March 26, 2024

# UPS Announces Strategic Initiatives And Three-Year Financial Targets

ATLANTA--(BUSINESS WIRE)-- UPS (NYSE:UPS) will host its investor and analyst conference today at its Worldport air hub in Louisville, KY beginning at 9:15 a.m. ET. At the conference, the company will share details of its strategic growth and productivity initiatives and discuss its three-year financial targets. The event will also be available through a live webcast and replay at investors.ups.com.

Under a better and bolder approach, UPS will continue its*Customer First, People Led, Innovation Driven* strategy, and is positioning itself to become the premium small package provider and logistics partner in the world.

During the conference, UPS will highlight several strategic initiatives that will enable market share capture and expand its addressable market to drive incremental growth. In addition, the company will share details about how it will lower its cost to serve through its Network of the Future initiative, a plan that will optimize and further automate its core integrated network.

“We executed the strategy we set forth nearly three years ago by changing almost every aspect of our business. After coming off a difficult market in 2023, the small package industry is poised to return to growth in 2024 and beyond. Over the next three years, we plan to make bold moves to create a growth flywheel in premium markets, while at the same time drive higher productivity and efficiency,” said Carol Tomé, UPS chief executive officer. “The growth and productivity initiatives we are executing will result in higher revenue, expanded operating margins and increased free cash flow to deliver long-term value to our shareowners.”

## Outlook

### 2026 Financial Targets

The company provides certain guidance on an adjusted (non-GAAP) basis because it is not possible to predict or provide a reconciliation reflecting the impact of future unanticipated events, which would be included in reported (GAAP) results and could be material.

Today the company will discuss its 2026 financial targets as follows:

- Consolidated revenue ranging from approximately $108 billion to approximately $114 billion.
- Consolidated adjusted* operating margin above 13%.
- U.S. Domestic Package segment adjusted* operating margin of at least 12%.
- International Package segment adjusted* operating margin between 18% and 19%.
- Supply Chain Solutions adjusted* operating margin of around 12%.
- Free cash flow* of between $17 billion and $18 billion.
- Capital spending from 2024–2026 of approximately 5.5% of total revenue.

*Represents a non-GAAP financial measure. See the appendix to this release for a discussion of non-GAAP financial measures.

**About UPS**

UPS (NYSE: UPS) is one of the world's largest companies, with 2023 revenue of $91.0 billion, and provides a broad range of integrated logistics solutions for customers in more than 200 countries and territories. Focused on its purpose statement, "Moving our world forward by delivering what matters," the company's approximately 500,000 employees embrace a strategy that is simply stated and powerfully executed: Customer First. People Led. Innovation Driven. UPS is committed to reducing its impact on the environment and supporting the communities we serve around the world. UPS also takes an unwavering stance in support of diversity, equity and inclusion. More information can be found at ups.com, about.ups.com and investors.ups.com/.

**Forward-Looking Statements**

This release, our Annual Report on Form 10-K for the year ended December 31, 2023 and our other filings with the Securities and Exchange Commission contain and in the future may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements other than those of current or historical fact, and all statements accompanied by terms such as "will," "believe," "project," "expect," "estimate," "assume," "intend," "anticipate," "target," "plan," and similar terms, are intended to be forward-looking statements. Forward-looking statements are made subject to the safe harbor provisions of the federal securities laws pursuant to Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

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

Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties include, but are not limited to: 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.

From time to time, we expect 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 our company and you are encouraged to monitor this site for any new posts, as we may use this mechanism as a public announcement.

**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.

**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.

**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) | $ 5,254 |

**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.

**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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