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United Parcel Service (UPS)

Investment Considerations



22 August 2025

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The Famous Brown Uniform: UPS's uniform was inspired by the founder's early efforts to stand out and create a consistent, professional image. The choice of brown was practical — it didn't show dirt easily, which was important for delivery drivers handling parcels in all weather conditions.



Jeff Bezos (Amazon Founder): "UPS has built an incredible logistics network that is a benchmark for the industry. Their scale and reliability are unmatched, making them a tough competitor in global delivery."

— Circa 2015 (reflecting Amazon's growing logistics awareness and competition with UPS)

Warren Buffett (Chairman of Berkshire Hathaway): "UPS's moat is its unparalleled network and operational expertise. Their ability to integrate technology with logistics gives them a durable competitive advantage."

— Around 2017 (based on Berkshire Hathaway's investments in logistics and transportation sectors)

Tim Cook (CEO of Apple): "When you think about reliable supply chain partners, UPS has proven time and again to be essential for ensuring our products reach customers globally on time."

— 2018 (during Apple's focus on global supply chain resilience)

Indra Nooyi (Former CEO of PepsiCo): "Partnering with UPS means partnering with a company that understands the value of precision and reliability in delivery — it's vital for our business."

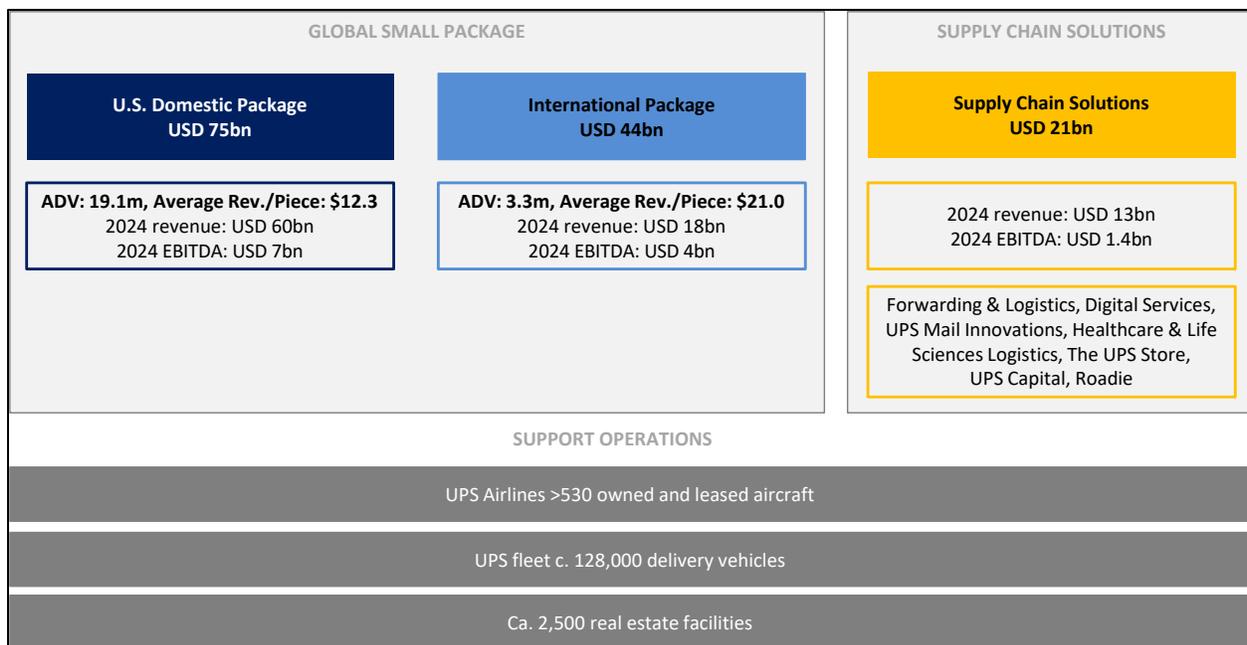
— 2016 (reflecting consumer goods supply chain priorities)

I. Executive Summary

United Parcel Service, Inc (“UPS”, the “Company”) is a global leader in logistics, package delivery, and supply chain management. Founded in 1907 in Seattle and headquartered in Atlanta, UPS operates in more than 200 countries and territories, delivering over 22 million packages per day. UPS operations span small parcel delivery, freight forwarding, contract logistics, healthcare logistics, and e-commerce fulfillment. UPS has 490,000 employees as of December 2024.

UPS is formally divided into three main segments: U.S. Domestic Package, International Package, and Supply Chain Solutions. U.S. Domestic Package and International Package are together referred to as Global Small Package operations.

Summary of key segments and their valuation (EV) is shown below:



Note: Total EV based on the status quo DCF valuation (USD 139bn EV, USD 132 / share). Supply Chain Solutions EV based on average EV/EBITDA multiple of peers. EV for the Global Small Package units allocated to U.S. and International operations pro-rata to EBITDA. ADV stands for Average Daily Volume.

Source: Company information and ListedLeaders analysis.

The following table sets out certain key divisional figures of UPS:

UPS Segment Breakdown

FY 2024 (USD billion)	ADV millions	ARPP \$	Revenue 2024	EBITDA adj. 2023	EBITDA adj. 2024	EBIT adj. 2023	EBIT adj. 2024	Margin 2024	Employees 2024
U.S. Domestic Package	19.2	12.3	60.4	7.8	7.0	5.5	4.5	7.5%	
International Package	3.3	21.0	18.0	4.0	4.1	3.3	3.4	18.7%	
Supply Chain Solutions			12.7	1.4	1.4	1.1	1.0	8.0%	
Total	22.4	13.6	91.1	13.2	12.5	9.9	8.9	9.8%	490,000

Source: Company information. Adjusted figures exclude exceptional costs.

UPS combines all packages within single, global network, unless dictated by specific service commitments. This enables efficiently scheduled pick ups for any service level.

- The U.S. Domestic Package segment is the largest and most foundational part of UPS's business, generating over 60% of the company's total revenue. It involves the pickup, transportation, and delivery of small packages—typically under 150 pounds—within the United States. UPS is a leader in time-definite, guaranteed small package delivery services in the United States and serves all business and residential zip codes in the contiguous United States. The segment serves a mix of business-to-business (B2B) and business-to-consumer (B2C) customers, with growing emphasis on small and medium-sized businesses (SMBs) and e-commerce fulfillment. UPS has increasingly prioritized higher-margin customers over high-volume but lower-margin clients like Amazon, from whom it is actively reducing package volume.
- The International Package segment encompasses UPS's small package delivery services outside the United States, covering more than 200 countries and territories. It includes both export and import services, offering time-definite and day-definite delivery across borders. This segment is highly profitable and contributes a significant portion of UPS's operating profit. It benefits from strong market presence in Europe, expanding operations in Asia-Pacific, and rising demand from cross-border e-commerce.
- The Supply Chain Solutions segment provides comprehensive logistics and freight services, focusing on end-to-end supply chain management beyond traditional parcel delivery and serving more than 200 countries and territories. This includes warehousing, distribution, freight forwarding (air, ocean, ground), customs brokerage, and returns management. This segment plays a vital role in UPS's long-term strategy to diversify revenue streams, increase profitability, and capture high-growth markets.

UPS defines its addressable market as parcel deliveries market excluding Amazon. Parcel deliveries is a growing market. According to UPS data, whilst the total parcel market is growing at mid-single digit rate in volume terms, the market excluding Amazon is growing at a slower 2.6% CAGR. In value terms (incl. price growth), the market excluding Amazon is expected to grow in low- to mid- single digit CAGR. Parcel delivery market went through a post-Covid growth slowdown in 2022-2024 driven by de-stocking and volumes normalisation. Growth is expected to re-accelerate from 2026.

UPS is the giant among global small-parcel delivery companies, and it's one of three commercial providers that dominate the global landscape, along with FedEx and DHL Express. Despite its unionized workforce, UPS has historically produced operating margins above those of its competitors on average, thanks in large part to its superior package density. Shippers appreciate the convenience of using the same driver to handle express and ground packages in UPS' single network. UPS has been generating strong returns on capital with ROE (net income / equity book value) in excess of 30% in the past 10 years, over 2x higher compared to Fedex and DHL. Higher achieved returns on capital should allow the company to deliver a higher total shareholder return over time. Morningstar rates UPS as a "wide" moat stock, meaning that Morningstar believes UPS has a sustainable competitive advantage that is expected to generate excess returns for at least 20 years. Their assessment is based on UPS's strong scale economies, powerful brand, switching costs with large customers, and operational efficiencies that create a durable barrier to competition.

UPS stock price declined by ca. 62% since January 2022, significantly underperforming its key peers Fedex and DHL. UPS stock price underperformance is driven by multiple external (post-covid parcel logistics market slowdown, tariff headwinds) and internal factors (unfavourable 2023 Teamsters contract, overly optimistic revenue plans, slow corporate right-sizing).

The Company has a market capitalisation of approximately USD 75 billion, net financial debt of USD 15 billion and pension and other provisions of USD 11 billion as of December 2024. Adj. EBITDA for 2025 is estimated at USD 11.9 billion. At USD 87 per share, UPS' shares are trading at 2025E EV/EBITDA of 8.0x, 2025E P/E of 13.9x and FCF yield of ca. 5.5%. UPS shares offer a dividend yield of 7.3%. UPS volumes, revenues and cash flows are currently expected to trough in 2025-2026 and to resume growth thereafter.

UPS has ca. 490,000 employees and ca. 128,000 delivery vehicles. The next 5 and 10 years can be transformational for UPS where it starts to rapidly adopt automation, robots, drones and autonomous driving vehicles at scale leading to a new investment and margin expansion opportunity.

UPS' largest shareholders are Vanguard (7.9%), Blackrock (5.9%), State Street (3.6%), Charles Schwab (3.1%) and Geode Capital Management (2.0%) – all passive so there is currently no dominant shareholder with influence. UPS has a dual-class share structure with two classes of common stock, which are distinguished from each other primarily by their respective voting rights. Class A shares are entitled to 10 votes per share, whereas class B shares are entitled to one vote per share. Class A shares are primarily held by UPS employees and retirees, as well as trusts and descendants of the Company's founders. As of December 31, 2024, Class A shares account for 14% of economic rights and ca. 62% of voting rights.

UPS is currently executing a "Better and Bolder" strategy whose key features include the following:

- 1) "One UPS" with packages within single, global network and integrated customer product offering.
- 2) Growth with focus on high-margin segments, including small and medium business deliveries, healthcare logistics and international package operations.
- 3) Margins improvement driven by digitisation and automation as well as phase-out of unprofitable and low-margin volumes (50% of Amazon's volumes), both allowing to reduce the cost base.
- 4) Target 12% U.S. operating margin and 13% overall operating margin by the end of 2026.
- 5) Non-core asset divestments (UPS Freight, Coyote Logistics).

Based on our analysis, value creation plan for UPS can include some of the following components:

- 1) Restore credibility with investors with a new achievable “baseline” CMD.
- 2) Provide a clear path for alignment of the cost base with Network of the Future investments.
- 3) Target 13-15% group operating profit margin, likely requires \$2-3 billion savings in 2026.
- 4) Expand the digitisation and technology roadmap, including Ai, RFID, robotics, drones, autonomous driving, etc.
- 5) Rationalise non-technology investments to right-size PPE in line with historical averages.
- 6) Re-deploy the \$15 billion of excess equity for share buybacks and accretive bolt-on M&A.
- 7) Build-out a dedicated specialised 'Retail Delivery' arm.
- 8) Explore strategic transaction such a synergetic merger and/or spin-off of Supply Chain Solutions.
- 9) Appoint board members with relevant logistics and technology experience.
- 10) Collapse dual-class share structure.

Valuation references for UPS are as follows:

- Share price reached \$230 per share in February 2021.
- Broker target prices for UPS range from \$75 to \$125 per share with an average of \$103.
- Based on the preliminary analysis, UPS DCF valuation is as follows
 - Status quo scenario: \$130 per share.
 - Downside (e.g. recession) scenario: \$70-90 per share.
 - Upside (e.g. Value Creation Plan) scenario: \$200-250 per share.

With an entry price of USD 87 per share, long-hold (10-20+ years) forward looking returns including the dividend range between 9% and 17%. Total returns may range from 4% to 35% on a 4-5 year hold period.

The key risks associated with an investment in UPS include the following: (i) economic recession in the US, (ii) accelerated entry of Amazon into third-party parcel delivery, (iii) operational execution including delays in right-sizing the cost base in line with volumes and automation investments, and (iv) short-term risk from tariffs, although this has already largely been ‘priced-in’. Status Quo scenario assumes additional ca. 20,000 headcount reduction in 2026 and 5,000 in 2027-2028, failure to announce and implement this results in status quo valuation of \$90 per share (\$40 per share reduction).

II. Investment Case

UPS is a world class, global franchise trading at a rare discount to S&P 500. Relative valuation is most attractive it has been in at least two decades. UPS is a high quality, relatively defensive industrials business with industry-leading margins, ROIC, and cash generation, trading at an historically low relative valuation. UPS is well placed to benefit from growth in e-commerce deliveries, healthcare and international as well as from investment and margin improvement through Ai, automation, robotics, drones and autonomous driving. Furthermore, UPS is primed to benefit from reduction / normalisation in parcel market capacity surplus. Consensus forecasts for operating profit have significantly reduced and appear not to reflect the margin expansion potential driven by UPS' Network of the Future strategy.

UPS has many of the characteristics that make it attractive for a long-hold investment:

- (1) Global Logistics Leader: the world's largest package delivery company, operating in over 200 countries and territories.
- (2) Competitive Advantage: UPS is rated by Morningstar as a "wide" moat corporate. This means Morningstar believes UPS has a sustainable competitive advantage that is expected to generate excess returns for at least 20 years. Their assessment is based on UPS's strong scale economies, powerful brand, switching costs with large customers, and operational efficiencies that create a durable barrier to competition.
- (3) High Returns on Capital: UPS generated 2024 ROE of 34%, 2x higher compared to Fedex and DHL.
- (4) Growing Markets: Excluding Amazon, U.S. small package market volumes are growing at 2.6% CAGR. International small package market volumes are growing at 3.5% CAGR. There is also an opportunity for UPS to grow its market share within the Healthcare logistics and International small package markets.
- (5) Several ongoing self-help measures: Fit to Serve, Network of the Future, Network Reconfiguration and Efficiency Reimagined.
- (6) Bottom of the cycle: Parcel delivery volumes growth slowed in 2023-2025 as part of post-Covid normalisation, but are expected to re-accelerate from 2026 and onwards.
- (7) Resilience Amid Economic Cycles: integrated network and diversified services provide resilience against economic fluctuations. During 2008 – 2009 GFC, UPS volumes declined by only ca. 4-5% year on year.
- (8) Attractive Valuation: Following 60% correction, UPS is reasonably priced and trades at a discount to its historical valuation as measured by EV/EBITDA and P/E multiples.

BUSINESS ATTRACTIONS

The key building blocks of UPS as it is today are:

- (i) UPS U.S. Domestic Package business;
- (ii) UPS International Package business;

Together U.S. and International Package businesses have an implied EV of ca. USD 119 billion.

- (iii) Supply Chain Solutions – USD 20 bn EV.

VALUATION / STOCK MARKET PERFORMANCE

We reviewed UPS stock price correlation vs. S&P 500, Fedex, DHL, TLT, oil price.

UPS share price peaked at USD 230/share in January 2022, and declined by over 60% since then to August 2025. Following 60% stock price correction, UPS underperformed its key peers Fedex and DHL on both stock price and a total return (including dividends) basis.

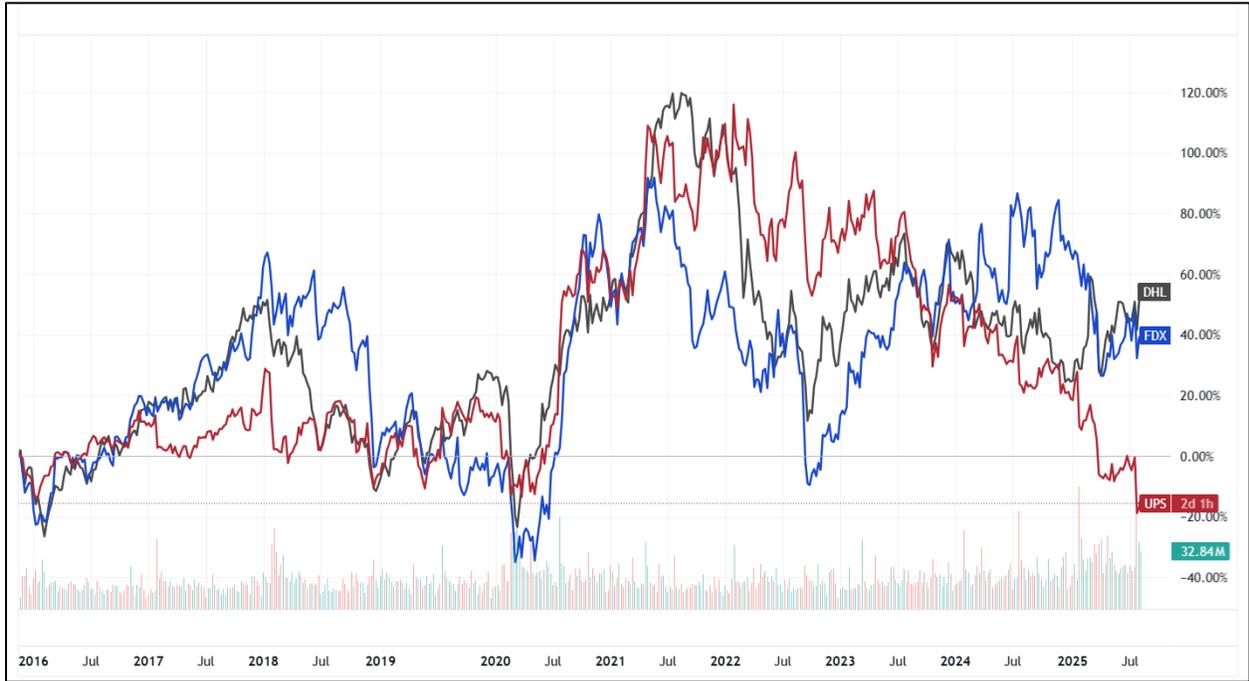
UPS’s total return (incl. dividends) over the past 10 years is shown below vs S&P 500.



Source: Koyfin, Tradingview.

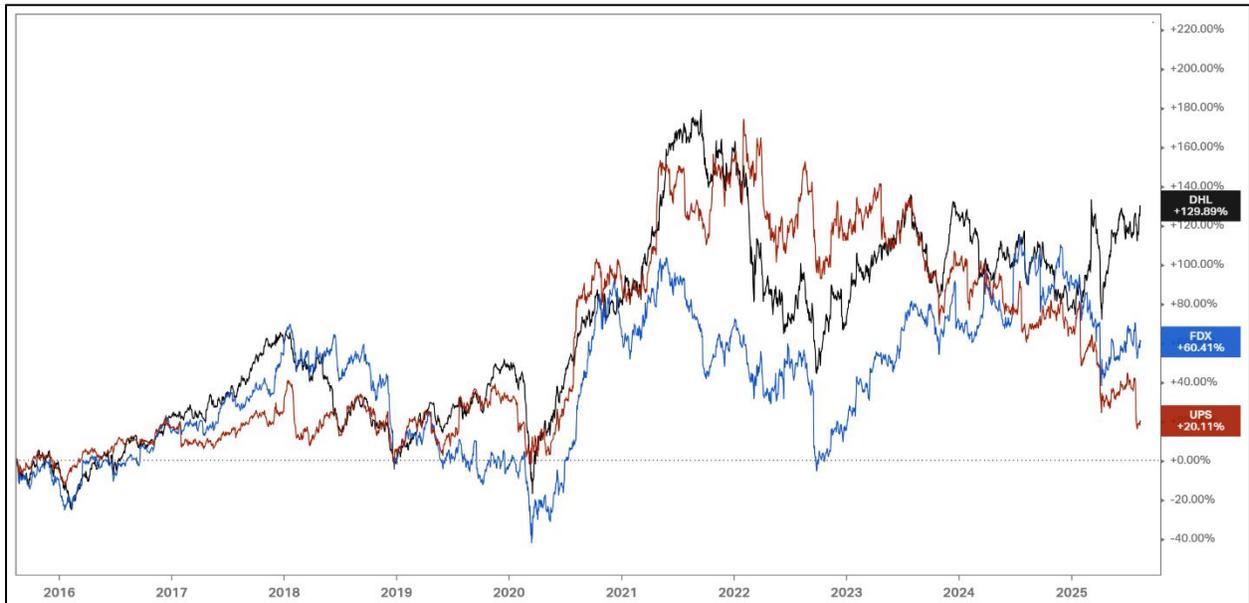
UPS had two periods of underperformance in the past 10 years: 2017-2020 (investor concerns regarding Amazon’s accelerated logistics investments and misunderstandings about the impact of B2C growth) and since 2023.

UPS's share price performance over the past 10 years is shown below vs key peers (share prices indexed to 100%).



Source: Koyfin, Tradingview.

UPS's total return (incl. dividends) over the past 10 years is shown below vs key peers.



Source: Koyfin, Tradingview.

Research analysts adjusted target prices for UPS downwards over the past 18 months. The current average 12-month target price is USD 103/share. The upside implied in the consensus target price vs the current share price (ca. USD 87) is +20%. Research analysts' target prices and adj. EBITDA consensus projections are shown below:

<i>(USD million)</i>				EBITDA Adj.		
Broker	Recommendation	Target Px	Date	2025E	2026E	2027E
Barclays	Sell	80	31/07/2025	n.a.	n.a.	n.a.
Citi	Buy	114	31/07/2025	n.a.	n.a.	n.a.
Morgan Stanley	Sell	75	30/07/2025	n.a.	n.a.	n.a.
Stifel Nicolaus	Buy	120	30/07/2025	n.a.	n.a.	n.a.
Truist Financial	Buy	120	30/07/2025	n.a.	n.a.	n.a.
Vertical Research	Hold	103	30/07/2025	n.a.	n.a.	n.a.
UBS	Buy	118	30/07/2025	n.a.	n.a.	n.a.
Susquehanna	Hold	100	30/07/2025	n.a.	n.a.	n.a.
Wells Fargo	Hold	91	30/07/2025	n.a.	n.a.	n.a.
Oppenheimer	Buy	100	30/07/2025	n.a.	n.a.	n.a.
Evercore	Hold	97	30/07/2025	n.a.	n.a.	n.a.
Raymond James	Buy	125	30/07/2025	n.a.	n.a.	n.a.
TD Cowen	Hold	101	30/07/2025	n.a.	n.a.	n.a.
Bank of America Securities	Hold	98	29/07/2025	n.a.	n.a.	n.a.
Average		103		11,586	12,453	13,238
Min		75				
Max		125				

Source: TipRanks as of 13/8/25

REASONS FOR THE UNDERVALUATION

UPS stock price peaked in January 2022 and declined since then, driven by a combination of operational challenges, strategic decisions, and broader economic factors.

Key factors behind UPS's share price decline include the following:

1. Loss of Credibility. UPS management lost credibility with investors and employees due to repeatable guidance misses and poor operational execution.

2. Declining Returns and Efficiency. During 2023 and 2024, UPS' returns on capital (ROE) and efficiency as measured by ADV per employee have declined.

3. Declining Parcel Volumes and Revenue: After the surge in e-commerce during the pandemic, UPS faced a downturn in delivery volumes, particularly in its core U.S. domestic package market. This coincided with the general parcel logistics market surplus due to growing supply and slowdown in volumes growth post-covid. UPS achieved reduced revenue and compressed profit margins. Year-over-year revenue has decreased in most quarters since Q1 2023, with a notable 6% drop in Q1 2023 compared to the same period in 2022.

4. Reduction in Amazon Business: In early 2025, UPS made a strategic decision to reduce its volumes with Amazon by over 50%, aiming to focus on higher-margin deliveries. While this move was intended to improve profitability, it resulted in a significant loss of volume, contributing to a sharp decline in the stock price. For instance, in early 2025, the stock dropped by more than 14% following the announcement of reduced Amazon deliveries.

5. Labor Disputes and Rising Costs: In 2023, UPS signed a new contract with the Teamsters union, leading to increased labor costs.

6. Impact of U.S. Tariffs and Global Trade Uncertainty: The imposition of new U.S. tariffs, particularly a tariff on Chinese goods, has disrupted global trade and affected UPS's international operations. These tariffs have led to decreased parcel volumes and increased costs, further pressuring the company's financial performance. UPS' China to U.S. route is one of its most profitable routes.

7. Competitive Pressures: UPS faces stiff competition from rivals like FedEx and emerging players as well as retailers building out their own delivery businesses. This increased competition has eroded UPS's market share and pricing power, contributing to its stock's underperformance.

8. Growth Concerns: The company announced plans to cut jobs and close facilities. These restructuring efforts, while aimed at cost savings, have raised concerns among investors about the company's long-term growth prospects.

9. Investor Sentiment and Strategic Shifts: CEO Carol Tomé's strategy to focus on high-margin deliveries and reduce reliance on low-margin clients like Amazon has met with mixed reactions. While intended to improve profitability, this shift has led to a significant drop in revenue, causing concern among investors, including UPS retirees who hold a substantial portion of voting shares.

CATALYSTS AND POTENTIAL FOR VALUE CREATION

Catalysts Calendar

[31] August 2025: The potential risk of further secondary tariffs on China and India related to Russia

28 October 2025: UPS Q3 2025 earnings, restructuring update, 2025 guidance reinstatement

10 November 2025: China tariff truce expiration. The extension prevents tariffs that could have soared to 145% on Chinese imports from the U.S., with China likely countering with up to 125% tariffs on U.S. goods — a near-trade-embargo scenario. Instead, current tariffs sit at 30% on Chinese imports and 10% on U.S. exports to China.

Late January 2026: UPS Q4 and FY 2025 earnings, 2026 guidance

To be scheduled for late 2025 / 2026: Capital Markets Day

Late April 2026: Annual Shareholders Meeting

Late April 2026: UPS Q1 2026 earnings, 2026 guidance update

30 June 2026: Completion of phase-out of 50% of Amazon volumes

3 November 2026: U.S. midterm electionsWe believe UPS should adopt the following strategy to restore value

- 1) Restore credibility with investors. Develop, present and execute a credible new medium-term strategy. This should be a “baseline” plan that UPS can achieve.
- 2) Target 13-15% group operating profit margin. Announce an additional significant 2026 cost-cutting plan to bring the number of employees with the Network of the Future volume per resource objective. This requires an additional \$2-3 billion savings and additional 20,000 employee number reduction in 2026.
- 3) Provide an update on the 2026-2028 Network of the Future plan and expand how it evolves in the subsequent period based on additional digitisation, Ai, RFID, automation, robotics, drones, autonomous driving investments.
- 4) Re-deploy the \$15 billion of excess equity for share buybacks and accretive bolt-on acquisitions, bringing debt/EBITDA leverage closer to UPS’ 2.5x target.
- 5) Rationalise non-technology investments to right-size PPE in line with historical averages, target total capex in line with D&A for the next 3 years.
- 6) Build-out a dedicated specialised 'Retail Delivery' business, e.g. scale UPS Hyperlocal.
- 7) Appoint board members with relevant logistics and technology experience.
- 8) Collapse dual-class share structure.

RISK FACTORS / DOWNSIDE ANALYSIS

We believe that at USD 84 per share in August 2025, UPS shares hit a floor and that under normal circumstances this represents a reasonable assessment of the potential downside (-3% downside). At this level, UPS was trading at 8.3x EV/EBITDA FY1 and 13.3x P/E FY1, a historical low valuation comparable to 2009 and 2020 valuations right after the global financial crisis and covid.

The spread between UPS dividend yield and the 10-year treasury is now over 3%. The 7.3% dividend yield is both record high in absolute terms and the spread is close to record high – similar to a level seen in March 2009 after the Global Financial Crisis and in March 2020 during Covid.

The key risks associated with investment in UPS are as follows:

Macroeconomic Risk: As a logistics and delivery company, UPS’s volumes are tied to economic activity. Recessions or slowdowns (e.g., 2023–24 global freight downturn) directly reduce package volumes. UPS business and share price may be adversely impacted by an economic recession.

Competitive Risk: UPS faces strong competition. In particular, Amazon is increasingly insourcing logistics, reducing volumes for UPS and may be an increasingly relevant competitor for third party deliveries in the future.

Unionized Workforce: Over 60% of UPS’s workforce is unionized (primarily with the Teamsters). Labor negotiations (e.g., the 2023 Teamsters strike threat) carry risk of wage and cost inflation. UPS may face higher structural labor costs vs non-unionized peers. Teamsters contract may also reduce UPS’ flexibility in rightsizing the cost base and launching new businesses with non-unionized labour.

Current Trading and Execution: UPS is phasing out 50% of Amazon volumes by mid-2026. Phase-out is expected to accelerate in H2 2025 and H1 2026. UPS is reducing headcount and closing facilities in relation to volume phase-out. Execution delays may lead to performance lagging expectations. UPS may impair assets. Furthermore, UPS is impacted by the ongoing U.S. tariff legislation.

Dividend Cut and CEO resignation: Should UPS further fail to deliver on the current expectations and / or be impacted by a significant additional external risk, it will face increasing pressure to cut the dividend and/or replace the CEO.

INVESTMENT DISCLOSURE

We hold a small long-side position in UPS via short-put options entered into in August 2025 with strike price of ca. \$88 / share.

III. Description of the Business

ORIGINS

Corporate history: From Messengers to Global Logistics Powerhouse

It all began in 1907, on the rainy streets of Seattle, when a determined 19-year-old named James E. Casey borrowed \$100 to launch a tiny messenger service with his friend Claude Ryan. They called it the American Messenger Company, and its mission was simple but ambitious: to provide reliable, affordable delivery services. Back then, deliveries were made on foot or by bicycle—reaching customers however they could.

By 1913, the company had begun to focus more on package delivery, merging with a rival to form Merchants Parcel Delivery. They adopted innovative ideas early on, like consolidating deliveries for efficiency—a concept well ahead of its time.

Then in 1919, the name that would become legendary was born: United Parcel Service. This change coincided with their expansion to Oakland, California, marking the first step toward becoming a national—and eventually global—company.

Throughout the 1920s and 1930s, UPS established a reputation for reliability and innovation. As automobiles replaced bicycles and horses, UPS modernized its fleet and moved into new urban markets like New York City.

World War II brought new challenges and opportunities. During the 1940s, UPS streamlined operations and positioned itself for the post-war boom. By the 1950s, it had reintroduced air delivery, which would become a cornerstone of its future global network.

The 1960s and '70s were all about expansion and automation. UPS began spreading its ground service coast to coast and introduced barcodes and early package tracking systems. It was during this era that the iconic brown trucks and uniforms—now synonymous with reliability—became a part of American culture.

By the 1980s, UPS was ready to soar. In 1988, the company founded UPS Airlines, now one of the largest cargo carriers in the world. Just a year later, in 1989, it took a bold leap overseas, beginning its international journey with operations in Europe.

The real transformation came in 1999, when UPS, after more than 90 years as a private company, went public. Its IPO on the New York Stock Exchange was one of the largest of the decade, signalling a new chapter of global ambition and innovation.

In the 2000s, UPS moved beyond package delivery and rebranded itself as a global logistics and supply chain partner. It acquired companies like Mail Boxes Etc. (rebranded as The UPS Store) and Overnight Transportation, expanding its reach into freight and retail shipping.

During the COVID-19 pandemic, UPS became a lifeline for businesses and communities around the world, delivering vaccines, medical supplies, and essential products. Under the leadership of Carol Tomé, who became CEO in 2020 and the first woman to lead the company, UPS doubled down on its core strengths while embracing a new motto: “Better, not Bigger” and later “Better and Bolder”.

Today, UPS operates in over 200 countries and territories, moving more than 22 million packages per day, powered by a workforce of 490,000 employees and a relentless drive to deliver—faster, smarter, and more sustainably.

UPS timeline

UPS' developments in the past 5 years include the following:

2019

- Acquired in-flight drone authorization from the FAA to deliver medical supplies under UPS Flight Forward.
- Expanded healthcare logistics operations, including new cold chain solutions.
- Began deploying Autonomous Guided Vehicles (AGVs) and robotic systems in warehouses.

2020

- Navigated COVID-19 pandemic by supporting vaccine distribution (Pfizer, Moderna) under UPS Healthcare.
- Carol Tomé appointed CEO — first external and female CEO in UPS's history.
- Launched “Better, Not Bigger” strategy focused on profitable growth and margin improvement.
- Divested UPS Freight business to focus on core small package delivery.

2021

- Sold less-than-truckload division UPS Freight to TFI International for \$800 million.
- Focused on SMB customer growth, leading to higher revenue per piece.
- Launched carbon neutral shipping options and expanded use of EVs.
- Increased dividend and share buybacks to return value to shareholders.

2022

- Opened healthcare-dedicated logistics facilities in major U.S. and European cities.
- Expanded cold chain and biologics handling capabilities, focusing on pharmaceutical logistics.
- Acquired Bomi Group, a leading healthcare logistics firm in Europe and Latin America.
- Announced plans to become carbon neutral by 2050.

2023

- Divested asset-light truck brokerage unit, Coyote
- Continued network modernization, including more automated sorting hubs.
- Focused on labor relations, negotiating a new five-year deal with Teamsters union to avert a major strike. Though it averted a strike, the new contract increased costs by \$30 billion over five years, putting pressure on margins.
- Expanded into reverse logistics and returns optimization services for e-commerce.
- Partnered with regional carriers to improve rural delivery economics.
- Acquired MNX Group, time-critical healthcare logistics in U.S. west coast.

2024

- Launched “Better and Bolder” strategy focused on faster execution.
- Deployed AI-powered routing and fleet optimization tools to reduce delivery time and emissions.
- Expanded UPS Flight Forward drone operations for select healthcare and rural deliveries.
- Invested in EV charging infrastructure and committed to expanding its electric fleet globally.
- Launched automated micro-fulfillment centers for retail and healthcare clients.
- Acquired Estafeta, Mexico logistics provider, and Frigo-Trans & BPL, Germany healthcare cold-chain operator.
- Launched a 5-year Network of the Future plan.

2025

- In Q1 2025, announced agreement to phase out / reduce 50% of volumes handled for Amazon by mid-2026. Announced a related Network Reconfiguration and Efficiency Reimagined plan.
- Announced acquisition of Andlauer Healthcare Group for USD1.2bn, cold-chain infrastructure and distribution centers in Canada.

Strategy

Here’s how UPS’s strategy evolved over the last 7 years:

2015–2020: “United Problem Solvers” expansion mindset

Before Carol Tomé became CEO (June 2020), UPS had been investing heavily in capacity and growth. The pandemic then made volumes explode; however, the volume growth came from high-cost, low-yield parcels (e.g. Amazon) volumes.

2020–2023: “Better, not bigger” (profit quality over raw volume)

Carol Tomé formalized a framework that prioritized profitable mix, yield discipline, and simpler operations over chasing every package. The internal motto sat under “Customer First. People Led. Innovation Driven.” Examples of what changed: tighter pricing, pruning unprofitable flows, leaning into SMB and healthcare, and operational streamlining.

2024: From “better, not bigger” to “better and bolder”

At Investor Day 2024, UPS said it would keep the same strategic pillars but get more selective and go after premium share, while lowering cost-to-serve via automation and network redesign. UPS backed that up with portfolio moves (e.g., selling Coyote Logistics to sharpen focus on core small-package) and set 3-year financial targets.

2025: Execution gets tougher, cost reset and mix shift

To protect margins while volumes/mix shift, UPS moved to take out fixed cost (facility closures, headcount) and reduce reliance on low-yield volume (notably Amazon)—accepting near-term revenue hits to keep the profit intact.

As of 2025, UPS is executing a refined strategy aimed at enhancing profitability and operational efficiency, moving beyond its previous "Better, Not Bigger" approach. Strategy focuses on growing in the parts of the market that value UPS end-to-end network, including healthcare, business to business, small- and medium-sized businesses, and international.

The current strategic framework is centered around three core pillars:

1. Customer First.

UPS is prioritizing a seamless customer experience by investing in digital tools and expanding services tailored to high-growth sectors such as healthcare, small and medium-sized businesses (SMBs), and international markets. The company is focusing on providing speed and ease in deliveries, aiming to become the premium small package provider and logistics partner globally.

2. People Led.

Recognizing employees as a vital asset, UPS is fostering a values-based culture that encourages authenticity and engagement. The company measures success in this area through improvements in employee satisfaction and likelihood to recommend UPS as a workplace.

3. Innovation Driven.

UPS is leveraging technology to optimize its operations. This includes the implementation of AI-powered routing, automation in sorting facilities, and the expansion of its electric vehicle fleet. These initiatives are part of UPS's commitment to reducing its environmental impact and enhancing service efficiency.

UPS is moving from scanning to a sensing network, including using RFID technology in its Smart Package Smart Facilities. During 2024, UPS installed RFID readers in nearly 60,000 package cars in the U.S. as part of its Smart Package Smart Facility rollout. More than half of UPS U.S. package cars are now equipped with RFID readers and its new label technology enables customers to print their shipping labels with RFID embedded right in the label. This solution provides UPS customers with precise package location updates within the UPS network.

Key Strategic Initiatives:

UPS's strategic initiatives are focused on delivering high-margin services, optimizing its network, and investing in technology and sectors with strong growth potential, particularly healthcare logistics.

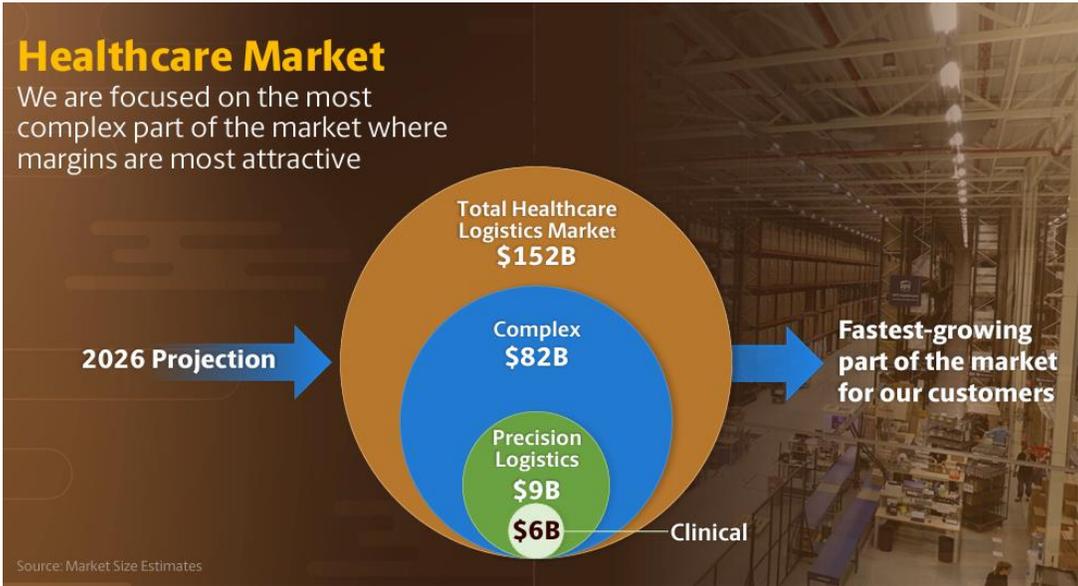
A) Healthcare Logistics Expansion: In recent years, UPS has focused heavily on high-margin sectors such as healthcare logistics, driven by acquisitions like Bomi Group and Andlauer Healthcare, and the development of temperature-controlled and precision delivery networks. The company also offers value-added services such as returns management, customs brokerage, and automated warehouse solutions.

UPS continues to invest in specialised capabilities like cold chain and thermal monitoring. The company is bolstering its presence in the healthcare sector through acquisitions such as Canada's Andlauer Healthcare Group for CAD1.6 billion (USD1.2bn) and Germany-based Frigo-Trans.

Premium Healthcare is an underpenetrated \$80 billion market. UPS aims to become the number one complex healthcare logistics provider in the world, nearly doubling revenues to \$20 billion from 2024 to 2026. UPS achieved ca. 18% operating margin in 2024 in this segment and has a strategy to drive it higher.



Source: Company information.



Source: Company information.

B) International Growth: UPS strategy aim is to continue to grow its international capabilities.

UPS key initiatives include an integrated offer to capture Mexico Nearshoring trend.



Source: Company information.

UPS has been expanding its business in Asia through investments in new hubs and logistics facilities, including a major air hub in Clark, Philippines, an expanded Asia-Pacific hub at Singapore Changi, and a cross-border logistics gateway in Johor, Malaysia. To strengthen regional connectivity, it has sped up delivery times across 500+ trade lanes, launched new intra-Asia and intercontinental flight routes, expanded rail services, and increased retail access points to serve booming e-commerce. UPS aims to both diversify its business to capture flow from changing trade lanes and to grow faster than the market.



Source: Company information.

C) Efficiency and Network Optimization Programmes

UPS transformation activities have spanned several years to fundamentally change the spans and layers of its organization structure, processes, technologies and the composition of its business portfolio.

While earlier stages of these transformation activities were complete in 2023 (Transformation 1.0), certain systems implementations and portfolio review activities (Transformation 2.0, Fit to Serve, Network of the Future, Network Reconfiguration and Efficiency Reimagined) are ongoing and expected to continue through 2025 and beyond.

Transformation 1.0 (announced in 2018, completed in 2023):

Transformation 1.0 was a fundamental change in the Company's operating model, moving certain functions from a decentralized operating model supported by disparate technology to a centralized model, leveraging third-party offshore resources to supplement UPS internal resources. In 2018, UPS announced that it expected to achieve approximately \$1.0 billion in savings, which would benefit earnings, from Transformation 1.0. On a cumulative basis and net of amounts reinvested into the business, it had substantially achieved the expected benefits associated with Transformation 1.0 as of the second quarter of 2020.

Transformation 2.0 (announced 2020, to be completed in 2025):

Following the appointment of Ms. Tomé as the new CEO in 2020, UPS identified and reprioritized certain then-current and future investments, including investments in workforce, portfolio of businesses and technology (such projects, collectively, "Transformation 2.0"). It included the following

- Opportunities to reduce spans and layers of management, opportunities to invest in certain technologies, to reduce global indirect operating costs, provide better visibility, and reduce reliance on legacy systems and coding languages.
- Total savings of approximately \$640 million largely achieved as of 2023, with total costs of approximately \$890 million (of which \$90 million in 2025). Costs primarily consisted of compensation and benefit costs related to reductions in workforce, fees paid to third-party consultants and technology initiatives.
- In 2022, UPS determined to exit certain businesses that were not aligned with its corporate strategy and to make new investments into certain businesses, including healthcare-focused businesses, better aligned to strategic targets.

Fit to Serve (announced in 2023, to be completed in 2025)

During 2023, UPS began "Fit to Serve" initiative intended to right-size the business through a workforce reduction of approximately 14,000 positions, primarily within management, throughout 2024 and create a more efficient operating model to enhance responsiveness to changing market dynamics.

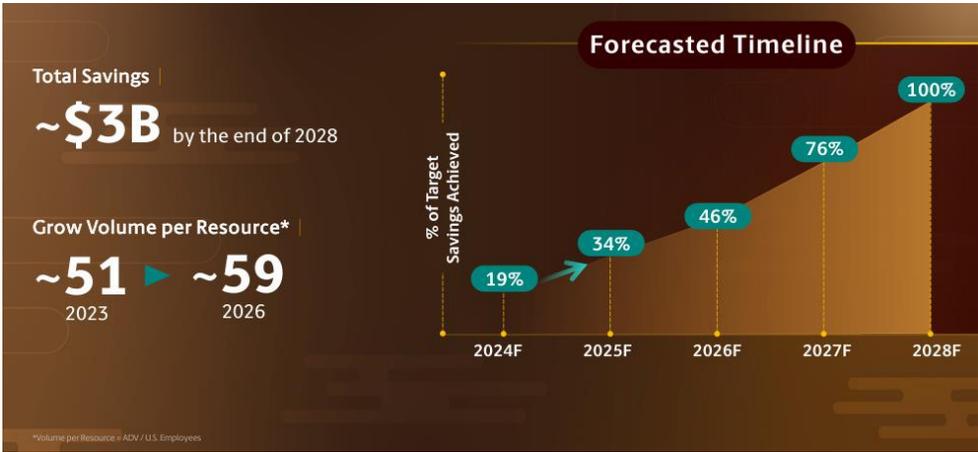
As of December 31, 2024, UPS have incurred total costs of \$416 million and anticipates to incur additional costs of approximately \$45 million in 2025.

UPS achieved savings of approximately \$1.0 billion in 2024 through reductions in compensation and benefit expense.

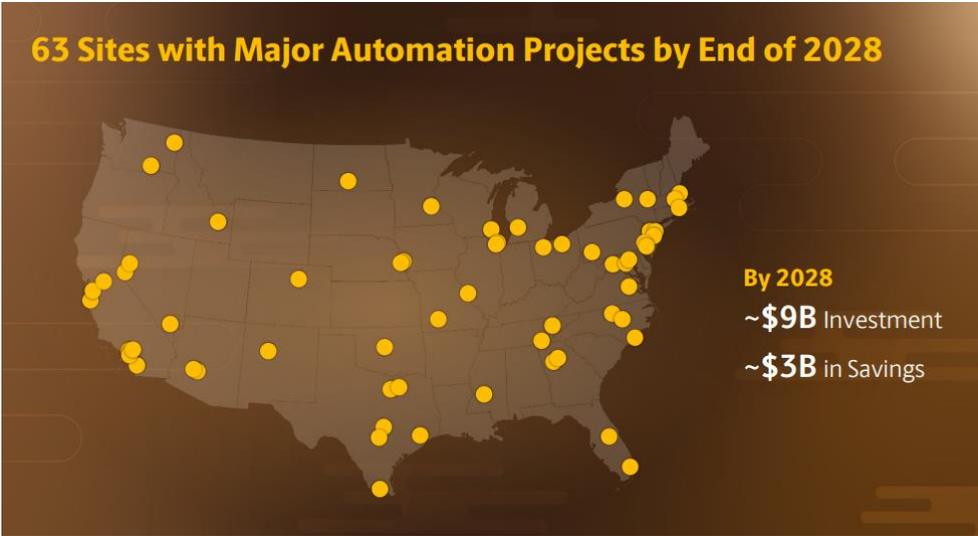
Network of the Future

Network of the Future is a 2024-2028 5-year plan. Under this plan, UPS is scrutinising every single work area for automation and aims to significantly reduce dependency on labour. Network of the Future targets \$3 billion saving, of which 50% to be realised by 2026 and the remaining 50% in 2027-2028. Network of the future targets to grow volume per resource by 8 (from 51 to 59) between 2023 and 2026, implying a higher number of packages handled per UPS employee (implies significant employee number reduction).

Network of the Future targets are shown below:



Source: Company information.



Source: Company information.

According to its Network of the Future initiative, UPS seeks to grow Volume per Resource (ADV / U.S. Employees) from 51 to 59 between 2023 and 2026. Given the prevailing average daily volume (ADV) trends, this implies that UPS needs to reduce its workforce during the 2024-2026 period by almost 80,000 employees taking into account Amazon 50% volume phase-out. During 2024-2025, UPS announced 30,000 employee reductions.

(\$ millions)	2023	2024	2025	2026	
US ADV - incl. 100% Amazon volumes	19,030	19,161	19,309	19,459	
US ADV - incl. 50% Amazon volumes	19,030	19,161	18,232	17,304	
Volume per Resource (ADV / U.S. Employees)	51	54	56	59	
Reference number of US employees					
Incl. 100% of Amazon volumes	373,137	357,037	342,772	329,822	
Incl. 50% of Amazon volumes	373,137	357,037	323,639	293,286	
Employee change required by Volume per Resource				Cumulative	
Incl. 100% of Amazon volumes		(16,100)	(14,265)	(12,950)	(43,316)
Incl. 50% of Amazon volumes		(16,100)	(33,398)	(30,354)	(79,851)
Actual achieved / announced		(10,000)	(20,000)		(30,000)

Strategic Customer Realignment & Network Reconfiguration and Efficiency Reimagined

In Q1 2025, UPS announced an agreement to reduce its volume of shipments for Amazon by over 50% by mid-2026, aiming to focus on more profitable segments and reduce dependency on a single large customer. According to UPS, these volumes are unprofitable with very low margin and should result in an overall increase in cash flows and profits, net of cost savings.

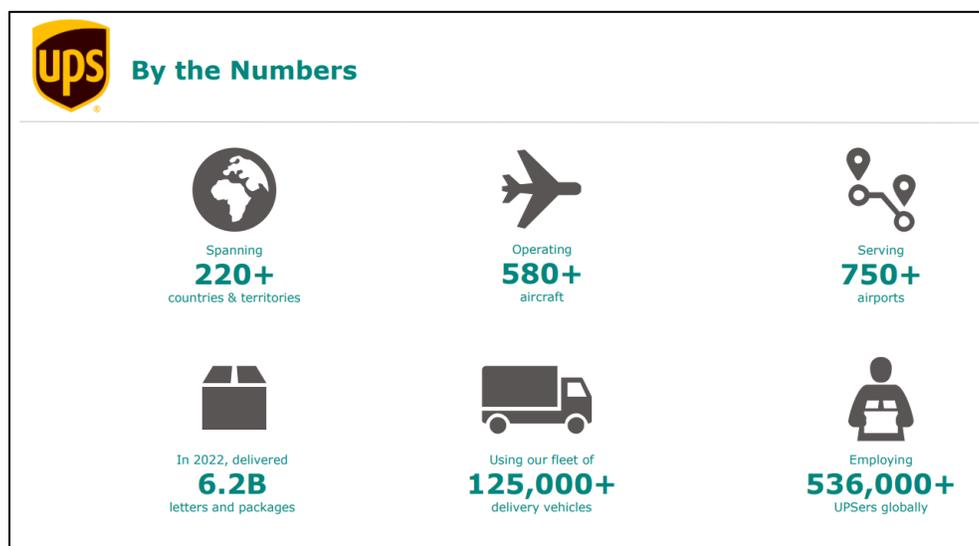
In conjunction therewith, UPS is beginning a network reconfiguration within the U.S. which is expected to lead to consolidations of its facilities and workforce as well as an end-to-end process redesign through 2027.

UPS targets \$3.5 Billion in cost reductions in 2025 (expanded from the initial \$1 billion target) through

- the closure of up to 10% of UPS buildings in 2025, a reduction in the size of vehicle and aircraft fleets,
- decrease in the size of workforce by ca. 20,000 positions (semi-variable costs)
- reduction in total operational hours by ~25 million hours (variable costs)

BUSINESS OVERVIEW

United Parcel Service (UPS) is a global leader in logistics, package delivery, and supply chain management. Headquartered in Atlanta, Georgia, UPS operates in more than 200 countries and territories, delivering over 22 million packages per day. Founded in 1907, the company has evolved from a small messenger service into a multinational corporation with operations spanning small parcel delivery, freight forwarding, contract logistics, healthcare logistics, and e-commerce fulfillment. UPS has 490,000 employees as of December 2024.



Source: Company information.

SEGMENTS OVERVIEW

Products and Services; Reporting Segments

UPS's core services are divided into three main segments: U.S. Domestic Package, International Package, and Supply Chain Solutions. U.S. Domestic Package and International Package are together referred to as global small package operations. UPS Healthcare, one of the company's core focus areas sits in all three segments – ca. 10% of U.S. Domestic, 7% of International and 25% of Supply Chain Solutions segments revenues are attributable to the UPS Healthcare.

Summary breakdown by segment is shown below:

FY 2024 <i>(USD billion)</i>	ADV millions	ARPP \$	Revenue 2024	EBITDA adj.		EBIT adj.		Margin 2024	Employees 2024
				2023	2024	2023	2024		
U.S. Domestic Package	19.2	12.3	60.4	7.8	7.0	5.5	4.5	7.5%	
International Package	3.3	21.0	18.0	4.0	4.1	3.3	3.4	18.7%	
Supply Chain Solutions			12.7	1.4	1.4	1.1	1.0	8.0%	
Total	22.4	13.6	91.1	13.2	12.5	9.9	8.9	9.8%	490,000

Source: Company information. Adjusted EBITDA excludes exceptional costs.

Global Small Package

Global small package operations provide time-definite delivery services for express letters, documents, packages and palletized freight via air and ground services.

These services are supported by numerous shipping, visibility and billing technologies including UPS Digital Access Program, which embeds its shipping solutions directly into leading e-commerce platforms, enabling it to reach SMBs and e-commerce markets more broadly.

UPS combines all packages within single, global network, unless dictated by specific service commitments. This enables efficiently scheduled pick ups for any service level.

We offer same-day pickup of air and ground packages seven days a week through a broad variety of network access points including, UPS drop boxes, UPS Access Point locations and The UPS Store locations. UPS drivers can also directly accept packages.

UPS offers a portfolio of returns services in approximately 150 countries. These returns services are driven by the continued prevalence of e-commerce that has increased customers' needs for efficient and reliable returns and are designed to promote efficiency and a friction-free consumer experience.

UPS global air operations hub is located in Louisville, Kentucky, and is supported by air hubs across the United States ("U.S.") and internationally. UPS operates international air hubs in Germany, China, Hong Kong, Canada and Florida (for Latin America and the Caribbean). This design enables cost-effective package processing using fewer, larger and more fuel-efficient aircraft.

U.S. Domestic Package

The U.S. Domestic Package segment is the largest and most foundational part of UPS's business, generating over 60% of the company's total revenue. It involves the pickup, transportation, and delivery of small packages—typically under 150 pounds—within the United States. UPS is a leader in time-definite, guaranteed small package delivery services in the United States. UPS offers a full spectrum of U.S. domestic air and ground package transportation services. U.S. ground fleet serves all business and residential zip codes in the contiguous United States.

Key service offerings include:

- Air: UPS Next Day Air®, 2nd Day Air®, and 3 Day Select® (time-definite deliveries).
- Ground: UPS Ground, which offers day-definite delivery based on distance. UPS delivers ca. 16 million ground packages per day, most within one to three business days.
- Saturday delivery and pickup, now standard in many regions.
- UPS SurePost provides residential ground service for customers with non-urgent, lightweight residential shipments. Through 2024, final delivery was often provided by the United States Postal Service ("USPS"). Beginning January 1, 2025, UPS insourced this product.

The segment serves a mix of business-to-business (B2B) and business-to-consumer (B2C) customers, with growing emphasis on small and medium-sized businesses (SMBs) and e-commerce fulfillment. UPS has increasingly prioritized higher-margin customers over high-volume but lower-margin clients like Amazon, from whom it is actively reducing package volume.

Strategic initiatives include:

- Amazon volumes phase-out.
- Network optimization and automation to improve cost efficiency and delivery speed.
- Expanded Access Point® locations and UPS My Choice® for consumer flexibility.
- Adoption of AI-powered routing and electric delivery vehicles to enhance operational performance and sustainability.

International Package

The International Package segment encompasses UPS's small package delivery services outside the United States, covering more than 200 countries and territories. It includes both export and import services, offering time-definite and day-definite delivery across borders.

Key services include:

- UPS Worldwide Express®, Saver®, Expedited®, and Standard for various delivery speeds and price points.
- Specialized cross-border solutions for e-commerce, B2B shipments, and customs clearance.

This segment is a critical engine for global growth, contributing a significant portion of UPS's revenue and operating profit. It benefits from strong market presence in Europe, expanding operations in Asia-Pacific, and rising demand from cross-border e-commerce.

Strategic priorities include:

- Growth in Mexico Nearshoring and Asia businesses.
- Enhancing transit speed and reliability through air hub investments.
- Offering digital tools for global visibility, tracking, and customs management.
- Shifting the customer mix toward higher-margin, SMB, and healthcare clients, particularly in fast-growing markets.

Supply Chain Solutions

The Supply Chain Solutions segment provides comprehensive logistics and freight services, focusing on end-to-end supply chain management beyond traditional parcel delivery. This includes warehousing, distribution, freight forwarding (air, ocean, ground), customs brokerage, and returns management.

A major growth driver within this segment is UPS Healthcare (25% of segment revenue), which offers specialized services for temperature-controlled and time-sensitive shipments of pharmaceuticals, medical devices, and biologics. Strategic acquisitions like Bomi Group and Andlauer Healthcare have significantly expanded UPS's healthcare logistics footprint in Europe and the Americas.

Key features include:

- Integrated cold chain logistics with advanced temperature monitoring.
- Large-scale contract logistics solutions for retail, industrial, and healthcare customers.
- Robust freight forwarding and transportation management services.

- Technology-driven automation and data analytics to optimize inventory, reduce costs, and improve visibility.

This segment plays a vital role in UPS's long-term strategy to diversify revenue streams, increase profitability, and capture high-growth markets. Its focus on specialized, value-added logistics positions UPS as a key partner for complex global supply chains.

Supply Chain Solutions consists of forwarding, logistics, digital and other businesses. Serving more than 200 countries and territories, UPS strategically seeks to provide integration across increasingly complex, specialized and fragmented supply chains.

Forwarding

UPS is one of the largest U.S. domestic airfreight carriers and airfreight forwarders globally. It offers a portfolio of guaranteed and non-guaranteed global airfreight services. Additionally, as one of the world's leading non-vessel operating common carriers, it provides ocean freight full container load, less-than-container load and multimodal transportation services between most major ports around the world. It also provides customs brokerage as well as various related services.

In September 2024, UPS completed the divestiture of its truckload brokerage business ("Coyote").

Logistics

UPS global logistics and distribution business provides value-added fulfillment and transportation management services. It operates both multi-client and dedicated facilities across its network, many of which are strategically located near UPS air and ground transportation hubs to support rapid delivery to business and consumer markets. UPS continues to invest in facility automation to enhance operational efficiency.

UPS offers world-class technology, deep expertise and a highly sophisticated suite of healthcare logistics services. With a strategic focus on serving the unique, priority handling needs of healthcare and life sciences customers, UPS continues to increase complex cold-chain logistics capabilities both in the U.S. and internationally. In furtherance of this strategy, it has continued to grow organically, making investments in facilities to expand its network, and inorganically.

Digital and other Supply Chain Solutions businesses

UPS digital businesses leverage technology to enable a range of on-demand services. Roadie, crowdsourced delivery platform, offers the convenience of same-day delivery and efficient service for packages that are not compatible with UPS small package network. Happy Returns offers innovative end-to-end return services that leverage The UPS Store network. UPS also offers integrated supply chain and high-value shipment insurance solutions through UPS Capital, as well as a range of services through its other Supply Chain Solutions businesses.

Human Capital

As of December 2024, UPS has approximately 490,000 employees (excluding temporary seasonal employees), of which 406,000 are in the U.S. and 84,000 are located internationally. UPS global

workforce includes approximately 78,000 management employees (38% of whom are part-time) and 412,000 hourly employees (50% of whom are part-time).

More than 75% of U.S. employees are represented by unions, primarily those employees handling or transporting packages. Many of these employees are employed under a national master agreement and various supplemental agreements with local unions affiliated with the International Brotherhood of Teamsters ("Teamsters"). National master agreement with the Teamsters was signed in 2023 and expires on July 31, 2028. In addition, approximately 3,300 of UPS pilots are represented by the Independent Pilots Association ("IPA"). UPS agreement with the IPA becomes amendable September 1, 2025. UPS has approximately 1,900 airline mechanics who are covered by a collective bargaining agreement with Teamsters Local 2727 which becomes amendable November 1, 2026. In addition, approximately 3,000 of UPS auto and maintenance mechanics who are not represented by the IBT are employed under a collective bargaining agreement with the International Association of Machinists and Aerospace Workers ("IAM"). In July 2024, the IAM ratified a new collective bargaining agreement that will expire on July 31, 2029.

Customers

In 2024, UPS served 1.6 million shipping customers and more than 10.1 million delivery recipients daily.

Amazon.com, Inc and its affiliates is the largest customer and the only customer accounting for >10% of revenues. Revenue split with Amazon share is shown below:

Dec y/e, USDm	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Revenue	61,610	66,585	71,861	74,094	84,628	97,287	100,338	90,958	91,070
Ow Amazon	5,237	5,993	6,827	8,595	11,256	11,383	11,338	10,733	10,746
Ow other	56,373	60,592	65,034	65,499	73,372	85,904	89,000	80,225	80,324
Amazon share	8.5%	9.0%	9.5%	11.6%	13.3%	11.7%	11.3%	11.8%	11.8%

Source: Company information

According to press reports, whilst ca. 11.8% of revenue is attributable to Amazon, ca. 20-25% of package volumes are attributable to Amazon.

In the first quarter of 2025, UPS entered into an agreement in principle with Amazon that will provide for a reduction in their volume by more than 50% by June 2026.

Properties

Operating Facilities

UPS owns its corporate headquarters in Atlanta, Georgia and information technology headquarters, located in Parsippany, New Jersey.

UPS owns or leases approximately 1,000 package facilities in the U.S., with approximately 90 million square feet of floor space. These facilities have vehicles and drivers stationed for the pickup and delivery

of packages, and capacity to sort and transfer packages. UPS larger facilities also service its vehicles and equipment, and employ specialized mechanical equipment for the sorting and handling of packages.

UPS owns or leases approximately 800 facilities in its international package operations, with approximately 22 million square feet of floor space.

UPS aircraft are operated in a hub and spoke pattern in the U.S., with its principal air hub, Worldport, located in Louisville, Kentucky. UPS major air hub in Europe is located in Germany, and in Asia UPS operates multiple major air hubs in China and Hong Kong.

UPS owns or leases more than 600 facilities, with approximately 47 million square feet of floor space, which support its freight forwarding and logistics operations. This includes approximately 16 million square feet of healthcare-compliant warehousing.

UPS owns and operates a logistics campus consisting of approximately 4 million square feet in Louisville, Kentucky. UPS also owns a number of ancillary properties that support its global operations.

Aircraft fleet

291 UPS owned and/or operated, 243 charters & leases operated by others, 25 on offer as of December 2024.

Vehicles

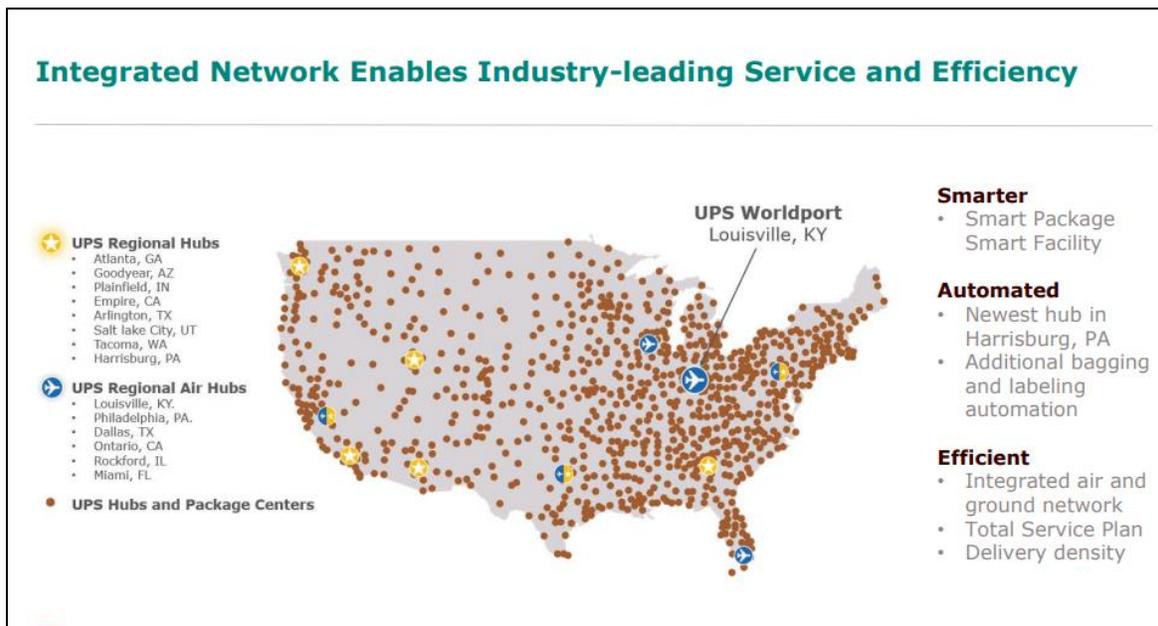
As of December 31, 2024, UPS operated a global ground fleet of approximately 128,000 package cars, vans, tractors and motorcycles, including approximately 19,000 alternative fuel and advanced technology vehicles.

MOAT AND COMPETITIVE ADVANTAGE

Morningstar rates UPS as a “wide” moat company. Fedex and DHL, its key peers are both rated as “narrow” moat companies. This means Morningstar believes UPS has a sustainable competitive advantage that is expected to generate excess returns for at least 20 years. Their assessment is based on UPS’s strong scale economies, powerful brand, switching costs with large customers, and operational efficiencies that create a durable barrier to competition.

Morningstar repeatedly notes that UPS has operated longer in the U.S. ground market, creating a significant delivery density advantage over FedEx. UPS's scale enables lower marginal costs per package and stronger margins due to greater density of deliveries per route. UPS aims to increase its deliveries-per-stop ratio from ~1.28 to 1.4, directly targeting density improvements via machine-learning routing.

UPS network in the U.S is shown below:



Source: Company information.

UPS's integrated network provides unique operational and capital efficiencies resulting in a better customer experience. All services (air, ground, domestic, international, commercial and residential) are managed through a single, global smart logistics network. In the U.S., UPS operates more than 1,000 package facilities and its aircraft operates more than 1,200 daily flight segments.

Below is a UPS Moat Type breakdown based on common moat frameworks:

1. Scale Economies (Primary Moat)

- Massive global network: UPS delivers over 20 million packages per day to more than 200 countries and territories.
- Operating leverage: Fixed costs (hubs, planes, trucks, sorting centers) are spread over high volumes, driving efficiency.
- Global air fleet: UPS Airlines is one of the largest cargo carriers globally.

2. Switching Costs

- Large enterprise customers integrate UPS deeply into their supply chains (e.g., healthcare, industrials, retail).
- Switching to another logistics provider often involves tech/system integration costs, regulatory changes, and reliability risks.

3. Brand & Trust

- Brand recognition: One of the most recognized logistics brands in the world.

- Customer loyalty: Known for reliability, especially in business-critical and time-sensitive deliveries.

4. Network Effects

- Every additional customer or delivery adds density to the network, improving route efficiency and reducing per-unit costs.
- Integrated operations (air, ground, last-mile) create synergy and service differentiation.

5. Process Power

- UPS's Orion system (route optimization) and smart logistics platforms reduce delivery miles and fuel consumption.
- Deep logistics know-how built over a century creates operational excellence that is difficult to replicate.

In summary, UPS's moat is wide and reinforced by its physical scale, optimized network, technology investments, and brand trust. While it faces growing competition from Amazon, FedEx, and new entrants, its entrenched position in B2B logistics, long-standing customer relationships, and ability to deliver globally with high reliability make it a formidable player.

IV. Market Overview

TOTAL ADDRESSABLE MARKET AND GROWTH POTENTIAL

Market Size

U.S. and International small package market volumes are at ca. 116 million of average daily volume (ADV) in 2024, growing at mid-single digit rate to ca. 128 million of ADV by 2026.

Total value is ca. USD270 billion in 2024, growing at 6% to USD306 billion in 2026.

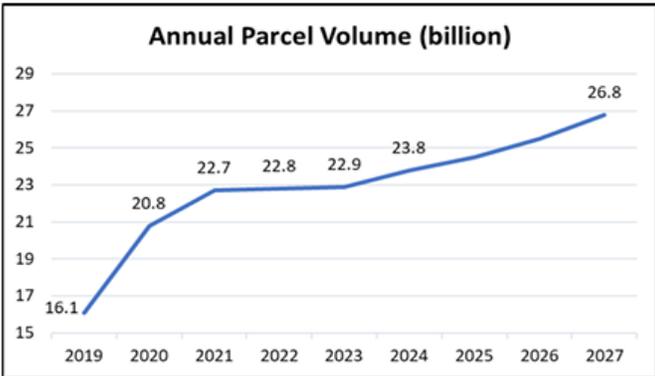
Evolution of Average Daily Volumes is shown below:



Source: UPS SPMM (Small Package Market Model). U.S. volumes include Amazon self-delivered.

With 4.1% revenue growth in 2024, the U.S. Parcel Market reached \$188 billion with an average revenue of \$8 per parcel.

Evolution of U.S. Small Package market annual volumes is shown below:



Source: ShipMatrix [SMx-Press-Release-on-parcel-market-for-2024 4.10.2025.pdf](#).

Note: average annual volumes = average daily volumes x number of operating days.

The Great Freight Slowdown: A Story of the 2022–2023 Downturn

For two years (in 2020 and 2021), freight carriers, parcel giants, and shippers had raced to keep up with surging demand. Bottlenecks at ports, record-high container rates, and backlogs of goods had dominated headlines. Companies overordered, anticipating continued shortages. Trucks were full, planes overloaded, and warehouses bursting.

But by early 2023, the world had changed. The pendulum swung the other way.

Across boardrooms and supply chain hubs, a new word defined the year: destocking. As inflation bit into consumer wallets and interest rates rose, companies stopped ordering aggressively. Warehouses remained full—not with incoming goods, but with unsold inventory. Orders fell off a cliff.

Parcel giants like UPS and FedEx watched volumes shrink. UPS, in particular, saw its domestic volume drop more than 7% in 2023 alone. “We’re in a reset,” said its CEO. Customers were simply shipping less. Large part of this UPS volume decline is likely related to the fact that (i) in 2020, Amazon sales volumes significantly increased and it allowed UPS to handle some of these volumes increase, whilst (ii) it recaptured these volumes back from UPS in 2021-2023 period. Share of UPS revenues attributable to Amazon was 11.6% in 2019, 13.5% in 2020 and declined to 11.3% in 2022.

Meanwhile, ocean carriers, having expanded too aggressively during the boom, found themselves awash in capacity. Container spot rates from China to the U.S. West Coast, which had reached stratospheric levels in 2021, plunged by over 80%. Ships sailed half full or not at all.

Air freight, once a premium option for backlogged goods, saw demand drop. Global air cargo volumes dropped, and yields followed. Even trucking in the U.S. faced a severe downturn. Spot rates collapsed, and dozens of carriers, including Yellow Corporation, went bankrupt.

The problem wasn’t just falling demand. It was that the entire logistics ecosystem had been built for a world that no longer existed. Retailers no longer needed to hoard inventory. Consumers were shifting back to services. And as supply chains normalized, so too did urgency—and pricing.

U.S. Small Package Logistics Market Supply and Demand Balance

Following capacity shortfall in the 2020-2022 post-covid period, market went to a ca. +6m average daily volume capacity surplus in the 2023-2024 period. Surplus capacity is expected to be gradually eliminated due to market growth and capacity closures.



Source: UPS.

In 2024, the industry was still waiting for a clear rebound. Analysts predicted that the second half of the year might bring relief—a restocking cycle, potential rate cuts, and signs of macro recovery.

Company Commentary

- UPS (Q4 2023 earnings):

“In 2023, we faced a challenging macro environment... average daily volume declined 7.5% domestically.”

- FedEx (FY Q2 2024):

“Demand remains pressured across all segments due to soft global industrial activity and inventory corrections.”

- Maersk (2023 results):

“2023 was a reset year. The ocean market experienced significant overcapacity and sharp rate declines.”

COMPETITIVE ENVIRONMENT

Competitive Market Dynamics Impacting UPS

Despite the overall market growth, there is a shift to private delivery networks. Major retailers like Amazon, Walmart, Target, Kroger and Costco are expanding their internal delivery capabilities, which has resulted in flat to negative growth for traditional carriers like UPS, FedEx, and USPS over the last three years and expected to persist over the next two to three years according to ShipMatrix. [Supply Chain Dive+1ShipMatrix+1](#)

Additionally, there is an emergence of Alternative Carriers: Smaller carriers such as OnTrac, Veho, and Better Trucks have gained traction, offering competitive services that attract customers seeking alternatives to the major delivery companies.

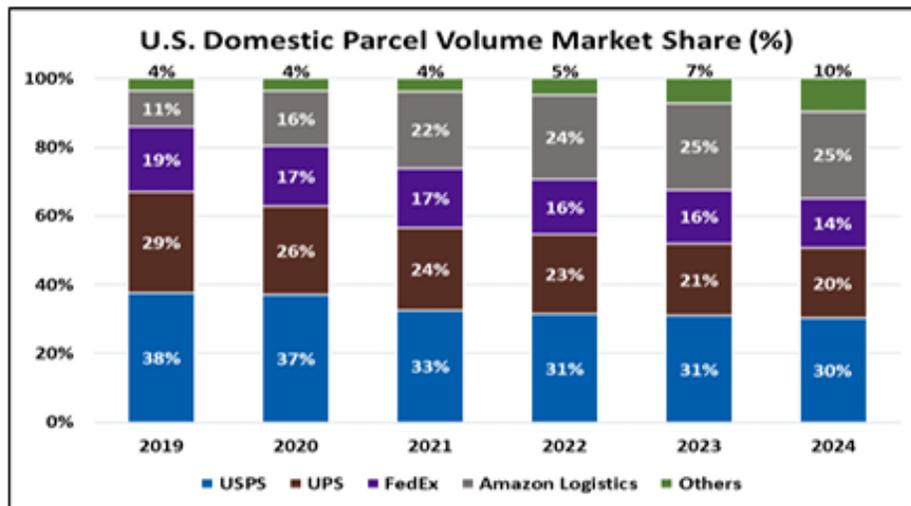
In this context, UPS plans to reduce its business with Amazon by over 50% by mid-2026, aiming to focus on more profitable package types and higher-margin sectors like healthcare logistics.

Amazon volumes represent as much as 30-40% of the overall U.S. Small Package market. According to UPS data (see below), whilst the total parcel market is growing at mid-single digit rate, the market excluding Amazon is growing at a slower 2.6% CAGR.



Source: UPS SPMM (Small Package Market Model).

U.S. Domestic parcel volume market share is shown in the table below:



Source: ShipMatrix [SMx-Press-Release-on-parcel-market-for-2024 4.10.2025.pdf](https://www.shipmatrix.com/press-releases/SMx-Press-Release-on-parcel-market-for-2024-4.10.2025.pdf).

Parcel Volumes

Amazon Logistics, Walmart, Target with their private networks and smaller carriers like OnTrac, Better Trucks, Jitsu, Veho, etc. with their impressive volume growth since 2019 have significantly reduced the market share of USPS, UPS and FedEx. Amazon delivered 6.1 billion packages in 2024 as compared to 1.7 billion in 2019, while Walmart mainly and other carriers had an explosive growth delivering 2.3 billion in 2024 v. 0.6 billion in 2019.

The U.S. domestic parcel volumes reached all-time high of 23.8 billion in 2024. The Postal Service led the market by delivering 7.2 billion packages, followed by Amazon Logistics at 6.1 billion. UPS had almost no

growth with 4.8 billion packages just like 2023, and FedEx had marginal decrease with 3.4 billion packages. The 'Other Carriers' comprising private fleets of Walmart, Target, and smaller carriers like OnTrac, Better Trucks, Jitsu, Veho, GLS, etc. delivered 2.3 billion packages, with 44 percent growth over 2023.

The growth of volume by companies who are and were also the largest customers of FedEx, UPS and the Postal Service is the most dramatic development that possess a risk of further reducing the addressable market for FedEx, UPS and the U.S. Postal Service.

Parcel Revenues

In the post-covid era, after a sharp increase in U.S. parcel market revenues in 2021 and 2022, it went flat in 2023, but again showed 4.1% growth to reach \$188 billion in 2024. UPS is on the top of the list with revenues of \$59.8 billion, followed by FedEx at \$48.2 billion. Amazon Logistics and USPS had \$34.7 and \$32.5 billion in revenues respectively. The 'Other Carriers' with \$13 billion revenues in 2024 showed significant growth of 48% over 2023.

Forecast

ShipMatrix estimates U.S. Parcel Market Volume will grow at a CAGR of 4% over the next 3 years increasing from 23.8 billion to 26.8 billion in 2027. However, most of that growth will be handled by private networks of Amazon, Walmart and other retailers, resulting in a flat to negative growth for UPS, FedEx and USPS.

V. Financials

SUMMARY OF HISTORICAL FINANCIAL DATA

Operating Data	2016	2017	2018	2019	2020	2021	2022	2023	2024
Average Daily Package Volume (in thousands)	19,083	20,030	20,677	21,880	24,676	25,250	24,291	22,290	22,418
U.S. Domestic Package (in thousands)	16,237	16,920	17,472	18,687	21,141	21,462	20,787	19,030	19,161
International Package (in thousands)	2,846	3,110	3,205	3,193	3,535	3,788	3,504	3,260	3,257
Average Revenue Per Piece (\$)	10.29	10.53	10.98	10.87	10.94	12.32	13.38	13.62	13.60
Summary Income Statement (US\$m)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	61,610	66,585	71,861	74,094	84,628	97,287	100,338	90,958	91,070
from Amazon	5,237	5,993	6,827	8,595	11,256	11,383	11,338	10,733	10,746
from other	56,373	60,592	65,034	65,499	73,372	85,904	89,000	80,225	80,324
EBITDA									
U.S. Domestic Package	6,107	5,782	5,018	5,684	5,696	8,494	9,170	7,446	6,815
International Package	2,908	2,938	3,055	3,204	4,033	5,331	5,087	3,973	3,968
Supply Chain & Freight	897	1,091	1,158	1,270	653	1,938	2,025	1,088	1,294
EBITDA	9,912	9,811	9,231	10,158	10,382	15,763	16,282	12,507	12,077
EBITDA adj.	9,912	9,811	9,591	10,510	11,416	16,097	17,041	13,239	12,503
<i>margin, %</i>	<i>16.1%</i>	<i>14.7%</i>	<i>13.3%</i>	<i>14.2%</i>	<i>13.5%</i>	<i>16.5%</i>	<i>17.0%</i>	<i>14.6%</i>	<i>13.7%</i>
EBIT									
U.S. Domestic Package	4,628	4,303	3,643	4,164	3,891	6,436	6,997	5,156	4,345
International Package	2,417	2,429	2,529	2,657	3,436	4,646	4,326	3,231	3,191
Supply Chain & Freight	643	797	852	977	357	1,728	1,771	754	932
EBIT	7,688	7,529	7,024	7,798	7,684	12,810	13,094	9,141	8,468
EBIT adj.	7,688	7,529	7,384	8,150	8,718	13,144	13,853	9,873	8,894
<i>margin, %</i>	<i>12.5%</i>	<i>11.3%</i>	<i>10.3%</i>	<i>11.0%</i>	<i>10.3%</i>	<i>13.5%</i>	<i>13.8%</i>	<i>10.9%</i>	<i>9.8%</i>
Investment income (expense) and other	(2,186)	61	(400)	(1,493)	(5,139)	4,479	2,435	219	(160)
Interest expense	(381)	(453)	(605)	(653)	(701)	(694)	(704)	(787)	(866)
Income Before Income Taxes	5,121	7,137	6,019	5,652	1,844	16,595	14,825	8,573	7,442
Income tax expense	(1,699)	(2,232)	(1,228)	(1,212)	(501)	(3,705)	(3,277)	(1,865)	(1,660)
Net Income	3,422	4,905	4,791	4,440	1,343	12,890	11,548	6,708	5,782
Diluted Earnings Per Share	3.9	5.6	5.5	5.1	1.5	14.7	13.2	7.8	6.8
Condensed Balance Sheet (US\$m)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Property, Plant and Equipment, Net	18,800	22,118	26,576	30,482	32,254	33,475	34,719	36,945	37,179
Operating Lease Right-Of-Use Assets	0	0	0	2,856	3,073	3,562	3,755	4,308	4,149
Accounts receivable, net	7,695	8,773	8,958	9,552	10,750	12,541	12,583	11,216	10,871
Cash, cash equivalents and market. securities	4,567	4,069	5,035	5,741	6,316	10,593	7,595	6,072	6,318
Goodwill	3,757	3,872	3,811	3,813	3,367	3,692	4,223	4,872	4,300
Intangible Assets, Net	1,758	1,964	2,075	2,167	2,274	2,486	2,796	3,305	3,064
Other	3,800	4,778	3,561	3,246	4,374	3,056	5,453	4,139	4,189
Total Assets	40,377	45,574	50,016	57,857	62,408	69,405	71,124	70,857	70,070
Long-Term Debt and Finance Leases	12,394	20,278	19,931	21,818	22,031	19,784	17,321	18,916	19,446
Short-Term Debt	3,681	4,011	2,805	3,420	2,623	2,131	2,341	3,348	1,838
Pension and Retirement Benefit Obligations	13,292	7,738	9,062	11,394	16,744	9,085	5,883	7,638	8,249
Accounts payable	3,042	3,934	5,188	5,555	6,455	7,523	7,512	6,340	6,302
Accrued wages and withholdings	2,317	2,608	3,047	2,552	3,569	3,819	4,049	3,224	3,655
Operating Leases	0	0	0	2,929	3,100	3,613	3,859	4,465	4,368
Deferred Income Tax Liabilities	112	756	1,619	1,632	488	3,125	4,302	3,772	3,595
Self-insurance reserves	2,464	2,470	2,381	2,196	2,704	2,903	2,887	2,946	2,981
Other liabilities	2,646	2,755	2,946	3,078	4,025	3,153	3,167	2,894	2,893
Total Equity for Controlling Interests	405	994	3,021	3,267	657	14,253	19,786	17,306	16,718
Noncontrolling Interests	24	30	16	16	12	16	17	8	25
Total Liabilities and Shareowners' Equity	40,377	45,574	50,016	57,857	62,408	69,405	71,124	70,857	70,070
Achieved ROE	845%	493%	159%	136%	204%	90%	58%	39%	35%

Source: Company information. Refer to Appendix for a detailed income statement. Note: adj. figures are before exceptional costs.

Cash Flow & Debt (US\$m)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cash flow from ops. before WC movement	7,192	2,881	10,653	8,483	9,399	15,649	14,467	10,752	9,880
Change in working capital	(719)	(1,402)	2,058	156	1,060	(642)	(363)	(514)	242
Net cash from operating activities	6,473	1,479	12,711	8,639	10,459	15,007	14,104	10,238	10,122
Capital expenditures	(2,965)	(5,227)	(6,283)	(6,380)	(5,412)	(4,194)	(4,769)	(5,158)	(3,909)
Acquisitions and divestments, net	(459)	(110)	35	59	20	270	(743)	(1,136)	1,044
Dividends	(2,643)	(2,771)	(3,011)	(3,194)	(3,374)	(3,437)	(5,114)	(5,372)	(5,399)
Purchases of common stock, net	(2,433)	(1,566)	(771)	(786)	61	(249)	(3,238)	(2,002)	(268)
Other		(563)	(384)	(300)	(607)	(385)	(885)	(728)	(215)
Effect of FX Changes on Cash and Cash Eqv.	(21)	53	(91)	20	13	(21)	(100)	33	(149)
Net change in cash / (debt)	(2,048)	(8,705)	2,206	(1,942)	1,160	6,991	(745)	(4,125)	1,226
Net financial debt / (cash)	11,032	19,737	17,531	19,473	18,313	11,322	12,067	16,192	14,966
Net financial debt / EBITDA adj.	1.1x	2.0x	1.8x	1.9x	1.6x	0.7x	0.7x	1.2x	1.2x

Source: Company Information. Please refer to Appendix for a detailed income statement.

CURRENT TRADING

Q1 revenue fell 1% year over year, as the 2024 Coyote Logistics divestiture more than offset higher U.S. domestic package yields (including base-rate increases and favorable mix). Total adjusted margin increased on continued domestic U.S. network reconfiguration and (likely) customer mix. Q1 results also benefitted due to shippers pulling forward international shipments ahead of tariffs.

Q2 revenue declined 2.7% year over year and adjusted margin declined reflecting initial impact from tariffs as well as the accelerating phase-out of Amazon volumes without yet significant benefit from the cost-cutting initiatives. UPS didn't provide full-year guidance, which will be provided after Q3 results.

Due to accelerating Amazon volumes glide-down, volume and revenue declines will likely accelerate in Q3 and Q4 this year. UPS should return to revenue growth from Q3 2026 and onwards. UPS is expected to also incur many restructuring costs and possible asset impairments.

UPS key current trading figures are shown below:

\$ millions	2023	2024	Q1	Q2	H2	2025
Volume, % y/y	-1.0%	0.2%	-3.5%	-5.6%	-5.5%	-5.0%
Revenue	90,958	91,070	21,546	21,221	46,089	88,856
% y/y	-9.3%	0.1%	-0.7%	-2.7%	-3.1%	-2.4%
Adj. op. profit	9,873	8,894	1,763	1,876	4,787	8,426
Adj. OP margin	10.9%	9.8%	8.2%	8.8%	10.4%	9.5%
Adj. OP, % y/y	-28.7%	-9.9%	0.9%	-9.1%	-5.8%	-5.3%

Source: Company Information.

FINANCIAL PROJECTIONS

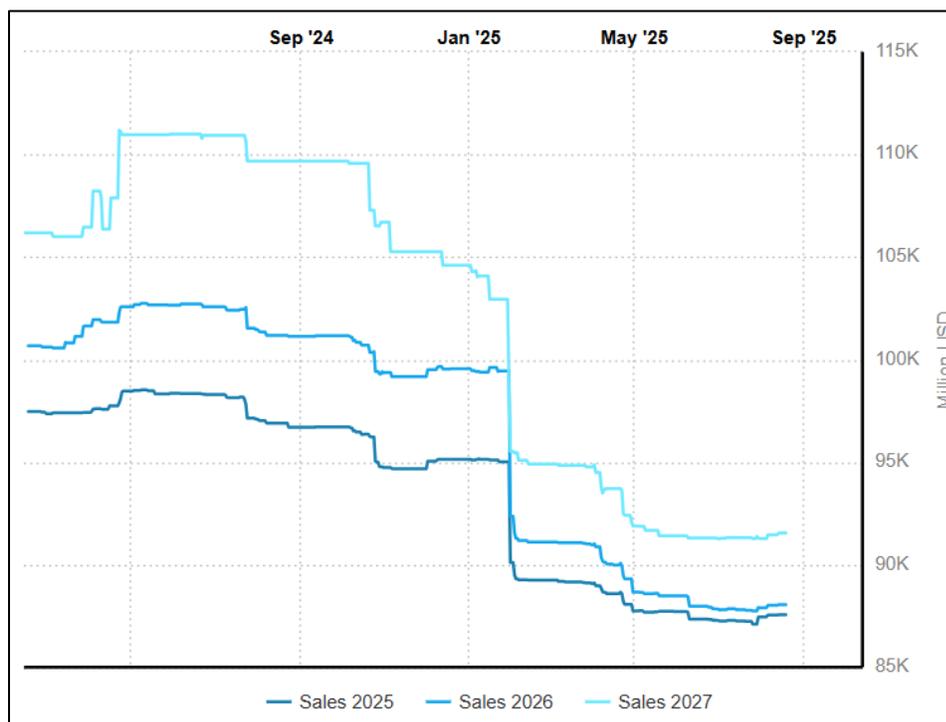
The following table shows projected financials for 2025 to 2027 compiled by UPS (guidance), broker consensus and Listed Leaders.

Source	Guidance		Consensus			ListedLeaders (status quo)		
Target Price / Fair Value			USD 103			USD 132		
US\$m (except per share)	2024A	2025E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	91,070	89,000	87,560	88,049	91,543	88,856	89,180	92,485
EBITDA adj.	12,503	-	11,586	12,453	13,238	11,947	13,137	14,551
EBIT adj.	8,894	9,612	7,943	8,820	9,740	8,426	9,914	11,395
margin, %	9.8%	10.8%	9.1%	10.0%	10.6%	9.5%	11.1%	12.3%
EPS	6.8	-	6.3	7.3	8.1	6.3	7.7	10.1
DPS	6.3	6.4	6.5	6.6	6.7	6.3	6.3	6.3
Capex	3,909	3,500	3,508	3,913	4,106	3,500	3,513	3,643
Net financial debt / (cash)	14,966	-	19,829	20,433	20,753	15,847	16,078	19,883
Net financial debt / EBITDA adj.	1.2x	-	1.7x	1.6x	1.6x	1.3x	1.2x	1.4x

Source: Company Information, MarketScreener, Listed Leaders.

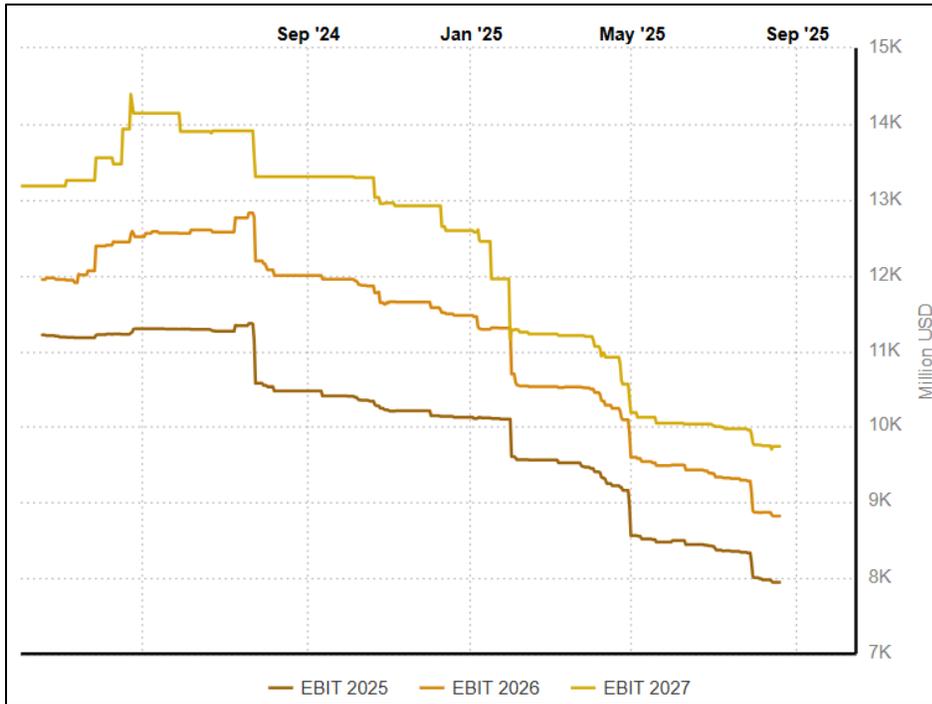
The Status Quo scenario is currently ahead of consensus forecasts. Status Quo Scenario assumes 20,000 headcount reduction in 2025, additional 20,000 in 2026 and 3,000 in 2027. This likely drives the divergence vs. consensus which may not model (not yet announced) 2026 and 2027 headcount reductions.

Evolution of Analysts' Revenue Estimates are shown below:



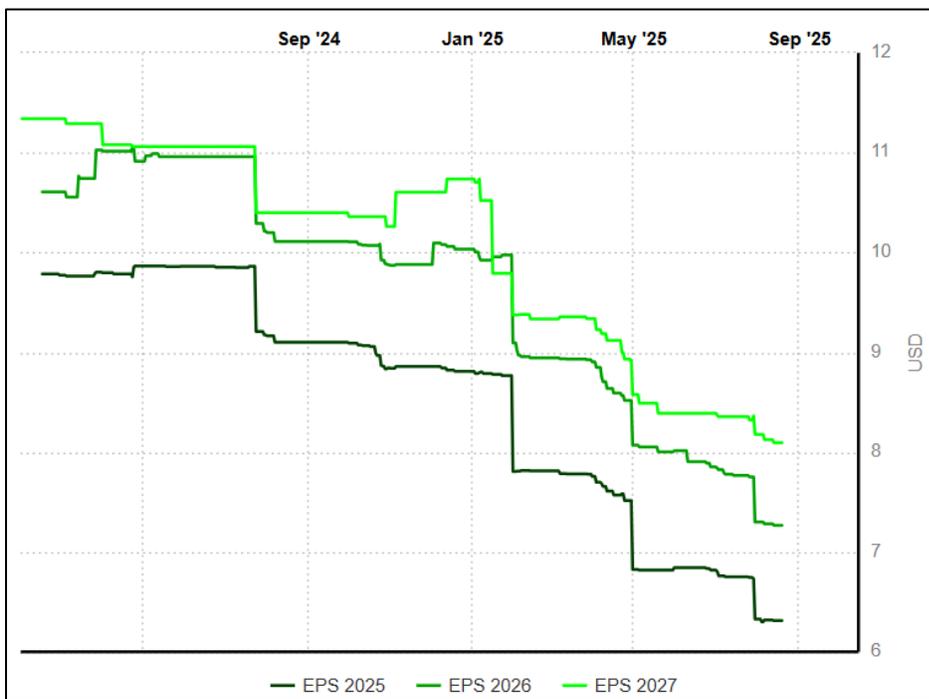
Source: MarketScreener, S&P Global.

Evolution of Analysts' EBIT Estimates are shown below:



Source: MarketScreener, S&P Global.

Evolution of Analysts' EPS Estimates are shown below:



Source: MarketScreener, S&P Global.

CAPITAL STRUCTURE

The following table illustrates UPS's capital structure. UPS's net debt has been decreasing in recent years and reached €15.0bn in 2024 (1.2x ND/EBITDA).

Capital Structure (US\$m)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Long-Term Debt and Finance Leases	12,394	20,278	19,931	21,818	22,031	19,784	17,321	18,916	19,446
Short-Term Debt	3,681	4,011	2,805	3,420	2,623	2,131	2,341	3,348	1,838
Total Debt	16,075	24,289	22,736	25,238	24,654	21,915	19,662	22,264	21,284
Cash, cash equivalents and market. securities	5,043	4,552	5,205	5,765	6,341	10,593	7,595	6,072	6,318
Net debt / (cash)	11,032	19,737	17,531	19,473	18,313	11,322	12,067	16,192	14,966
Net debt / EBITDA adj.	1.1x	2.0x	1.8x	1.9x	1.6x	0.7x	0.7x	1.2x	1.2x
Non-controlling interest	24	30	16	16	12	16	17	8	25

Source: Company information

Contractual obligations and provisions

UPS provisions and employee benefit obligations significantly declined (due to UPS contributions and higher rates) since 2016. At year end 2024 UPS had provisions, employee benefits and self-insurance reserves of USD 11.2 billion. The following table illustrates a breakdown since 2016.

Provisions & Other Liabilities (US\$m)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Pension and RBO, non-current	12,694	7,061	8,347	10,601	15,817	8,047	4,807	6,159	6,859
Pension and RBO, current	598	677	715	793	927	1,038	1,076	1,479	1,390
Self-insurance reserves	2,464	2,470	2,381	2,196	2,704	2,903	2,887	2,946	2,981
Total pension and self-insurance reserves	15,756	10,208	11,443	13,590	19,448	11,988	8,770	10,584	11,230

Source: Company information, Listed Leaders financial model

Off-balance sheet liabilities

Purchase commitments

As at 31 December 2024, UPS had USD 6.2 billion of purchase commitments which represent contractual agreements for certain capital expenditures and pending acquisitions, that are legally binding, including contracts for aircraft, vehicles and facility construction projects.

GROWTH PLAN FUNDING

UPS has a labour-intensive business with 490,000 employees as of 2024. Ai, automation, robotics, drones, autonomous vehicles will make a huge impact on UPS.

According to UPS, the capitalised cost of each employee (NPV of future payments) is \$750,000. Technology and automation investments will inevitably lead to a reduction in UPS workforce.

Assuming a normal career span of 40 years, UPS has a natural loss / retirement of ca. 12,000 employees per year. Over time, this may help to manage the gradual run-off in employee numbers in alignment with automation investments.

RATINGS SUMMARY

S&P Global Ratings: A/stable (Long-Term Issuer Credit Rating).

In June 2024, S&P affirmed UPS's 'A' rating with a stable outlook, citing the company's robust market position and consistent cash flow generation. S&P Global Ratings: S&P's affirmation of the 'A' rating reflects UPS's leading position in the global logistics industry, diversified revenue streams, and effective cost management strategies. The stable outlook indicates expectations of continued operational stability and financial discipline.

Moody's Investors Service: A2/stable (Long-Term Issuer Credit Rating).

In January 2025, Moody's affirmed UPS's A2 rating with a stable outlook, highlighting the company's strong operating performance and prudent financial management. Moody's notes that UPS's A2 rating is supported by its substantial scale, extensive network, and consistent profitability. The stable outlook suggests that the company is well-positioned to navigate industry challenges and maintain its credit profile.

DIVIDEND POLICY AND SHARE BUYBACKS

Summary of share buybacks, issuances and dividends is shown below:

Dividends and Share Buyback / Issuance (US\$m)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Dividend (CFS)	(2,643)	(2,771)	(3,011)	(3,194)	(3,374)	(3,437)	(5,114)	(5,372)	(5,399)
Purchases of common stock	(2,678)	(1,813)	(1,011)	(1,004)	(224)	(500)	(3,500)	(2,250)	(500)
Issuance of common stock	245	247	240	218	285	251	262	248	232
Dividends Declared Per Share (DPS)	3.1	3.3	3.6	3.8	4.0	3.9	5.9	6.3	6.3
Net income payout	81%	59%	66%	75%	262%	27%	44%	80%	94%
Basic weighted average shares diluted	887	875	870	869	871	878	875	860	856

Source: Company information

Dividends

UPS maintains a consistent and shareholder-friendly dividend policy, aiming to return a meaningful portion of earnings to investors:

- Regular Dividends: UPS pays quarterly dividends, and has increased its dividend annually for over a decade.
- Payout Ratio: Historically targets a payout ratio of 50–60% of adjusted net income.

2025 Outlook:

UPS has signaled intentions to maintain or modestly grow the dividend, prioritizing consistent shareholder returns even with capital-intensive investments in automation and network efficiency.

Share buyback

UPS from time-to-time repurchases shares.

UPS repurchased 3.9, 12.8 and 19.0 million shares of class B common stock for \$500 million, \$2.3 billion and \$3.5 billion during the years ended December 31, 2024, 2023 and 2022, respectively. These repurchases were completed as follows:

- In August 2021, the Board of Directors authorized the company to repurchase up to \$5.0 billion of class A and class B common stock (the "2021 Authorization"). The share repurchases discussed above for the year ended December 31, 2022 were completed under this authorization. For the year ended December 31, 2023, UPS repurchased 0.5 million shares of class B common stock for \$82 million under this authorization.
- In January 2023, the Board of Directors terminated the 2021 Authorization and approved a new share repurchase authorization for \$5.0 billion of class A and class B common stock (the "2023 Authorization"). The share repurchases discussed above for the year ended December 31, 2024 were completed under the 2023 Authorization. For the year ended December 31, 2023, UPS repurchased 12.3 million shares for \$2.2 billion under the 2023 Authorization. As of December 31, 2024, UPS had \$2.3 billion available under this repurchase authorization.

In February 2025, UPS entered into an accelerated share repurchase agreement for \$1.0 billion worth of shares. This agreement is expected to settle in the first quarter of 2025. UPS does not anticipate further share repurchases in 2025.

Unless terminated earlier by the Board of Directors, this program will expire when UPS purchases all shares authorized for repurchase under the program.

Share issuance – Acquisition- and growth-related equity issuances

UPS has not issued new shares in any material way. UPS new share issuance is related to employee stock ownership plans. Its capital strategy emphasizes shareholder returns and capital efficiency, with net share count trending downward over the last 10 years.

VI. Valuation

METHODOLOGY

We consider the following valuation methodologies for UPS:

- Unlevered and/or levered discounted cash flow (DCF) with projections until 2045 and a terminal value assumption;
- Peer group trading financial multiple comparisons (P/E, EV/ EBITDA, P/BV, free cash flow yield, dividend yield), comparing these to various measures of growth in earnings;
- A sum-of-the-parts (SOTP) approach, using a combination of methods such as: EV/ EBITDA, DCF, and market value of quoted securities where appropriate.

PEER GROUP TRADING MULTIPLES VALUATION

In performing any kind of comparative analysis, selecting the appropriate peer group is an important first task. We consider the following two peer groups for UPS:

- (1) Key peers (parcel delivery): Fedex, DHL.
- (2) Secondary peers (supply chain solutions): XPO, Expeditors, C.H. Robinson Worldwide.

Trading multiples and financial benchmarking are shown below:

\$m, latest reported	UPS	Fedex	DHL	XPO	Expeditors	C.H. RW
Market cap	74,472	54,300	57,072	16,290	15,290	12,190
Net debt	14,966	15,077	18,066	3,141	(1,148)	1,232
Provisions	11,230	1,698	5,754	85	0	0
Other EV adj.	25	0	417	0	3	0
Enterprise Value	100,693	71,075	81,309	19,516	14,145	13,422
Equity book value	16,718	28,074	24,210	1,640	2,223	1,722
2025 figures						
Revenue	88,856	87,926	100,820	8,031	10,390	16,654
EBITDA	12,582	10,384	12,758	1,258	1,013	873
EBIT	8,426	6,120	7,083	780	949	770
Net income	5,347	4,092	4,040	386	727	558
Capex	3,500	4,055	3,497	644	48	75
EBITDA margin	14.2%	11.8%	12.7%	15.7%	9.7%	5.2%
EBIT margin	9.5%	7.0%	7.0%	9.7%	9.1%	4.6%
Cash conversion	72.2%	60.9%	72.6%	48.8%	95.3%	91.4%
EV/EBITDA 2025	8.0	6.8	6.4	15.5	14.0	15.4
P/E 2025	13.9	13.3	14.1	42.2	21.0	21.8
ROE	32%	15%	17%	24%	33%	32%
Net financial debt / EBITDA	1.2	1.5	1.4	2.5	-1.1	1.4
Economic net debt / EBITDA	2.1	1.6	1.9	2.6	-1.1	1.4

Source: Company information, Marketscreener, ListedLeaders 13/8/2025.

As shown in the table, UPS trades at a premium to Fedex and DHL on EV / EBITDA basis and in-line on P/E basis. Premium is explained by the higher returns achieved by UPS (ROE) compared to Fedex and DHL.

Supply chain solutions peers all trade on significantly higher EV/EBITDA and P/E multiples and achieve higher ROE.

We do not calculate the implied value to UPS based on peers trading multiples due to the limited universe. UPS is attractively priced compared to its peers on the assumption that it can sustain its superior returns (ROE) in the future.

DCF OPERATING ASSUMPTIONS AND PROJECTIONS

Key valuation assumptions

- Forecast period until 2045
- 2025 revenue in line with the company guidance (USD 89 billion)
- Valuation date Dec-2024
- Andlauer Healthcare Group acquisition announced in 2025 (pending) not modelled
- Valuation under different scenarios, reflecting diverging future outlooks
- Assume phase-out of 50% of Amazon volumes by mid-2026
- All scenarios assume further reduction in the workforce by 2028

Key scenario assumptions are shown below:

- **Status Quo:** Base case, volumes growth in line with past growth, price with CPI, opex and resource efficiency below company targets
- **Downside:** slower volume and price/CPI growth, -4.5% 2026 one-off volume decline recession impact, slow resource efficiency gains, higher discount rates and lower exit multiple
- **Recession:** LT volume growth in line with Status quo, -4.5% 2026 one-off volume decline recession impact, faster resource efficiency gains, higher discount rates and lower exit multiple
- **Upside:** faster future volume growth, strong resource efficiency gains, re-rating
- **Value Creation Plan:** same as Status Quo + strong resource efficiency gains, re-rating

Scenario name	Status Quo	Downside	Recession	Upside	Value Creation Plan
Summary Assumptions					
Volume Growth (2025 - 2045)					
U.S. Domestic Package (excl. Amazon)	1.0%	0.0%	1.0%	2.1%	1.0%
International	1.7%	1.0%	1.0%	1.7%	1.7%
Recession 2026 one-off volume impact	0.0%	-4.5%	-4.5%	0.0%	0.0%
Price Growth @ CPI					
	2-2.5%	1.9%	1.9%	2-2.5%	2-2.5%
Opex					
Resource efficiency gain '28-23 ADV/US employees	5	3	6	9	10
Target 2028 employees	443,383	427,523	425,525	444,374	424,328
Target leverage (debt / adj. EBITDA)	2.10	2.00	2.00	2.50	2.50
DCF WACC	7.5%	8.5%	8.5%	6.5%	6.5%
Levered IRR cost of equity	9.0%	11.0%	11.0%	7.0%	7.0%
Exit EV/EBITDA: long-hold valuation (2045)	8.0x	6.0x	6.0x	12.0x	12.0x
Exit EV/EBITDA (implied): Exit valuation (2030)	8.3x	6.4x	6.7x	12.4x	13.2x

Key operating and financial projections are shown below (“Status Quo Scenario”):

Operating Data	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	CAGR '24-35	'26-35
Average Daily Package Volume (in thousands)	22,418	21,544	20,673	20,989	21,314	21,646	21,987	22,337	22,696	23,065	23,443	23,832	0.6%	1.6%
U.S. Domestic Package (in thousands)	19,161	18,232	17,304	17,563	17,829	18,103	18,383	18,672	18,969	19,274	19,588	19,911	0.3%	1.6%
International Package (in thousands)	3,257	3,312	3,369	3,426	3,484	3,543	3,604	3,665	3,727	3,791	3,855	3,921	1.7%	1.7%
Average Revenue Per Piece (\$)	13.60	14.28	14.89	15.24	15.56	15.86	16.17	16.48	16.79	17.11	17.44	17.77	2.5%	2.0%
Employees	490,000	468,947	448,511	445,760	443,383	449,793	456,362	463,096	470,003	477,088	484,359	491,823		
Summary Income Statement (US\$m)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	CAGR '24-35	'26-35
Revenue	91,070	88,856	89,180	92,485	95,737	98,920	102,221	105,646	109,199	112,886	116,713	120,687	2.6%	3.4%
ow from Amazon	10,746	8,277	5,662	6,087	6,532	6,996	7,493	8,025	8,595	9,205	9,859	10,558	-0.2%	7.2%
ow other	80,324	80,579	83,518	86,398	89,204	91,924	94,728	97,621	100,604	103,681	106,855	110,128	2.9%	3.1%
EBITDA														
U.S. Domestic Package	6,815													
International Package	3,968													
Supply Chain & Freight	1,294													
EBITDA	12,077	11,947	13,137	14,551	15,971	16,436	16,914	17,406	17,913	18,434	18,970	19,522	4.5%	4.5%
EBITDA adj.	12,503	12,582	13,884	14,757	16,068	16,436	16,914	17,406	17,913	18,434	18,970	19,522		
<i>margin, %</i>	13.7%	14.2%	15.6%	16.0%	16.8%	16.6%	16.5%	16.5%	16.4%	16.3%	16.3%	16.2%		
EBIT														
U.S. Domestic Package	4,345													
International Package	3,191													
Supply Chain & Freight	932													
EBIT	8,468	7,791	9,167	11,189	12,645	13,099	13,466	13,843	14,229	14,626	15,033	15,451		
EBIT adj.	8,894	8,426	9,914	11,395	12,742	13,099	13,466	13,843	14,229	14,626	15,033	15,451	5.1%	5.1%
<i>adj. margin, %</i>	9.8%	9.5%	11.1%	12.3%	13.3%	13.2%	13.2%	13.1%	13.0%	13.0%	12.9%	12.8%		
Investment income (expense) and other	(160)	95	82	135	116	123	123	93	93	94	94	95		
Interest expense	(866)	(896)	(965)	(1,218)	(1,428)	(1,681)	(1,845)	(1,898)	(1,954)	(2,010)	(2,069)	(2,129)		
Income Before Income Taxes	7,442	6,989	8,283	10,106	11,332	11,541	11,744	12,037	12,369	12,709	13,058	13,416		
Income tax expense	(1,660)	(1,642)	(1,855)	(2,264)	(2,538)	(2,585)	(2,631)	(2,696)	(2,771)	(2,847)	(2,925)	(3,005)		
Net income	5,782	5,347	6,428	7,842	8,794	8,956	9,114	9,341	9,598	9,862	10,133	10,411	5.5%	5.5%
Diluted Earnings Per Share	6.8	6.3	7.7	10.1	12.0	13.1	14.4	15.4	16.6	17.9	19.4	21.0	10.9%	11.8%
Cash Flow & Debt (US\$m)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	CAGR '24-35	'26-35
Cash flow from ops. before WC movement	9,880													
Change in working capital	242													
Net cash from operating activities	10,122	9,025	9,487	10,606	11,853	12,079	12,351	12,686	13,056	13,436	13,828	14,231	3.1%	4.6%
Capital expenditures	(3,909)	(3,500)	(3,513)	(3,643)	(5,266)	(5,441)	(5,622)	(5,811)	(6,006)	(6,209)	(6,419)	(6,638)	4.9%	7.3%
Acquisitions and divestments, net	1,044	0	0	0	0	0	0	0	0	0	0	0		
Dividends	(5,399)	(5,405)	(5,333)	(5,272)	(4,900)	(4,628)	(4,557)	(4,670)	(4,799)	(4,931)	(5,067)	(5,205)	-0.3%	-0.3%
Purchases of common stock, net	(268)	(1,000)	(873)	(5,497)	(4,185)	(4,981)	(5,154)	(3,181)	(3,255)	(3,330)	(3,405)	(3,482)		
Other	(215)													
Effect of FX Changes on Cash and Cash Eqv.	(149)	0	0	0	0	0	0	0	0	0	0	0		
Net change in cash / (debt)	1,226	(881)	(231)	(3,805)	(2,498)	(2,971)	(2,982)	(976)	(1,004)	(1,034)	(1,064)	(1,094)		
Net financial debt / (cash)	14,966	15,847	16,078	19,883	22,381	25,352	28,333	29,309	30,314	31,347	32,411	33,505		
Net financial debt / EBITDA adj.	1.2x	1.3x	1.2x	1.4x	1.4x	1.5x	1.7x	1.7x	1.7x	1.7x	1.7x	1.7x		
Free cash flow	6,213	5,525	5,974	6,963	6,587	6,638	6,729	6,876	7,050	7,227	7,409	7,593		
Shares outstanding (m)	856	845	835	776	733	684	635	606	578	550	523	495	-4.8%	-5.6%
FCF / share	7.26	6.54	7.16	8.97	8.99	9.71	10.60	11.34	12.20	13.14	14.17	15.32	7.0%	8.8%
ROE	35%	34%	40%	61%	69%	75%	80%	72%	66%	61%	57%	54%		

Source: Company information, ListedLeaders financial model.

DCF AND LEVERED IRR VALUATION FRAMEWORK

Based on discounted cash flows and the different scenarios, UPS share price fair value may range from \$71/share to \$240/share.

- Downside / recession scenarios: value at \$70-90/share.
- Status quo scenario: value at \$130/share.
- Upside and Value Creation Plan scenario: value at \$200-250/share.

The Value Creation Plan scenario will only materialise on the basis of UPS restoring market confidence on the basis of a revised strategy and ensuring execution. Automation and resource efficiency gains drive key

upside with the number of employees declining by 65,000 by 2028 (see assumptions and Strategic Options section).

Annual shareholder returns (including the dividend) – see IRR at entry price – are positive going forward under all scenarios and range from 9% to 17% on a long-hold basis and 4% to 35% on a 4-5 year investment horizon.

Summary of preliminary valuation under the different scenarios is shown below:

Scenario name		Status Quo	Downside	Recession	Upside	Value Creation Plan
Current share price	\$	87.0	87.0	87.0	87.0	87.0
Levered IRR project life valuation						
Equity Value - 100%	\$m	110,832	62,917	77,048	204,199	199,181
Net financial debt	\$m	14,966	14,966	14,966	14,966	14,966
Provisions and EV adjustments	\$m	11,255	11,255	11,255	11,255	11,255
Enterprise Value	\$m	137,053	89,138	103,269	230,420	225,402
Price per share	\$	129.5	73.5	90.0	238.5	232.7
<i>Upside/(downside)</i>	%	49%	(16%)	3%	174%	167%
<i>EV / Adj. 2025 EBITDA</i>	x	11.5	7.5	8.5	18.3	18.0
<i>5 year dividend yield</i>	%	7.6%	10.1%	9.7%	5.5%	5.7%
DCF valuation - price per share	\$	132.12	71.95	91.74	234.79	228.52
<i>Upside/(downside)</i>	%	52%	(17%)	5%	170%	163%
IRR at entry price						
Asset life - Unlevered IRR	%	10.4%	7.2%	8.9%	13.3%	13.2%
Asset life - Levered long-hold (2045)	%	13.1%	8.8%	11.1%	17.3%	17.2%
Exit valuation - Levered IRR	%	17.7%	4.3%	9.9%	33.1%	34.7%
Exit valuation - Levered MoM	x	1.96	1.18	1.46	3.33	3.53
Key metrics						
ROE (2025-2035 avg)		61%	38%	49%	325%	-4344%
ADV CAGR (2024-2035)		0.6%	-0.8%	0.1%	1.9%	0.6%
Revenue CAGR (2024-2035)		2.6%	1.2%	1.9%	3.6%	2.6%
Operating margin (2025-2035 avg)		12.5%	11.3%	12.4%	13.6%	14.5%
EPS CAGR (2024-2035)		10.9%	4.6%	9.1%	16.0%	15.1%
FCF / share CAGR (2024-2035)		7.0%	0.7%	5.3%	12.0%	11.6%
Gross det / EBITDA (2025-2035 avg)		1.98	1.94	1.91	2.30	2.30
Adj. Net debt / EBITDA (2025-2035 avg)		1.55	1.49	1.48	1.82	1.83
Economic Net debt / EBITDA (2025-2035 avg)		2.25	2.32	2.22	2.44	2.46
2028 vs. 2024 employee change		(46,617)	(62,477)	(64,475)	(45,626)	(65,672)

Source: Company information, ListedLeaders financial model.

SOTP IMPLIED VALUATION

Indicative and simplified SoTP valuation is shown below:

<i>\$ millions</i>	@current market cap	@DCF value	Note
U.S Domestic	50,284	74,540	
2024 EBITDA	6,986	6,986	
EV / 2024 EBITDA	7.2x	10.7x	Assume the same multiple for U.S. and Int.
International	29,777	44,142	
2024 EBITDA	4,137	4,137	
EV / 2024 EBITDA	7.2x	10.7x	Assume the same multiple for U.S. and Int.
Total Gloal Package	80,061	118,682	
Supply Chain Solutions	20,632	20,632	
2024 EBITDA	1,380	1,380	
EV / 2024 EBITDA	15.0x	15.0x	Average of XPO, Expeditors and C.H. RW
Total EV	100,693	139,314	
Net financial debt	(14,966)	(14,966)	
Provisions	(11,230)	(11,230)	
Other EV adjustments	(25)	(25)	
Total equity value	74,472	113,093	
Per share (\$)	87	132	

Source: Company information, ListedLeaders financial model.

BROKERS VIEWS ON THE COMPANY AND APPROACH TO VALUATION

To be analysed.

VII. Governance and Stakeholder Objectives

BOARD AND KEY MANAGEMENT OVERVIEW

Composition of the Board of Directors and the committees

As of May 2025, United Parcel Service (UPS) maintains a 13-member Board of Directors. Below is a summary of the board members, including their roles, dates of appointment, and, where available, their holdings in UPS stock. Board members are subject to annual re-election.

Name	Role / Function	Joined Board	Other Key Directorships	Key Management Positions	Stake in UPS
William R. Johnson	Independent Director; Governance & Executive Chair	2009	Former CEO of H.J. Heinz Company	Chairman of Board at UPS	Not disclosed
Carol B. Tomé	CEO; Member	2003	Verizon Communications Inc.; previously Cisco Systems; various non-profits	CEO of UPS since June 2020; former CFO, The Home Depot	~152,000 Class A shares (~0.02%)
Rodney C. Adkins	Lead Independent Director; Risk Committee Chair	2013	Chairman of Avnet Inc.; Board member of PayPal and W.W. Grainger	Former SVP, IBM; president of 3RAM Group LLC	~17,000 shares
Eva Boratto	Independent Director; Audit Committee Chair	2020	CFO, Bath & Body Works (current); ex-CFO CVS Health	CFO roles at Opentrons Labworks and CVS Health	Not disclosed publicly
Kevin M. Warsh	Independent Director; Governance & Compensation Chair	2012	Fellow, Hoover Institution; ex-Fed Reserve Governor	Former Federal Reserve governor	~17,379 shares
Wayne Hewett	Independent Director; Audit Committee Member	2020	Board member at Home Depot, Wells Fargo	Ex-GE executive; senior advisor at Permira	Not publicly disclosed
Franck J. Moison	Independent Director; Nominating committee member	2017	Former Vice Chairman, Colgate-Palmolive	Senior executive at Colgate-Palmolive	Not publicly disclosed
Russell Stokes	Independent Director; Compensation & Governance	2020	CEO, GE Aerospace Commercial Engines & Services	GE Aerospace leadership role	538 shares
Christiana Smith Shi	Independent Director; Compensation Chair	2018	Founder, Lovejoy Advisors LLC; ex-President DTC, Nike	Nike exec role	5,855 shares
Angela Hwang	Independent Director; Audit Committee member	2020	CCO & President, Global Biopharma Business at Pfizer	Pfizer leadership role	Not publicly disclosed
Kate Johnson	Independent Director; Governance & Risk Committee	2020	CEO of Lumen Technologies; ex-Microsoft & GE roles	CEO, Lumen Technologies	Not publicly disclosed
Kevin P. Clark	Independent Director; Audit Committee member	2025	Chairman & CEO, Aptiv PLC	CEO, Aptiv (auto parts tech)	Not publicly disclosed
John Morikis	Independent Director; to join Audit Committee	2025	Former President & CEO, Sherwin-Williams	CEO role at Sherwin-Williams	Not publicly disclosed

Source: Company information.

Executive Management

The following table describes members of the current executive management.

Name	Function (Since)	Joined UPS (Core Experience)	Education	Other Current Management Roles	Beneficial Stake
Carol B. Tomé	CEO (since June 2020)	UPS board member since 2003; ex-CFO & EVP Corporate Services at Home Depot (2001–2019)	BA, University of Wyoming; MBA, University of Denver	Board of Directors: UPS; Verizon Communications; Engage Ventures, Grady Memorial Hospital boards	455,058 shares total (Class A 442,022 + Class B 13,036) approx. 0.02% of outstanding shares
Brian Dykes	CFO & Executive VP (appointed ~2024)	Joined from prior finance roles; joined UPS in 1999	BA, University of Georgia and an MBA, Emory University	Executive VP & CFO, no external boards noted	19,529 shares (Class A) ~0.0016% ownership
Nando Cesarone	EVP & President, U.S. and UPS Airline (since ~2018)	Various operational leadership roles at UPS. Joined the company in 1990	BA, York University, and MBA, Edinburgh School of Business	Executive VP leadership; U.S. operations & airline	72,271 Class A + 1 Class B shares = 72,272 total (~0.0048%)
Kathleen M. "Kate" Gutmann	EVP & President, International, Healthcare & Supply Chain Solutions (since ~2021)	Joined UPS in 1989	BA, Siena College	Executive Leadership Team - oversees all of the company's business operations outside of U.S. small package; no external boards cited	176,861 Class A shares (~0.011% stake)
Bala Subramanian	EVP & Chief Digital & Technology Officer (since ~2022)	Prior similar roles at Best Buy and AT&T	MBA, Duke University; MSc electrical engineering from the University of Oklahoma	Executive VP & technology leadership	26,947 Class A shares (~0.0025%)
Norman M. Brothers Jr.	EVP & Chief Legal, Compliance Officer & Corporate Secretary (since ~2014)	Long-time UPS in-house legal executive (since 2000)	BA, University of Pennsylvania and law degree, Emory University	Executive VP legal & compliance	~0.0056% ownership
Darrell L. Ford	EVP, Chief Human Resources Officer (since ~2020)	Prior to UPS, was CHRO at DuPont	BA, MBA and Juris Doctor from Rutgers University	Executive VP HR	~0.0027% ownership
Matthew Guffey	EVP & Chief Commercial & Strategy Officer (tenure unspecified)	Joined UPS in 2000	BA, Millikin University	Executive VP commercial strategy	0.00061% ownership

Source: Company information

Remuneration structure

The table below illustrates 2024 compensation structure for the management team members.

Name and Principal Position	Year	Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾	Stock Awards (\$) ⁽³⁾	Option Awards (\$) ⁽⁴⁾	Non-Equity Incentive Plan Compensation (\$) ⁽⁵⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) ⁽⁶⁾	All Other Compensation (\$) ⁽⁷⁾	Total (\$)
Carol Tomé Chief Executive Officer	2024	1,509,713	—	18,283,138	1,358,768	2,747,677	—	164,681	24,063,977
	2023	1,509,713	—	18,916,192	1,358,762	1,509,713	—	95,671	23,390,051
	2022	1,466,250	—	15,046,968	1,228,547	1,035,932	—	187,504	18,965,201
Brian Dykes Chief Financial Officer	2024	619,553	—	2,500,130	103,515	758,713	0	117,856	4,099,767
Brian Newman Former Chief Financial Officer	2024	349,052	—	4,708,740	418,893	438,340	—	1,900,756	7,815,781
	2023	831,626	—	5,551,095	406,692	481,692	—	70,965	7,342,070
	2022	784,377	—	5,563,543	382,755	364,363	—	94,203	7,189,241
Nando Cesarone President U.S. and UPS Airline	2024	867,501	—	3,901,807	424,211	914,499	—	119,314	6,227,332
	2023	840,254	—	4,686,065	407,924	487,837	—	99,161	6,521,241
	2022	768,042	—	4,348,893	351,117	364,278	—	107,812	5,940,142
Kate Gutmann President International, Healthcare and Supply Chain Solutions	2024	867,501	—	3,901,807	424,211	914,499	0	148,472	6,256,490
	2023	840,254	—	4,686,065	407,924	487,837	3,786,483	152,958	10,361,521
	2022	781,197	—	4,674,444	377,426	364,278	—	20,676	6,218,021
Bala Subramanian Chief Digital and Technology Officer	2024	790,556	250,000	3,555,753	386,601	833,385	—	79,671	5,895,966
	2023	766,622	500,000	4,139,164	373,540	444,566	—	76,370	6,300,262
	2022	330,853	250,000	6,928,392	—	—	—	932	7,510,177

Source: Company information

KEY SHAREHOLDERS AND OWNERSHIP STRUCTURE

Please find below the top 15 shareholders as of March 2025.

Owner	Market Value	% of Marketcap	Shares Held	% of Holdings	Date
VANGUARD GROUP INC	\$ 6.75B	7.90%	66,905,138	0.11%	2025-06-30
BlackRock, Inc.	\$ 5.06B	5.92%	50,149,680	0.10%	2025-06-30
State Street Corporation	\$ 3.11B	3.63%	30,774,530	0.12%	2025-06-30
CHARLES SCHWAB INVESTMENT MANAGE...	\$ 2.60B	3.05%	25,792,139	0.45%	2025-06-30
GEODE CAPITAL MANAGEMENT, LLC	\$ 1.68B	1.96%	16,623,834	0.12%	2025-06-30
FMR LLC	\$ 1.65B	1.93%	16,335,235	0.09%	2025-06-30
Morgan Stanley	\$ 975.63M	1.14%	9,665,482	0.06%	2025-06-30
JPMorgan Chase & Co.	\$ 966.98M	1.13%	9,579,701	0.06%	2025-06-30
Bank of America Corporation	\$ 873.24M	1.02%	8,651,119	0.06%	2025-06-30
NORGES BANK	\$ 851.84M	1.00%	8,439,091	0.11%	2025-06-30
Northern Trust Corporation	\$ 754.10M	0.88%	7,470,754	0.10%	2025-06-30
VICTORY CAPITAL MANAGEMENT INC	\$ 744.23M	0.85%	7,230,273	0.48%	2025-06-30
The Goldman Sachs Group, Inc.	\$ 688.42M	0.81%	6,820,100	0.09%	2025-06-30
UBS Group AG	\$ 642.15M	0.75%	6,361,749	0.11%	2025-06-30
Invesco Ltd.	\$ 578.47M	0.68%	5,730,804	0.10%	2025-06-30

Source: Koyfin 22/8/2025

Insider Ownership and Transactions

On 1 August and 31 July, respectively, Carol Tome and William Johnson acquired shares in UPS. Insider transactions are shown below:

#	View Form	Insider Statistics					Filer Name	Insider Title	Trans Type	Dollar Value	Shares Traded	Trans Date From	Trans Date To	Trans Price From	Trans Price To	Total Holdings	Delta % Owned	Owned	Other Info	Input Date	
		T	N	H	M	S															
1		1y	3	67%	36%	2	TOME CAROL B	CEO,DIR	B	\$1,000,816	11,682	---	8/1/25	---	\$85.67	24,718	89.6	D	---	8/1/25 - 4:27:58 pm	
2		1y	1	0%	-19%	4	JOHNSON WILLIAM B	DIR	B	\$432,477	5,000	---	7/31/25	---	\$86.50	10,160	96.9	D	---	8/1/25 - 4:28:00 pm	
3							MORIKIS JOHN G	DIR	3	---	---	---	6/2/25	---	---	1,576	---	D	---	6/3/25 - 4:21:52 pm	
4							DYKES BRIAN M	VP,CFO	JS	\$135,893	1,181	---	3/24/25	---	\$115.10	13,945	-7.8	D	R	3/25/25 - 4:52:28 pm	
5							DYKES BRIAN M	VP,CFO	JB	---	2,639	---	3/24/25	---	---	15,125	21.1	D	R	3/25/25 - 4:52:28 pm	
6							CLARK KEVIN P	DIR	3	---	---	---	3/3/25	---	---	80	---	I	---	3/4/25 - 4:12:13 pm	
7							CLARK KEVIN P	DIR	3	---	---	---	3/3/25	---	---	51	---	I	---	3/4/25 - 4:12:13 pm	
8							CLARK KEVIN P	DIR	3	---	---	---	3/3/25	---	---	67	---	I	---	3/4/25 - 4:12:13 pm	
9							CLARK KEVIN P	DIR	3	---	---	---	3/3/25	---	---	15	---	I	---	3/4/25 - 4:12:13 pm	
10							TOME CAROL B	CEO,DIR	JS	\$1,258,982	9,984	---	2/14/25	---	\$126.10	167,224	-5.6	D	---	2/18/25 - 4:36:43 pm	
11							TOME CAROL B	CEO,DIR	JB	---	24,930	---	2/14/25	---	---	177,208	16.4	D	---	2/18/25 - 4:36:43 pm	
12							SUBRAMANIAN BALA	CTO	JS	\$391,414	3,104	---	2/14/25	---	\$126.10	21,086	-12.8	D	---	2/18/25 - 4:36:42 pm	
13							SUBRAMANIAN BALA	CTO	JB	---	7,773	---	2/14/25	---	---	24,190	47.3	D	---	2/18/25 - 4:36:42 pm	
14							GUTMANN KATHLEEN M	PR	JS	\$283,977	2,252	---	2/14/25	---	\$126.10	96,300	-2.3	D	---	2/18/25 - 4:36:41 pm	
15							GUTMANN KATHLEEN M	PR	JB	---	7,430	---	2/14/25	---	---	98,552	8.2	D	---	2/18/25 - 4:36:41 pm	
16							GUFFEY MATTHEW W	O	JS	\$79,947	634	---	2/14/25	---	\$126.10	5,154	-11.0	D	---	2/18/25 - 4:36:40 pm	
17							GUFFEY MATTHEW W	O	JB	---	1,416	---	2/14/25	---	---	5,788	32.4	D	---	2/18/25 - 4:36:40 pm	
18							FORD DARRELL L	HR	JS	\$280,573	2,225	---	2/14/25	---	\$126.10	22,442	-9.0	D	---	2/18/25 - 4:36:38 pm	
19							FORD DARRELL L	HR	JB	---	4,866	---	2/14/25	---	---	24,667	24.6	D	---	2/18/25 - 4:36:38 pm	
20							DYKES BRIAN M	VP,CFO	JS	\$98,106	778	---	2/14/25	---	\$126.10	12,480	-5.9	D	---	2/18/25 - 4:36:36 pm	
21							DYKES BRIAN M	VP,CFO	JB	---	1,633	---	2/14/25	---	---	13,258	14.0	D	---	2/18/25 - 4:36:36 pm	
22							CESARONE NANDO	PR,OO	JS	\$395,324	3,135	---	2/14/25	---	\$126.10	40,550	-7.2	D	---	2/18/25 - 4:36:35 pm	
23							CESARONE NANDO	PR,OO	JB	---	6,912	---	2/14/25	---	---	43,685	18.8	D	---	2/18/25 - 4:36:35 pm	
24							BROTHERS NORMAN M JR	LO,CO	JS	\$289,021	2,292	---	2/14/25	---	\$126.10	47,837	-4.6	D	---	2/18/25 - 4:36:33 pm	
25							BROTHERS NORMAN M JR	LO,CO	JB	---	5,023	---	2/14/25	---	---	50,129	11.1	D	---	2/18/25 - 4:36:33 pm	
26							GUFFEY MATTHEW W	O	JS	\$81,459	713	---	2/3/25	---	\$114.23	4,372	-14.0	D	R	2/4/25 - 4:13:24 pm	
27							GUFFEY MATTHEW W	O	JB	---	1,473	---	2/3/25	---	---	5,085	40.8	D	R	2/4/25 - 4:13:24 pm	
28							GUTMANN KATHLEEN M	PR	JS	---	3,732	---	11/26/24	---	---	91,090	-3.9	D	---	11/27/24 - 4:11:09 pm	
29							CESARONE NANDO	PR,OO	S	\$1,371,022	10,000	---	11/25/24	---	\$137.10	36,769	-21.4	D	---	11/27/24 - 4:11:13 pm	
30							BROTHERS NORMAN M JR	LO,CO	S	\$1,015,009	7,325	---	11/25/24	---	\$138.57	---	---	All	D	---	11/27/24 - 4:11:11 pm
31							LANE LAURA J	O	JS	---	1,175	---	8/8/24	---	---	25,282	-4.4	D	---	8/9/24 - 4:26:32 pm	
32							JOHNSON WILLIAM B	DIR	B	\$643,035	5,000	---	7/25/24	---	\$128.61	5,160	3,125.0	D	---	7/25/24 - 4:17:02 pm	

Source: InsiderInsights 22/8/2025

DUAL SHARE STRUCTURE AND GOVERNANCE

UPS has two classes of common stock, which are distinguished from each other primarily by their respective voting rights. Class A shares are entitled to 10 votes per share, whereas class B shares are entitled to one vote per share.

Class A shares are primarily held by UPS employees and retirees, as well as trusts and descendants of the Company's founders, and these shares are fully convertible into class B shares at any time. Class B shares are publicly traded on the New York Stock Exchange under the symbol "UPS".

As of December 31, 2024, there were 4.6 billion class A shares and 5.6 billion class B shares authorized to be issued. UPS has 121 million of Class A shares and 733 million of Class B shares outstanding. Whilst class A shares account for 14% of economic rights, they account for 62% of voting rights.

As of February 3, 2025, there were 155,418 and 19,626 shareowners of record of UPS class A and class B common stock, respectively.

VIII. Strategic Options

UPS STRATEGY OVERVIEW

UPS strategy moved from expansion mindset in 2015–2020 under the “United Problem Solvers” strategy (prior to Carol Tomé) to “Better, not Bigger” from 2020 to 2023 (profit quality over raw volume) to “Better and Bolder” from 2024 onwards (get more selective and go after premium share, while lowering cost-to-serve via automation and network redesign and focusing on faster execution). In 2025, the strategy faced a further set-back with the announced planned phase-out of 50% of Amazon’s volumes, requiring significant network redesign and cost cuts.

Summary of UPS strategic priorities is presented below:

- (i) Strategic objectives
 - a. 2015-2020: “United Problem Solvers”.
 - b. 2020-2023: “Better, not Bigger”.
 - c. 2024 onwards: “Better and Bolder”.
 - d. 2025: Amazon volume phase-out set-back.
- (ii) “One UPS”: Offer end-to-end product to customers (supply chain solutions to last-mile logistics), which allows to differentiate vs. other platforms.
- (iii) Growth focus.
 - a. International Package: seek to expand international capabilities (Mexico nearshoring, Asia diversification). International premium market is an underpenetrated \$50 billion market and UPS seeks to grow above the market growth rate (i.e. take market share) organically and through acquisitions.
 - b. UPS Healthcare: Complex Healthcare is an underpenetrated \$80bn market. UPS targets to double its revenue from \$10bn in 2024 to \$20bn in 2026 aiming to become the number one complex healthcare logistics provider globally.
- (iv) Margin focus A: Cost-cutting and Efficiency Plans.
 - a. Transformation 1.0 (announced in 2018, completed in 2023), \$1 billion savings.
 - b. Transformation 2.0 (announced in 2020, to be completed in 2025), \$890 million savings.
 - c. Fit to Serve (announced in 2023, to be completed in 2025), \$1 billion savings.
- (v) Margin focus B: “Network of the Future” automation and technology investments.
 - a. 2024-2028 5-year plan, including investments in AI-powered routing, automation in sorting facilities, closure of facilities, moving from scanning to a sensing network with RFID readers and expansion of electric vehicle fleet.
 - b. \$3bn saving, of which \$1.5bn to be achieved by 2026 and \$1.5bn in 2027-2028. Savings to be realised via ongoing employee reductions (replaced by automation).
- (vi) Margin focus C: Amazon’s volumes phase-out.
 - a. US Domestic Package: phase-out 50% of Amazon’s volumes by mid-2026, cut costs and focus on growth in small and medium-sized businesses deliveries. These volumes are highly dilutive to UPS margins.

- b. In connection to Amazon volumes phase-out, UPS launched a Network Reconfiguration and Efficiency Reimagined plan (announced in 2025), \$3.5 billion savings in 2025 / up from an initial \$ 1 billion, with further initiatives in 2026 and 2027.
- (vii) Labour Union contract.
 - a. In 2023, signed 2023–2028 National Master Agreement with Teamsters covering approximately 330,000 U.S. employees (pivotal in averting a potential nationwide strike). The agreed wage increases maintain UPS drivers as the highest-paid delivery drivers in the U.S. [Teamsters Ratify Historic UPS Contract - International Brotherhood of Teamsters.](#)
- (viii) Non-core asset divestments.
 - a. 2021: UPS Freight (LTL and truckload), to focus on core small-package operations (\$800m).
 - b. 2024: Coyote Logistics (truckload brokerage), to focus on core small-package operations (\$1 billion).
- (ix) Financial targets
 - a. Debt / EBITDA below 2.5x. 50% dividend payout ratio.
 - b. March-2024 CMD:
 - i. 2026 revenue: \$114 billion, of which \$108 billion organic and \$6 billion inorganic (additional bolt-on acquisitions).
 - ii. 2026 adj. operating profit: \$14.9 billion, of which \$14.3 billion organic and \$0.6 billion inorganic (additional bolt-on acquisitions).
 - iii. 13% consolidated operating margin by 2026.
 - c. January 2025 (Q4 2024 presentation):
 - i. 2025 revenue: \$89 billion.
 - ii. 2025 adj. operating profit: \$9.6 billion (10.8%).
 - d. July 2025 (Q2 2025 presentation):
 - i. “Not providing any forward-looking revenue or operating profit guidance”.
 - ii. \$3.5 billion of cost reductions to be achieved in 2025.

CRITIQUE OF UPS STRATEGY AND EXECUTION

Success of UPS depends on it maintaining its “wide moat”, premium returns on capital, generating steady revenue growth and slightly faster EPS growth driven by operational leverage and share buybacks and stable, credible and experienced management

There are the following potential issues with UPS past strategy and execution:

- 1) Share price underperformance vs. key peers across multiple periods.
- 2) UPS management lost credibility with investors and employees (many of which are shareholders).
- 3) Repeatedly erroneous guidance and lack of strategic foresight.
 - a. UPS management failed to foresee the 2023 downturn (see 2023 guidance) and termination of Amazon contract (see 2024 CMD guidance for 2026).
 - b. During 2024 CMD, Carol Tome said to think of Amazon volumes for the next 3 years as equilibrium, i.e. glide down is over and volumes are stable going forward. Whilst UPS presented the termination as “their decision”, our current belief is that Amazon was able to deliver these volumes internally at a lower cost compared to UPS, and it offered terms

to UPS at which UPS is uncompetitive. This forced UPS to terminate the contract. There is a potential failure to both (i) build a business competitive vs. Amazon, and (ii) understand behaviour of Amazon – largest customer – and forecast contract extension.

Guidance (mid-point)											
(USD millions)											
Presentation	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23	Q2 '24	Q3 '24	Q4 '24	Q2 '25	2024CMD
Guidance year	2022	2023	2023	2023	2023	2024	2024	2024	2025	2025	2026
Revenue	102.0	98.2	97.0	93.0	91.8	93.3	93.0	91.1	89.0	no	111.0
Adj. op. profit margin	13.7%	13.2%	12.8%	11.8%	11.1%	10.3%	9.4%	9.6%	10.8%	guidance	13.4%
Adj. op. profit	14.0	13.0	12.4	11.0	10.1	9.6	8.7	8.7	9.6		14.9
Actual achieved									Consensus		Consensus
Revenue	100.3	91.0	91.0	91.0	91.0	91.1	91.1	91.1	87.1		87.7
Adj. op. profit	13.9	9.9	9.9	9.9	9.9	8.9	8.9	8.9	8.3		9.3
Achieved vs. guidance											
Revenue	-1.63%	-7.37%	-6.23%	-2.20%	-0.92%	-2.34%	-2.08%	-0.03%	-2.13%		-20.95%
Adj. op. profit	-0.87%	-23.83%	-20.48%	-10.03%	-2.67%	-7.40%	1.74%	1.70%	-13.31%		-37.60%

Source: company information.

- 4) Strategy failing to meet its objective, appears “reactionary” rather than proactive.
 - a. “Better, not Bigger” strategy targeted margin expansion; however, 2023-2025 adj. operating profit margins are declining to the lowest levels in the past 10 years, on top of volume and revenue declines.

CEO Strategy	David Abney					Carol Tomé					
	"United Problem Solvers"					"Better, not Bigger"			"Better and Bolder"		
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E
ADV, '000	18,324	19,083	20,030	20,677	21,880	24,676	25,250	24,291	22,290	22,418	21,544
Revenue, \$bn	58.4	61.6	66.6	71.9	74.1	84.6	97.3	100.3	91.0	91.1	89.0
Adj. op. profit, \$bn	7.8	7.7	7.5	7.4	8.2	8.7	13.1	13.9	9.9	8.9	9.6
Margin	13.3%	12.5%	11.3%	10.3%	11.0%	10.3%	13.5%	13.8%	10.9%	9.8%	10.8%

Source: company information.

- b. “Better and Bolder” strategy appears to be failing and UPS is likely to miss its 2024 CMD revenue and operating profit targets for 2026 significantly.
 - c. Management’s actions and strategy (e.g. cost-cutting) appear to be “reactionary” rather than “proactive and in control” to factors that it failed to anticipate – 2023 volume downturn and 2025 Amazon’s 50% volume phase-out.
 - d. UPS appears to be behind on its Network of the Future Volume per Resource target.
 - e. UPS appears to be significantly lagging Amazon Logistics in growth and efficiency and now also scale and appears to have failed so far to present a plan to address the issue.
- 5) Poor operational execution.
 - a. UPS is losing market share in its core market: U.S. Domestic Parcel volume market share declined from 29% in 2019 to 20% in 2024.
 - b. 2023 Teamsters contract: Though it averted a strike, the new contract appears to increase wages above inflation and reportedly increased costs by \$30 billion over five years, putting pressure on margins.

- c. Management was slow to adapt to declining revenues and volumes in 2023 with 2023-2024 operating profit margins declining to below historical averages.
 - d. UPS lost 50% of volumes from its major customer Amazon.
 - e. UPS's digital and automation investments trail behind Amazon Logistics and DHL. Impact of UPS' technology investments (e.g. RFID, etc.) is not visible in its margin profile.
- 6) Declining efficiency.
- a. The average number of parcels handled per employee have been increasing by 2.3% p.a. between 2015 and 2021, reaching 47.3 packages / day. However, despite substantial technology investments, it declined in both 2022 and 2023 and was at 45.8 packages / day in 2024. If efficiency were to expand in 2022-2024 at the same rate of 2.3% p.a. the number of parcels / employee would reach 50.7 / day.
 - b. UPS' ADV is expected to further decline in 2025 and 2026 due to the phase-out of 50% of Amazon volumes. To rightsize the organisation, UPS is shutting down facilities and 20,000 roles. However, following the current rightsizing, the number of packages / employee / day will decline further in 2025 and 2026.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Average Daily Volume (in '000)	18,324	19,083	20,030	20,677	21,880	24,676	25,250	24,291	22,290	22,418
Total employees	444,000	434,000	454,000	481,000	495,000	543,000	534,000	536,000	500,000	490,000
ADV per employee	41.3	44.0	44.1	43.0	44.2	45.4	47.3	45.3	44.6	45.8
% change year on year		6.5%	0.3%	-2.6%	2.8%	2.8%	4.1%	-4.2%	-1.6%	2.6%
Volume per Resource implications						2025 year end	Min	Avg.	Max	
ADV (2026 E)						20,673	20,673	20,673	20,673	
ADV per employee						44.0	46.0	47.3	50.7	
Number of employees						470,000	449,404	437,194	407,963	
Reduction required							-20,596	-32,806	-62,037	

Source: company information.

- 7) Potential overinvestment.
- a. UPS appears to have over-invested, in particular in buildings, plant equipment and construction-in-progress. Gross and net PPE in relation to revenues increased by almost 10%, implying ca. \$8 billion of over-investment since 2015. Majority of this overinvestment was made during the 2015 – 2020 period.
 - b. In both 2022 and 2023, UPS was investing in 'capacity expansion projects', despite falling delivery volumes.
 - i. 2022 10K: "Spending on buildings, facilities and plant equipment increased, largely due to facility automation and **capacity expansion projects** in our global small package business."
 - ii. 2023 10K: "Spending on buildings, facilities and plant equipment increased due to network enhancements, **capacity expansion projects** and facility maintenance."
 - c. We do not see the impact of these investments in higher profitability.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Excess	
Net to gross PPE	43.8%	43.0%	45.4%	48.8%	51.0%	51.9%	51.7%	51.5%	51.7%	50.7%		
PPE / revenue											%	\$m
Vehicles	13.9%	14.0%	14.1%	13.7%	14.3%	11.6%	10.3%	10.6%	12.9%	13.1%	-0.8%	(744)
Aircraft	27.1%	25.4%	24.4%	24.4%	25.7%	24.3%	22.6%	22.5%	25.2%	26.1%	-1.0%	(910)
Land	2.2%	2.3%	2.4%	2.8%	2.8%	2.4%	2.2%	2.1%	2.4%	2.3%	0.1%	133
Buildings	5.6%	5.6%	6.1%	6.7%	6.8%	6.4%	6.0%	6.0%	6.9%	7.4%	1.8%	1,596
Building and leasehold improvements	5.9%	5.9%	5.9%	6.0%	6.6%	5.8%	5.1%	5.0%	5.8%	6.2%	0.2%	218
Plant equipment	13.8%	13.7%	14.1%	16.5%	18.7%	17.4%	16.1%	16.1%	19.0%	20.3%	6.6%	5,971
Technology equipment	2.9%	2.8%	2.9%	2.9%	3.0%	3.1%	2.9%	2.4%	2.9%	3.0%	0.1%	129
Equipment under operating leases	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	(47)
Construction-in-progress	0.5%	1.2%	3.4%	2.9%	2.7%	2.4%	1.5%	2.4%	3.6%	2.2%	1.7%	1,541
Property, Plant and Equipment, Gross	71.8%	70.9%	73.2%	75.8%	80.6%	73.4%	66.6%	67.2%	78.6%	80.5%	8.7%	7,887
Less: Accumulated depreciation and amortization	-40.4%	-40.4%	-40.0%	-38.8%	-39.5%	-35.3%	-32.2%	-32.6%	-38.0%	-39.7%		
Property, Plant and Equipment, Net	31.4%	30.5%	33.2%	37.0%	41.1%	38.1%	34.4%	34.6%	40.6%	40.8%	9.4%	8,542

Source: company information.

8) Poor capital allocation.

- UPS increased share repurchase spending in 2022 – 2023 just as UPS stock priced reached peak levels and reduced share buyback in 2024-2025 at lower, more attractive levels.
- UPS significantly increased dividend in 2022. For a company that can generate 30%+ ROE, dividends might not be the most efficient use of capital. It might be better to invest the capital for growth – assuming it can achieve 30%+ return on incremental investment.

Share buyback and dividends	2020	2021	2022	2023	2024	2025
Purchases of common stock, \$m	224	500	3,500	2,250	500	1,000
Shares repurchased, m	2.1	2.6	19.0	12.8	3.9	n.a.
Average purchase price, \$	106.7	192.3	184.2	175.8	128.2	<120
Dividends, \$m	3,374	3,437	5,114	5,372	5,399	
DPS, \$	4.04	3.93	5.87	6.25	6.31	

Source: company information.

9) Deteriorating returns on capital.

- Prior to 2021, UPS operated with nearly zero equity on the balance sheet. During the 2021-2024 period, equity amount increased by ca. \$15 billion.
- This can be explained by (i) potential overinvestment with growth in PPE base, as well as (ii) deleveraging whereby the total economic net debt to adj. EBITDA declined from ca. 3.0x during 2016-2019 to 2.1x in 2024.
- Growth in equity on the balance sheet combined with recent deterioration in margins led to a decline in returns on capital for UPS.

(\$ millions)	2016	2017	2018	2019	2020	2021	2022	2023	2024	24 vs. '16-19 avg
Net income	3,422	4,905	4,791	4,440	1,343	12,890	11,548	6,708	5,782	
Total Equity for Controlling Interests	405	994	3,021	3,267	657	14,253	19,786	17,306	16,718	14,796
ROE	845%	493%	159%	136%	204%	90%	58%	39%	35%	
Net financial debt	11,032	19,737	17,531	19,473	18,313	11,322	12,067	16,192	14,966	
Net financial debt / adj. EBITDA	1.1x	2.0x	1.8x	1.9x	1.6x	0.7x	0.7x	1.2x	1.2x	
Non-controlling interest	5,724	1,990	886	883	360	366	255	2,701	2,748	
Total pension and self-insurance reserves	15,756	10,208	11,443	13,590	19,448	11,988	8,770	10,584	11,230	
Economic net debt	26,788	29,945	28,974	33,063	37,761	23,310	20,837	26,776	26,196	-11,068
Economic net debt / adj. EBITDA	2.7x	3.1x	3.0x	3.1x	3.3x	1.4x	1.2x	2.0x	2.1x	-0.9x

Source: company information.

- 10) Governance weaknesses, including lack of relevant experience.
- a. Board Members appear to be lacking in logistics, transformation and technology experience. Many current directors come from finance, pharma, tech, or consumer, but few have deep logistics, last-mile delivery, or e-commerce expertise—critical as UPS competes directly with Amazon Logistics.
 - b. Management, including Carol Tomé (CEO) and Bala Subramanian (Chief Digital and Technology Officer) come from prior Home Depot and Best Buy (retail) roles and have lack of experience in logistics and/or logistics technology. Furthermore, consistently erroneous guidance (see above) indicates limited understanding of UPS and UPS business drivers.
 - c. Remuneration: appropriateness to be reviewed.
 - d. Dual-class share structure and lack of accountability: UPS has two classes of common stock, which are distinguished from each other primarily by their respective voting rights. Class A shares are entitled to 10 votes per share, whereas class B shares are entitled to one vote per share. Class A shares are primarily held by UPS employees and retirees, as well as trusts and descendants of the Company's founders, and these shares are fully convertible into class B shares at any time. Class B shares are publicly traded. As of December 31, 2024, there were 4.6 billion class A shares and 5.6 billion class B shares authorized to be issued. UPS has 121 million of Class A shares and 733 million of Class B shares outstanding. Whilst class A shares account for 14% of economic rights, they account for 62% of voting rights.

VALUE CREATION PLAN SUMMARY OVERVIEW

Potential options for value creation include the following.

1. Restore credibility with investors and the market

- a. Stabilise the business by executing the ongoing Amazon volumes phase-out and associated cost reductions.
- b. Develop and present a credible new medium-term strategy (“new CMD”). New CMD to address the following.
 - i. Costs and efficiency – credible set of initiatives to achieve operating profit margin between 13% and 15%.
 - ii. High return technology investments, with details on both medium-term and longer-term opportunities arising from Ai, RFID, robotics, drones, autonomous driving, etc.
 - iii. Accretive bolt-on acquisitions and synergetic mergers / partnerships. Capture accretive bolt-on opportunities across all segments, not just Healthcare and International.

2. Operational efficiency.

- a. Target additional \$2 – 3 billion of cost savings in 2026 – 2027 (on top of the \$3.5 billion planned for 2025) to rightsize the organisation in line with the Network of the Future Volume per Resource objectives (see discussion on ‘Declining Efficiency’ above).

- b. Maximise technology investments (Ai, automation, robots, drones, autonomous vehicles) where accretive to returns.
 - c. Review global geographic footprint to ensure profitability across all geographies, including explore JV / partnership arrangements where they may allow to create synergy value.
- 3. Capital structure & redeployment of the \$15 billion of ‘excess’ equity on the balance sheet**
- a. Fund equity reduction via (i) temporary reduction in capex to right-size PPE in line with historical averages, and (ii) additional leverage targeting debt / adj. EBITDA at < 2.5x.
 - b. Redeploy capital towards (i) accretive bolt-on M&A acquisitions, and (ii) share buyback (especially at current depressed share price levels).
- 4. Build-out of a dedicated ‘Retail Delivery’ arm**
- a. UPS stagnation and market share loss appears to be driven by lack of a specialised, dedicated offering for retail delivery. Market share gains occur at large retailers doing self-delivery (Amazon, Walmart, Target, Kroger, Costco) or independents (Ontrac, Veho, Better Trucks). These independents create specialised offering for a retail and e-commerce delivery needs (speed, branding, flexibility), run lighter, tech-driven operations with lower cost bases and offer white-label and same-day solutions.
 - b. Given the significant and rapidly growing size of the retail delivery market, UPS should consider launching a dedicated ‘Retail Delivery’ business (organic and through acquisitions) that can both offer a specialised service as well as rely on UPS’ existing infrastructure.
 - c. ‘Retail Delivery’ arm should provide specialised service to better serve retail, e-commerce and direct-to-consumer brand volumes, can operate as a new brand, and target business model with scale and ROIC in line with the UPS group (>20%).
 - d. UPS launched a UPS Hyperlocal pilot in 2023. Similar to a prior internal pilot, the idea is to pick up shipments early from a retailer’s fulfillment center, feed them into UPS’s morning presort operations, and deliver them the same day—all within the metro area. UPS should target scaling the business following completion of 2025-2026 rightsizing.
- 5. Corporate restructuring – mergers & spin-offs**
- a. Explore mergers to extract synergies and/or spin-offs for the following businesses.
 - i. Supply Chain Solutions (e.g. with Expeditors, XPO, etc.).
 - ii. Real estate via a REIT structure.
- 6. Governance**
- a. Appointment of board members with logistics and technology experience.
 - b. Collapse of dual-class share structure.

VALUE CREATION PLAN DETAILED REVIEW

To be developed upon request.

IX. Key Risks and Due Diligence Overview

DUE DILIGENCE SUMMARY

We have reviewed the following materials as part of the due diligence:

- 2024, 2023 and 2022 annual reports.
- Last 10 years of investor presentations.
- CMD strategy presentations.
- Call transcripts (last four quarters).
- 2025 quarterly reports.
- Press articles.

We have not reviewed broker research and credit ratings reports.

Key identified risks and mitigating factors are shown below.

Commercial risks

Description and value at risk	Mitigation measure
<p>Macroeconomic risks: Changes in general economic conditions, in the U.S. and internationally, may adversely affect UPS. Package shipment volumes are correlated to the overall economic growth. US may experience a tariff-induced economic slowdown.</p> <p>Value at risk: -4.5% year-on-year one-off volume decline has -\$11 per share value impact (-9%).</p>	<p>Parcel delivery sector has proven to be resilient during the periods of economic recessions in the past. During the 2009 global financial crisis, average daily package volumes for both UPS and Fedex declined by 4-5% on a year-to-year basis.</p> <p>UPS multiples have already de-rated to 2009 and 2020 cycle lows.</p> <p>Downturn may provide further impetus for UPS to reduce workforce.</p> <p>In an economic downturn scenario it will likely outperform the wider market.</p>
<p>Customers concentration: In 2024, UPS served 1.6 million shipping customers and more than 10.1 million delivery recipients daily. For the year ended December 2024, one customer, Amazon.com, Inc. and its affiliates, represented ca. 11.8% of UPS consolidated revenues, substantially all of which was within UPS U.S. Domestic Package segment.</p> <p>Value at risk: None. Amazon 50% volume reduction already reflected in all valuation scenarios.</p>	<p>In the first quarter of 2025, UPS entered into an agreement with Amazon that will provide for a reduction in their volume by more than 50% by June 2026. This risk has been 'priced-in' following UPS share price drop in 2025.</p> <p>Assume no incremental risk to Amazon volumes as they mainly comprise customer returns services.</p>

<p>Competition, deteriorating competitive position and returns: UPS is facing increasing pressure from retail companies that in-source and develop their own delivery arms (Amazon, Walmart, Target, Costco, Kroger) and independent logistics companies.</p> <p>Competitors include established delivery companies (USPS, Fedex and DHL), retailers (e.g. Amazon, Walmart) and smaller independent parcel delivery companies.</p> <p>Continuing significant competition could materially adversely impact UPS. In particular, Amazon Logistics may expand its services to third parties.</p> <p>Competition can result in both slower volume growth or an outright decline, deterioration in achieved returns on capital and may lead to a lower trading multiple for UPS.</p> <p>Value at risk: +/- 1% increase/decrease in U.S. ADV and +/-1% in International ADV growth rate each have ca. +/- \$9/share (+/-7 %) impact.</p>	<p>Status Quo scenario already assumes a conservative U.S. Domestic volume growth of 1%, below 2.1% volume growth CAGR from 2016 to 2024.</p> <p>For International volumes, Status Quo scenario assumes 1.7% growth rate, in line with the 2016-2024 CAGR.</p>
<p>Unionized labour: Over 75% of UPS U.S. employees are represented by unions, primarily the International Brotherhood of Teamsters ("Teamsters"). National master agreement with Teamsters was signed in 2023 and expires on July 31, 2028.</p> <p>Reportedly, UPS employees are the highest paid within the logistics industry.</p> <p>Contract renegotiation may lead to strikes.</p> <p>UPS Teamsters contract has various provisions which make it more difficult to restructure / reduce the workforce or to launch a new businesses with non-unionised workforce.</p> <p>Value at risk: None quantified; however, may make it more difficult to right-size the workforce and achieve volume per resource objective.</p>	<p>UPS has been able to achieve the higher returns on capital in the industry despite the unionized workforce.</p> <p>Employee reliance will be gradually reducing due to automation, ai, robotics, drones and autonomous vehicles.</p> <p>UPS Teamsters' contract does not come up for renewal until 2028.</p>
<p>Foreign exchange rate risk: 25-30% of revenues and a higher share of operating profit are generated outside of the U.S. and is exposed to FX risk.</p>	<p>UPS</p>

Value at risk: None quantified.	
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Financial and tax risks

Description and value at risk	Mitigation measure
<p>Impairment risks: During the first quarter of 2025, UPS entered into an agreement with Amazon that will provide for a significant reduction in their volume. In connection therewith, UPS is reconfiguring its U.S. network and expects this reconfiguration to lead to a reduction in the number of buildings, vehicles and aircraft.</p> <p>It is reasonably possible that revisions to UPS estimates of the useful life and salvage values of certain of its long-lived assets will accelerate depreciation expense and charges related to early retirements and lead to an impairment expense in Q3 or Q4 2025.</p> <p>Value at risk: Not quantified. These are non-cash charges; however, may impact investor sentiment and stock price.</p>	<p>Impairments are non-cash charges.</p> <p>Cash restructuring costs are taken into account in the valuation.</p>
<p>Dividend cut: Due to the reduction in volumes and cash flows in 2023-2024, UPS profit declined. Dividend payout ratio in 2024 and 2025 is at ca. 93% whilst UPS targets a dividend payout ratio of 50%. 35% dividend cut is needed to bring payout ratio in line with the target in 2026. Alternatively, a dividend may stay flat until 2028 (status quo scenario) with net profit to grow to a level where payout ratio is 50%.</p> <p>Value at risk: Not quantified. Retained dividends (if payout reduced) can be invested in growth and create shareholder value; however, stock price will likely react negatively if the dividend is cut.</p>	<p>During Q2 2025 earnings call, UPS CEO reiterated commitment to the dividend.</p> <p>UPS debt / EBITDA is at 1.7x, significantly below its target at 2.5x and as such UPS is able to fund growth and acquisitions with incremental debt without needing to cut the dividend.</p> <p>UPS has several ongoing cost-cutting plans which are expected to lead to higher net profit and improve payout ratio.</p>

Execution risk

Description and value at risk	Mitigation measure
<p>Execution risk: Status Quo scenario assumes additional ca. 20,000 headcount reduction in 2026 and 5,000 in 2027-2028.</p> <p>This headcount reduction is implied by UPS Network of the Future initiative targets as well likely further justified given the Amazon volume phase-out continuing in 2026.</p> <p>Value at risk: Failure to announce and implement this results in status quo valuation of \$90 per share (\$40 per share reduction).</p>	<p>The current market value does not yet reflect (not yet announced) 2026-2028 headcount reduction, however, failure to implement them may reduce the upside.</p>

Technical risks

Description and value at risk	Mitigation measure
<p>IT and Cybersecurity risks: UPS relies on information technology networks and systems and other operational technologies, including the internet.</p> <p>IT and other systems have been and will continue in the future to be susceptible to damage, disruptions and shutdowns due to programming errors, defects or other vulnerabilities, power outages, hardware failures, computer viruses, and cyber-attacks.</p> <p>Value at risk: None quantified; however, security breaches may lead to monetary and reputation losses.</p>	<p>UPS is considered to have robust IT systems.</p> <p>UPS had three IT related incidents (2009, 2014, 2022-2023), the overall costs related to these incidents have not been disclosed and are considered to be immaterial.</p>

Legal risk

Description and value at risk	Mitigation measure
<p>Litigation: The nature of UPS business exposes it to the potential for various claims and litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters. Any material litigation or a catastrophic accident or series of accidents could</p>	<p>UPS has a combination of both self-insurance and high-deductible insurance programs for the risks arising out of its business and operations, including claims exposure resulting from cargo loss, cyber-attacks, personal injury, property damage, aircraft and related liabilities, business interruption and workers'</p>

<p>result in significant expenditures and have a material adverse effect on UPS.</p> <p>Value at risk: None quantified.</p>	<p>compensation.</p> <p>UPS self-insurance reserves were \$2,981m as of December 2024 (\$2,946 as of December 2023). The overall reserves stayed broadly constant across the past several years. These provisions were deducted for the purposes of fair value calculation.</p>
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Political and regulatory risk

Description and value at risk	Mitigation measure
<p>Geopolitical / country / tariff risks: UPS operates in over 200 countries and may be adversely impacted by changes in general economic conditions resulting from geopolitical uncertainty and/or conflicts.</p> <p>Donald Trump under the “America First” trade policy introduced various tariffs on U.S. imports. This may lead to both reduction in import volumes as well as change in trade lanes.</p> <p>From an exposure perspective, UPS U.S. import volume is ca. 0.2m pieces per day, which is less than 2% of UPS total global ADV. From a revenue perspective, last year revenue on UPS China to U.S. trade lanes represented 11% of UPS total international revenue, and revenue from other trade lanes to the U.S. represented roughly 17% of UPS total international revenue – combined 5.5% of UPS revenue.</p> <p>The China-to-US lane is the most profitable lane.</p> <p>Value at risk: None quantified.</p>	<p>This risk is currently being ‘priced-in’ as UPS share price declined on the back of weak package volume and trade disruptions due to tariffs in 2025.</p> <p>US-China volume reductions are offset by volume growth on other lanes as volume is rerouted, e.g. China to RoW volume increased 22%.</p> <p>There will be a little bit of profit headwind in the short term; however, longer term, UPS International should get back to mid to high teens margin as a long-term margin.</p>

FURTHER RESEARCH REQUIRED

- **Public disclosure:** further review of public filings for UPS for the past 10 years;
- **Deep dive on specific topics:** Amazon competition, ability to sustain competitive advantage and returns on capital (wide moat), ability / plans to rightsize the organisation in line with Volume per Resource objective;
- **Expert and company interviews:** preliminary discussion with industry participants; and
- **Valuation:** valuation update based on further due diligence findings.

Appendices

APPENDIX I: ORGANISATIONAL CHART

The list of UPS subsidiaries is shown below:

<u>Name of Subsidiary</u>	<u>Jurisdiction of Organization</u>
Bomi Holding S.r.l.	Italy
BT Property Holdings, Inc.	Delaware
BT Realty II, Inc.	Maryland
BT Realty, Inc.	Maryland
C.C. & E. I, L.L.C.	Delaware
Marken Logistics GmbH	Germany
Marken Limited	United Kingdom
Roadie, Inc.	California
The UPS Store, Inc.	Delaware
UPS Asia Group Pte. Ltd.	Singapore
United Parcel Service Canada Ltd.	Canada
United Parcel Service Co.	Delaware
United Parcel Service Czech Republic, s.r.o.	Czechia
United Parcel Service General Services Co.	Delaware
United Parcel Service Italia SRL	Italy
United Parcel Service Netherlands B.V.	Netherlands
United Parcel Service of America, Inc.	Delaware
United Parcel Service LLC & Co. OHG	Germany
United Parcel Service, Inc.	Ohio
UPICO Corporation	Delaware
UPINSCO, Inc.	Georgia
United Parcel Service Deutschland S.à.r.l. & Co. OHG	Germany
UPS Expedited Mail Services, Inc.	Delaware
United Parcel Service France SAS	France
UPS Global Treasury Plc	United Kingdom
UPS Grundstücksverwaltungs GmbH	Germany
UPS Limited	United Kingdom
UPS SCS, Inc.	Canada
UPS Supply Chain Solutions, Inc.	Delaware
United Parcel Service Oasis Supply Corporation	Delaware
MNX Global Intermediate Holdings, Inc	Delaware
UPS Worldwide Forwarding, Inc.	Delaware
UPS Parcel Delivery (Guangdong) Co., Ltd.	China
UPS Parcel Delivery Service Limited	Hong Kong
UPS International, Inc.	Delaware

Source: Company information, 10K.

APPENDIX II: KEY EVENTS

Please refer to origins section for UPS key events, acquisitions and divestitures.

APPENDIX III: HISTORICAL FINANCIAL STATEMENTS

Dec y/e, USDm	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income statement									
Revenue	61,610	66,585	71,861	74,094	84,628	97,287	100,338	90,958	91,070
Operating Expenses:									
Compensation and benefits	(32,534)	(34,577)	(37,235)	(38,908)	(44,529)	(46,707)	(47,724)	(47,092)	(48,093)
Repairs and maintenance	(1,542)	(1,601)	(1,732)	(1,838)	(2,365)	(2,443)	(2,884)	(2,828)	(2,940)
Depreciation and amortization	(2,224)	(2,282)	(2,207)	(2,360)	(2,698)	(2,953)	(3,188)	(3,366)	(3,609)
Purchased transportation	(9,848)	(11,696)	(13,409)	(12,590)	(15,631)	(19,058)	(17,666)	(13,640)	(13,589)
Fuel	(2,118)	(2,690)	(3,427)	(3,289)	(2,582)	(3,847)	(6,018)	(4,775)	(4,366)
Other occupancy	(1,037)	(1,155)	(1,362)	(1,392)	(1,539)	(1,698)	(1,844)	(2,019)	(2,117)
Other expenses	(4,619)	(5,055)	(5,465)	(5,919)	(7,600)	(7,771)	(7,920)	(8,097)	(7,888)
Total Operating Expenses	(53,922)	(59,056)	(64,837)	(66,296)	(76,944)	(84,477)	(87,244)	(81,817)	(82,602)
Operating Profit	7,688	7,529	7,024	7,798	7,684	12,810	13,094	9,141	8,468
Other Income and (Expense):									
Investment income (expense) and other	(2,186)	61	(400)	(1,493)	(5,139)	4,479	2,435	219	(160)
Interest expense	(381)	(453)	(605)	(653)	(701)	(694)	(704)	(787)	(866)
Total Other Income and (Expense)	(2,567)	(392)	(1,005)	(2,146)	(5,840)	3,785	1,731	(568)	(1,026)
Income Before Income Taxes	5,121	7,137	6,019	5,652	1,844	16,595	14,825	8,573	7,442
Income Tax Expense	(1,699)	(2,232)	(1,228)	(1,212)	(501)	(3,705)	(3,277)	(1,865)	(1,660)
Net Income	3,422	4,905	4,791	4,440	1,343	12,890	11,548	6,708	5,782
Basic Earnings Per Share	3.9	5.6	5.5	5.1	1.6	14.8	13.3	7.8	6.8
Diluted Earnings Per Share	3.9	5.6	5.5	5.1	1.5	14.7	13.2	7.8	6.8

Dec y/e, US\$M	2016	2017	2018	2019	2020	2021	2022	2023	2024
Balance sheet									
ASSETS									
Current Assets:									
Cash and cash equivalents	3,476	3,320	4,225	5,238	5,910	10,255	5,602	3,206	6,112
Marketable securities	1,091	749	810	503	406	338	1,993	2,866	206
Accounts receivable	0	0	0	9,645	10,888	12,669	12,729	11,342	11,007
Less: Allowance for credit losses	0	0	0	(93)	(138)	(128)	(146)	(126)	(136)
Accounts receivable, net	7,695	8,773	8,958	9,552	10,750	12,541	12,583	11,216	10,871
Assets held for sale	0	0	0	0	1,197	0	0	0	0
Current income taxes receivable	0	1,573	940	0	0	0	0	0	0
Other current assets	1,587	1,303	1,277	1,810	1,953	1,800	2,039	2,125	2,121
Total Current Assets	13,849	15,718	16,210	17,103	20,216	24,934	22,217	19,413	19,310
Property, Plant and Equipment, Net									
Operating Lease Right-Of-Use Assets	18,800	22,118	26,576	30,482	32,254	33,475	34,719	36,945	37,179
Goodwill	0	0	0	2,856	3,073	3,562	3,755	4,308	4,149
Intangible Assets, Net	3,757	3,872	3,811	3,813	3,367	3,692	4,223	4,872	4,300
Investments and Restricted Cash	1,758	1,964	2,075	2,167	2,274	2,486	2,796	3,305	3,064
Deferred Income Tax Assets	476	483	170	24	25	0	0	0	0
Other Non-Current Assets	591	266	141	330	527	176	139	126	112
	1,146	1,153	1,033	1,082	672	1,080	3,275	1,888	1,956
Total Assets	40,377	45,574	50,016	57,857	62,408	69,405	71,124	70,857	70,070
LIABILITIES AND SHAREOWNERS' EQUITY									
Current Liabilities:									
Current maturities of long-term debt, commercial pa	3,681	4,011	2,805	3,420	2,623	2,131	2,341	3,348	1,838
Current maturities of operating leases				538	560	580	621	709	733
Accounts payable	3,042	3,934	5,188	5,555	6,455	7,523	7,512	6,340	6,302
Accrued wages and withholdings	2,317	2,608	3,047	2,552	3,569	3,819	4,049	3,224	3,655
Hedge margin liabilities	575	0	0	0	0	0	0	0	0
Self-insurance reserves	670	705	810	914	1,085	1,048	1,069	1,320	1,086
Accrued group welfare and retirement plan contribut	598	677	715	793	927	1,038	1,076	1,479	1,390
Liabilities to be disposed of	0	0	0	0	347	0	0	0	0
Other current liabilities	847	951	1,522	1,641	1,450	1,430	1,472	1,256	1,437
Total Current Liabilities	11,730	12,886	14,087	15,413	17,016	17,569	18,140	17,676	16,441
Long-Term Debt and Finance Leases									
Non-Current Operating Leases	12,394	20,278	19,931	21,818	22,031	19,784	17,321	18,916	19,446
Pension and Postretirement Benefit Obligations	0	0	0	2,391	2,540	3,033	3,238	3,756	3,635
Deferred Income Tax Liabilities	12,694	7,061	8,347	10,601	15,817	8,047	4,807	6,159	6,859
Self-Insurance Reserves	112	756	1,619	1,632	488	3,125	4,302	3,772	3,595
Other Non-Current Liabilities	1,794	1,765	1,571	1,282	1,619	1,855	1,818	1,626	1,895
	1,224	1,804	1,424	1,437	2,228	1,723	1,695	1,638	1,456
Shareowners' Equity:									
Class A common stock (121 and 127 shares issued in	2	2	2	2	2	2	2	2	2
Class B common stock (733 and 726 shares issued in	7	7	7	7	7	7	7	7	7
Additional paid-in capital	0	0	0	150	865	1,343	0	0	136
Retained earnings	4,879	5,852	8,006	9,105	6,896	16,179	21,326	21,055	20,882
Accumulated other comprehensive loss	(4,483)	(4,867)	(4,994)	(5,997)	(7,113)	(3,278)	(1,549)	(3,758)	(4,309)
Deferred compensation obligations	45	37	32	26	20	16	13	9	7
Less: Treasury stock (0.1 and 0.2 in 2024 and 2023, r	(45)	(37)	(32)	(26)	(20)	(16)	(13)	(9)	(7)
Total Equity for Controlling Interests	405	994	3,021	3,267	657	14,253	19,786	17,306	16,718
Noncontrolling Interests	24	30	16	16	12	16	17	8	25
Total Shareowners' Equity	429	1,024	3,037	3,283	669	14,269	19,803	17,314	16,743
Total Liabilities and Shareowners' Equity	40,377	45,574	50,016	57,857	62,408	69,405	71,124	70,857	70,070

Dec y/e, USDm	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cash flow statement									
Cash Flows From Operating Activities:									
Net income	3,422	4,905	4,791	4,440	1,343	12,890	11,548	6,708	5,782
Adjustments to reconcile net income to net cash from operating activities:									
Depreciation and amortization	2,224	2,282	2,207	2,360	2,698	2,953	3,188	3,366	3,609
Pension and postretirement benefit (income) expens	3,725	1,643	2,242	3,141	7,125	(2,456)	(129)	1,330	1,698
Pension and postretirement benefit contributions	(2,668)	(7,794)	(186)	(2,362)	(3,125)	(576)	(2,342)	(1,393)	(1,524)
Self-insurance reserves	(21)	—	(86)	(185)	503	178	(20)	57	44
Deferred tax (benefit) expense	117	1,224	758	100	(858)	1,645	531	199	(15)
Stock compensation expense	591	584	634	915	796	878	1,568	220	24
Other (gains) losses	(198)	37	293	74	917	137	123	265	262
Changes in assets and liabilities, net of effects of business acquisitions and dispositions:									
Accounts receivable	(704)	(1,022)	(421)	(717)	(1,562)	(2,147)	(322)	1,256	(566)
Other assets	5	(984)	754	698	218	312	117	87	70
Accounts payable	460	599	1,034	419	904	1,265	34	(1,377)	262
Accrued wages and withholdings	91	200	505	(446)	1,631	(245)	(189)	(296)	501
Other liabilities	(546)	(243)	170	182	(110)	151	(9)	(42)	(11)
Other operating activities	(25)	48	16	20	(21)	22	6	(142)	(14)
Net cash from operating activities	6,473	1,479	12,711	8,639	10,459	15,007	14,104	10,238	10,122
Cash Flows From Investing Activities:									
Capital expenditures	(2,965)	(5,227)	(6,283)	(6,380)	(5,412)	(4,194)	(4,769)	(5,158)	(3,909)
Proceeds from disposal of businesses, PP&E	88	24	37	65	40	872	12	193	1,115
Purchases of marketable securities	(4,813)	(1,630)	(973)	(561)	(254)	(312)	(1,906)	(3,521)	(76)
Sales and maturities of marketable securities	5,724	1,990	886	883	360	366	255	2,701	2,748
Net change in finance receivables	9	5	4	13	44	34			
Acquisitions, net of cash acquired	(547)	(134)	(2)	(6)	(20)	(602)	(755)	(1,329)	(71)
Other investing activities	(59)	1	1	(75)	(41)	18	(309)	(19)	(24)
Net cash used in investing activities	(2,563)	(4,971)	(6,330)	(6,061)	(5,283)	(3,818)	(7,472)	(7,133)	(217)
Cash Flows From Financing Activities:									
Net change in short-term debt	(88)	(250)	63	310	(2,462)	0	0	1,272	(1,272)
Proceeds from long-term borrowings	5,927	12,016	1,202	5,205	5,003	0	0	3,429	2,785
Repayments of long-term borrowings	(3,805)	(3,939)	(2,887)	(3,096)	(3,392)	(2,773)	(2,304)	(2,429)	(2,487)
Purchases of common stock	(2,678)	(1,813)	(1,011)	(1,004)	(224)	(500)	(3,500)	(2,250)	(500)
Issuances of common stock	245	247	240	218	285	251	262	248	232
Dividends	(2,643)	(2,771)	(3,011)	(3,194)	(3,374)	(3,437)	(5,114)	(5,372)	(5,399)
Other financing activities	(98)	(203)	(288)	(166)	(353)	(364)	(529)	(432)	(209)
Net cash used in financing activities	(3,140)	3,287	(5,692)	(1,727)	(4,517)	(6,823)	(11,185)	(5,534)	(6,850)
Effect of FX Rate Changes on Cash, Cash Eqv.	(21)	53	(91)	20	13	(21)	(100)	33	(149)
Net Increase (Decrease) In Cash, Cash Eqv.	749	(152)	598	871	672	4,345	(4,653)	(2,396)	2,906
Cash, Cash Equivalents and Restricted Cash:									
Beginning of period	3,172	3,921	3,769	4,367	5,238	5,910	10,255	5,602	3,206
End of period	3,921	3,769	4,367	5,238	5,910	10,255	5,602	3,206	6,112
Cash Paid During the Period For:									
Interest (net of amount capitalized)	373	428	595	628	691	697	721	762	854
Income taxes (net of refunds)	2,064	1,559	2	514	1,138	1,869	2,574	1,976	1,347

Source: company information.

APPENDIX IV: MACROECONOMIC CONSIDERATIONS

US key economic indicators as of July 2025 are shown below:

	2025				2026	
	Q1	Q2	Q3	Q4	Q1	Q2
Real GDP, y/y	2.0%	1.9%	1.5%	1.1%	1.5%	1.2%
Inflation, y/y	2.5%	2.4%	3.1%	3.2%	3.0%	2.6%
10-year bond yield	4.5%	4.4%	4.2%	4.2%		
2-year bond yield	4.2%	3.9%	3.9%	3.9%		
FED base rate	4.4%	4.4%	4.4%	4.1%	3.9%	3.6%

Source: Conference Board, 27 July 2025; Federal Reserve.

US real GDP growth rate remained solid, albeit is forecast to slightly decline in the second half of 2025.

Inflation expectations increased, driven by tariff legislation driving the cost of imported products. Inflation is expected to start normalising following its peak in Q3 – Q4 2025.

US unemployment rate continues to remain stable. Credit spreads spiked in April during the tariff turmoil but normalised thereafter, albeit potentially in an overall rising trend.

APPENDIX V: REGULATORY CONSIDERATIONS

1. Transportation & Safety Regulation (U.S. & International)

Regulated by U.S. Department of Transportation (DOT), FAA (air cargo), and FMCSA (trucking).

Must comply with safety, fleet emissions, and hazardous material regulations.

Risk: Fines, shipping delays, grounded vehicles, or costs from regulatory changes.

2. International Trade & Sanctions

UPS operates globally and must navigate U.S. tariffs and export control laws, OFAC sanctions, EU digital trade laws, and customs regimes.

Risk: Restricted service in sanctioned regions, cargo delays, or financial penalties. Risk of reduced shipping volumes due to tariffs.

3. Labor Law & Union Relations

Over 300,000 UPS workers are unionized under the Teamsters.

Governed by U.S. National Labor Relations Act (NLRA) and state/federal labor laws.

Risk: Labor strikes, rising wage costs, or reputational damage during negotiations.

4. Data Privacy & Cybersecurity

UPS collects large volumes of customer and shipping data.

Must comply with GDPR (EU), CCPA (California), and U.S. FTC privacy rules.

Risk: Legal liability or customer loss due to breaches or noncompliance.

5. Environmental, Social & Governance (ESG)

Pressure to decarbonize from SEC climate disclosures, EU CSRD, and carbon border taxes.

UPS must invest in electric vehicles, report emissions, and reduce carbon intensity.

Risk: Investor pressure, compliance penalties, or reputational harm.

APPENDIX VI: KEY BOARD AND MANAGEMENT MEMBER BIOGRAPHIES

BOARD OF DIRECTORS

William R. Johnson, Chairman

Independent Director since: 2009

Nominating and Corporate Governance (Chair)

Mr. Johnson is a former President and CEO at H.J. Heinz Company.

Consumer / Retail: Through his career-long experience at Heinz, including 15 years as President and CEO, Bill played a pivotal role in that company's growth and transformation, strengthening its market position through strategic acquisitions and restructuring its global brand portfolio. Under his leadership, the company achieved significant sales growth across six continents.

Global / International: Bill led multiple international divisions of Heinz, including operations in the Asia-Pacific, spanning Australia, New Zealand, China, Thailand and South Korea. He oversaw several international strategic acquisitions, significantly expanding that company's global presence and driving international revenue growth.

Human Capital Management: While overseeing global operations at Heinz, Bill executed talent strategies that supported that company's international expansion, fostered a high-performance culture, built a diverse global talent pipeline, enhanced retention strategies and effectively managed labor relations. As Board Member he was also instrumental in establishing and building Sovos Brands into a high growth consumer packaged foods company.

Professional Highlights

- Advent International Corporation, a global private equity firm Operating Partner, Global Retail and Consumer (since 2014)
- Triam Fund Management, L.P., an investment management firm Advisory Partner (2015-2017)
- H.J. Heinz Company, a global foods manufacturer President and CEO (1998-2013) and Chairman (2000-2013), President and COO (1996-1998), SVP, Asia-Pacific Operations (1993-1996), Additional roles of increasing responsibility (1982-1993)

Additional management roles with progressive scope of responsibilities:

- Drackett (a specialty consumer household products company)
- Ralston Purina (an animal and pet food, consumer products holding company)
- Anderson-Clayton (a commodities trading company)

TOP MANAGEMENT

Carol Tomé, CEO

Appointed CEO in 2020

As Chief Executive Officer of UPS since 2020, and a member of the Board since 2003, Carol Tomé leads the world's premier package delivery and global supply chain management solutions company, and its team of approximately 490,000 UPSers. She is the architect of UPS's Customer First, People Led, Innovation Driven strategy and is positioning UPS to be the premium small package provider and logistics partner for customers in more than 200 countries and territories.

With an eye for creating a better and bolder UPS, Carol has strengthened the business's network capabilities and supply chain infrastructure to meet the needs of its customers, focusing its package delivery activity in more profitable sectors and investing in its digital technologies. Over the last five years, Carol has transformed B2B segment profitability, while improving delivery volumes and efficiency with automated solutions. She has also positioned UPS to capture share of the fast-growing healthcare logistics sector.

Before joining UPS, Carol served as The Home Depot's Chief Financial Officer for nearly two decades and previously held various other senior leadership finance roles at the company. She helped the company successfully navigate the financial recession and housing crisis, reinvigorated its consumer business and grew its B2B sector, gaining in-depth knowledge of logistics, corporate finance, risk and compliance. During her tenure as CFO, Home Depot doubled sales to over \$108 billion and generated a 450% increase in shareholder value.

Carol is a board member of Verizon Communications, Inc., where she serves on the Finance committee. She is a former board member of Grady Memorial Hospital Corporation and former Chair of the Atlanta Committee for Progress, a coalition of Atlanta's top business leaders, which advises the city's Mayor in order to promote positive change. She serves as a member of the Buckhead Coalition and The Business Council, an association of CEOs of the world's leading enterprises. Carol previously served on the Board of Cisco Systems, the Federal Reserve Bank of Atlanta and as a member of the advisory board of certain Fidelity mutual funds.

A native of Jackson, Wyoming, Carol holds a bachelor's degree in communication from the University of Wyoming and a master's degree in finance from the University of Denver.

Brian Dykes, EVP & CFO

EVP & Chief Financial Officer since 2024

Brian is Executive Vice President (EVP) and Chief Financial Officer at UPS. A member of the company's Executive Leadership Team, he is responsible for the strategic financial leadership of the company, which includes communicating the firm's strategy and performance to investors as well as managing the capital structure to maximize shareholder return. He oversees UPS's financial strategies and leads the global finance organization, including planning, treasury, tax, financial reporting, financial operations, and investor relations.

Brian started his career with UPS in 1999. He most recently served as Senior Vice President, Global Finance and Planning, since April 2023. Prior to that role, he held positions of increasing responsibility within the company's finance and accounting, corporate treasury, mergers and acquisitions, business intelligence, and business development functions, both in the U.S. and internationally.

A native of Atlanta, Georgia, Brian started his UPS career in 1999. He holds a bachelor's degree in business administration from the University of Georgia and an MBA from Emory University. He is a member of the Board of Trustees of Marist School in Atlanta, and previously served on the board of Ware2Go.

Sources of Information

Company information: 10K filings, 2025 proxy statement, company presentations, website.

Public sources: press articles.

Listed Leaders analysis and estimates.

Data sources: Bloomberg, OECD, IMF, Koyfin, InsiderInsights.

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