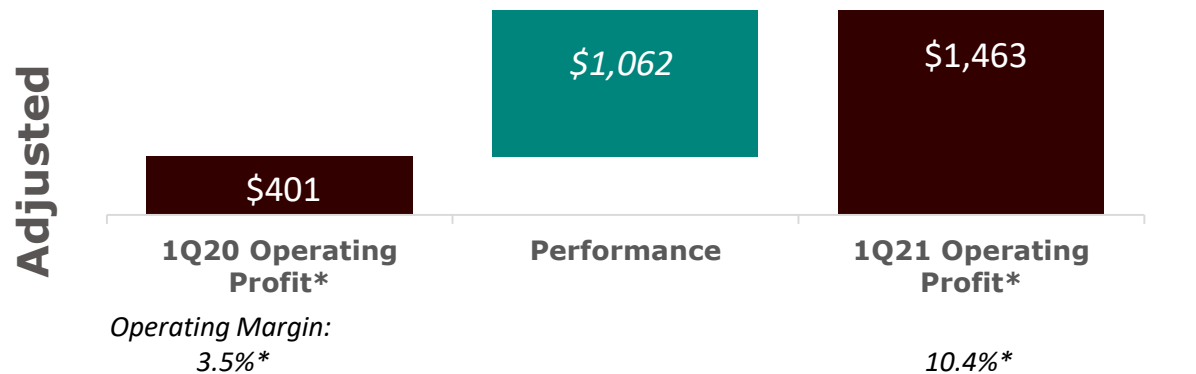
U.S. Domestic Operating Profit and Margin Increased YoY

Results driven by combination of revenue-quality initiatives and productivity efforts

Operating Profit (In Millions)



Operating Profit (In Millions)



- Controlled costs by quickly transitioning from Q4 to non-peak operations
- Casualty self-insurance costs better than expected
- Adjusted* operating profit increased to \$1.5B and adjusted* operating margin was 10.4%

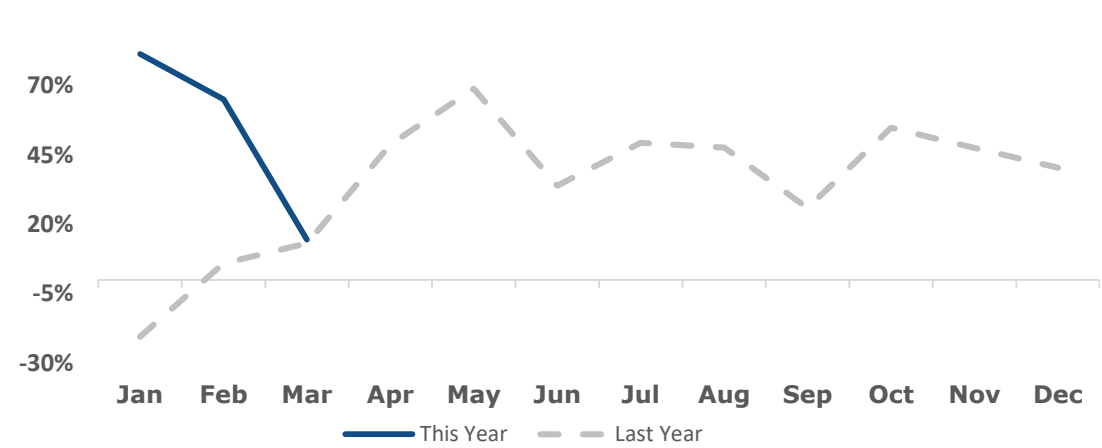
* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.



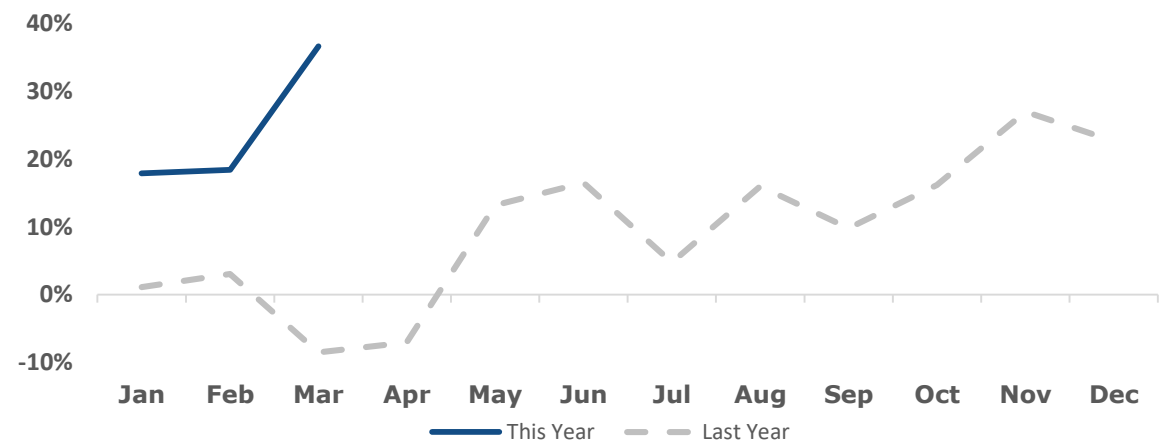
Average Daily Volume Up 23.1%

B2C ADV Increased 77.6%; While B2B ADV Grew 10.1%

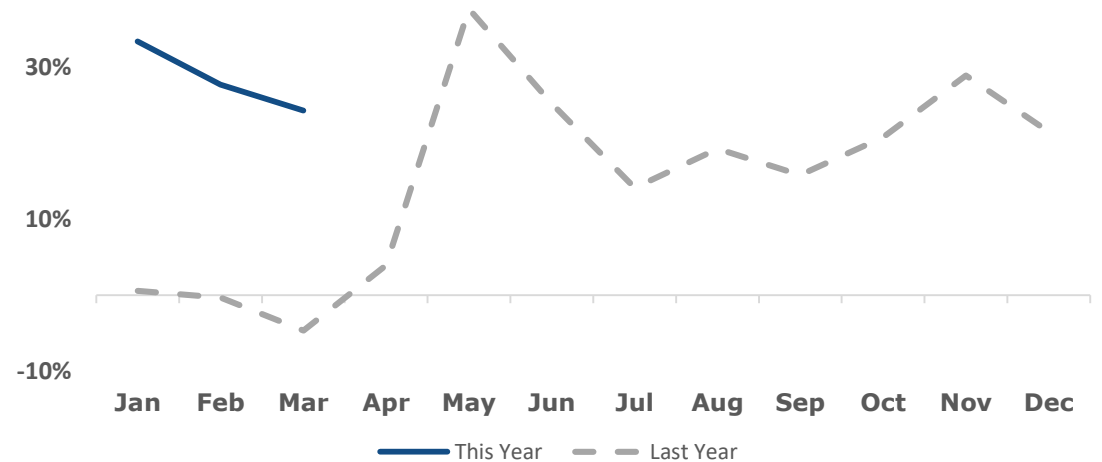
Asia Monthly ADV (Y/Y)



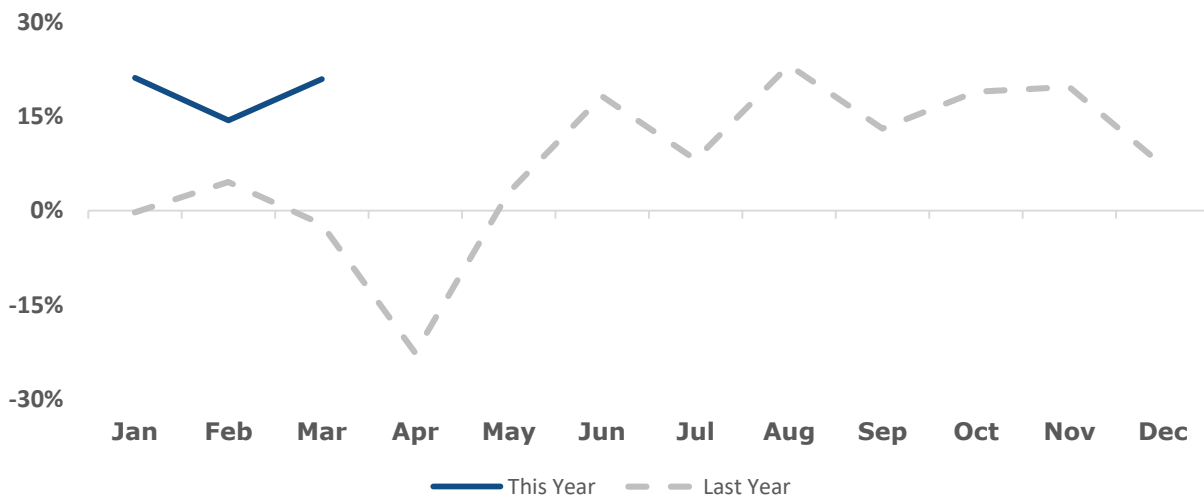
Europe Monthly ADV (Y/Y)



Americas Monthly ADV (Y/Y)



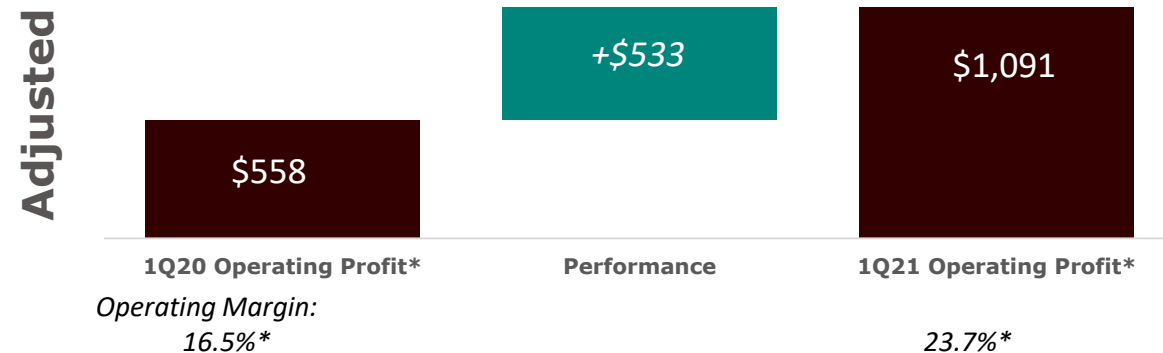
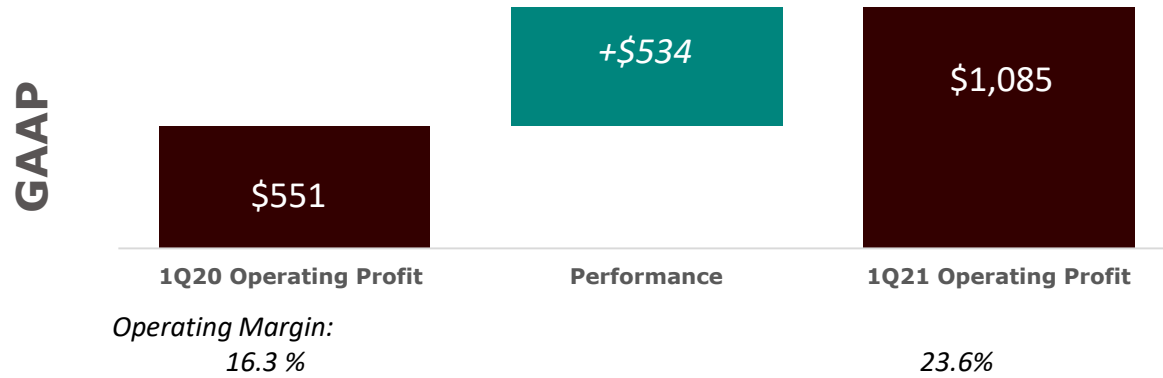
U.S. Export Monthly ADV (Y/Y)



International Generated \$1.1B of Operating Profit

Generated positive operating leverage with RPP up 12.3%

Operating Profit (In Millions)



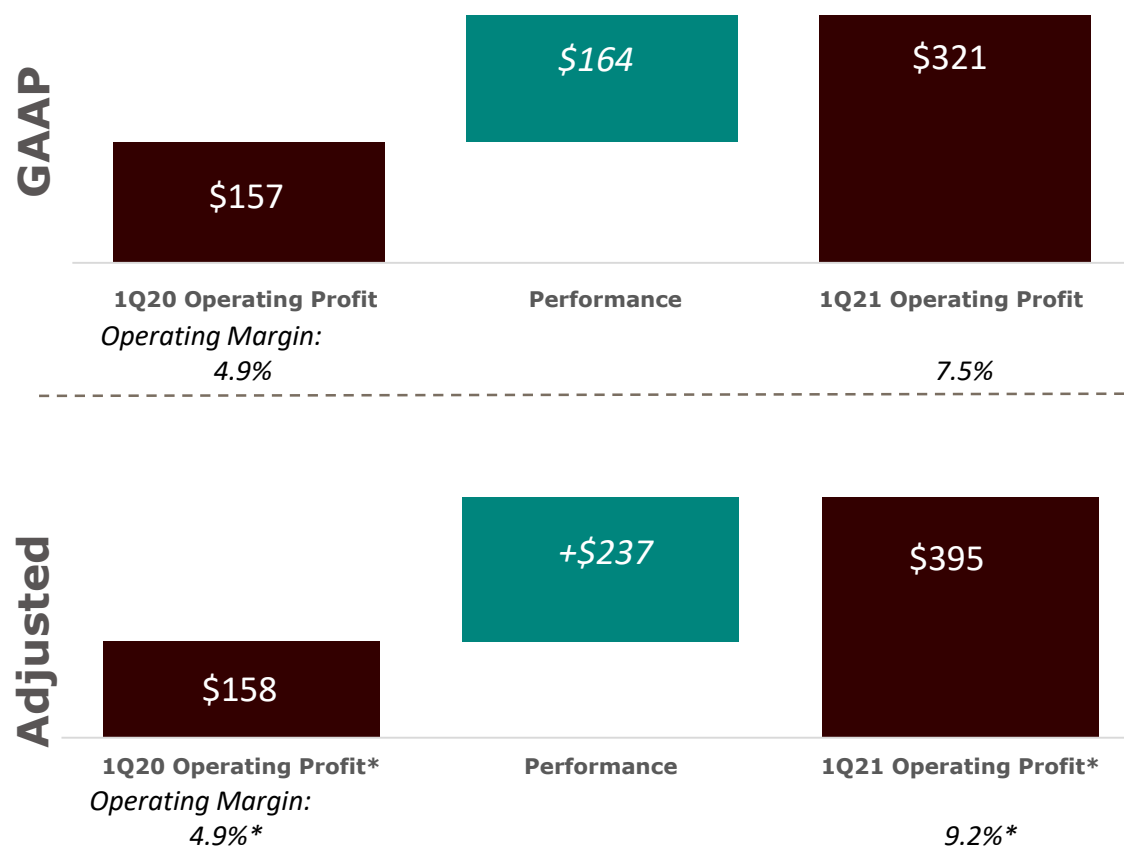
* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.

- Revenue up 36.2% to \$4.6 billion
 - All regions reported revenue growth over 20%
 - Asia export volume up 43.0%; Europe exports up 27.7%
- Adjusted* operating profit up 95.5% to \$1.1 billion
- Adjusted* operating margin expanded to 23.7%



SC&F Generated Record Adjusted* Profit and Operating Margin

Operating Profit (In Millions)



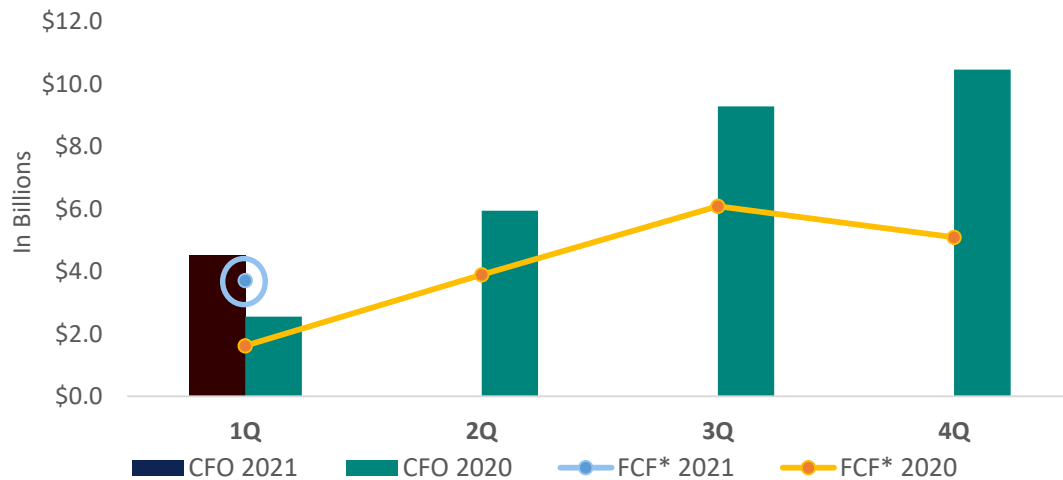
- Forwarding led the way, driven by strong growth on the outbound Asia lane; both air and ocean
- Healthcare activities delivered highest top- and bottom-line growth ever
- Adjusted* operating profit increased 150% to \$395M

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



Cash and Shareowner Returns

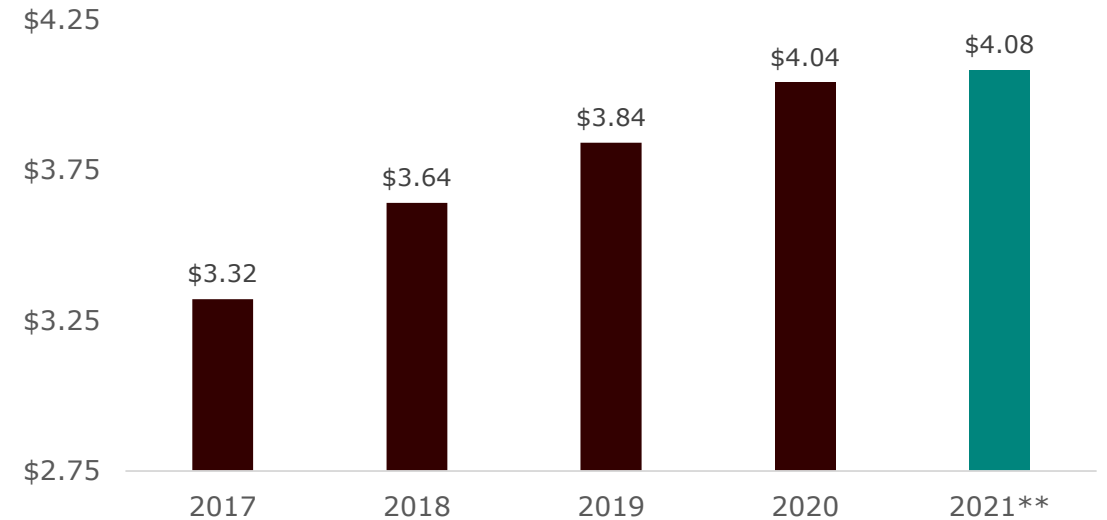
1Q21 Cash from Operations of \$4.5B and Free Cash Flow* of \$3.7B



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

Note: 2020 results include \$1.1B benefit from CARES Act payroll tax deferral and total pension contributions of \$3.1B.

The UPS Dividend is a Hallmark of Our Financial Strength

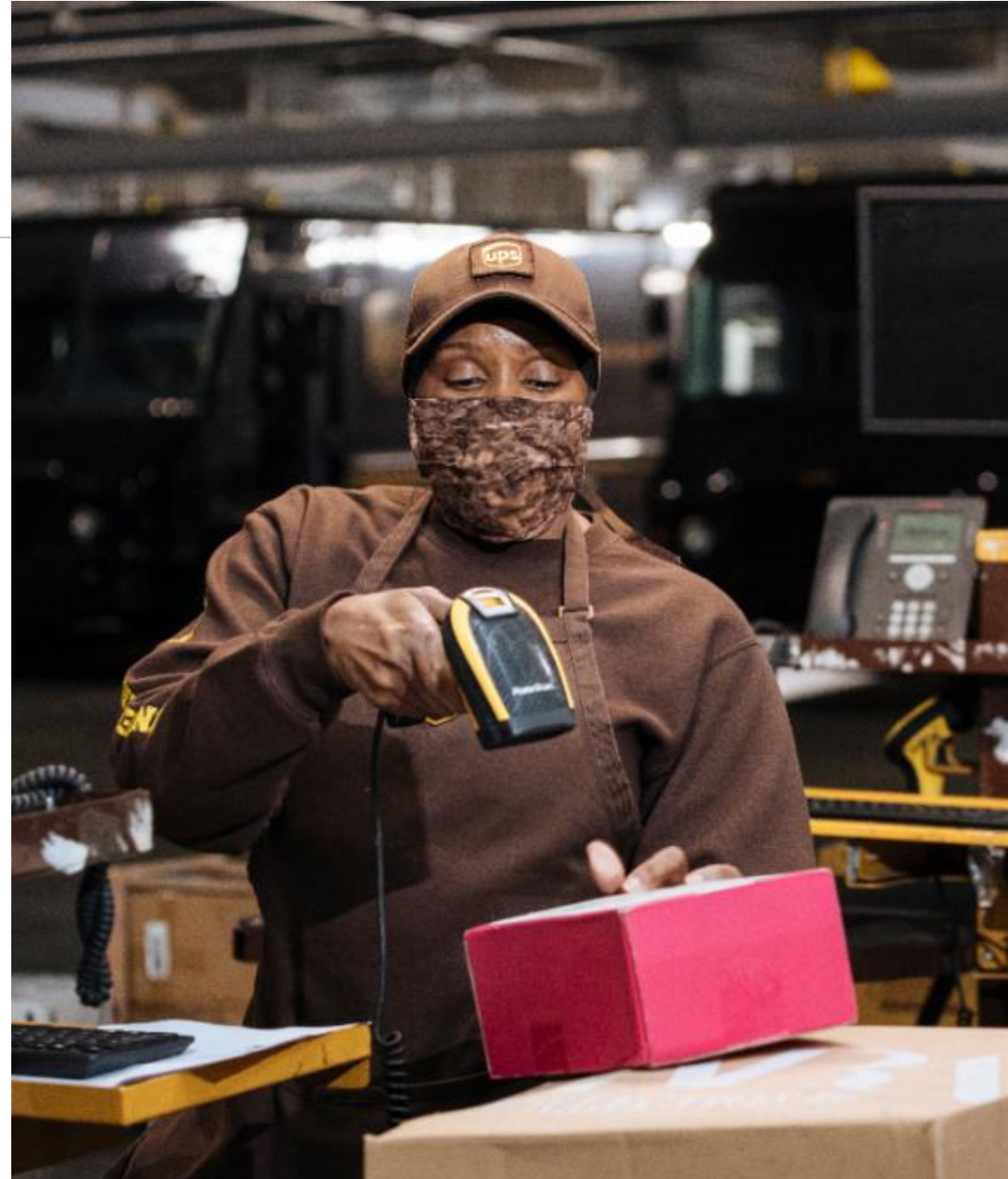


** Estimated based on 1Q21 dividends declared per share.



Outlook for 2021

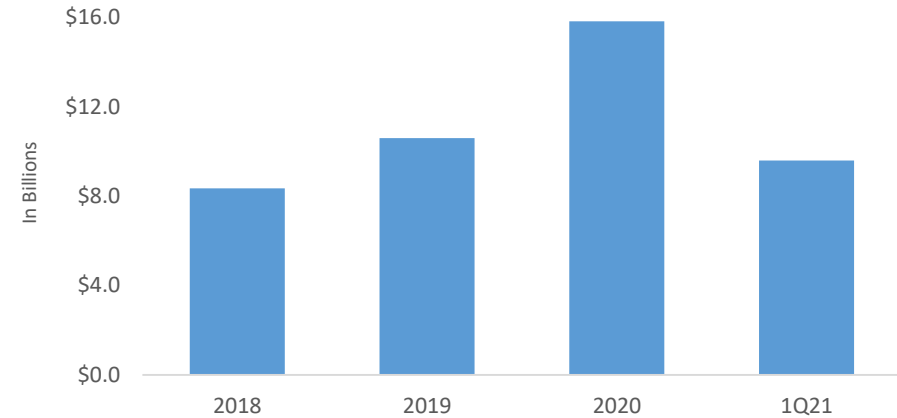
- Due to uncertainty ahead, UPS is not providing revenue or diluted earnings per share guidance at this time
- Some things to consider:
 - We expect the sale of UPS Freight to close in 2Q21
 - Capital expenditures expected to be about \$4.0B
 - No plans to repurchase shares
 - Effective tax rate for the remainder of the year is expected to be ~23.5%



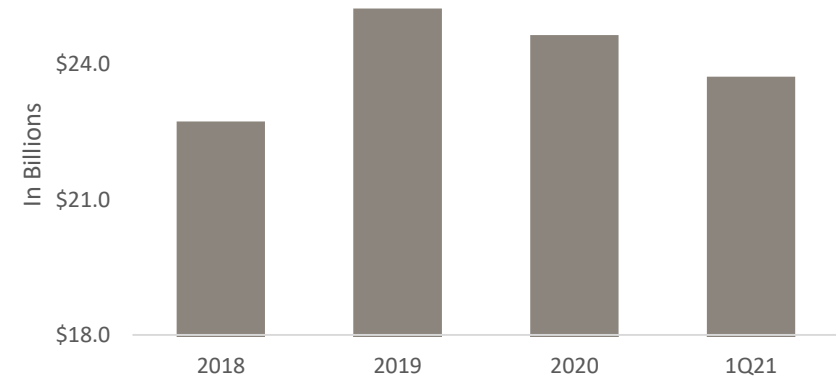
Strong Balance Sheet is a Core UPS Principle

- Repaid \$1.5B of long-term debt in 1Q21
- On March 11, the American Rescue Plan Act was signed into law which reduced pension liability by \$6.4B:
 - Eliminated our balance sheet liability related to the Central States Pension Fund
 - UPS IBT pension remeasurement at March 31, 2021 discount rates

Pension Liability*



Total Debt**



* Pension and Postretirement Benefit Obligations

** Total Debt includes short-term debt which consists of current maturities of long-term debt, commercial paper, and long-term debt and finance leases.





Questions & Answers





Appendix

Pension Legislation Overview

American Rescue Plan Act (ARPA) of 2021 was Signed Into Law on March 11, 2021

- ARPA allows qualifying multi-employer pension plans that are in danger of insolvency to receive lump sum financial assistance to pay participants' unreduced benefits through 2051
- As part of our withdrawal from the Central States Pension Fund (CSPF) in 2007, UPS agreed to provide coordinating benefits ("backstop") to certain participants in the event their benefits are lawfully reduced by the CSPF
 - At December 31, 2020 the UPS balance sheet reflected a \$5.5B obligation associated with this backstop under the UPS/IBT pension plan
- We expect CSPF to apply for special financial assistance under ARPA, which would forestall its insolvency, and therefore impact the backstop

Remeasurement Event	1Q21 pension legislation & elimination of CSPF backstop
2021 Impact	<p>First Quarter 2021 Balance Sheet: Pension Liability - \$6.4B reduction</p> <ul style="list-style-type: none"> • \$5.5B CSPF coordinating benefits obligation has been eliminated • \$0.9B reduction due to remeasuring plan at current discount rates / asset performance <p>Income Statement: Mark-to-market Gain - \$3.3B pre-tax; \$2.5B after-tax</p> <p>Full-Year 2021 Income statement will benefit from a reduction in service and interest cost 2Q21 – 4Q21</p>



1Q21 MTM Impact – UPS/IBT Plan

Impact to Income Statement (in millions)

Unrecognized Loss Within Shareowners' Equity as of 12/31/2020	\$7,019
Gain due to discount rate change <i>Discount rate increased from 2.98% to 3.70%¹</i>	(1,276)
Gain due to discount rate change related to CSPF coordinating benefits obligation <i>Discount rate increased from 2.98% to 3.70%¹</i>	(385) ²
Gain due to elimination of CSPF coordinating benefits obligation <i>Based on current estimate of possible offsets in the UPS/IBT plan</i>	(5,065) ²
Loss due to asset performance <i>Asset returns in 2021 were ~220 bps lower than expected</i>	281
Net Loss as of 3/31/2021	\$574
MTM Gain recognized in Q1 2021 GAAP Income Statement <i>10% corridor exceeded for US and certain International plans</i>	\$(3,290)
Unrecognized Loss Within Shareowners' Equity as of 3/31/2021	\$3,864

¹ UPS/IBT Plan discount rate only

² At 12/31/20 balance sheet reflected \$5.5B CSPF coordinating benefits obligation

Q1 2021 MTM Pension Gain	
Q1 MTM gain	\$(3,290)
Income tax expense	788
After-tax Q1 MTM gain	\$(2,502)



Reconciliation of GAAP and Non-GAAP Financial Measures

Reconciliation of GAAP and non-GAAP Financial Measures

We supplement the reporting of our financial information determined under generally accepted accounting principles ("GAAP") with certain non-GAAP financial measures, including "adjusted" compensation and benefits, operating expenses, 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 supplement the reporting of revenue, revenue per piece and operating profit with adjusted measures that exclude the period over period impact of foreign currency exchange rate changes and hedging activities, and we disclose free cash flow. The equivalent measures determined in accordance with GAAP are also referred to as "reported" or "unadjusted."

We believe that these non-GAAP measures provide additional meaningful information to assist users of our financial statements in understanding our financial results and cash flows and assessing our ongoing performance, because they exclude items that may not be indicative of, or are unrelated to, our underlying operations and may provide a useful baseline for analyzing trends in our underlying businesses. These non-GAAP measures are used internally by management for business unit operating performance analysis, business unit resource allocation and in connection with incentive compensation award determinations.

Restructuring and Other Charges

Adjusted operating profit, operating margin, income before income taxes, net income and earnings per share exclude the impact of charges related to restructuring programs, including Transformation strategy costs and asset impairments.

Impact of Changes in Foreign Currency Exchange Rates and Hedging Activities

Currency-neutral revenue, revenue per piece and operating profit are calculated by dividing current period reported U.S. dollar revenue, revenue per piece and operating profit by the current period average exchange rates to derive current period local currency revenue, revenue per piece and operating profit. The derived amounts are then multiplied by the average foreign exchange rates used to translate the comparable results for each month in the prior year period (including the period over period impact of foreign currency hedging activities). The difference between the current period reported U.S. dollar revenue, revenue per piece and operating profit and the derived current period U.S. dollar revenue, revenue per piece and operating profit is the period over period impact of currency fluctuations.

Mark-To-Market 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 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 non-GAAP measures that exclude the impact of gains and losses recognized in excess of the 10% corridor and the related income tax effects. We believe excluding these mark-to-market impacts provides important supplemental information by removing the volatility associated with short-term changes in market interest rates, equity values, and similar factors.

The deferred income tax effects of mark-to-market 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 regular 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.

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.



Reconciliations

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

Three Months Ended March 31, 2021

	As-Reported (GAAP)	Pension MTM Adj. ⁽¹⁾	Transformation & Other Adj. ⁽²⁾	As-Adjusted (Non-GAAP)
Operating profit:				
U.S. Domestic Package	\$ 1,359	\$ -	\$ 104	\$ 1,463
International Package	1,085	-	6	1,091
Supply Chain & Freight	321	-	74	395
Total operating profit	\$ 2,765	\$ -	\$ 184	\$ 2,949
Other income and (expense):				
Other pension income (expense)	\$ 3,603	\$ (3,290)	\$ -	\$ 313
Investment income and other	13	-	-	13
Interest expense	(177)	-	-	(177)
Total other income and (expense)	\$ 3,439	\$ (3,290)	\$ -	\$ 149
Income before income taxes	6,204	(3,290)	184	3,098
Income tax expense	1,412	(788)	44	668
Net income	\$ 4,792	\$ (2,502)	\$ 140	\$ 2,430
Basic earnings per share	\$ 5.50	\$ (2.87)	\$ 0.16	\$ 2.79
Diluted earnings per share	\$ 5.47	\$ (2.86)	\$ 0.16	\$ 2.77

⁽¹⁾ Represents mark-to-market losses recognized outside of a 10% corridor on company-sponsored pension and postretirement plans

⁽²⁾ Transformation & other of \$184 million reflects a valuation allowance of \$66 million related to the planned divestiture of UPS Freight, other employee benefits costs of \$76 million and other costs of \$42 million

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

Three Months Ended March 31, 2020

	As-Reported (GAAP)	Transformation & Other Adj. ⁽¹⁾	As-Adjusted (Non-GAAP)
Operating profit:			
U.S. Domestic Package	\$ 364	\$ 37	\$ 401
International Package	551	7	558
Supply Chain & Freight	157	1	158
Total operating profit	\$ 1,072	\$ 45	\$ 1,117
Other income and (expense):			
Other pension income (expense)	\$ 327	\$ -	\$ 327
Investment income and other	18	-	18
Interest expense	(167)	-	(167)
Total other income and (expense)	\$ 178	\$ -	\$ 178
Income before income taxes	1,250	45	1,295
Income tax expense	285	10	295
Net income	\$ 965	\$ 35	\$ 1,000
Basic earnings per share	\$ 1.12	\$ 0.04	\$ 1.16
Diluted earnings per share	\$ 1.11	\$ 0.04	\$ 1.15

⁽¹⁾ Transformation & other of \$45 million reflects other employee benefits costs of \$12 million and other costs of \$33 million



Reconciliations

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

Three Months Ended March 31,						
	2021 As-Reported (GAAP)	2020 As-Reported (GAAP)	% Change (GAAP)	Currency Impact	2021 Currency- Neutral (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 7.33	\$ 6.44	13.8%	\$ (0.46)	\$ 6.87	6.7%
Export	31.10	28.32	9.8%	(1.04)	30.06	6.1%
Total International Package	<u>\$ 18.50</u>	<u>\$ 16.48</u>	12.3%	<u>\$ (0.73)</u>	<u>\$ 17.77</u>	7.8%
Consolidated	<u>\$ 12.12</u>	<u>\$ 10.88</u>	11.4%	<u>\$ (0.12)</u>	<u>\$ 12.00</u>	10.3%
Revenue:						
U.S. Domestic Package	\$ 14,010	\$ 11,456	22.3%	\$ -	\$ 14,010	22.3%
International Package	4,607	3,383	36.2%	(176)	4,431	31.0%
Supply Chain & Freight	4,291	3,196	34.3%	(45)	4,246	32.9%
Total revenue	<u>\$ 22,908</u>	<u>\$ 18,035</u>	27.0%	<u>\$ (221)</u>	<u>\$ 22,687</u>	25.8%

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

	2021 As-Adjusted (Non-GAAP) ⁽¹⁾	2020 As-Adjusted (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)	Currency Impact	2021 As-Adjusted Currency- Neutral (Non-GAAP) ⁽²⁾	% Change (Non-GAAP)
As-Adjusted Operating Profit:						
U.S. Domestic Package	\$ 1,463	\$ 401	N/A	\$ -	\$ 1,463	N/A
International Package	1,091	558	95.5%	(39)	1,052	88.5%
Supply Chain & Freight	395	158	150.0%	2	397	151.3%
Total operating profit	<u>\$ 2,949</u>	<u>\$ 1,117</u>	164.0%	<u>\$ (37)</u>	<u>\$ 2,912</u>	160.7%

⁽¹⁾ Amounts adjusted for transformation & other

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



Reconciliations

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

	2020				2021
	Q1 YTD	Q2 YTD	Q3 YTD	Q4 YTD	Q1 YTD
Cash flows from operating activities	\$ 2,550	\$ 5,947	\$ 9,283	\$ 10,459	\$ 4,531
Capital expenditures	(933)	(2,065)	(3,219)	(5,412)	(834)
Proceeds from disposals of PP&E	1	2	10	40	10
Net change in finance receivables	3	16	24	44	11
Other investing activities	(5)	(6)	(15)	(41)	(6)
Free Cash Flow (Non-GAAP measure)	\$ 1,616	\$ 3,894	\$ 6,083	\$ 5,090	\$ 3,712

