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BOLDER

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.

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.



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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

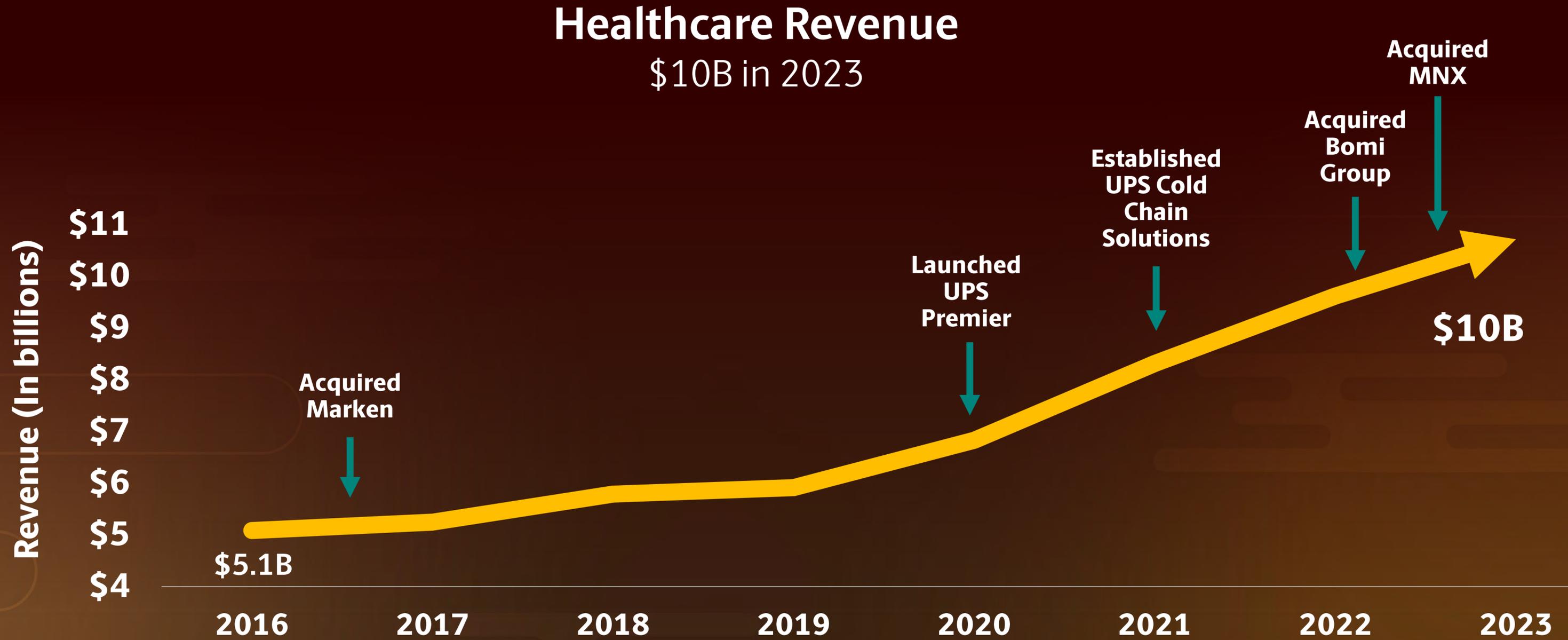
Our Strong Financial Condition

| To deliver our business and financial goals

Our Dividend

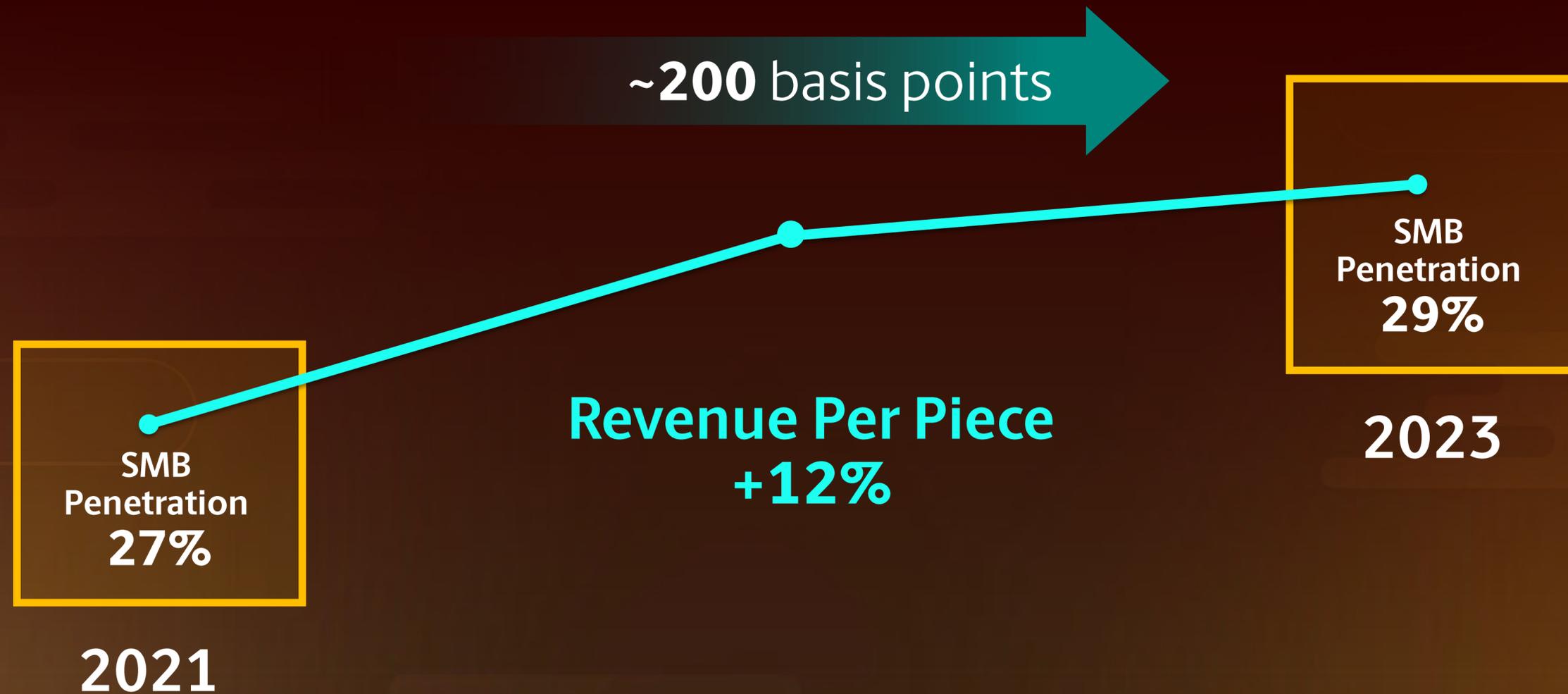
| 15th consecutive year of an increased dividend

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

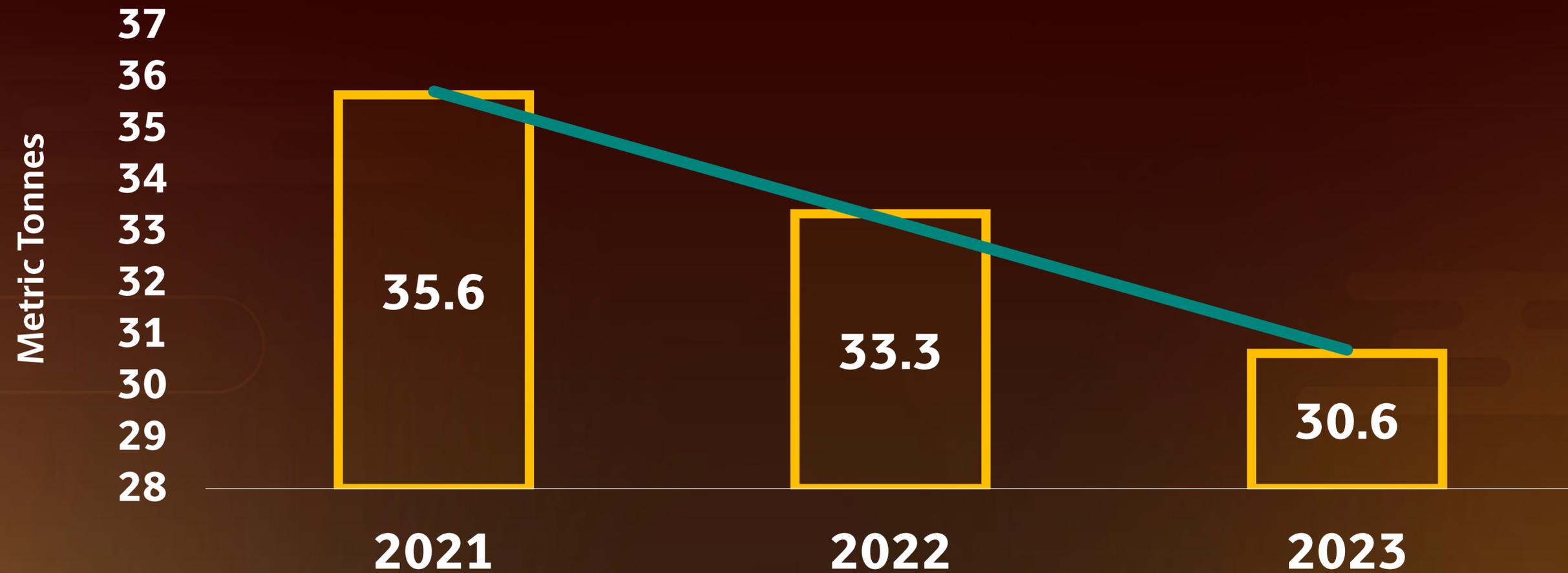
Pieces Per Hour
+2.87 PPH vs. 2021



Much Has Changed Since 2021

Absolute Greenhouse Gas Emissions ('000 Metric Tonnes)

Lower by 14% since 2021



Customer First

People Led

Innovation Driven

2023 Progress

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

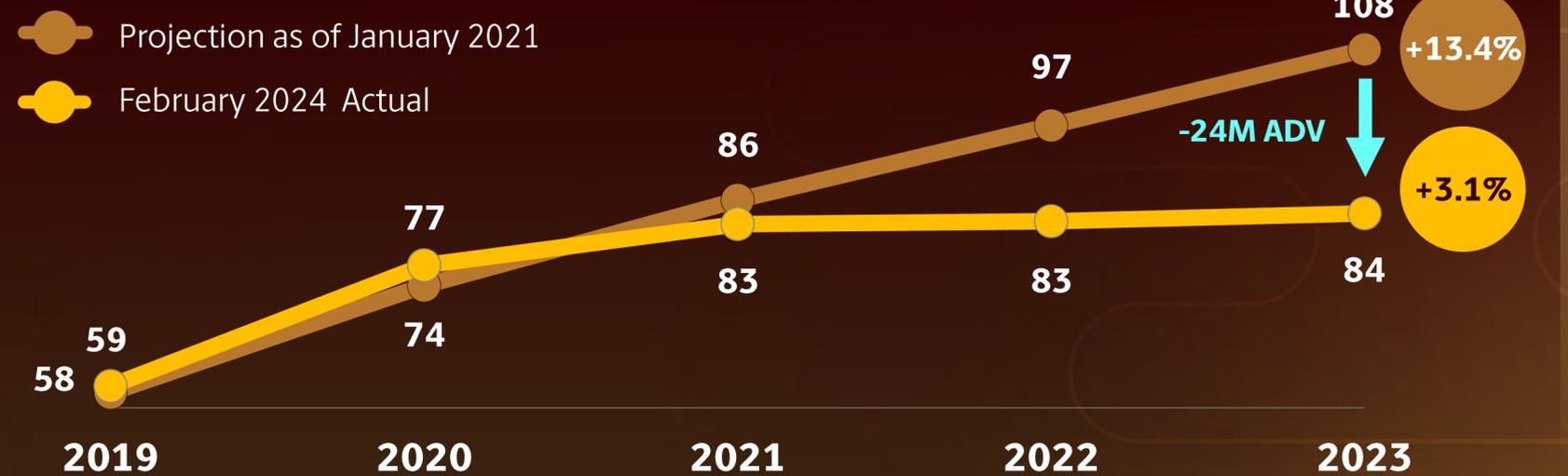
Measured by adjusted returns on invested capital*

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

Industry Dynamics

Total U.S. Small Package Market Volume

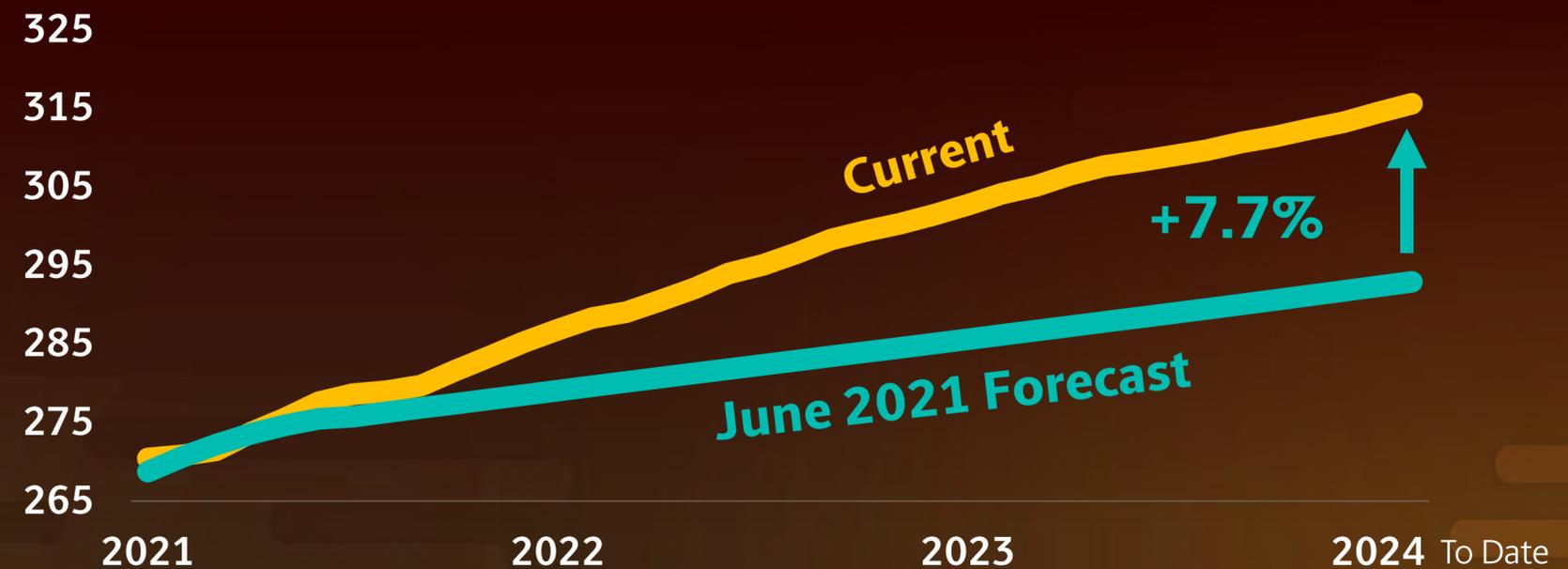
ADV millions



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

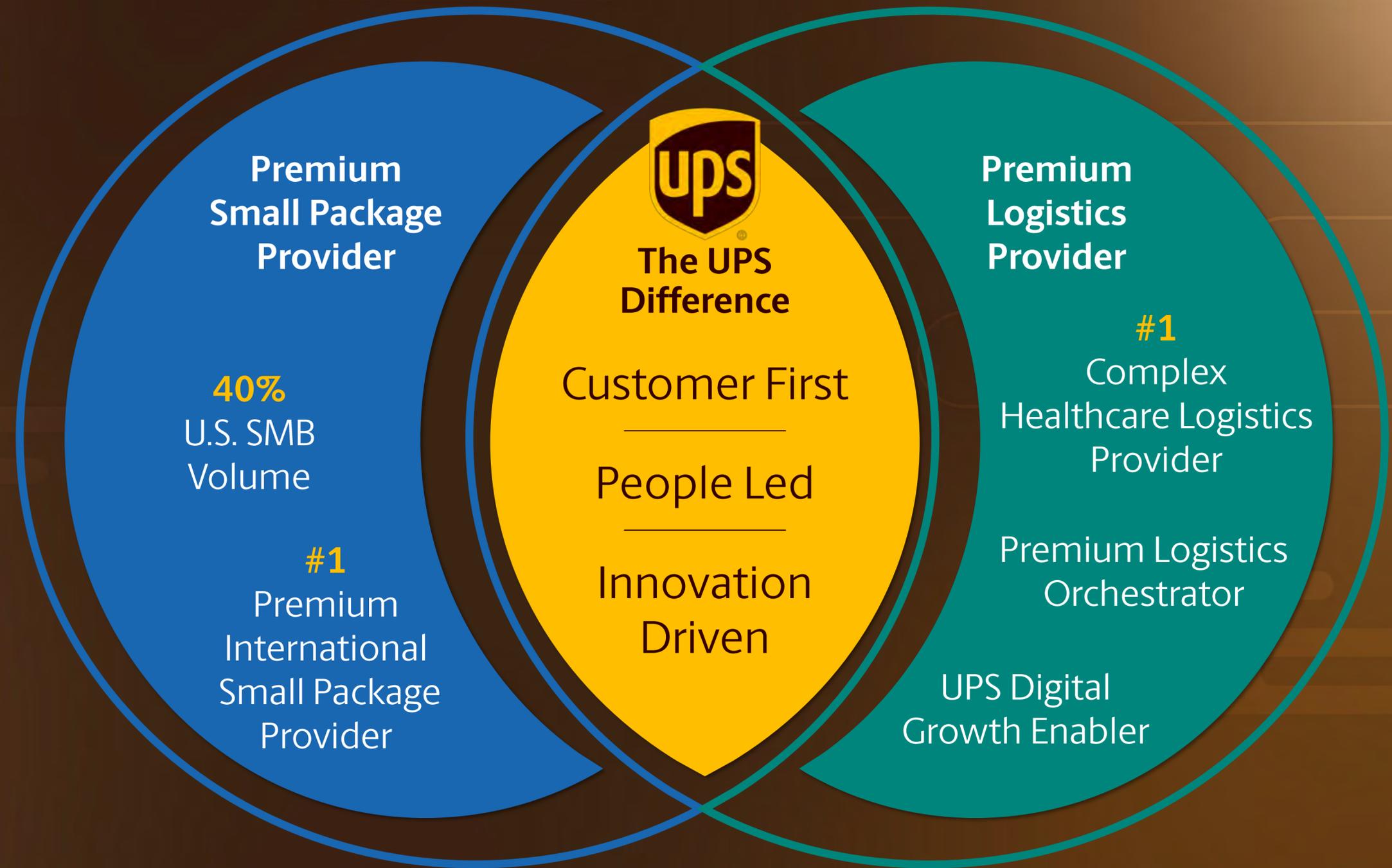
Sold UPS Freight/Bought Digital Companies

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



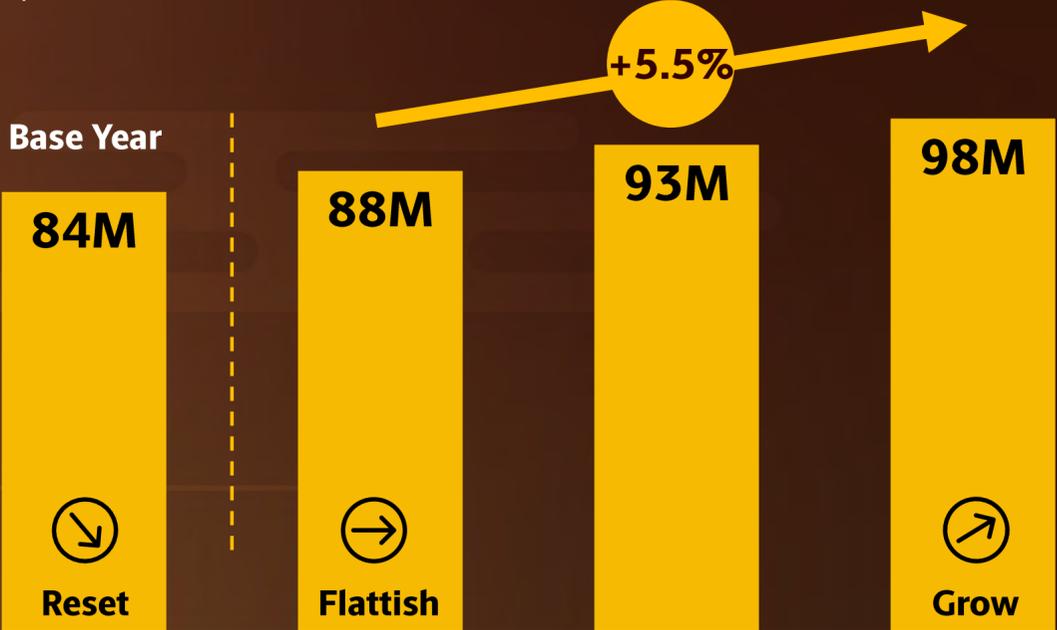
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Growth is Returning to Our Core Markets

U.S. Small Package Market

Average Daily Volume (ADV)
Millions



2023 2024E 2025E 2026E

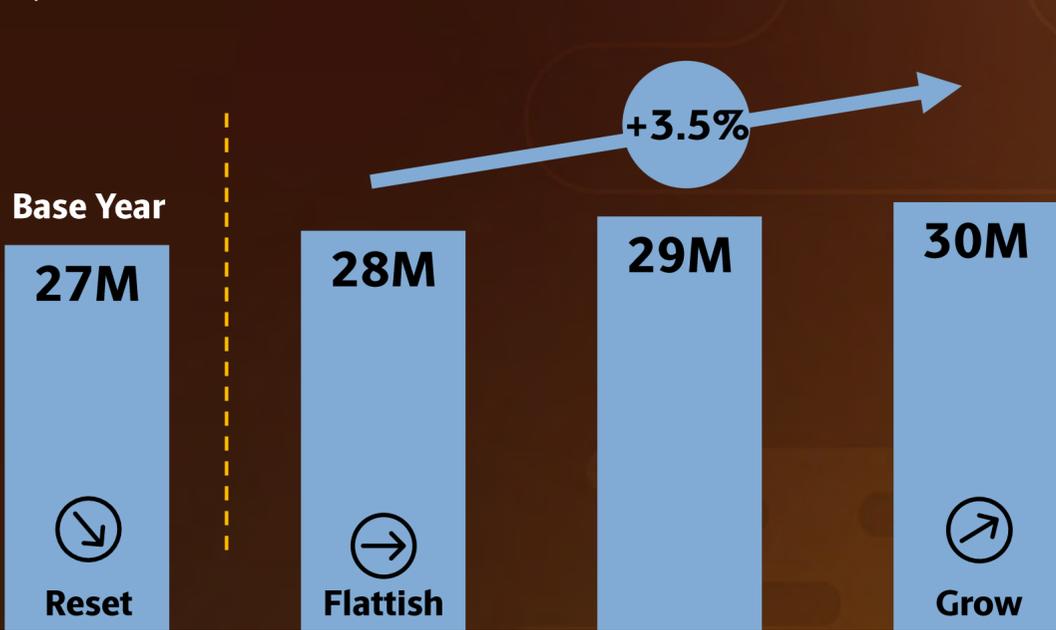
1 +2

Projected Revenue
USD, Billions

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

Int'l Small Package Market

Average Daily Volume (ADV)
Millions



2023E 2024E 2025E 2026E

1 +2

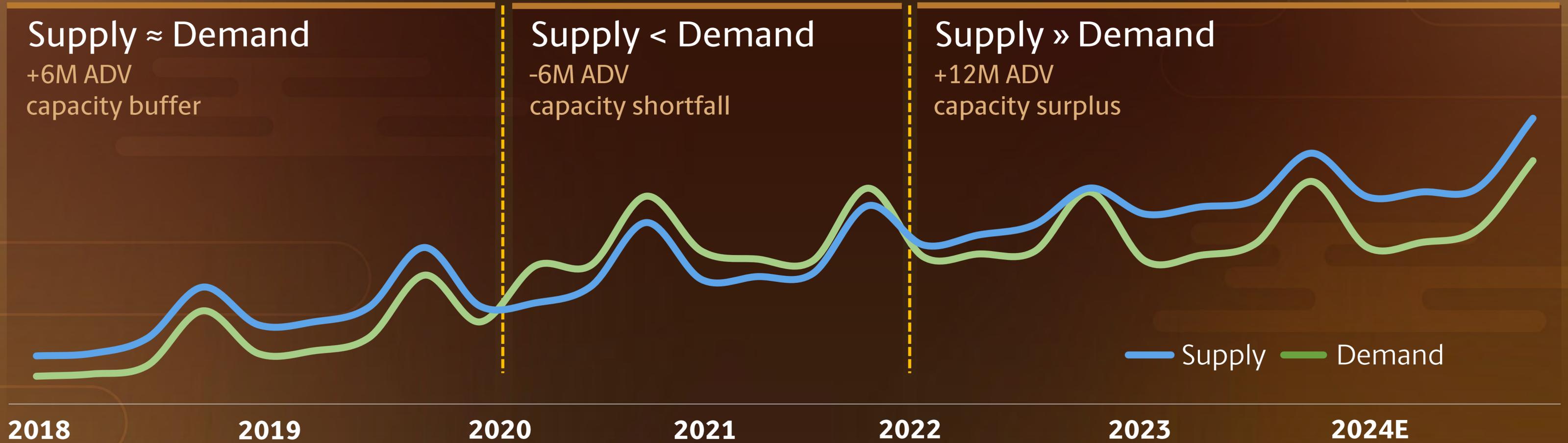
Projected Revenue
USD, Billions

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

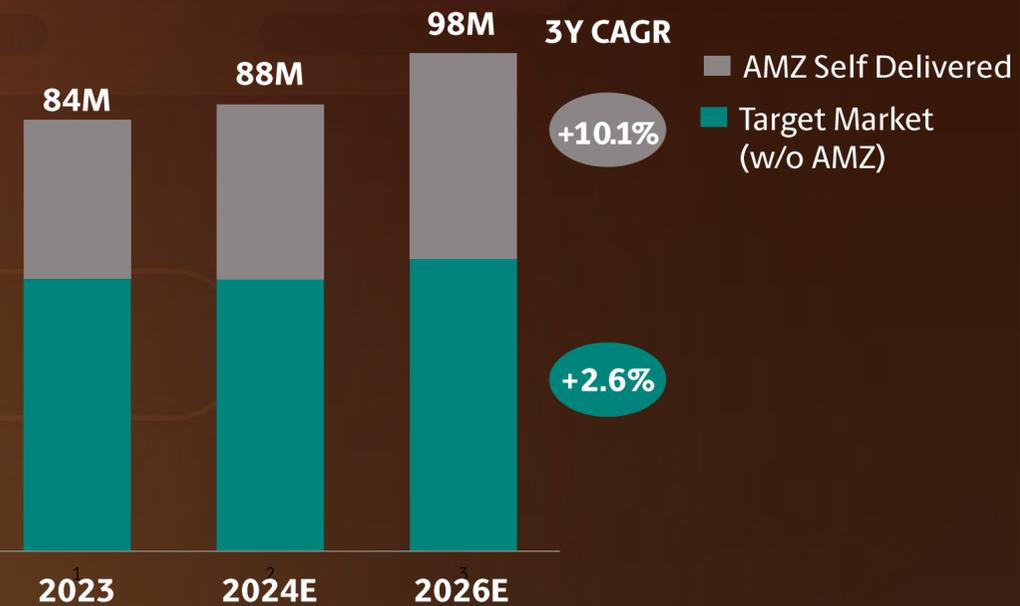


Consumers favor discounting and ease



Digitalization empowering SMBs

U.S. Small Package Market
ADV, Millions



U.S. Target Markets

Customer Type

2026E Market Volume

■ SMB ■ ENT

35%

65%

2026E Market Revenue

42%

58%

Product Type

2026E Market Volume

■ B2B ■ B2C

32%

68%

2026E Market Revenue

45%

55%

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



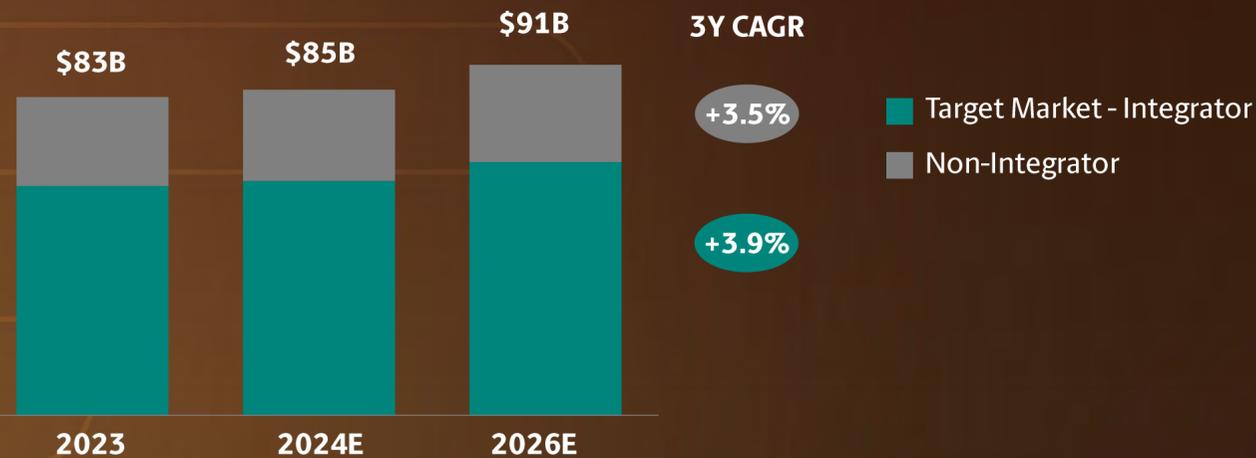
Integrated Supply Chains



Near-Shoring

Int'l Small Package Market

USD, Billions

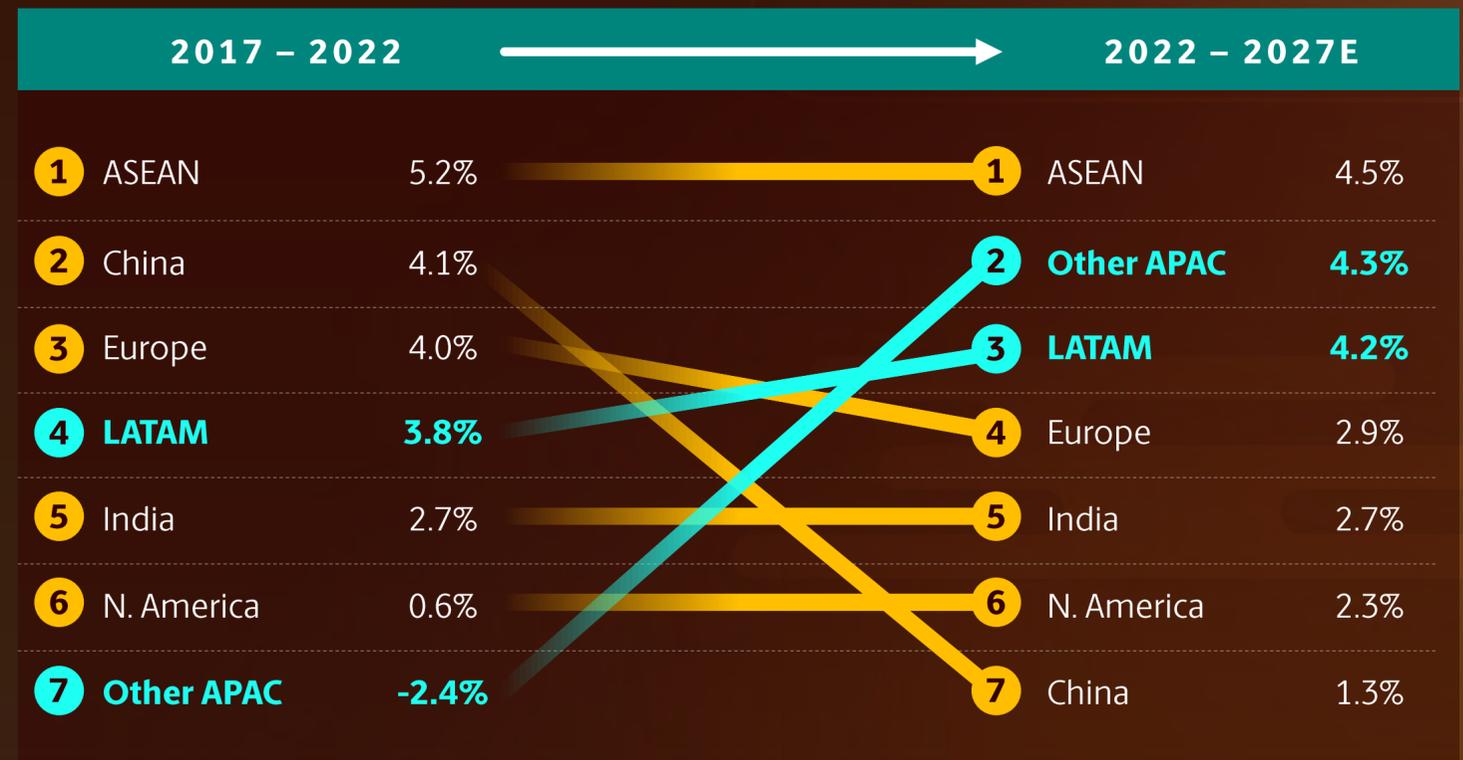


NOTE: Source – UPS SPMM; Represents Addressable International Market; IMF 4Q23 World Economic Outlook Excludes Africa and Middle East

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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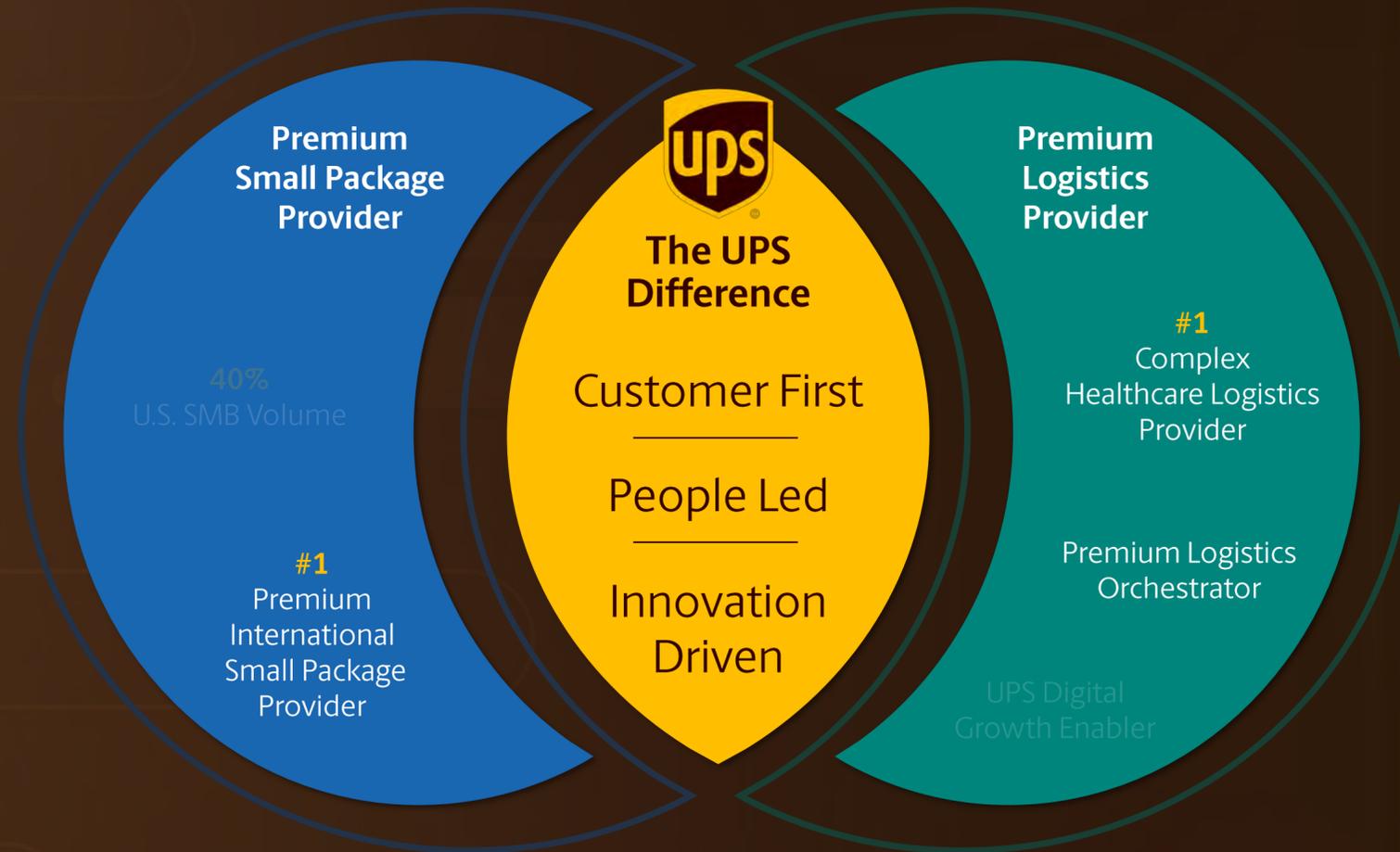
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International, Healthcare and SCS

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

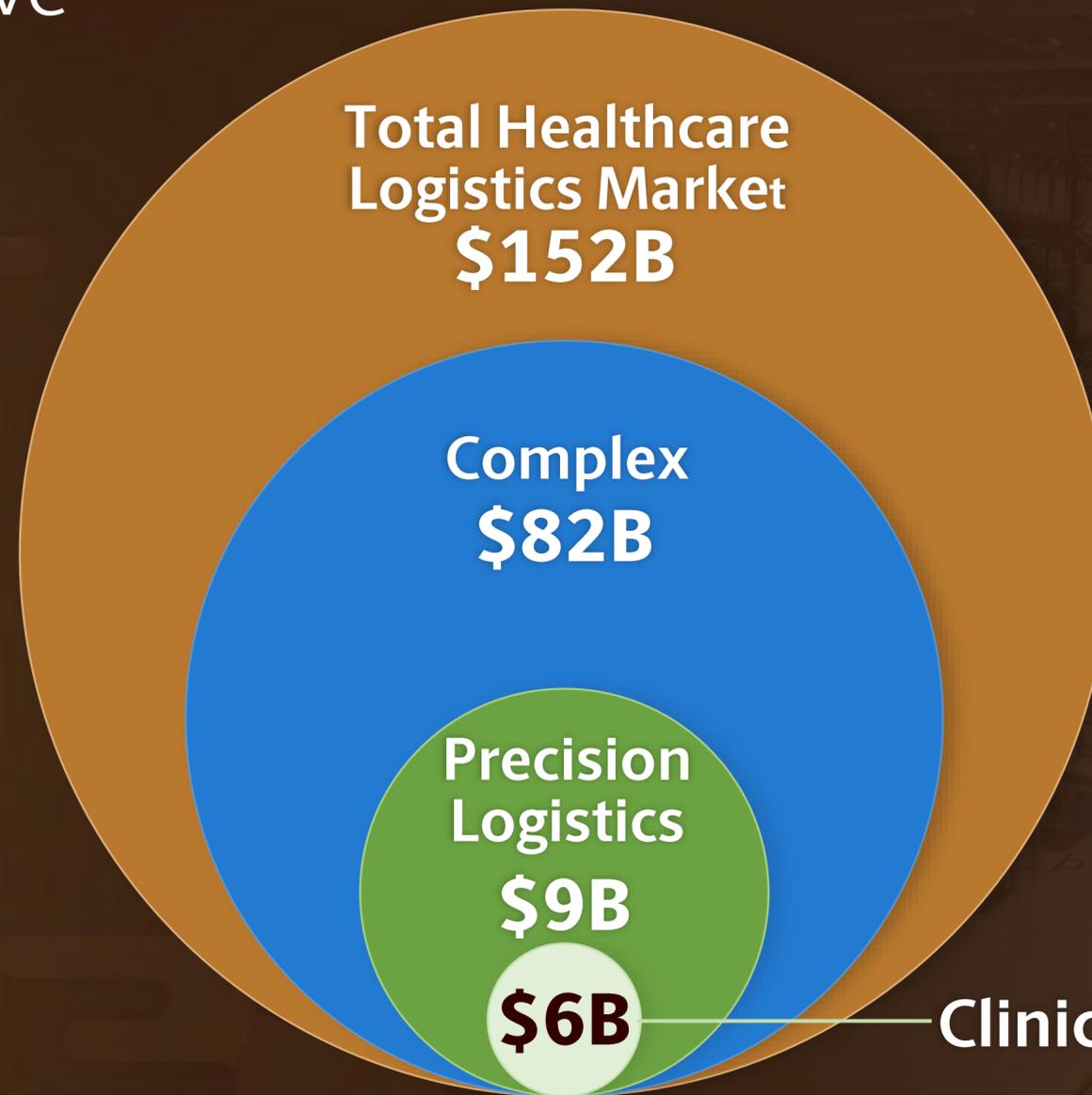


One UPS end-to-end portfolio enables increased profitability and customer loyalty

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



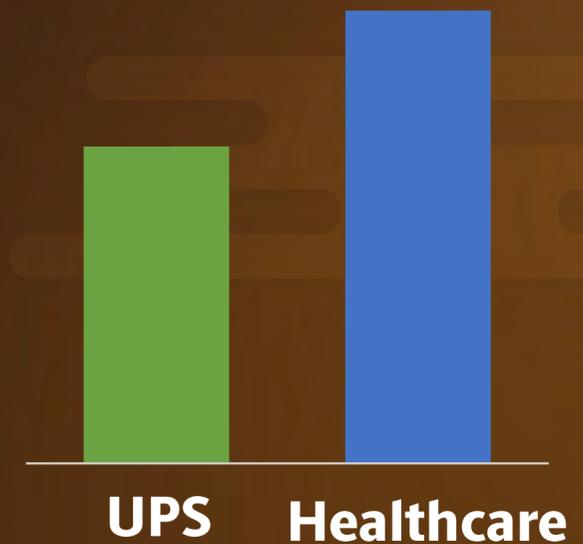
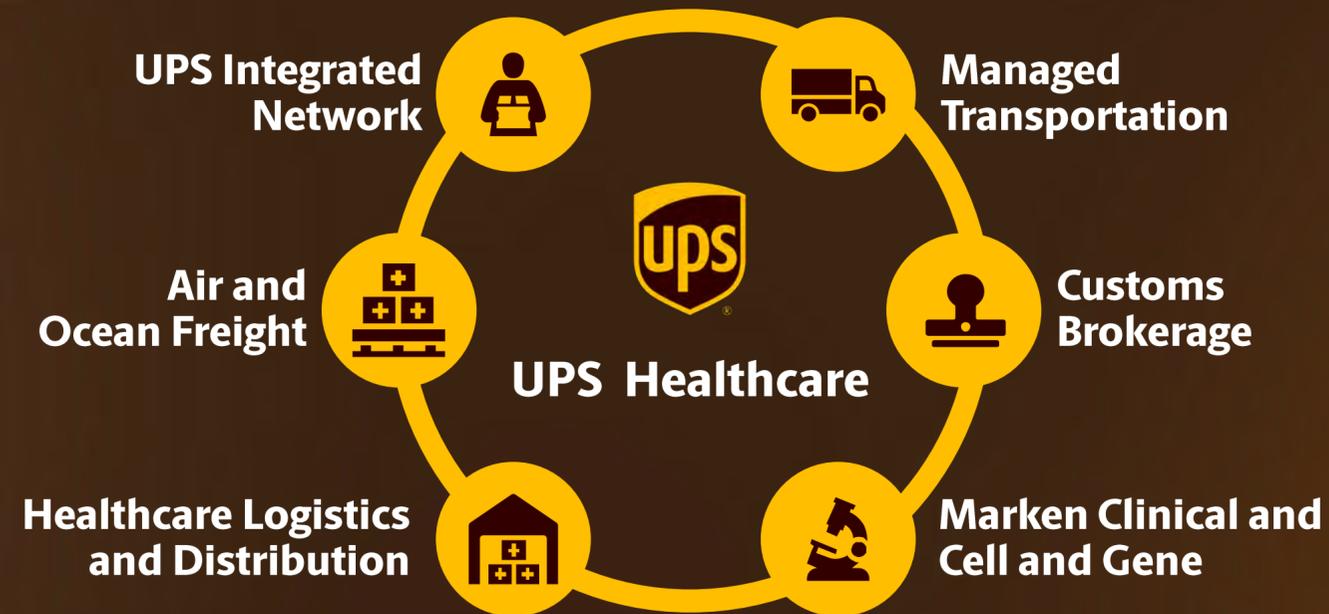
Year-Round Demand



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



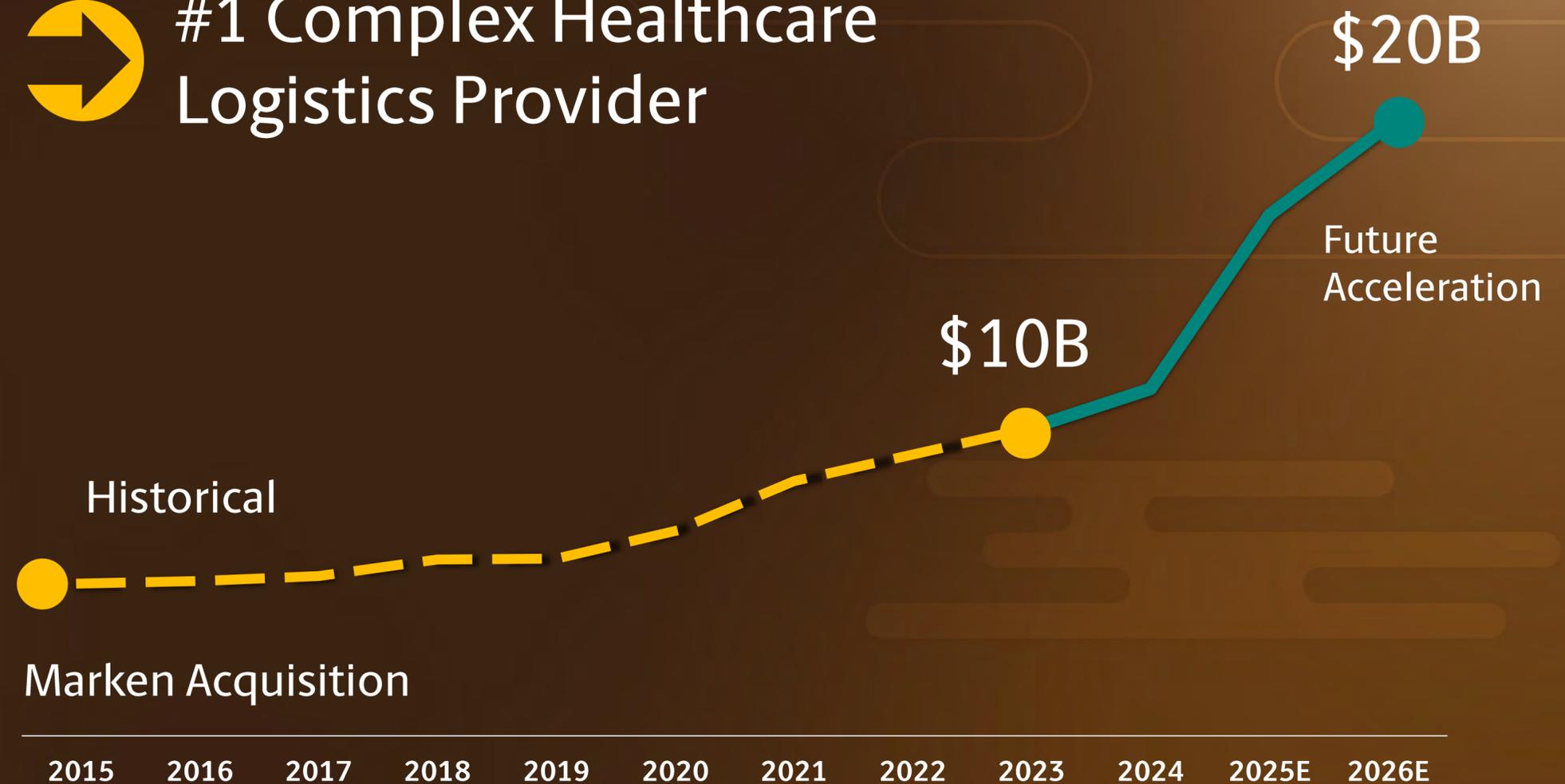
Our Declarations

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**



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 Markets



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 markets
- 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 Markets
- China and Hong Kong

Japan	Korea	Taiwan	Vietnam	Thailand	Singapore	Malaysia	India	UAE
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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 markets

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

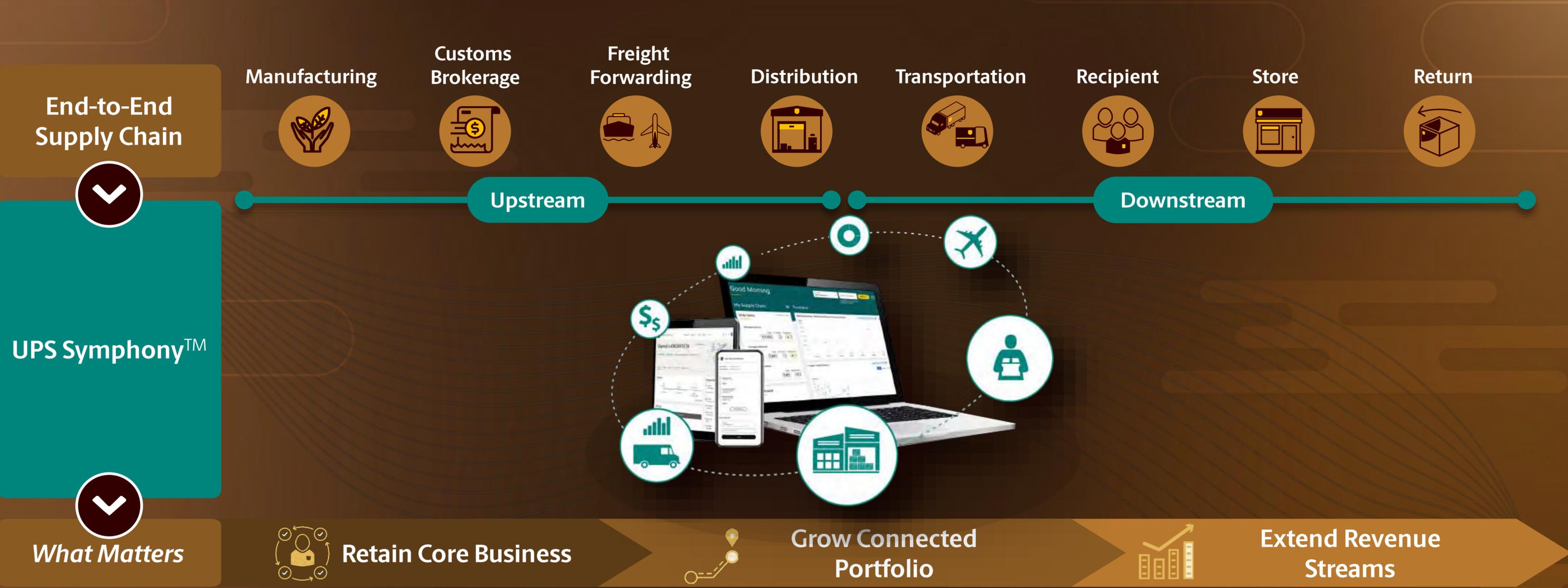
Portugal

Switzerland

Vietnam

Supply Chain Orchestration

End-to-end visibility powered by Symphony platform



End-to-End Supply Chain

Manufacturing

Customs Brokerage

Freight Forwarding

Distribution

Transportation

Recipient

Store

Return

Upstream

Downstream

UPS Symphony™

What Matters

Retain Core Business

Grow Connected Portfolio

Extend Revenue Streams



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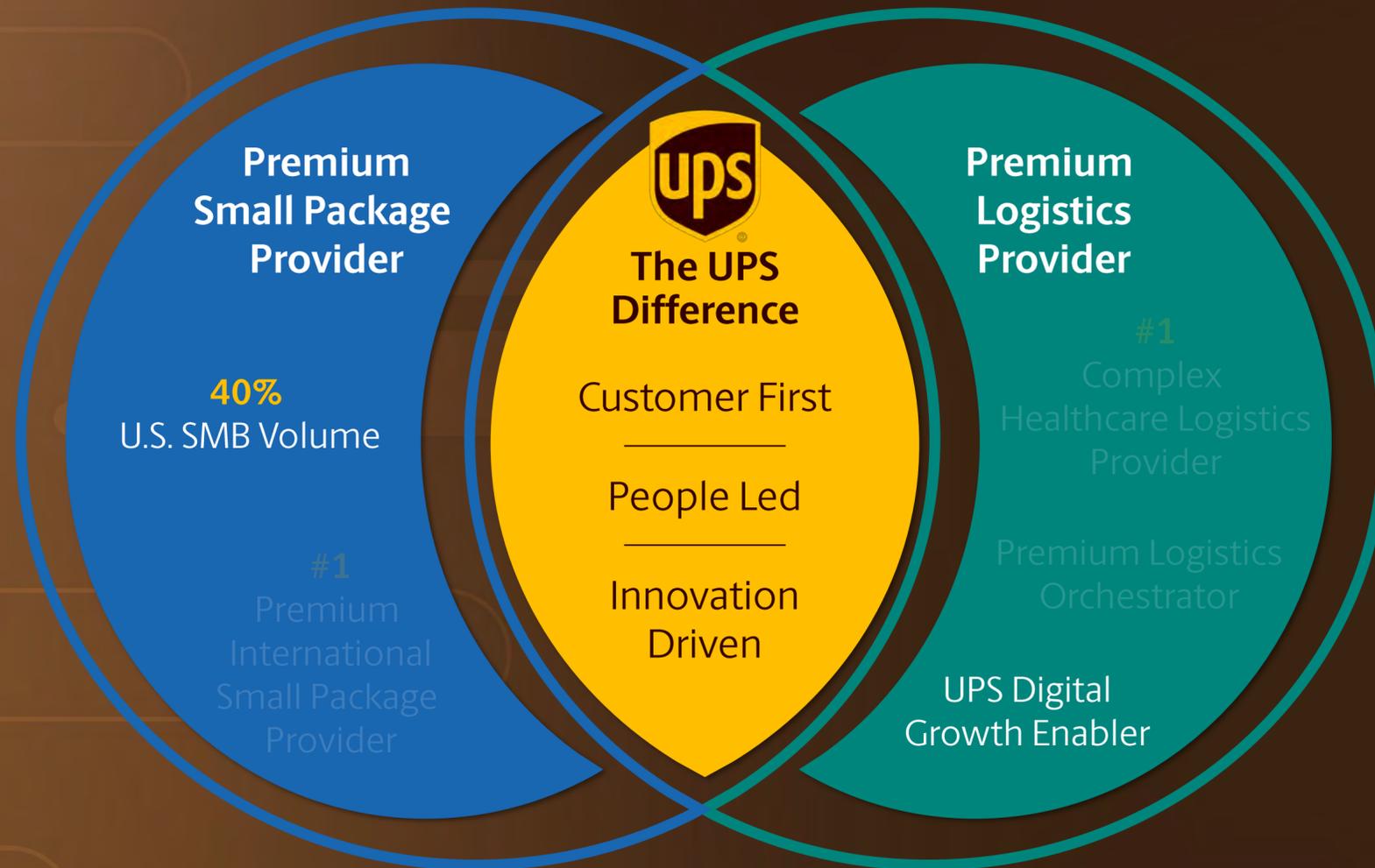
U.S. Domestic
NANDO CESARONE
PRESIDENT U.S.



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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)

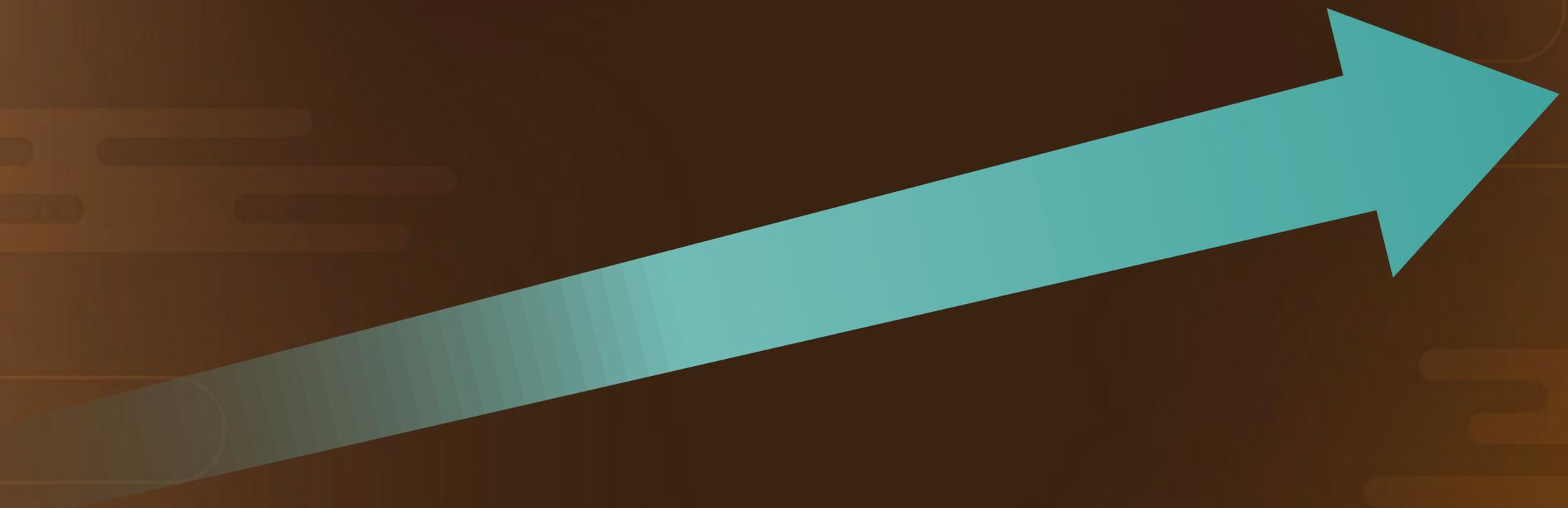


Leverage new automation and technology tools to materially improve productivity

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

9%
2023

12%
2026



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

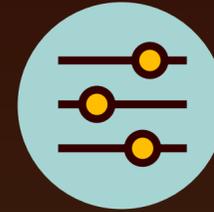
Single View of Customer

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

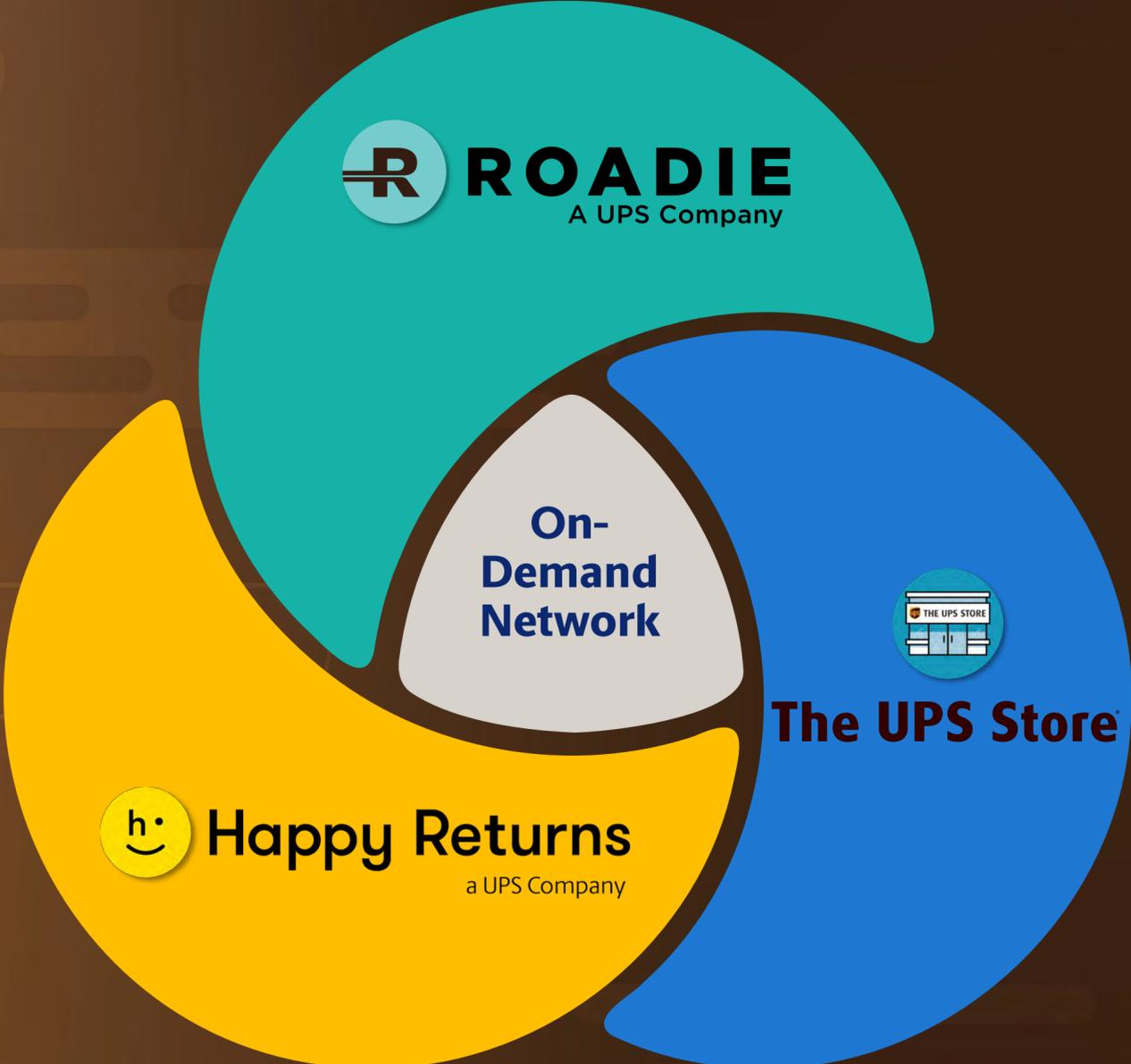
EXPERIENCE

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

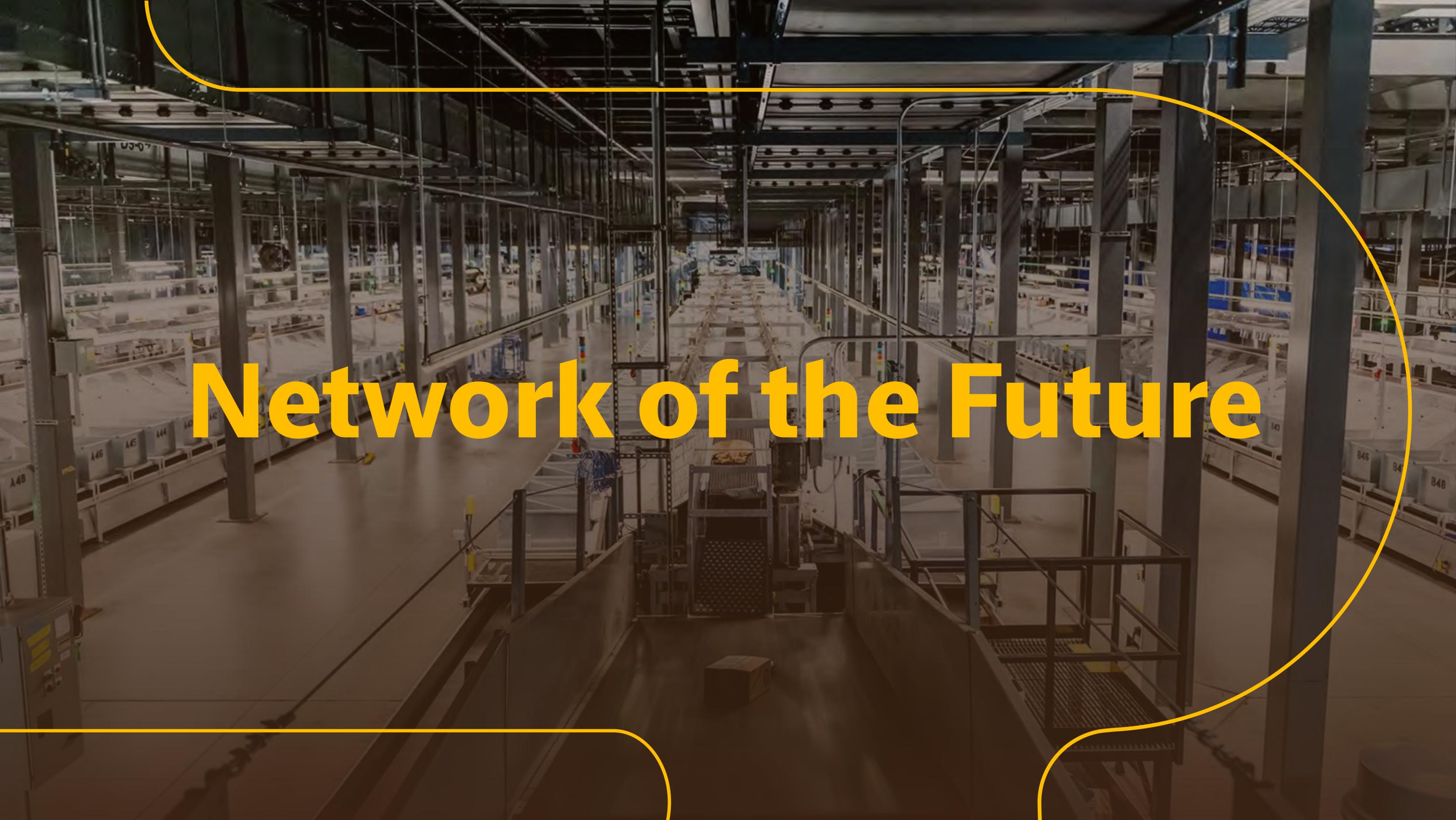
+~2.5%



Cost per Piece

+~1.0%

CAGR 2024 – 2026F



Network of the Future

Network of the Future

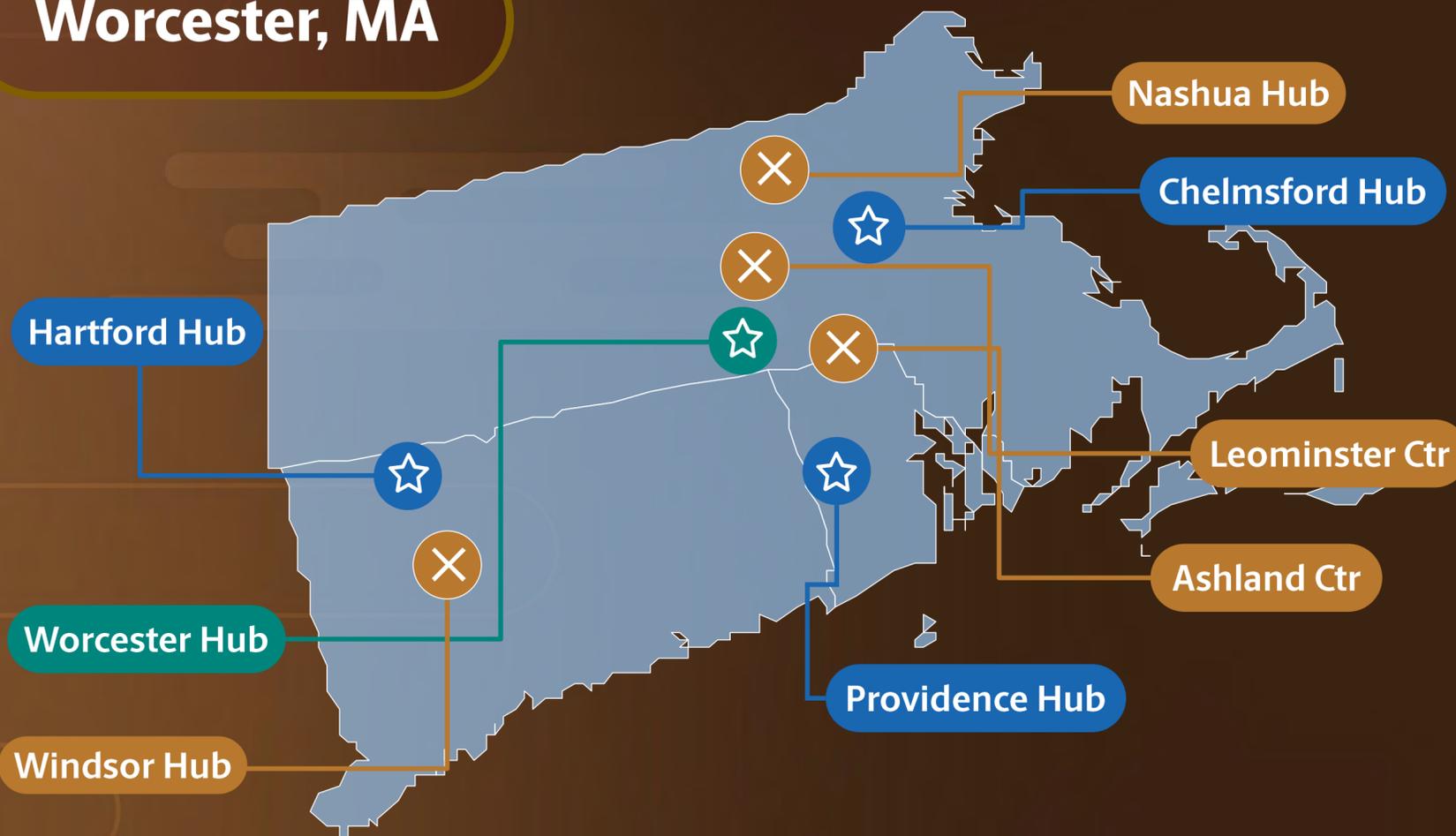
What We're Solving For

- ➔ 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



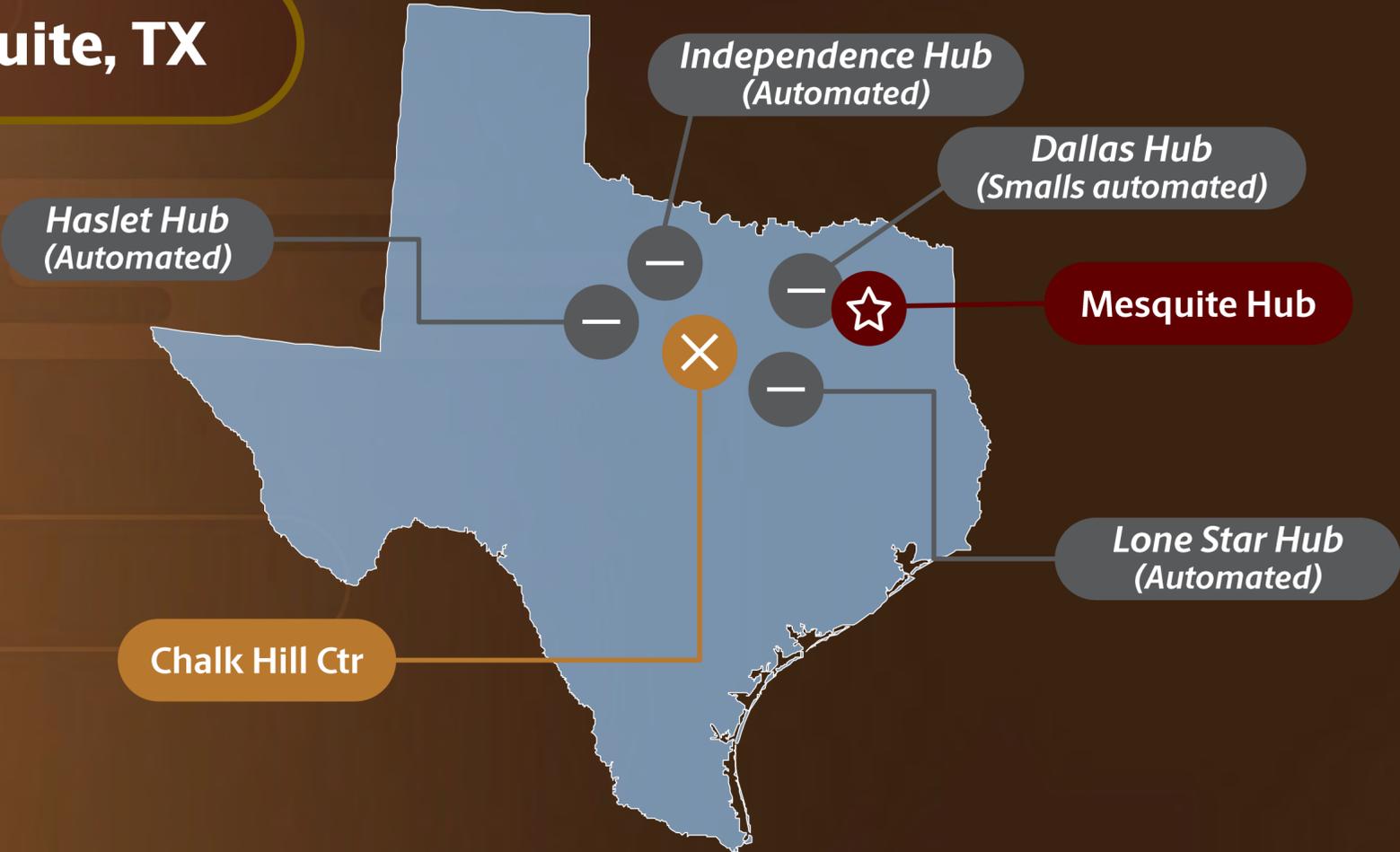
Project Type

Replacement
(build new and expand capacity
to enable consolidation)

-  New build
-  Enabled project for automation
-  Consolidation

Automation and Consolidation Projects

Mesquite, TX



Project Type
| Hub Modernization Retrofit and Consolidation

- Automation modernization
- Nearby facilities out of scope
- 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)

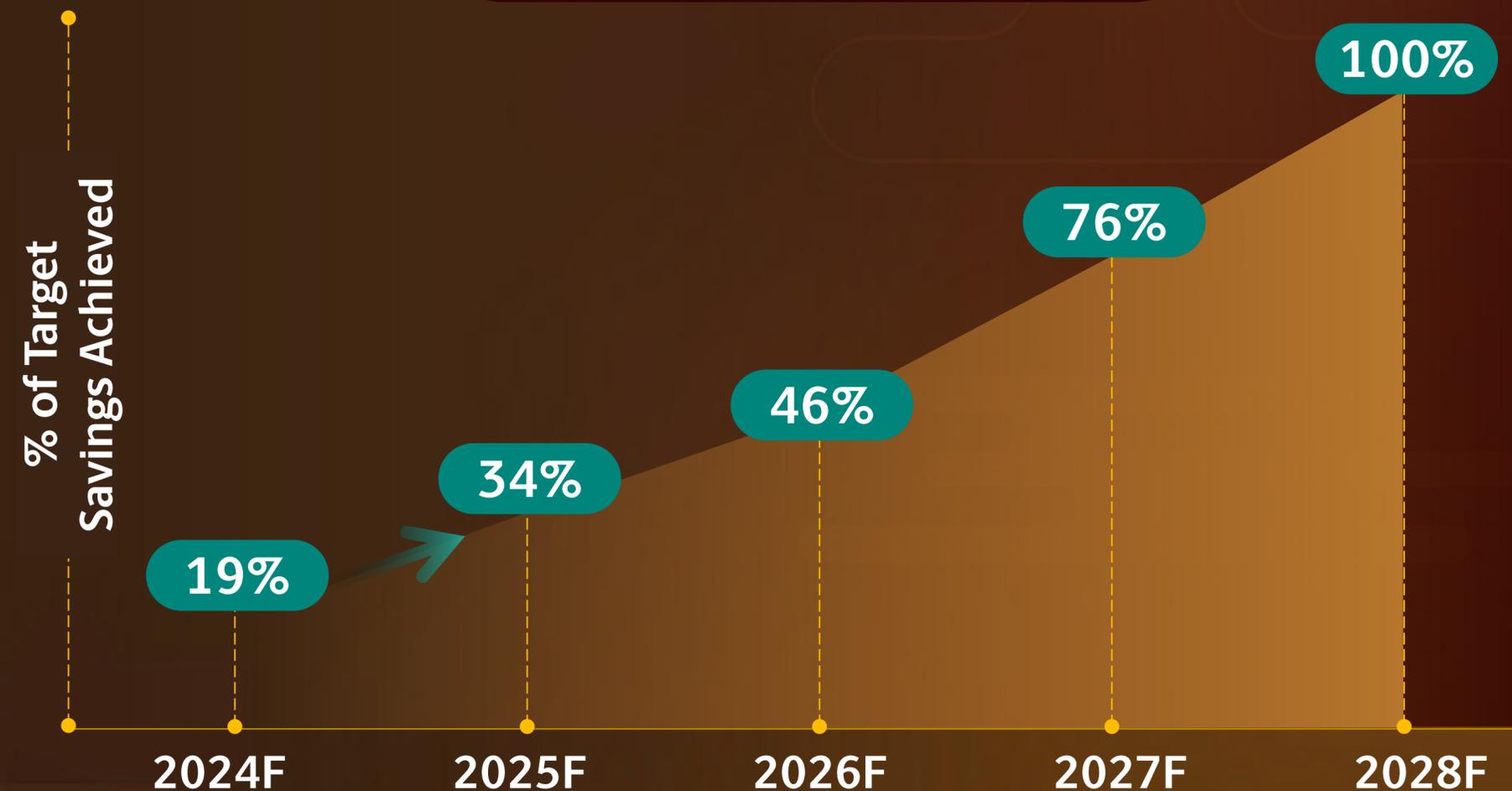
Total Savings |

~\$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

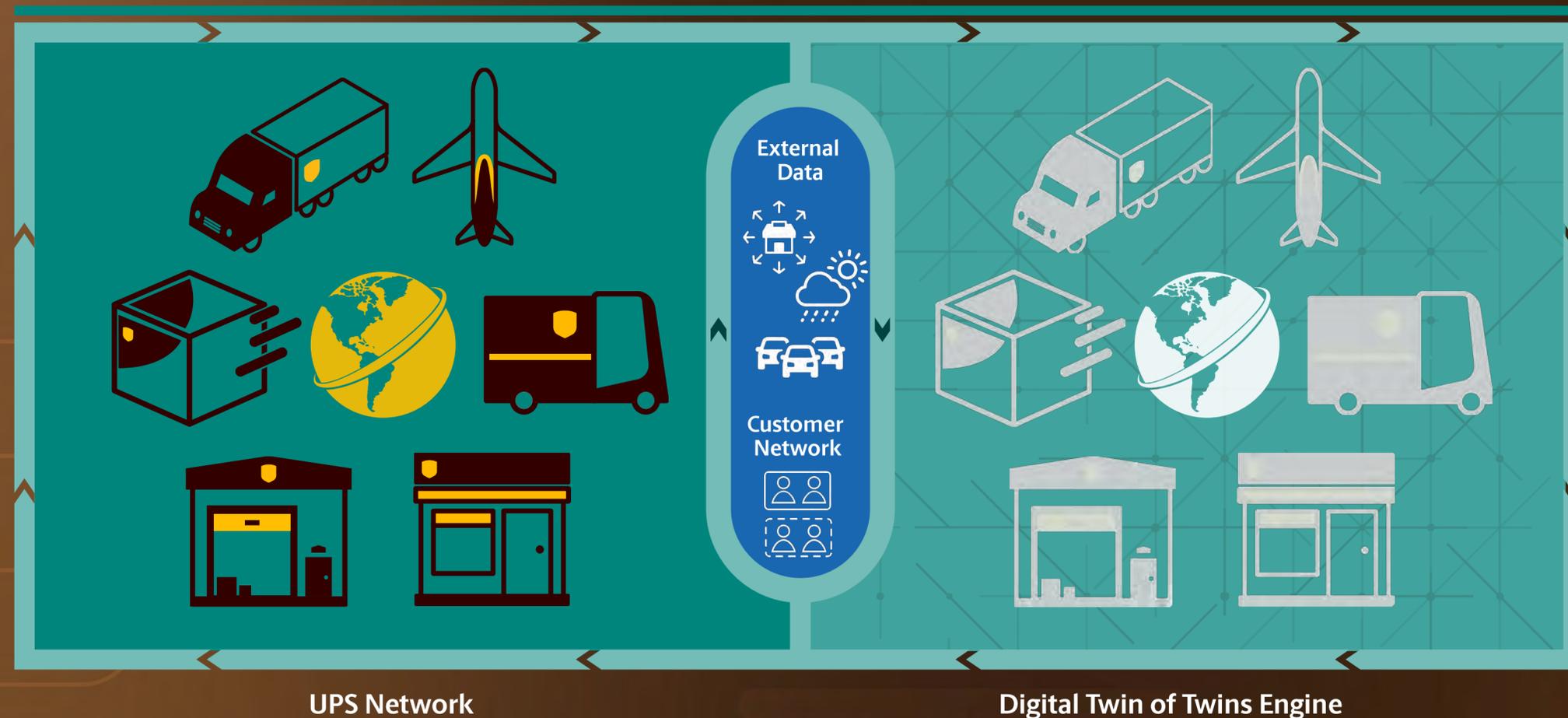
We Have Made Significant Strides in Implementing Network of the Future by implementing tomorrow's technology today

Current UPS Network



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

Future State UPS Network



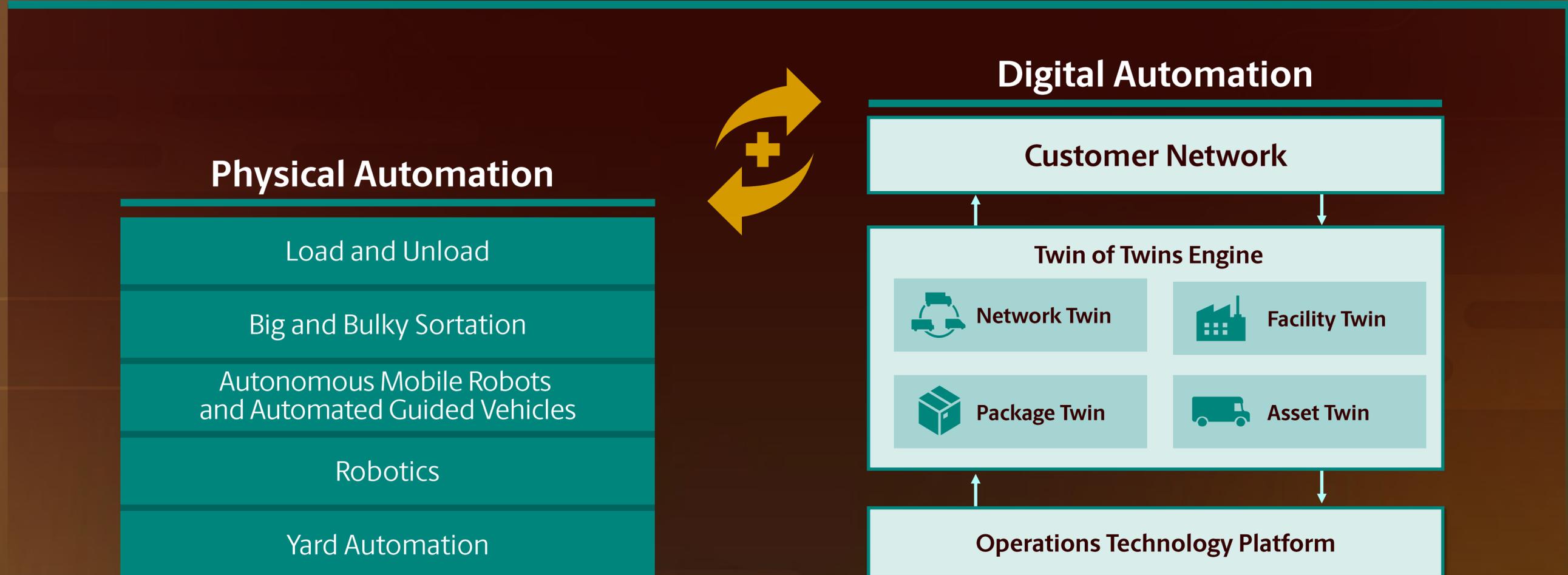
Near **real-time**, **scalable**, **flexible** using digital capabilities complementing the physical network

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

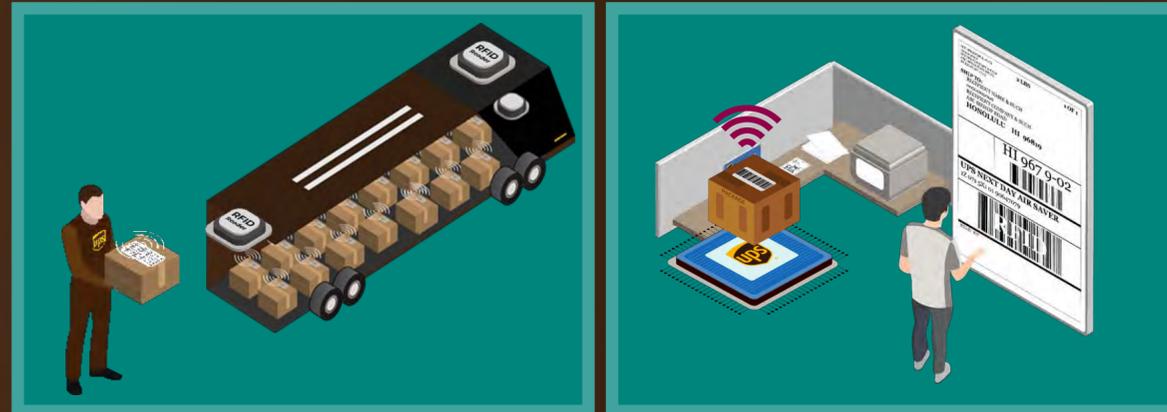
Already implemented



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 Driver 3

Technology shows driver instantly where the package is on the car

Implementation in Progress

Smart Customer 4

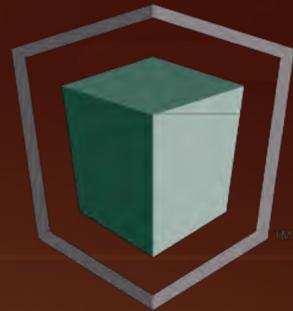
Customer will be printing RFID Smart Labels at Pickup (Applying RFID labels further upstream)

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

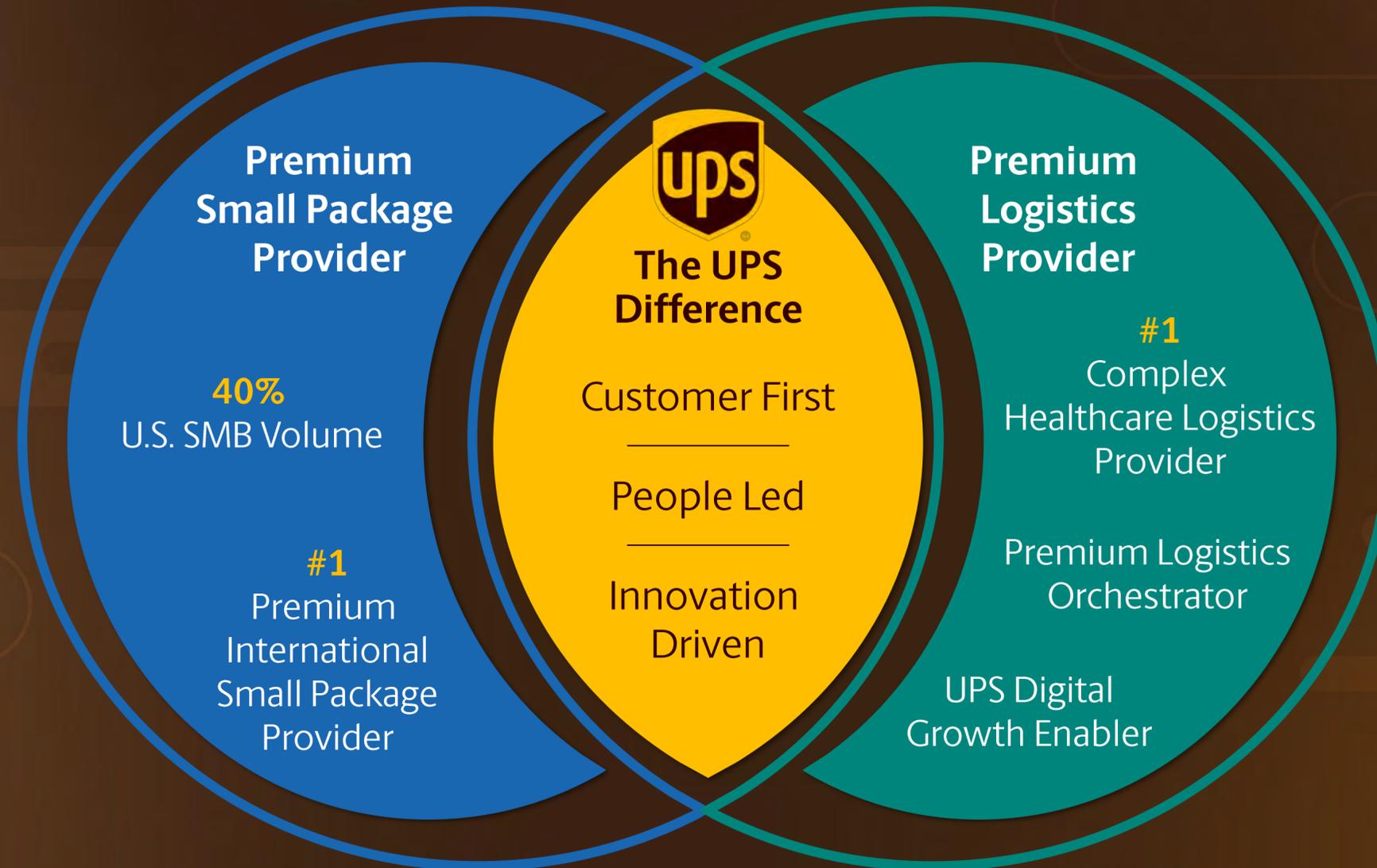
CHIEF FINANCIAL OFFICER



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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

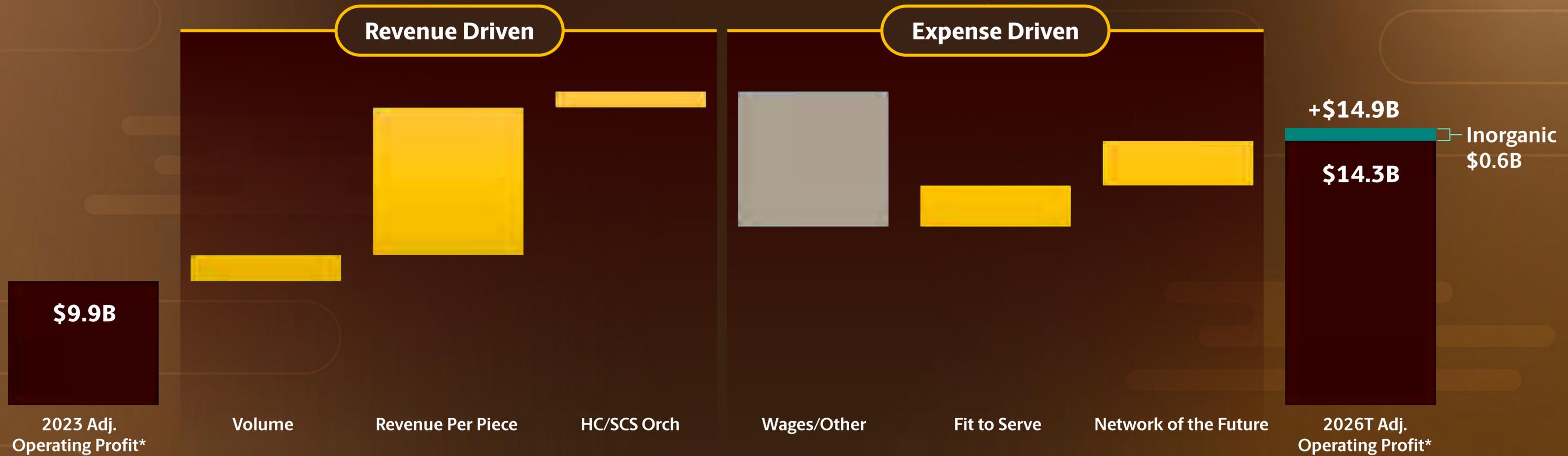
2026 Adjusted* Operating Profit Target Growth



2026T Operating Margin*	2023	U.S. Domestic	International	SCS	2026T
	10.9%	12%	18-19%	~12%	13%+

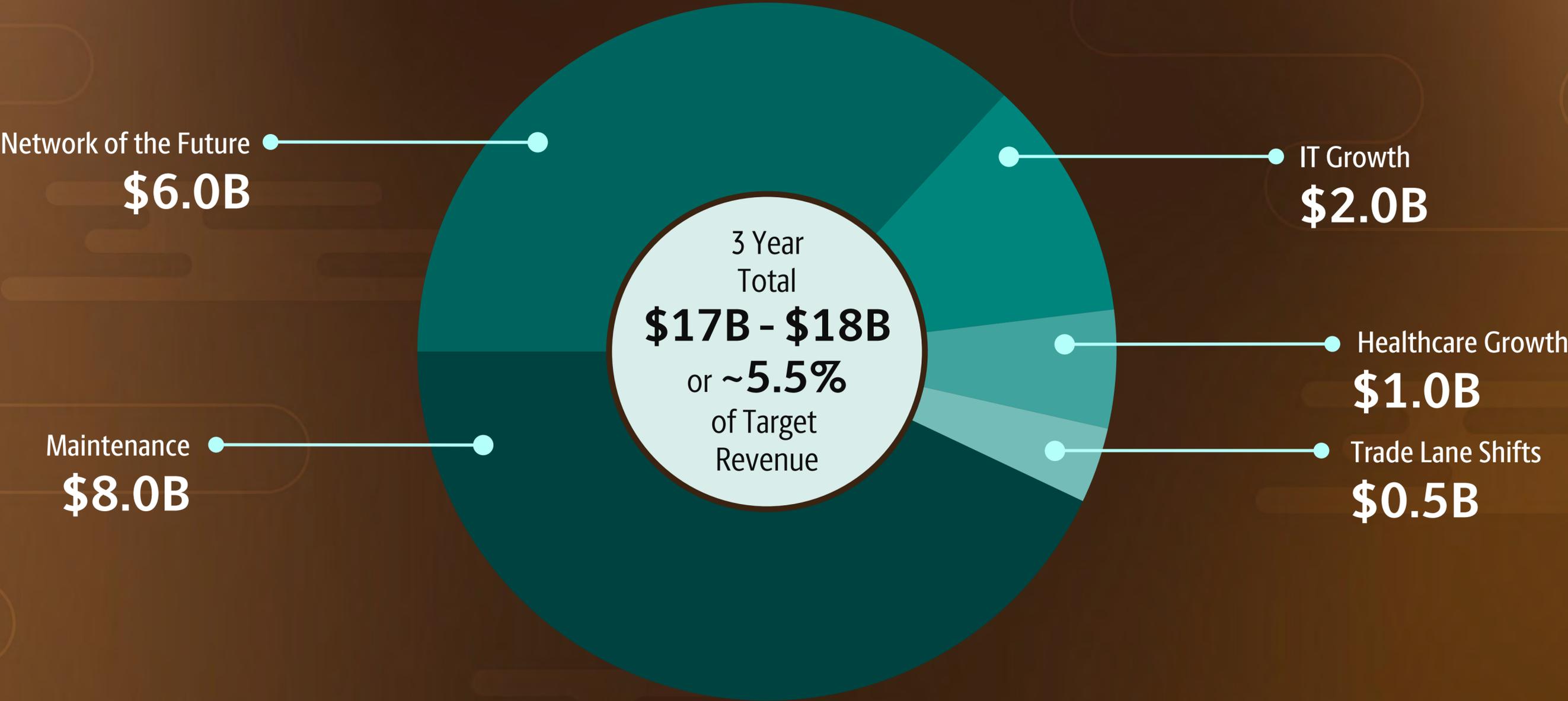
*Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.

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

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

Capital Allocation Policy/Priorities

Reinvest in the Business to Achieve Financial Targets

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

1

Stable and Growing Dividend

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

2

Strong Balance Sheet

Target capital structure of ~2.5 times debt to EBITDA*

3

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. ⁽¹⁾	One-Time Compensation ⁽²⁾	Goodwill & Asset Impairment Charges ⁽³⁾	Transformation & Other Adj. ⁽⁴⁾	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,

	2023
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 ⁽¹⁾ 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 ⁽¹⁾ 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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