



1Q20 Earnings Announcement

April 28, 2020

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Scott Childress
Investor Relations Officer



UPS Speakers

David Abney

Chairman and CEO

Brian Newman

Chief Financial Officer

Additional Q&A Participants:

Kate Gutmann

Chief Sales and
Solutions Officer

Nando Cesarone

President, International

George Willis

President, U.S. Operations

Juan Perez

Chief Information
and Engineering Officer

Scott Price

Chief Strategy
and Transformation Officer

Forward-Looking Statements and Non-GAAP Reconciliations

This presentation, our Annual Report on Form 10-K for the year ended December 31, 2019 and our other filings with the Securities and Exchange Commission contain and refer to “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 “believe,” “project,” “expect,” “estimate,” “assume,” “intend,” “anticipate,” “target,” “plan,” and variations thereof, 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.

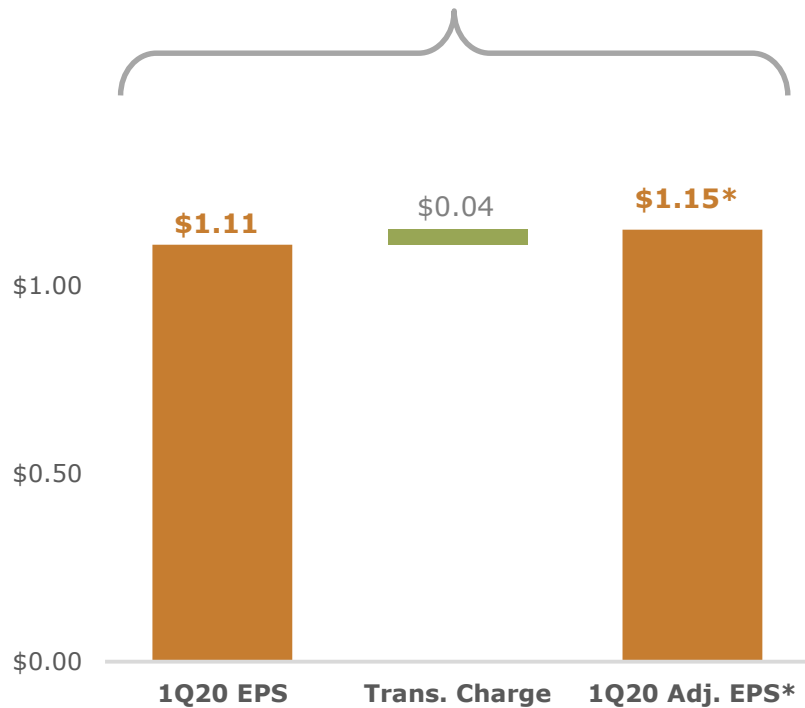
Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience, present expectations or anticipated results. These risks and uncertainties, many of which are outside of our control, include, but are not limited to: 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 complex and stringent regulation in the U.S. and internationally (including tax laws and regulations); increased physical or data security requirements that may increase our costs of operations and reduce operating efficiencies; 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 the image of our brand; breaches in data security; disruptions to the Internet or our technology infrastructure; interruptions in or impacts on our business from natural or man-made event or disasters including terrorist attacks, epidemics and 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 substantial impairment of our assets; increases in our expenses or funding obligations relating to employee health, retiree health and/or pension benefits; potential additional tax liabilities in the U.S. or internationally; the potential for various claims and 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, 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, 2019 and subsequently filed reports. Such risks and uncertainties are currently amplified by and may continue to be amplified by the coronavirus pandemic and the impact it has had, and may continue to have on the global economy and our business, financial position and results of operations. 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.

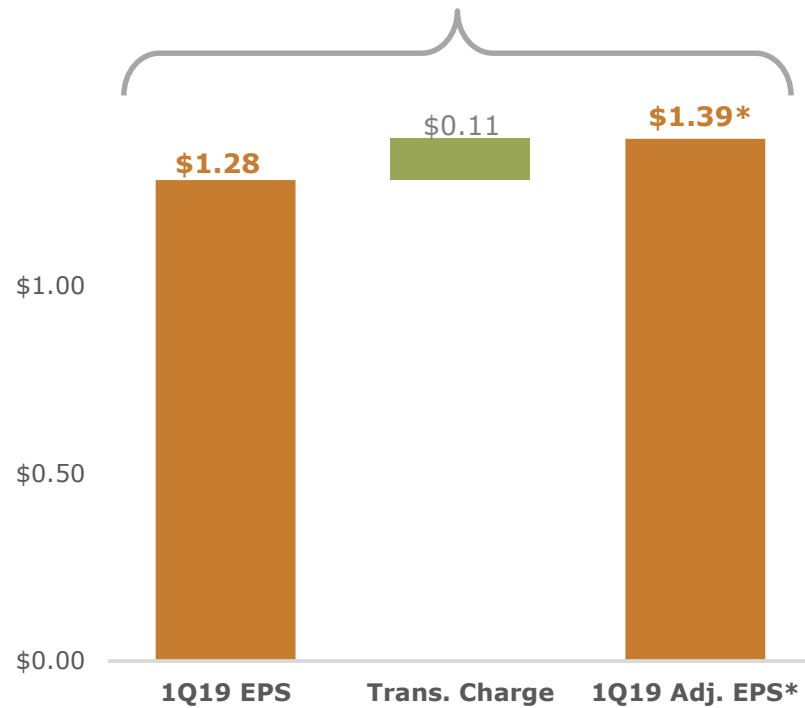
Information, including comparisons to prior periods, may reflect adjusted results. See the appendix for reconciliations of adjusted results and other non-GAAP financial measures.

EPS vs. Adjusted EPS*

1Q20



1Q19



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



David Abney
Chairman and CEO

Coronavirus response

- Safety of our employees and customers is our highest priority.
- Designated by governments around the world as a Critical Infrastructure Business.
- UPS is focusing on our customers, ensuring liquidity and positioning the company for additional opportunities as conditions improve.





Keeping critical healthcare and other supply chains moving

- Assisting federal and state agencies and supporting 3M, Qiagen, Henry Schein, McKesson and SanMar.
- Partnering with GM and Ventec Life Systems to provide logistics and transportation for their advanced-technology ventilators.

On-time performance across all U.S. Domestic services is exceptionally high.

Ensuring capacity where needed

- As China began to recover, UPS added capacity to keep critical supply chains and commerce flowing.
- As part of FEMA's Project Airbridge and other healthcare-related missions, in April UPS increased the number of flights by over 200 to transport critical life-saving cargo to the U.S. and Europe.

Countless companies are relying on UPS.





Focusing on our Strategic Growth Imperatives

- Healthcare
 - Expanding UPS Premier.
 - UPS Flight Forward, in cooperation with the FAA, will begin delivering prescriptions for CVS in The Villages in Florida.
 - Assisting customers through our new healthcare unit.
- E-commerce
 - Digital Access Program helps SMBs increase market reach.
 - Deploying UPSNav, an enhancement to ORION.

UPS liquidity and financial condition remain strong

- The coronavirus pandemic is having an impact:
 - Seeing a dramatic shift in consumer shopping behavior.
 - Major U.S. and global economic indicators forecast declines.
- Unable to predict the business impact of the pandemic, or estimate financial performance in future quarters.
- UPS is withdrawing previously issued 2020 revenue and diluted earnings per share growth guidance.

The UPS dividend remains a high priority.



Prioritizing CapEx spending

- Continuing to make investments that best position the company to seize future opportunities as conditions improve.
- Prioritizing investments and spending that yield the greatest long-term benefits to the company.

Reducing CapEx by \$1 billion in 2020.



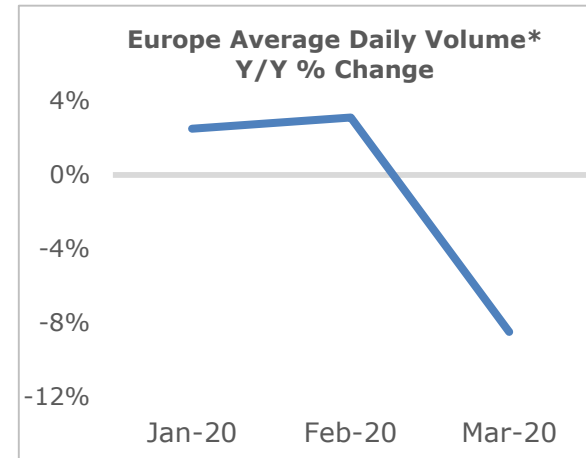
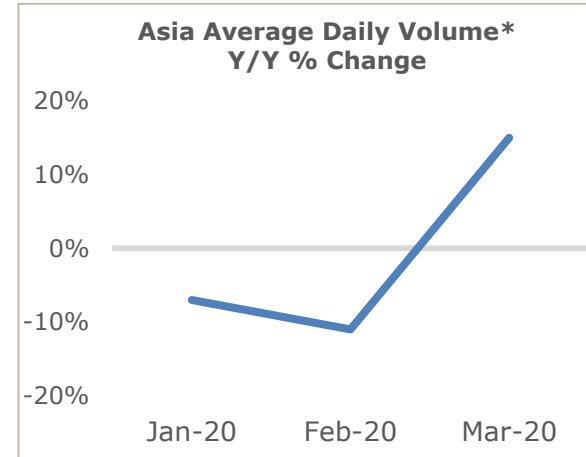
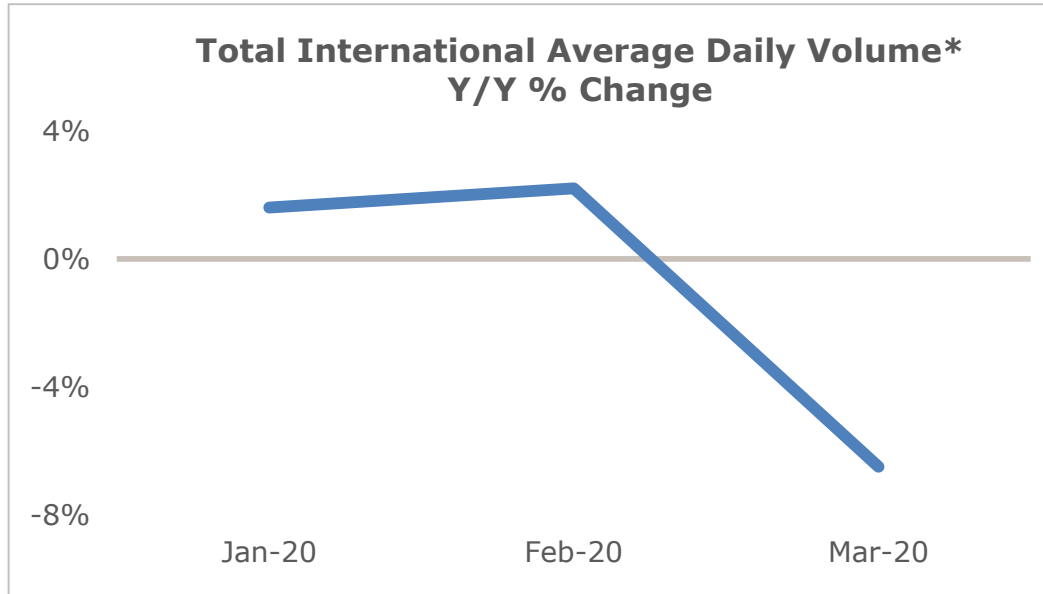
Welcome to Carol Tomé

- 12th CEO of UPS.
- Has served on the UPS Board for 17 years.
- Brings a vast understanding of retail, e-commerce, strategy, and an extensive finance background to UPS.
- The right person to guide UPS at this time in our history.



Brian Newman
Chief Financial Officer

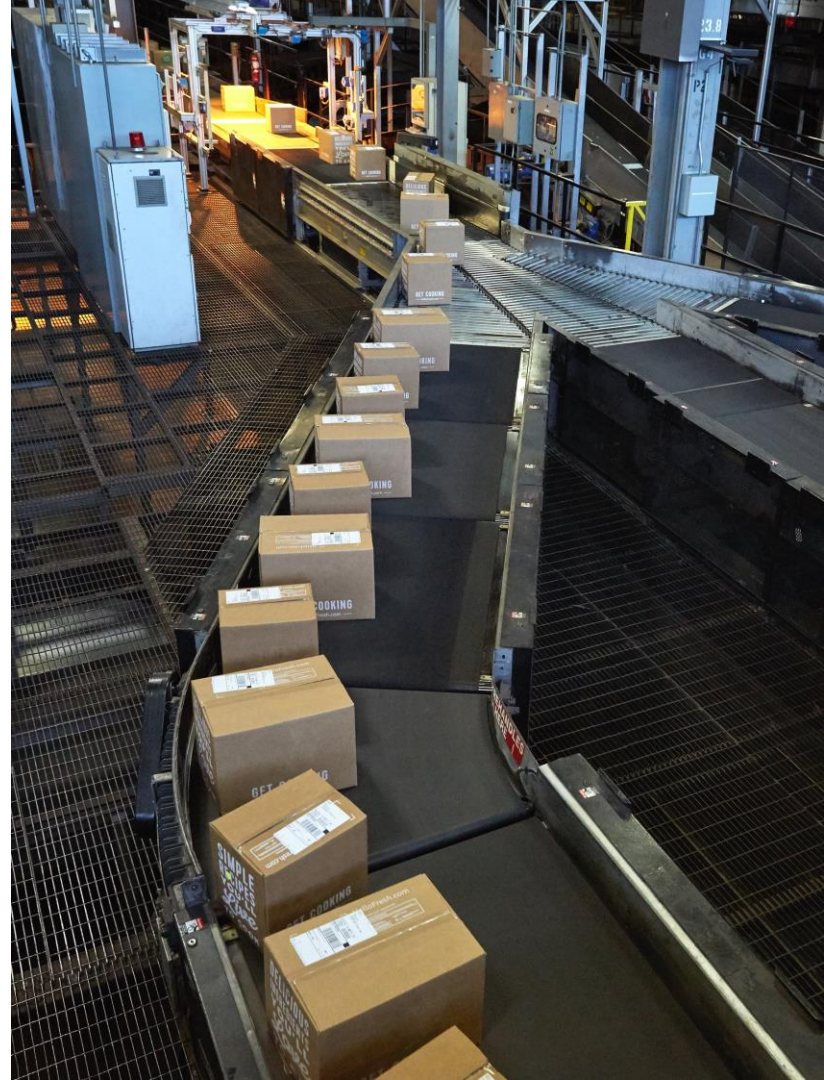
Rapid changes during the quarter



* In Local Days

Businesses were affected differently throughout the quarter

- Difficult for customers to know how to respond and make adjustments.
 - March commercial deliveries down 8.9%.
- Many SMBs had limited alternatives.
- Customers migrated online.
- Impact across sectors varied:
 - E-commerce and healthcare volume accelerated.



1Q20 Financial Summary

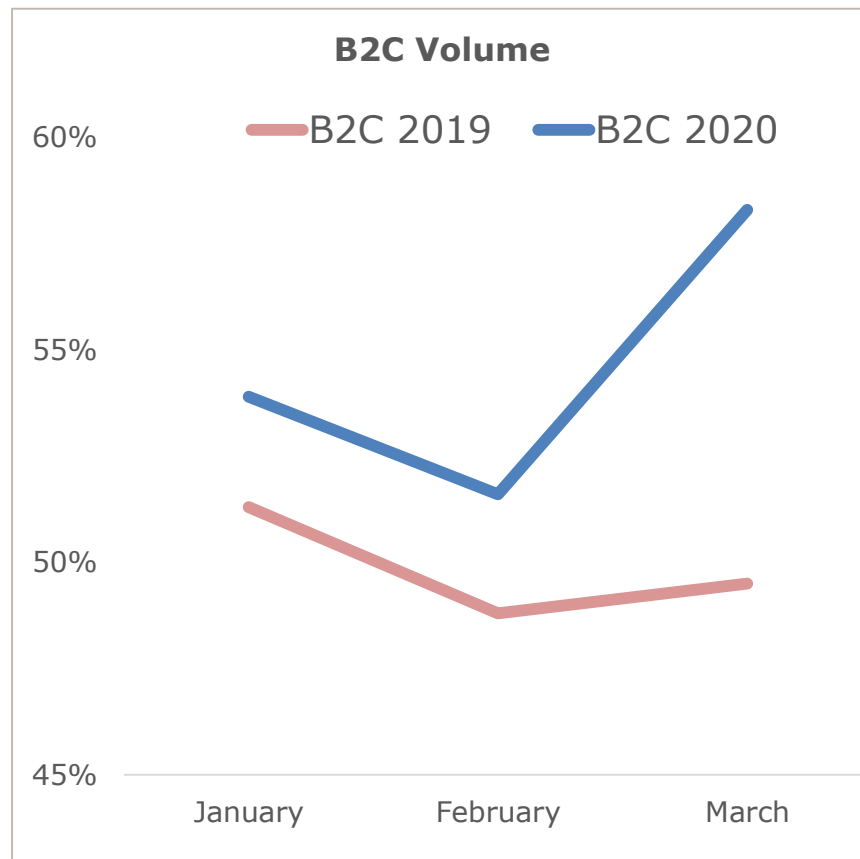
- Generated \$18B in revenue.
- Net income was down \$146M, and adjusted net income was down ~\$200M* driven by three after-tax items:
 - The impact of the coronavirus was a drag of ~\$140M.
 - Casualty self-insurance accruals were higher than anticipated by ~\$110M.
 - One additional operating day was a tailwind of ~\$50M.

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



1Q20 U.S. Domestic

- Average daily volume across all products up **8.5%**.
- Commercial deliveries declined.
- In late March, B2C grew to nearly 70% of total volume.
- Headwinds: coronavirus impact, higher than anticipated casualty self-insurance and pension discount rates.





1Q20 International

- International executed well through various peaks and valleys as the coronavirus pandemic spread across the world.
- Average daily volume was down 6.5% in March.
 - Business closures and stay-at-home restrictions led to a decline in commercial volume.
- Managed costs and reduced block hours to help offset the change in mix.
- Capacity was added in March to support increased demand out of Asia.
- Operating profit includes impact from the coronavirus of ~\$70 million.

1Q20 Supply Chain and Freight

- Revenue was down less than 1%.
- Some positives emerged:
 - International Air Freight tonnage was up more than 15% in March, primarily on Asia-outbound lanes.
 - Logistics grew operating profit.
 - Marken grew revenue and operating profit by double-digits.
- Headwinds: impact from coronavirus and tough Y/Y comps.



Disciplined and balanced approach to capital allocation

For the quarter ended March 31, 2020:

- **\$2.6B** in cash from operations and **\$1.6B*** of adjusted free cash flow.

Liquidity position:

- \$3.5B debt issuance in March more than satisfies 2020 debt obligations.
- Taking a strict approach to working capital and cost controls.
- Reducing use of cash in 2020 by nearly **\$1.8B**.
 - Suspending buybacks.
 - Reducing CapEx.

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



Three stages of the global situation

- Pre-coronavirus pandemic
- Stay-at-home restrictions
- Recovery

UPS is focused on keeping our employees safe, serving our customers and ensuring liquidity.

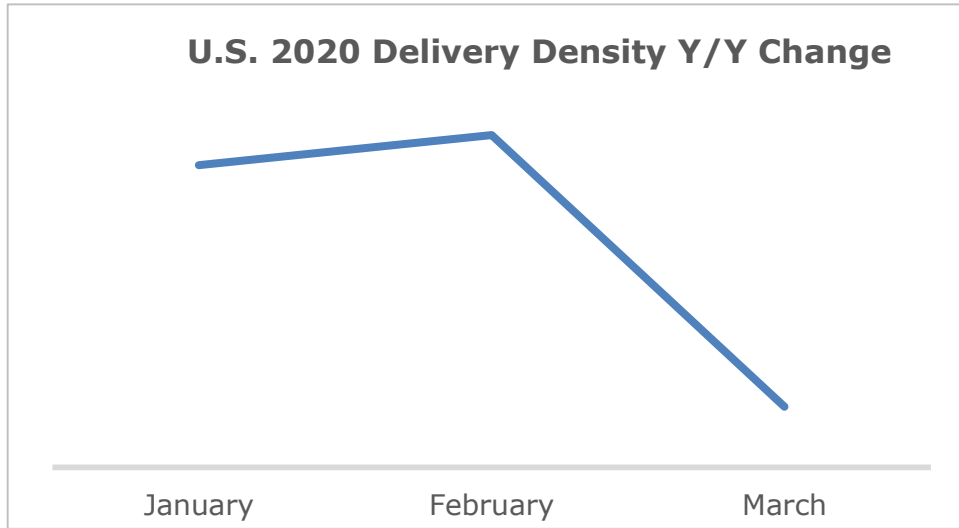
April trends

- International
 - Asia appears to be stabilizing; Europe is in transition.
 - Average daily volume is down ~8%.
- U.S. Domestic
 - B2C continues to be ~70% of weekly volume.
 - Healthcare is growing.
 - Total average daily volume is up mid-single digit, led by Ground residential and SurePost.
 - B2B volume is down significantly.
 - Productivity and service levels remain high.



Rapidly changing U.S. market

- Miles driven and delivery stops are elevated.
- Delivery density declining.



Recovery phase

- Prioritizing investment and operational decisions that best position UPS for the recovery.
- UPS transformation initiatives are delivering:
 - more automation.
 - increased network flexibility.
 - new technology-enabled solutions for customers.



Questions & Answers



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" operating profit, operating margin, other income (expense), income before income taxes, income tax expense, net income and earnings per share. We periodically disclose free cash flow, free cash flow excluding discretionary pension contributions, and capital expenditures including principal repayments of capital lease obligations. Additionally, we supplement the reporting of revenue, revenue per piece and operating profit with non-GAAP measures that exclude the period-over-period impact of foreign currency exchange rate changes and hedging activities. The equivalent measures determined in accordance with GAAP are also referred to as "reported" or "unadjusted."

We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Examples of items for which we may make adjustments include but are not limited to: amounts related to mark-to-market gains or losses (non-cash); recognition of contingencies; gains or losses associated with mergers, acquisitions, divestitures and other structural changes; charges related to restructuring programs such as the implementation of our Transformation strategy; asset impairments (non-cash); amounts related to changes in tax regulations or positions; amounts related to changes in foreign currency exchange rates and the impact of any hedging activities; other pension and postretirement related items; and debt modifications.

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. Management uses these non-GAAP financial measures in making financial, operating and planning decisions. We also use certain of these measures for the determination of incentive compensation awards.

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 non-GAAP financial information does not represent a comprehensive basis of accounting. Therefore, our non-GAAP financial information may not be comparable to similarly titled measures reported by other companies.

Impact of Changes in Foreign Currency Exchange Rates and Hedging Activities

We believe currency-neutral revenue, revenue per piece and operating profit information allows users of our financial statements to understand growth trends in our products and results. We evaluate the performance of our International Package and Supply Chain and Freight segments on this currency-neutral basis.

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.

Costs Related to Restructuring Programs; Transformation Strategy Costs

Non-GAAP operating profit, operating margin, pre-tax income, net income and earnings per share exclude the impact of costs related to restructuring programs, including Transformation strategy costs. We believe this provides a useful comparison of year-to-year financial performance without considering the short-term impact of restructuring costs. We evaluate our performance on this adjusted basis.

Impact of Changes in Pension Discount Rates

Non-GAAP pension discount rate-neutral operating profit excludes the period over period impact of discount rate changes on pension service cost. We believe this allows users of our financial statements to understand growth trends in our products and results excluding the period over period movement in discount rates. Effective January 1, 2020, we began evaluating our segments using pension discount rate-neutral operating profit in addition to our current segment operating profit measure.

Pension discount rate-neutral operating profit is calculated by discounting the value of benefits attributable to employee service in the current period utilizing the prior year discount rate applicable to each of our company-sponsored defined benefit plans. The difference between this derived amount and the current period reported service cost is the period over period impact of pension discount rate movements on operating profit.

Free Cash Flow and Adjusted Capital Expenditures

We believe free cash flow, free cash flow excluding discretionary pension contributions and free cash flow plus principal repayments of capital lease obligations are important indicators of how much cash is generated by regular business operations and we use them as a measure of incremental cash available to invest in our business, meet our debt obligations and return cash to shareowners. Additionally, we believe that adjusting capital expenditures for principal repayments of capital lease obligations more appropriately reflects the overall cash that we have invested in capital assets. 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. Free cash flow excluding discretionary pension contributions adds back any discretionary pension contributions made during the period.

Reconciliations

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

Three Months Ended March 31, 2020

	As-Reported (GAAP)	Transformation Strategy Costs ⁽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	<u>\$ 1,072</u>	<u>\$ 45</u>	<u>\$ 1,117</u>
Income before income taxes	\$ 1,250	\$ 45	\$ 1,295
Income tax expense	\$ 285	\$ 10	\$ 295
Net income	<u>\$ 965</u>	<u>\$ 35</u>	<u>\$ 1,000</u>
Diluted earnings per share	\$ 1.11	\$ 0.04	\$ 1.15

⁽¹⁾ Transformation strategy costs include other employee benefits costs of \$12 million, and other costs of \$33 million

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

Three Months Ended March 31, 2019

	As-Reported (GAAP)	Transformation Strategy Costs ⁽¹⁾	As-Adjusted (non-GAAP)
Operating profit:			
U.S. Domestic Package	\$ 666	\$ 28	\$ 694
International Package	528	84	612
Supply Chain & Freight	200	11	211
Total operating profit	<u>\$ 1,394</u>	<u>\$ 123</u>	<u>\$ 1,517</u>
Income before income taxes	\$ 1,440	\$ 123	\$ 1,563
Income tax expense	\$ 329	\$ 30	\$ 359
Net income	<u>\$ 1,111</u>	<u>\$ 93</u>	<u>\$ 1,204</u>
Diluted earnings per share	\$ 1.28	\$ 0.11	\$ 1.39

⁽¹⁾ Transformation strategy costs include other employee benefits costs of \$106 million, and other costs of \$17 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						
	2020 As-Reported (GAAP)	2019 As-Reported (GAAP)	% Change (GAAP)	Currency Impact	2020 Currency Neutral (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)
Average Revenue Per Piece:						
International Package:						
Domestic	\$ 6.44	\$ 6.49	-0.8%	\$ 0.11	\$ 6.55	0.9%
Export	28.32	28.78	-1.6%	0.07	28.39	-1.4%
Total International Package	<u>\$ 16.48</u>	<u>\$ 16.79</u>	-1.8%	<u>\$ 0.09</u>	<u>\$ 16.57</u>	-1.3%
Consolidated	<u>\$ 10.88</u>	<u>\$ 11.08</u>	-1.8%	<u>\$ 0.01</u>	<u>\$ 10.89</u>	-1.7%
Revenue:						
U.S. Domestic Package	\$ 11,456	\$ 10,480	9.3%	\$ -	\$ 11,456	9.3%
International Package	3,383	3,459	-2.2%	19	3,402	-1.6%
Supply Chain & Freight	3,196	3,221	-0.8%	48	3,244	0.7%
Total revenue	<u>\$ 18,035</u>	<u>\$ 17,160</u>	5.1%	<u>\$ 67</u>	<u>\$ 18,102</u>	5.5%

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

	2020 As-Adjusted (Non-GAAP) ⁽¹⁾	2019 As-Adjusted (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)	Currency Impact	2020 As-Adjusted Currency Neutral (Non-GAAP) ⁽²⁾	% Change (Non-GAAP)
As-Adjusted Operating Profit:						
U.S. Domestic Package	\$ 401	\$ 694	-42.2%	\$ -	\$ 401	-42.2%
International Package	558	612	-8.8%	(22)	536	-12.4%
Supply Chain & Freight	158	211	-25.1%	1	159	-24.6%
Total operating profit	<u>\$ 1,117</u>	<u>\$ 1,517</u>	-26.4%	<u>\$ (21)</u>	<u>\$ 1,096</u>	-27.8%

⁽¹⁾ Amounts adjusted for transformation strategy costs

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

Reconciliations

Reconciliation of Non-GAAP Pension Discount Rate Neutral Operating Profit and Margin (in millions):

Three Months Ended March 31						
	2020 As-Adjusted (Non-GAAP) ⁽¹⁾	2019 As-Adjusted (Non-GAAP) ⁽¹⁾	% Change (Non-GAAP)	Pension	2020 As-Adjusted Pension Discount Rate Neutral (Non-GAAP) ⁽²⁾	% Change (Non-GAAP)
As-Adjusted Operating Profit:						
U.S. Domestic Package	\$ 401	\$ 694	-42.2%	\$ 62	\$ 463	-33.3%
International Package	558	612	-8.8%	4	562	-8.2%
Supply Chain & Freight	158	211	-25.1%	8	166	-21.3%
Total operating profit	<u>\$ 1,117</u>	<u>\$ 1,517</u>	-26.4%	<u>\$ 74</u>	<u>\$ 1,191</u>	-21.5%
As-Adjusted Operating Margin:						
U.S. Domestic Package	3.5%	6.6%	-3.1%	0.5%	4.0%	-2.6%
International Package	16.5%	17.7%	-1.2%	0.1%	16.6%	-1.1%
Supply Chain & Freight	4.9%	6.6%	-1.7%	0.3%	5.2%	-1.4%
Total operating profit	<u>6.2%</u>	<u>8.8%</u>	-2.6%	<u>0.4%</u>	<u>6.6%</u>	-2.2%

⁽¹⁾ Amounts adjusted for transformation strategy costs

⁽²⁾ Amounts adjusted for transformation strategy costs and period over period impact of discount rates on pension service cost

Reconciliations

Three Months Ended March 31

Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash

	Preliminary 2020
Cash flows from operating activities	\$ 2,550
Cash flows used in investing activities	(934)
Cash flows from financing activities	<u>2,167</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>(65)</u>
Net increase/(decrease) in cash, cash equivalents and restricted cash	<u>\$ 3,718</u>

Reconciliation of Adjusted Capital Expenditures and Free Cash Flow (Non-GAAP measures)

	Preliminary 2020
Cash flows from operating activities (GAAP)	\$ 2,550
Capital expenditures	(933)
Principal repayments of finance lease obligations	<u>(6)</u>
Adjusted capital expenditures (Non-GAAP measure)	<u>\$ (939)</u>
Proceeds from disposals of PP&E	1
Net change in finance receivables	3
Other investing activities	<u>(5)</u>
Adjusted free cash flow (Non-GAAP measure)	<u>\$ 1,610</u>

Amounts are subject to reclassification.