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DELIVERING THE FUTURE: A
COMPREHENSIVE VALUATION OF
UPS

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Abstract

This dissertation provides a detailed analysis of United Parcel Service (UPS), focusing on its strategic positioning, operational performance, and financial robustness within the global logistics sector. It highlights UPS's key operational segments—U.S. Domestic Package, International Package, and Supply Chain Solutions—examining their revenue trends, profitability, and innovations, such as ORION technology. The study compares UPS with its main competitors, FedEx and DHL, to outline its competitive strengths, challenges, and market standing. By offering insights into UPS's operational efficiencies and future growth prospects, this report emphasizes the company's pivotal role in evolving the logistics and supply chain industry.

Keywords: E-Commerce, Logistics, CEP, Valuation

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This report is part of the “Delivering The Future: A Comprehensive Valuation of UPS” report (annexed), developed by Pedro Miguel Cabaço Eusébio and Rodrigo Alexandre Marchão Félix and should be read as an integral part of it.

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Introduction

This document represents my individual contribution, hereafter referred to as *Part 1*, to the final Master Thesis in Finance, specifically an Equity Research Report. The company analyzed in this study is United Parcel Service (UPS). *Part 1* is structured into three primary chapters, which focus on the research and analysis of the company and its industry: Company Overview, Macroeconomic Context and Key Drivers, and Market Overview and Competitive Drivers.

Within these sections, I examine UPS's organizational structure, explore critical macroeconomic factors influencing the industry in which UPS operates, and conduct a detailed comparative analysis between UPS and its main competitors—namely, FedEx and DHL—using relevant metrics and ratios. To conclude, I present strategic recommendations informed by the insights and conclusions drawn throughout the analysis.

In summary, UPS demonstrates solid performance and resilience across its business segments. It continues to improve operational efficiency and broaden its service offerings through strategic acquisitions and technological advancements. These factors enable the company to sustain a strong financial position and maintain a competitive advantage over its key industry rivals.

My partner's Part 1 focuses on the business breakdown and valuation of UPS. His section includes segment and overall forecasts for core revenues, expenses, and invested capital, along with WACC calculations, Discounted Cash Flow (DCF) analysis, terminal value estimation, enterprise and equity valuation, Discounted Dividend Model (DDM), scenario analysis, relative valuation, sensitivity analysis, and final recommendations.

We chose this division of work as it allows for greater clarity and efficiency in the presentation of our findings. Nevertheless, it is important to emphasize that both group members were actively involved in the conceptualization and execution of the final reports, including both the written content and accompanying Excel documents.

Company Overview

United Parcel Service (UPS), founded in 1907, is a global leader in package delivery and a major provider of supply chain management solutions. It manages one of the largest airlines and operates one of the biggest fleets of alternative fuel vehicles. It employs more than 500 thousand people and has operations in more than 200 countries¹.

UPS was founded in 1907 by Claude Ryan and Jim Casey in Seattle, by 1930 expanded to the East Coast and changed the headquarters from Los Angeles to New York City. In 1975 it became the first package delivery company to operate in all states and started operating abroad, in Toronto.

UPS Next Day Air service appeared in 1985 and was the first air delivery service² to reach 48 contiguous states, Hawaii, and Puerto Rico. That same year, UPS launched its first intercontinental air service between the U.S. and Europe. By 1988 UPS Airlines was launched and only after one year-initiated operations in the Middle East, Africa, and the Pacific Rim. One decade later it became publicly traded and in 2001 entered the retail business.

UPS divides its business operations into three primary segments, Domestic Package Delivery, International Package Delivery, and Supply Chain Solution.

U.S. Domestic Package

UPS divides its business operations into three primary segments, Domestic Package Delivery, International Package Delivery, and Supply Chain Solutions.

The U.S. Domestic Package segment includes all small package delivery services for both business and residential addresses across the U.S., where UPS is currently a market leader. Domestic Package operations include the time-definite delivery of letters, documents and packages. Their air services offer several delivery options, such as same-day, next-day, two-day, and three-day delivery. For ground services, UPS delivers over 17 million packages daily, and accounts for most of their revenues inside the domestic segment.

International Package

International package delivery includes delivery to more than 220 countries and territories worldwide, including shipments wholly outside the United States, as well as shipments with either origin or destination outside the United States. International segment is divided in three categories regarding revenues, domestic which is related with shipments inside a certain country, without crossing borders, export which refers to packages shipped from one to another country and Cargo which refers to freight and bulk shipping services. UPS offers a wide range of international shipping options, Express Critical is the premium service designed to handle urgent and high-priority shipments. UPS Standard shipping may take 10 business days maximum, and then there is UPS Worldwide Economy, which is the low-cost service taking up to 15 business-days to be delivered. The International Package

segment includes operations in Europe, Asia, the Indian subcontinent, the Middle East, Africa, Canada and Latin America.

In 2023, this segment generated around \$13 169 million, although decreasing around 20% from 2022 due to E-commerce stabilization, it is an important part of UPS's growth.

Supply Chain Solutions

United Parcel Service's (UPS) Supply Chain Solutions (SCS) segment offers a comprehensive suite of services designed to manage and optimize global supply chains, including Global Freight Forwarding, Global Logistics & Distribution, Truckload Brokerage, Healthcare operations, and other related businesses.

Operating in over 175 countries and territories, UPS SCS provides freight forwarding services that encompass both guaranteed and non-guaranteed global air freight options, facilitating the movement of goods across international borders. To ensure efficient product flow from origin to destination, UPS manages warehousing, distribution, and fulfillment services, while assisting clients in navigating complex international trade regulations to achieve smooth customs clearance. Additionally, UPS offers specialized services tailored to the healthcare industry, such as temperature-controlled logistics essential for medical products. In 2023, the Supply Chain Solutions segment generated approximately \$13 billion in revenue, reflecting UPS's commitment to delivering integrated logistics solutions that meet the evolving needs of its global clientele.

Strategies & ESG

A key feature of UPS's strategy it's the consistent use of the colour brown. In the early 1920s, UPS chose brown for its uniforms and trucks to convey a professional and sophisticated image. The decision was strategic, as brown was linked to neatness and cleanliness.

Nowadays UPS' strategy relies on three key areas. **Customer First**³, which is about providing a frictionless customer experience. By focusing on what matters most to customers speed and ease, UPS aim to provide the best digital experience powered by a global smart logistics network and tracks progress in this area through improvements in its net promoter score. **People Led**, it's about focusing on enhancing corporate culture and reputation to attract and retain dedicated employees. UPS measures success on this strategic initiative through improvements in likelihood to recommend UPS to friends and family. Examples of that are green initiatives like the "Rolling Laboratory" program, which features a fleet of vehicles powered by alternative fuels and advanced technologies aimed at reducing emissions and enhancing fuel efficiency. The company's global fleet consists of over 17 000 vehicles using alternative fuel and advanced technology. UPS aimed to reach carbon neutrality⁴ in 2050. **Innovation Driven**, which is about taking a more disciplined approach to capital allocation, driving more productivity from the assets and improving U.S. revenue quality to generate better bottom-line results. UPS tracks its progress on this element by measuring improvements

3: *UPS's Strategic Framework*: <https://about.ups.com/us/en/our-company/our-strategy/better-not-bigger-framework.html>
4: *ESGUPS*: https://investors.ups.com/_assets/ups/files/pages/ups/db/1149/description/UPS_Sustainability_Strategy_.pdf

in return on invested capital. Examples of this UPS strategy is the incorporation of AI in their facilities and warehouses, this technology enables UPS employees to work at UPS even if they don't speak English, and the use of drones to delivery their packages.

Mergers & Acquisitions⁵

Since 1995, UPS has completed a total of 25 acquisitions. We will focus on the most recent acquisitions, as they are crucial for understanding the company's future direction and strategic objectives.

Table 1: UPS' Acquisitions

Year	Acquisition
2021	Roadie
2022	BOMI
2023	Happy Returns
4Q 2023	MXN Global Logistics
2025 (Expected)	Friigo & BPL

Roadie was acquired by UPS in 2021 for over \$500M, it is a U.S. based crowdsourced delivery platform offering same-day, urgent, and scheduled delivery services for both businesses and individuals across the United States. The acquisition was a response from UPS to key retail customers, such as Amazon, Walmart, and Target Corp., who have built or acquired gig delivery services to offer fast local delivery of everything from fresh food to large furniture.

UPS acquired BOMI in November 2022. BOMI spa is a company based in Italy, and a leader in integrated logistics for the biomedical sector. The completion of the Bomi, renamed BOMI Group, acquisition enables UPS Healthcare to provide enhanced logistics solutions and services to customers in both the European and Latin American markets. The deal was done to strengthen and leverage the growth of UPS Healthcare business.

UPS purchased Happy Returns in the last quarter of 2023, being a market leader software and reverse logistics company that collaborates with online merchants to manage product returns. The transaction expands UPS' footprint in the fast-growing online returns segment. Demand for returns management solutions has increased along with e-commerce activity and are different and more complex than the traditional return-to-store transaction, mostly due to lack of fixed store's locations to accept returned items. However, the acquisition of the reverse logistics company changed it, adding over 5200 UPS neighbourhood store locations for returns processing. Many Return Bars are located in local communities where customers frequently run errands, that makes returning packages a lot easier to customers and less expensive to UPS.

MXN Global Logistics acquisition took place in the last quarter of 2023. The company specializes in providing high-quality freight and logistics services, with a strong presence in the healthcare, aviation, high-tech manufacturing, and financial services sectors.

UPS sold coyotes business to RXO for \$1.025 billion, a transportation and logistics company based in Charlotte, the decision was announced in the middle of 2024. Carol B. Tomé, the chief executive officer at UPS made the following statement regarding the transaction, "As UPS positions itself to become the premium small package provider and logistics partner in the world, the decision to sell our Coyote Logistics business allows an even greater focus on our core business". This decision marks a turning point of divestiture in the Supply Chain Segment, more precisely in the Freight business.

5: UPS's Mergers & Acquisitions: <https://about.ups.com/us/en/our-company/our-strategy/better-not-bigger-framework.html>
 6: UPS's Leadership Team: <https://about.ups.com/us/en/our-company/leadership.html>

UPS acquired Frigo-Trans and its sister company BPL, which are industry-leading, complex healthcare logistics providers, based in Germany. This deal according to UPS will strengthen its capacity to deliver comprehensive end-to-end temperature-controlled logistics solutions across Europe for the healthcare sector.

Table 2: UPS' Leadership Team

Leadership Team	Position
Carol B. Tomé	CEO
Nando Cesarone	EVP & U.S. President
Matt Guffey	Chief Commercial & Strategy Officer
Bala Subramanian	Chief Digital & Technology Officer
Norman M. Brothers Jr.	Chief Legal and Compliance Officer

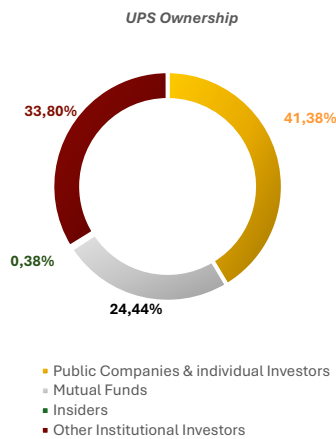
The most recent acquisition was Estafeta, a Mexican express package delivery company which is market leader in its country. The deal was worth more than one billion dollars.

An analysis of UPS' acquisitions reveals that the company aims to establish itself as a leader in the healthcare logistics sector by acquiring three major companies in the last 4 years. Besides that, it seeks to be recognized as a premium package delivery brand, focusing on higher margins rather than high-volume sales, that aligns with “Better and Bolder” strategy, announced by the company in March 2024.

Board & Executive Leadership Team

Carol B. Tomé is the Chief Executive Officer of UPS, making her the 12th CEO in the company's 117-year history. UPS' Executive Leadership Team is composed of 8 members and the Board of Directors by 10 members, Carol B. Tomé is present in both.

Graph 1: UPS' Ownership (in %)



Source: Wall Street Zen

Shareholder Structure & Dividends Payout

The ownership structure of United Parcel (UPS) stock is a mix of institutional, retail and individual investors. Approximately 58.24% of the company's stock is owned by Institutional Investors, such as Mutual Funds and Others, 0.38% by Insiders and 41.38% by Public Companies and Individual Investors. Vanguard, Vanguard Index Funds and iShares represent the highest stakes with 7.73%, 7.05% and 3.55% respectively.

A strong commitment to dividends as shareholders' return is a core principle of UPS and a key indicator of the company's financial strength. Since going public in 1999, UPS has consistently maintained or increased its dividends⁷ each year, paying now \$1.63 quarterly, which is a positive sign of the company's financial stability and ability to pay consistent dividends in the future. UPS' ability to pay regular and high dividends, after rigorous analysis, is due to its Sustainable Growth Rate, a SGR of 43%, which suggests an ability to expand revenues and earnings by 43% annually without external financing, which is uncommon for companies of UPS's scale.

Table 3: UPS Avg. SGR; ROE & Dividend Payout from 2015 to 2023

2015FY - 2023FY	
ROE	239%
Dividend Payout Ratio	80%
Sustainable Growth Rate	43%

Source: Own Estimates & Annual Report

Also, UPS has a history of implementing share repurchase⁸ programs to enhance shareholder value. In August 2021, the company's Board of Directors approved a new \$5 billion share repurchase program, replacing the existing \$2.1 billion authorization. The Most recent was announced in January 2023, in which UPS announced a new \$5 billion stock-buyback program, replacing its prior authorization

7: UPS's Dividends History: <https://www.marketbeat.com/stocks/NYSE/UPS/dividend>

8: UPS's Dividends and Share Repurchases: <https://investors.ups.com/news-events/press-releases/detail/2054/ups-announces-quarterly-dividend-and-5-billion-share>

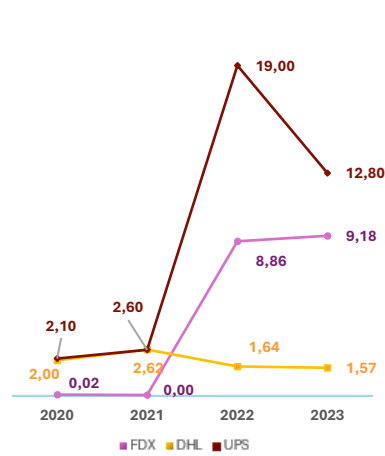
Direct Peer Companies

FedEx and DHL are UPS' closest competitors in the global logistics and parcel delivery industry. They operate in similar markets and geographies, offering comparable services, and face similar regulatory and economic conditions. This makes them the most relevant benchmarks for assessing UPS's performance and valuation, as their financial metrics, such as revenue growth, profitability, and market risks, are directly influenced by the same industry dynamics. Due to this, we are going to focus on these peer companies, including companies outside this narrow peer group that could introduce less relevant comparisons, skewing the analysis.

Stock Performance & Peers Comparison⁸

Looking at past stock return of package delivery and freight companies (UPS, FedEx and DHL) we see a big drop in price in 2008, due to the 2008 Great Recession considered the biggest downturn since 1930 Great Depression. 2008 Great Recession was caused by a failure of the Federal Reserve to regulate banks, to stop them from giving mortgages to people who subsequently proved to be a bad credit risk. This crisis led to bankruptcy major international banks, such as Lehman Brothers, the U.S. fourth-largest investment bank. In 2015 we can note another drop in stock prices, China's economic slowdown impacted the market, affecting shipping companies to some degree due to China's significant role. Additionally, towards the end of 2015, freight rates reached historically low levels. In 2019 Covid appear, starting to affect the overall industry in a negative way, due to a slowdown in economy, however it rapidly change to a opportunity for the delivery industry. Due to lockdowns people were not allow to go out and many times if they were, would prefer not to go for safety reasons. E-commerce increased exponentially and health care became an important business sector for delivery companies.

Graph 2: FDX, UPS & DHL Total Share Buybacks per Year (in million units)



Source: Annual Report

Graph 4: Exercised RSU's in million shares; Dividend Yield; Total Shares outstanding in million shares

	2020	2021	2022	2023
UPS	0,38	0,18	0,19	0,19
FDX	0,76	5,06	1,30	1,75
UPS	2,40%	1,90%	3,50%	4,12%
FDX	1,20%	1,10%	1,79%	1,76%
DHL	3,20%	3,80%	4,70%	4,70%
UPS	865	870	859	853
FDX	262	268	263	254
DHL	1265	1262	1239	1189

Source: Own Estimates & Annual Report

UPS has delivered a balanced stock performance in the logistics sector from FY20 to FY23, achieving an annualized stock return of 16.91%, with a 2020FY starting price of 98.27USD to a 150US ending price in 2023FY. This places it between FedEx (FDX) at 24.6% and DHL (DHL.DE) at 12.44% '20 -'23 stock price return. While FDX's higher return highlights its great growth in the time span, UPS's performance significantly outpaces DHL, showcasing its ability to provide strong returns while maintaining stability, due to an annualized volatility for UPS standing at 31.3%, slightly above DHL's 31.25% but well below FDX's 39.3%. This lower volatility compared to FDX underscores UPS's appeal as a relatively stable investment, balancing risk and reward. Its 52.64% price appreciation during the period also reflects its capacity to deliver consistent value growth, outperforming DHL's 30.83% and offering a middle ground relative to FDX's impressive 74.46% price increase. (Appendix 1)

UPS's average daily return of 0.06% aligns closely with its overall performance, slightly exceeding DHL's 0.05% and falling behind FDX's 0.09%. This steady daily performance further reinforces UPS's positioning as a well-rounded investment option for those seeking

moderate growth without the heightened risk associated with more volatile stocks like FDX, as Appendix 1 shows.

While stock performance is not a comprehensive measure of total returns, it is essential to consider the company’s dividend-related returns and future buyback strategies. UPS has demonstrated its commitment to delivering shareholder value through its above-average dividend yield, which stood at approximately 4.12% in 2023, representing \$6.52 as annual dividend. This yield has consistently increased over the years and significantly exceeds the S&P 500 average¹⁰ of 1.29% in 2024, as well as its U.S. peer, FedEx, which recorded an average dividend yield of 1.46% from 2020 to 2023 and paid 1.76% at the end of its 2023 fiscal year, which represents a \$5.00 annual dividend, \$1.52 lower than UPS.

UPS has also been recognized for incorporating shareholder value into its broader business strategy, as evidenced by its robust share buyback initiatives in recent years. The company repurchased 19 million shares in 2022 and 12.8 million in 2023, far outpacing FedEx, which repurchased 9.18 million shares in 2023 after a history of minimal buyback activity in prior years. Additionally, UPS has implemented anti-dilution measures, as seen in its reduced exercisable restricted stock units (RSUs)¹¹ from 380,000 in 2020 to 190,000 in 2023. In contrast, FedEx has exhibited significantly higher and more volatile RSU¹⁰ figures, peaking at 5 million in 2021 and standing at 1.75 million in 2023.

Looking ahead, UPS has outlined plans to repurchase 2.8 million shares over the next four years, reinforcing its commitment to enhancing shareholder value through strategic capital allocation. While UPS’s stock performance shows a moderate correlation of 0.5 with FedEx’s stock returns, recent strategic initiatives by UPS suggest a shift that could further differentiate its performance trajectory from its peer. These moves highlight UPS’s focus on delivering sustainable value to its shareholders while maintaining a disciplined approach to managing stock dilution and enhancing future returns.

Macroeconomic Dynamics

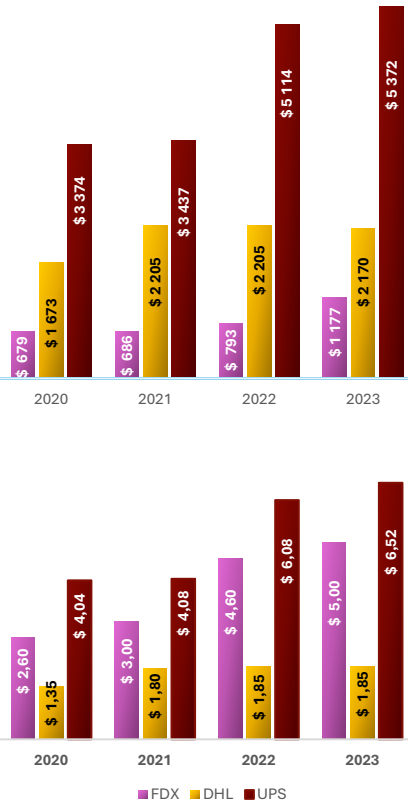
U.S. Elections¹² - 2024

Donald J. Trump⁹ has won the 2024 United States President Elections. Republicans were able to succeed in 32 out of the 50 states, winning in states such as Arizona, Georgia, Michigan, Nevada, Pennsylvania and Wisconsin that voted for Biden in the 2020 elections. This way Trump has managed to achieve 312 electors and will become the 47th President of the United States, by defeating Kamala Harris.

Trump is known to impose tariffs¹³ and restrictions on China, and following his victory, he has made statements on future tariffs, on all products, that he wants to impose to China, and his neighbors’ countries Canada and Mexico.

In 2024 July the U.S. reached a record of 4.3 million barrels of oil per day imported from Canada, besides that, is also a massive importer of cars, machinery and other various

Graph 3 & 4: Total Dividends Paid (In millions \$) & Annual Dividends per Share in (\$)



Source: Own Estimates & Annual Report

Table 5: U.S. Election Results (in electoral votes)

U.S. Elections	
Trump	Kamala
312	226

10: S&P Average Yield: https://www.gurufocus.com/economic_indicators/150/sp-500-dividend-yield
 11: RSU's and Dividends Info taken from UPS' Annual Reports: <https://investors.ups.com/company-profile/annual-reports>
 12: US Election Results: <https://www.reuters.com/graphics/USA-ELECTION/RESULTS/zjpqnemxvwx/>
 13: Trump Tariffs: <https://www.aljazeera.com/economy/2024/11/26/trump-promises-25-tariff-on-mexico-and-canada-extra-10-tariff-on-china>

commodities. The majority of cars and car parts imported into the United States come from Mexico, moreover, it is also a major supplier of electronics, machinery, oil and optical apparatus, and a significant amount of furniture and alcohol come from the country to the south of the United States. The more relevant importations from China are electronics, machinery, toys, games, sports equipment, furniture and plastics.

If this ideas materialize, it is expected that this politic would inflate prices in America leading to reduced demand and a decline in importations from those countries. Furthermore Trump and the Americans should also expect some potencial retaliation, that would translate into less exportations from America to those countries. UPS International Domestic Delivery segment would likely be affected, due to a trade decrease.

Teamsters

The International Brotherhood of Teamsters¹⁴ (IBT) is a labor union in the United States and Canada. Formed in 1903 by the merger of the Team Drivers International Union and the Teamsters National Union, the union now represents a diverse membership of workers in both the public and private sectors, totaling about 1.3 million members. UPS is the largest employer of Teamsters in the United States, with a partnership that has lasted for over 100 years. Approximately 400 000 UPS employees in the U.S., approximately 330 000 are members of the Teamsters, making up more than 80% of the company's U.S. workforce.

The last agreement became effective on August 1st 2023 and will last until July 31st 2028. The union informed that 86% of members had voted for the five-year contract, which is the largest margin in favor of a contract ever at the company. The union achieved pay raises of 2,75\$ per hour across-the-board and at least 7,50\$ increases for full-time workers, during the life of the contract.

The teamster's contract significantly increased UPS' compensation and benefits costs, however ended up being a good new for UPS, as it helped them avoid a strike by more than 70% of their U.S. workforce.

Middle East War and Oil Prices

Since september 2023, in the begging of Israel and Hamas conflict, tensions rised and became a war between Israel and Iran. At 1st October Iran launched about 200 ballistic missiles into Israel, before that oil price¹⁵ was 64,93\$ per barrel, at October 7th oil price peaked reaching 73,54\$ per barrel. The increased in oil prices reflected the market reacting to a potencial disruption of Iran's facilities, as Israel could target Iranian oil facilities to weaken the opponent strenght. Iran is a major supplier to china and has a refining capacity of around 2,4 million barrels a day, being also the world's seventh largest oil producer. However, while the Middle East war continues to escalate, oil prices are falling as the reality of weak global demand overtakes the risks of a wider war in Middle East. Israel is also targeting military infractructures instead of energy infrastructures, as had been feared.

14: *Teamsters' Contracts*: <https://teamster.org/ups-agreements-2023-2028s>

15: *Oil Prices*: <https://worldpolicyhub.com/oil-prices-after-iranian-strikes-and-israeli-threats>

Annual demand¹⁵ growth is expected to shrivel from 2.4 mb/d in 2024 to just 0.4 mb/d in 2028, putting a peak in demand in sight. In particular, the use of oil for transport fuels is set to go into decline after 2026 as the expansion of electric vehicles, the growth of biofuels and improving fuel economy reduce consumption. With demand also price per barrel is expected to reduce in the long run.

EU - Mercosur Trade Deal

After 25 years of negotiations an agreement¹⁶ between the EU and South- America Mercosur, composed by Argentina, Brasil, Bolivia, Paraguay and Uruguay, appears to be close to the finish line. The deal will create a huge new transatlantic market and would include agriculture products, like meat and soy, but also cars, car parts, machines and chemicals. There have been objections especially from European farmers, who have been protesting, afraid to be overrun and undercut by agricultural imports from South-America. Still among the voices protesting the deal are environmentalists. They warned that South America's industry, which is not generally sustainable and puts profits over the protection of the rainforest, could be fired up.

If EU-Mercosur deal goes forward the amount of imports would likely to increase since both Europe and South-America trading barriers would decrease, UPS would probably experienced a boost in its earnings, due to this deal.

Ukraine War

The Russia-Ukraine conflict has significantly impacted global logistics companies, including UPS. In response to the invasion, UPS suspended all shipments to and from Russia and Ukraine, aligning with international sanctions and ensuring the safety of its operations.

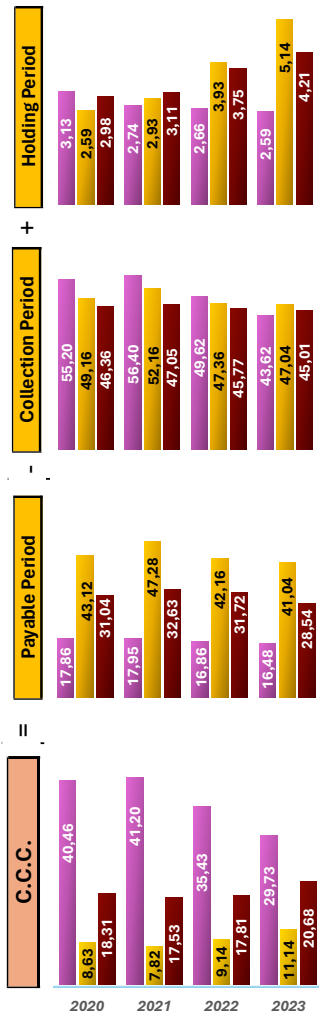
Additionally, UPS ceased flying cargo planes over Russian airspace, opting for longer alternative routes between the U.S. and Asia. This decision increased flight times and fuel costs, adding strain to an already challenged global supply chain.

These operational changes, while necessary, have financial implications. Suspending services in Russia and Ukraine resulted in lost revenue from these regions. Rerouting flights to avoid Russian airspace led to higher operational costs due to increased fuel consumption and extended delivery times. The broader economic repercussions of the conflict, such as rising fuel prices and supply chain disruptions, have further affected UPS's cost structure and operational efficiency. While specific financial figures detailing the exact impact on UPS's revenue are not publicly disclosed, the company has had to adapt to these challenges to maintain service levels and meet customer expectations.

15: Annual Demand: <https://www.iea.org/news/growth-in-global-oil-demand-is-set-to-slow-significantly-by-2028>

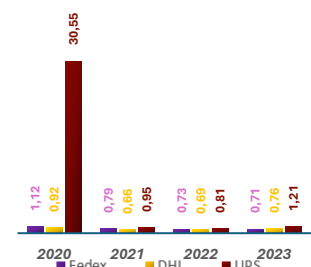
16: EU-Mercosul Deal: <https://www.euronews.com/business/2024/11/19/eu-mercotur-trade-deal-winners-and-losers-in-europe>

Graph 5,6,7 & 8: FDX, DHL & UPS: Holding Period, Collection Period, Payable Period & C.C.C



Source: Own Estimates

Graph 9: FDX, DHL & UPS: Debt-to-Equity Ratio



Source: Own Estimates

Competitive Analysis & Industry Landscape

This chapter examines UPS's performance metrics in comparison to its key competitors, FDX and DHL, to assess its position within the industry, while also analyzing the performance of its individual business segments.

Cash Conversion Cycle

Cash Conversion Cycle (CCC) is a vital metric in financial analysis, measuring how efficiently a company manages working capital by tracking the time it takes to convert inventory and receivables into cash, net of supplier payments. For UPS, its CCC has risen from 18.31 days in 2020 to 20.68 days in 2023, signaling slower cash conversion compared to its past performance. This increase is primarily driven by a rising holding period, which grew from 2.98 to 4.21 days, reflecting inefficiencies in inventory management. Additionally, its payable period decreased from 31.04 to 28.54 days, suggesting UPS is paying suppliers faster, reducing cash available for operations. However, its collection period remained stable at approximately 45 days, showing consistency in receivables management with its industry and doing better than its direct peers.

Compared to its direct U.S. competitor, FedEx, UPS is performing better in terms of CCC. FedEx's¹⁷ CCC, though improving significantly, was higher than UPS's in every year analyzed, dropping from 40.46 days in 2020 to 29.73 days in 2023. This indicates that UPS maintains an edge in managing its cash cycle, particularly through a shorter overall duration, even as FedEx has made strides in efficiency.

When viewed against DHL¹⁸, whose CCC rose from 8.63 to 11.14 days primarily due to an increasing holding period, UPS remains less competitive globally. However, its superior performance relative to FedEx highlights stronger control over cash conversion in the domestic market. In summary, UPS's CCC reflects areas of concern, particularly in inventory and supplier payment efficiency. However, its ability to maintain a shorter CCC than FedEx underlines its competitive strength in the U.S. market, providing a more favorable position for equity investors seeking exposure to the logistics sector. Still, addressing rising inefficiencies will be crucial to sustaining this advantage amidst broader industry pressure

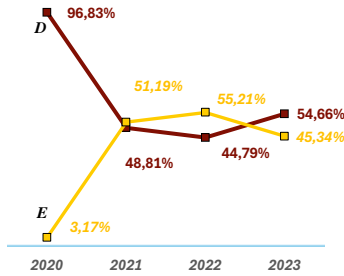
Capital Structure

The company's debt-to-equity 2020, United Parcel Service, Inc. (UPS) faced significant financial challenges, reflected in its high debt levels and low equity.

The company's debt-to-equity ratio soared to 30.55, with debt constituting approximately 96.83% of its capital structure, while equity accounted for only 3.17%. Several factors contributed to this situation. Firstly, UPS made substantial investments in technology and infrastructure to enhance its logistics capabilities, particularly in response to the surge in e-commerce driven by the COVID-19 pandemic, which can be visible in the RONIC and ROIC for 2020 (Table 11), which needed a good capital debt capital investment while the interest rates

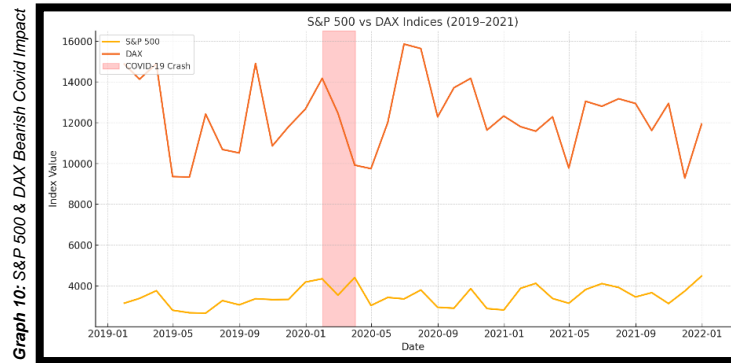
17: All DHL's Information taken from Annual Reports: <https://group.dhl.com/en/investors.html>
 18: All FedEx's Information taken from Annual Reports: <https://investors.fedex.com/home/default.aspx>
 19: Theoretical understanding of capital structure, RONIC, and ROIC metrics: Brealey, R. A., Myers, S. C., & Allen, F. (2020). Principles of Corporate Finance (13th ed.). McGraw-Hill.

Graph 9: UPS' Debt % and Equity % in its Capital Structure



Source: Own Estimates

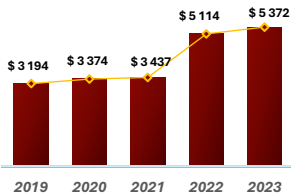
were silently inflated. Nevertheless, this higher D/E ratio in 2020 was mainly a consequence of a higher comprehensive loss due to UPS experiencing substantial actuarial losses related to its pension and postretirement fund benefit plans (market bearish due covid) and decrease in shareholders' equity, which came from a management decision to continue to pursue a shareholder value proposition, continuing to pay dividends, engaging in share buybacks, while UPS' Balance Sheet was affected by Freight divesture and also its net income decreased around \$4 440 in 2019 to \$1 343 million in 2020 (-70%).



Graph 10: S&P 500 & DAX Bearish Covid Impact

From 2021 forward, UPS maintained a good D/E Ratio, with a relatively higher exposure to debt compared to its competitors, only in 2023 UPS has shown higher use of debt comparing to its shareholders' equity. It is also important to note that in 2021 UPS had the best year in the shown time span, having a net income of \$12 890 million (x8.6 increase from last year's net income).

Graph 9: UPS' Total Dividends paid (in million \$), even with extremely high D/E Ratio



Source: Annual Report

Liquidity

The liquidity profiles of UPS, FedEx, and DHL between 2020 and 2023 underscore fundamentally different approaches to short-term financial management, each shaped by distinct operational strategies and economic conditions. UPS's current, quick, and cash ratios all declined modestly over this period, moving from slightly above 1.19 to just 1.10 in terms of the current ratio. This subtle but notable shift reflects the company's deliberate strategy to minimize idle current assets and redeploy liquidity into long-term value drivers¹⁹, such as facility automation, IT enhancements, and strategic network optimization, while simultaneously navigating pandemic-driven shifts in volume from B2B to B2C markets. Although these investments and operational transitions supported UPS's broader transformation efforts and improved its solvency and financial autonomy ratios, the corresponding reduction in short-term liquidity cushion heightens the company's exposure to sudden financial pressures. The 2021 divestiture of UPS Freight and subsequent debt repayments further exemplify UPS's active capital management, as proceeds were channeled into balance sheet improvements rather than bolstering near-term liquidity. Additionally, increased capital expenditures in 2023, coupled with pension contributions and share repurchases, signal the company's confidence in its longer-term growth trajectory but underscore the ongoing trade-off between reinvestment and short-term liquidity reserves.

In contrast, FedEx maintained comparatively higher liquidity metrics over the same timeframe, with current and quick ratios consistently exceeding 1.37 and 1.33, 2023, and a more substantial cash ratio than UPS, 0.50 vs. 0.18. This comparatively robust liquidity buffer may offer investors immediate reassurance against unforeseen market disruptions. However, the gradual downward trend in FedEx’s ratios except cash ratio suggests that it, too, faces operational pressures—potentially from rising costs or shifts in demand—and is gradually less reliant on easily convertible assets. DHL emerges as the more conservative player, posting stable liquidity ratios around a 1.10 current ratio and a quick ratio near 1.00. This steadiness reflects a balanced, risk-averse approach to working capital management, enabling DHL to remain well-prepared for short-term obligations without sacrificing financial flexibility.

From our perspective, these variances have meaningful implications. UPS’s leaner liquidity stance may appeal to investors who trust its operational agility and strategic vision, recognizing that short-term liquidity sacrifices have been channeled into long-term efficiency gains and strengthened solvency. Yet, it also warrants close scrutiny given lower liquidity buffers, macroeconomic headwinds or unexpected operating expenses could strain the company’s short-term financial stability. FedEx’s higher baseline liquidity may comfort investors more concerned with immediate resilience, even if the trajectory suggests future challenges. DHL’s stable liquidity profile likely resonates with more risk-averse stakeholders who prize steady short-term solvency and balanced capital allocation.

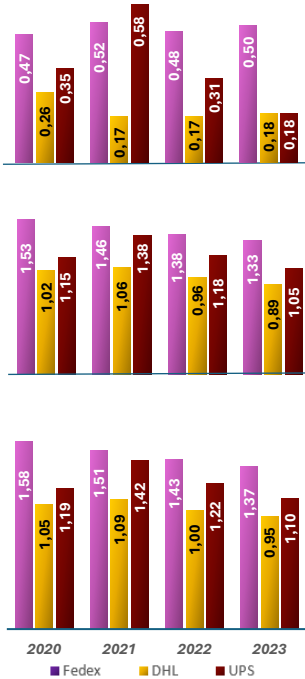
In essence, UPS’s approach—marked by reinvestment in innovation and deliberate balance sheet restructuring from 2020 to 2023—signals confidence in its long-term competitive positioning, albeit at the expense of immediate liquidity headroom. Careful monitoring of working capital, ongoing cost pressures, and macroeconomic shifts will be crucial for stakeholders assessing whether this liquidity strategy effectively supports sustainable value creation.

Financial Autonomy & Solvency Ratios

Between 2020 and 2023²⁰, UPS, FedEx, and DHL all showed incremental improvements in solvency and financial autonomy ratios, yet none approached ideal levels that would signal reduced dependence on external financing. UPS’s solvency ratio rose from 0.01 to 0.32, and its financial autonomy advanced from 0.01 to 0.32, placing it below of FedEx’s modest gains and DHL’s better situation, but not ideal. Still, a solvency ratio well below 1.0 and an equity-to-assets share (Financial Solvency) of just over one-third underline UPS’s continued vulnerability to debt markets, interest rate fluctuations, and broader economic headwinds.

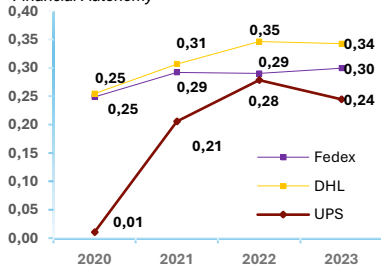
From a corporate finance perspective, these ratios reflect a delicate balance: while surpassing a 25% financial autonomy benchmark is a minimum standard, it hardly qualifies as a robust capital structure. The logistics industry, with its high fixed costs and significant infrastructure

Graph 9, 10 & 11: FD, DHL & UPS: Cash, Quick & Current Ratios, respectively



Source: Own Estimates

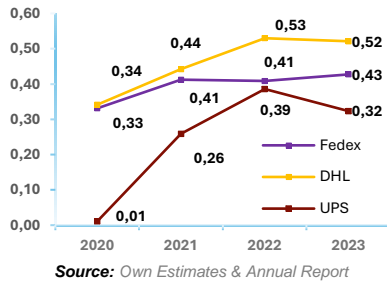
Graph 12 & 13: FD, DHL & UPS: Solvency Ratio and Financial Autonomy



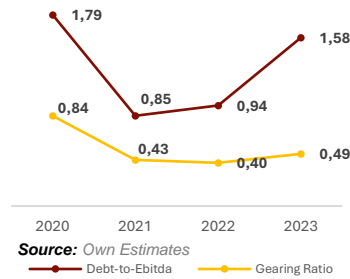
21: Information taken from Annual Reports: Captions to calculate Financial Ratios

22: Ratio Comparisons and Financial Statement Analysis: Penman, S. H. (2013). Financial Statement Analysis and Security Valuation (5th ed.). McGraw-Hill Education.

23: Solvency ratios, financial autonomy, and the role of leverage: Damodaran, A. (2012). Corporate Finance: Theory and Practice (2nd ed.). Wiley.



Graph 14: UPS: Debt-to-EBITDA & Gearing Ratio



investments, often tolerates elevated leverage. However, the current levels suggest that greater equity buffers would benefit all three firms, providing flexibility to weather downturns, fund strategic initiatives, and reduce the cost of capital (both Equity and Debt) over the long run.

UPS’s comparative outperformance underscores relatively disciplined capital management—divestments, strategic focus on higher-margin segments, and careful debt management have all contributed to incremental gains. Yet these improvements are best seen as a starting point rather than the endgame. To enhance resilience, stabilize returns on capital, and gain more competitive freedom, UPS may need to further strengthen its equity position, aiming for a structure less reliant on debt and more aligned with conservative financing principles.

From 2020 to 2023, UPS’s Gearing and Debt-to-EBITDA ratios showed significant initial improvement followed by a partial reversal. In 2020, although the company’s Invested Capital could cover its Net Debt at a rate of 16%, the Gearing Ratio stood at a notably high 84%. By 2023, UPS had reduced this figure by 49%, moving closer to a more financially efficient level. Likewise, the Debt-to-EBITDA ratio—at a concerning 179% in 2020, indicating EBITDA was insufficient to fully cover the company’s debt—has fallen to 158% in 2023, although it still remains above the ideal threshold.

UNITED PARCEL SERVICE

COMMERCE & LOGISTICS

STUDENT: RODRIGO MARCHÃO FÉLIX
& PEDRO MIGUEL CABAÇO EUSÉBIO

COMPANY REPORT

17 DECEMBER 2024

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Delivering The Future: A Comprehensive Valuation of UPS

A Legacy of Transformation and Adaptation in a Changing World

After peaking in mid-2021, UPS's stock consistently outperformed the broader S&P 500, maintaining this above-market return until mid-2024. In Q3 of 2024, UPS reported adjusted earnings per share of \$1.76 and an operating profit of \$2 billion on sales of \$22.2 billion, surpassing Wall Street expectations.

Despite positive results, UPS's stock has faced headwinds, declining 18% year-to-date as of December 10, 2024, due to rising labor costs and weaker U.S. domestic sales, which have pressured its traditionally strong operating margins. Looking ahead, we remain optimistic about UPS's prospects, given its adaptability and ongoing investments in high-growth areas such as healthcare and cold chain logistics, with CAGR expectations of approximately 13%

We reiterate our BUY recommendation, projecting a revenue CAGR of 3.74% and a total stock return of 11.4% by FY2025. UPS's strong cost management and growth track record support its ability to recover, with the stock currently trading at an attractive "discount" price.

Company Description

United Parcel Service (UPS), founded in 1907, is a global leader in package delivery and a major provider of supply chain management solutions. It manages one of the largest airlines and operates one of the biggest fleets of alternative fuel vehicles. It employs more than 500 thousand people and has operations in more than 200 countries.

Recommendation: BUY

Total Shareholder Return 16.1%

Price Target FY25: 137.65 \$

Dividend Yield 4.6%

Price (as of 17-Dec-24) 128.76 \$

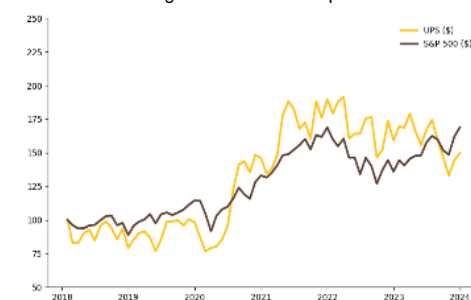
Reuters: UPS.N, Bloomberg: UPS:US

52-week range (\$) 123.12-163.82

Market Cap (\$m) 109 880

Outstanding Shares (m) 853.37

Source: Bloomberg & UPS Annual Reports



Source: Bloomberg - Monthly Returns

(Values in € millions)	2023	2024E	2025F
Revenues	90 958	91 782	98 762
EBITDA	13 239	10 232	13 288
Core Result	7 950	5 327	7 616
Net Income	6 708	4 206	6 558
FCF	4 159	5 577	4 401
ROIC	18%	11%	15%
Shareholders' Equity	17 306	20 456	22 514
Enterprise Value	155 002	137 530	142 643
Net Debt/EV	13,5%	13,5%	13,5%
Debt-to-Equity	x1.29	x1.29	x1.29
Shares Outstanding	853	853,37	853,37

Source: Own Estimates & Annual Reports

THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY PEDRO MIGUEL CABAÇO EUSÉBIO AND RODRIGO ALEXANDRE MARCHÃO FÉLIX, A MASTER IN FINANCE STUDENT OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL.
(PLEASE REFER TO THE DISCLOSURES AND DISCLAIMERS AT END OF THE DOCUMENT)

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Company Overview

United Parcel Service (UPS), founded in 1907, is a global leader in package delivery and a major provider of supply chain management solutions. It manages one of the largest airlines and operates one of the biggest fleets of alternative fuel vehicles. It employs more than 500 thousand people and has operations in more than 200 countries¹.

UPS was founded in 1907 by Claude Ryan and Jim Casey in Seattle, by 1930 expanded to the East Coast and changed the headquarters from Los Angeles to New York City. In 1975 it became the first package delivery company to operate in all states and started operating abroad, in Toronto.

UPS Next Day Air service appeared in 1985 and was the first air delivery service² to reach 48 contiguous states, Hawaii, and Puerto Rico. That same year, UPS launched its first intercontinental air service between the U.S. and Europe. By 1988 UPS Airlines was launched and only after one year-initiated operations in the Middle East, Africa, and the Pacific Rim. One decade later it became publicly traded and in 2001 entered the retail business.

UPS divides its business operations into three primary segments, Domestic Package Delivery, International Package Delivery, and Supply Chain Solution.

U.S. Domestic Package

UPS divides its business operations into three primary segments, Domestic Package Delivery, International Package Delivery, and Supply Chain Solutions.

The U.S. Domestic Package segment includes all small package delivery services for both business and residential addresses across the U.S., where UPS is currently a market leader. Domestic Package operations include the time-definite delivery of letters, documents and packages. Their air services offer several delivery options, such as same-day, next-day, two-day, and three-day delivery. For ground services, UPS delivers over 17 million packages daily, and accounts for most of their revenues inside the domestic segment.

International Package

International package delivery includes delivery to more than 220 countries and territories worldwide, including shipments wholly outside the United States, as well as shipments with either origin or destination outside the United States. International segment is divided in three categories regarding revenues, domestic which is related with shipments inside a certain country, without crossing borders, export which refers to packages shipped from one to another country and Cargo which refers to freight and bulk shipping services. UPS offers a wide range of international shipping options, Express Critical is the premium service designed to handle urgent and high-priority shipments. UPS Standard shipping may take 10 business days maximum, and then there is UPS Worldwide Economy, which is the low-cost service taking up to 15 business-days to be delivered. The International Package

segment includes operations in Europe, Asia, the Indian subcontinent, the Middle East, Africa, Canada and Latin America.

In 2023, this segment generated around \$13 169 million, although decreasing around 20% from 2022 due to E-commerce stabilization, it is an important part of UPS's growth.

Supply Chain Solutions

United Parcel Service's (UPS) Supply Chain Solutions (SCS) segment offers a comprehensive suite of services designed to manage and optimize global supply chains, including Global Freight Forwarding, Global Logistics & Distribution, Truckload Brokerage, Healthcare operations, and other related businesses.

Operating in over 175 countries and territories, UPS SCS provides freight forwarding services that encompass both guaranteed and non-guaranteed global air freight options, facilitating the movement of goods across international borders. To ensure efficient product flow from origin to destination, UPS manages warehousing, distribution, and fulfillment services, while assisting clients in navigating complex international trade regulations to achieve smooth customs clearance. Additionally, UPS offers specialized services tailored to the healthcare industry, such as temperature-controlled logistics essential for medical products. In 2023, the Supply Chain Solutions segment generated approximately \$13 billion in revenue, reflecting UPS's commitment to delivering integrated logistics solutions that meet the evolving needs of its global clientele.

Strategies & ESG

A key feature of UPS's strategy it's the consistent use of the colour brown. In the early 1920s, UPS chose brown for its uniforms and trucks to convey a professional and sophisticated image. The decision was strategic, as brown was linked to neatness and cleanliness.

Nowadays UPS' strategy relies on three key areas. **Customer First**³, which is about providing a frictionless customer experience. By focusing on what matters most to customers speed and ease, UPS aim to provide the best digital experience powered by a global smart logistics network and tracks progress in this area through improvements in its net promoter score. **People Led**, it's about focusing on enhancing corporate culture and reputation to attract and retain dedicated employees. UPS measures success on this strategic initiative through improvements in likelihood to recommend UPS to friends and family. Examples of that are green initiatives like the "Rolling Laboratory" program, which features a fleet of vehicles powered by alternative fuels and advanced technologies aimed at reducing emissions and enhancing fuel efficiency. The company's global fleet consists of over 17 000 vehicles using alternative fuel and advanced technology. UPS aimed to reach carbon neutrality⁴ in 2050. **Innovation Driven**, which is about taking a more disciplined approach to capital allocation, driving more productivity from the assets and improving U.S. revenue quality to generate better bottom-line results. UPS tracks its progress on this element by measuring improvements

in return on invested capital. Examples of this UPS strategy is the incorporation of AI in their facilities and warehouses, this technology enables UPS employees to work at UPS even if they don't speak English, and the use of drones to delivery their packages.

Mergers & Acquisitions⁵

Since 1995, UPS has completed a total of 25 acquisitions. We will focus on the most recent acquisitions, as they are crucial for understanding the company's future direction and strategic objectives.

Table 1: UPS' Acquisitions

Year	Acquisition
2021	Roadie
2022	BOMI
2023	Happy Returns
4Q 2023	MXN Global Logistics
2025 (Expected)	Frijo & BPL

Roadie was acquired by UPS in 2021 for over \$500M, it is a U.S. based crowdsourced delivery platform offering same-day, urgent, and scheduled delivery services for both businesses and individuals across the United States. The acquisition was a response from UPS to key retail customers, such as Amazon, Walmart, and Target Corp., who have built or acquired gig delivery services to offer fast local delivery of everything from fresh food to large furniture.

UPS acquired BOMI in November 2022. BOMI spa is a company based in Italy, and a leader in integrated logistics for the biomedical sector. The completion of the Bomi, renamed BOMI Group, acquisition enables UPS Healthcare to provide enhanced logistics solutions and services to customers in both the European and Latin American markets. The deal was done to strengthen and leverage the growth of UPS Healthcare business.

UPS purchased Happy Returns in the last quarter of 2023, being a market leader software and reverse logistics company that collaborates with online merchants to manage product returns. The transaction expands UPS' footprint in the fast-growing online returns segment. Demand for returns management solutions has increased along with e-commerce activity and are different and more complex than the traditional return-to-store transaction, mostly due to lack of fixed store's locations to accept returned items. However, the acquisition of the reverse logistics company changed it, adding over 5200 UPS neighbourhood store locations for returns processing. Many Return Bars are located in local communities where customers frequently run errands, that makes returning packages a lot easier to customers and less expensive to UPS.

MXN Global Logistics acquisition took place in the last quarter of 2023. The company specializes in providing high-quality freight and logistics services, with a strong presence in the healthcare, aviation, high-tech manufacturing, and financial services sectors.

UPS sold coyotes business to RXO for \$1.025 billion, a transportation and logistics company based in Charlotte, the decision was announced in the middle of 2024. Carol B. Tomé, the chief executive officer at UPS made the following statement regarding the transaction, "As UPS positions itself to become the premium small package provider and logistics partner in the world, the decision to sell our Coyote Logistics business allows an even greater focus on our core business". This decision marks a turning point of divestiture in the Supply Chain Segment, more precisely in the Freight business.

5: UPS's Mergers & Acquisitions: <https://about.ups.com/us/en/our-company/our-strategy/better-not-bigger-framework.html>
 6: UPS's Leadership Team: <https://about.ups.com/us/en/our-company/leadership.html>

UPS acquired Frigo-Trans and its sister company BPL, which are industry-leading, complex healthcare logistics providers, based in Germany. This deal according to UPS will strengthen its capacity to deliver comprehensive end-to-end temperature-controlled logistics solutions across Europe for the healthcare sector.

Table 2: UPS' Leadership Team

Leadership Team	Position
Carol B. Tomé	CEO
Nando Cesarone	EVP & U.S. President
Matt Guffey	Chief Commercial & Strategy Officer
Bala Subramanian	Chief Digital & Technology Officer
Norman M. Brothers Jr.	Chief Legal and Compliance Officer

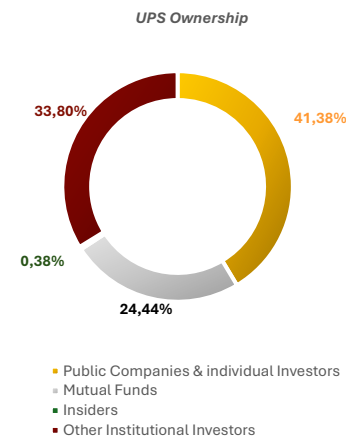
The most recent acquisition was Estafeta, a Mexican express package delivery company which is market leader in its country. The deal was worth more than one billion dollars.

An analysis of UPS' acquisitions reveals that the company aims to establish itself as a leader in the healthcare logistics sector by acquiring three major companies in the last 4 years. Besides that, it seeks to be recognized as a premium package delivery brand, focusing on higher margins rather than high-volume sales, that aligns with "Better and Bolder" strategy, announced by the company in March 2024.

Board & Executive Leadership Team

Carol B. Tomé is the Chief Executive Officer of UPS, making her the 12th CEO in the company's 117-year history. UPS' Executive Leadership Team is composed of 8 members and the Board of Directors by 10 members, Carol B. Tomé is present in both.

Graph 1: UPS' Ownership (in %)



Shareholder Structure & Dividends Payout

The ownership structure of United Parcel (UPS) stock is a mix of institutional, retail and individual investors. Approximately 58.24% of the company's stock is owned by Institutional Investors, such as Mutual Funds and Others, 0.38% by Insiders and 41.38% by Public Companies and Individual Investors. Vanguard, Vanguard Index Funds and iShares represent the highest stakes with 7.73%, 7.05% and 3.55% respectively.

A strong commitment to dividends as shareholders' return is a core principle of UPS and a key indicator of the company's financial strength. Since going public in 1999, UPS has consistently maintained or increased its dividends⁷ each year, paying now \$1.63 quarterly, which is a positive sign of the company's financial stability and ability to pay consistent dividends in the future. UPS' ability to pay regular and high dividends, after rigorous analysis, is due to its Sustainable Growth Rate, a SGR of 43%, which suggests an ability to expand revenues and earnings by 43% annually without external financing, which is uncommon for companies of UPS's scale.

Table 3: UPS Avg. SGR; ROE & Dividend Payout from 2015 to 2023

2015FY - 2023FY	
ROE	239%
Dividend Payout Ratio	80%
Sustainable Growth Rate	43%

Source: Own Estimates & Annual Report

Also, UPS has a history of implementing share repurchase⁸ programs to enhance shareholder value. In August 2021, the company's Board of Directors approved a new \$5 billion share repurchase program, replacing the existing \$2.1 billion authorization. The Most recent was announced in January 2023, in which UPS announced a new \$5 billion stock-buyback program, replacing its prior authorization

7: UPS's Dividends History: <https://www.marketbeat.com/stocks/NYSE/UPS/dividend>

8: UPS's Dividends and Share Repurchases: <https://investors.ups.com/news-events/press-releases/detail/2054/ups-announces-quarterly-dividend-and-5-billion-share>

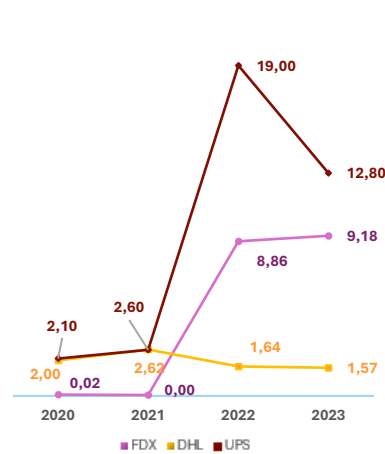
Direct Peer Companies

FedEx and DHL are UPS' closest competitors in the global logistics and parcel delivery industry. They operate in similar markets and geographies, offering comparable services, and face similar regulatory and economic conditions. This makes them the most relevant benchmarks for assessing UPS's performance and valuation, as their financial metrics, such as revenue growth, profitability, and market risks, are directly influenced by the same industry dynamics. Due to this, we are going to focus on these peer companies, including companies outside this narrow peer group that could introduce less relevant comparisons, skewing the analysis.

Stock Performance & Peers Comparison⁸

Looking at past stock return of package delivery and freight companies (UPS, FedEx and DHL) we see a big drop in price in 2008, due to the 2008 Great Recession considered the biggest downturn since 1930 Great Depression. 2008 Great Recession was caused by a failure of the Federal Reserve to regulate banks, to stop them from giving mortgages to people who subsequently proved to be a bad credit risk. This crisis led to bankruptcy major international banks, such as Lehman Brothers, the U.S. fourth-largest investment bank. In 2015 we can note another drop in stock prices, China's economic slowdown impacted the market, affecting shipping companies to some degree due to China's significant role. Additionally, towards the end of 2015, freight rates reached historically low levels. In 2019 Covid appear, starting to affect the overall industry in a negative way, due to a slowdown in economy, however it rapidly change to a opportunity for the delivery industry. Due to lockdowns people were not allow to go out and many times if they were, would prefer not to go for safety reasons. E-commerce increased exponentially and health care became an important business sector for delivery companies.

Graph 2: FDX, UPS & DHL Total Share Buybacks per Year (in million units)



Source: Annual Report

Graph 4: Exercised RSU's in million shares; Dividend Yield; Total Shares outstanding in million shares

	2020	2021	2022	2023
UPS	0,38	0,18	0,19	0,19
FDX	0,76	5,06	1,30	1,75
UPS	2,40%	1,90%	3,50%	4,12%
FDX	1,20%	1,10%	1,79%	1,76%
DHL	3,20%	3,80%	4,70%	4,70%
UPS	865	870	859	853
FDX	262	268	263	254
DHL	1265	1262	1239	1189

Source: Own Estimates & Annual Report

UPS has delivered a balanced stock performance in the logistics sector from FY20 to FY23, achieving an annualized stock return of 16.91%, with a 2020FY starting price of 98.27USD to a 150US ending price in 2023FY. This places it between FedEx (FDX) at 24.6% and DHL (DHL.DE) at 12.44% '20 -'23 stock price return. While FDX's higher return highlights its great growth in the time span, UPS's performance significantly outpaces DHL, showcasing its ability to provide strong returns while maintaining stability, due to an annualized volatility for UPS standing at 31.3%, slightly above DHL's 31.25% but well below FDX's 39.3%. This lower volatility compared to FDX underscores UPS's appeal as a relatively stable investment, balancing risk and reward. Its 52.64% price appreciation during the period also reflects its capacity to deliver consistent value growth, outperforming DHL's 30.83% and offering a middle ground relative to FDX's impressive 74.46% price increase. (Appendix 1)

UPS's average daily return of 0.06% aligns closely with its overall performance, slightly exceeding DHL's 0.05% and falling behind FDX's 0.09%. This steady daily performance further reinforces UPS's positioning as a well-rounded investment option for those seeking

moderate growth without the heightened risk associated with more volatile stocks like FDX, as Appendix 1 shows.

While stock performance is not a comprehensive measure of total returns, it is essential to consider the company’s dividend-related returns and future buyback strategies. UPS has demonstrated its commitment to delivering shareholder value through its above-average dividend yield, which stood at approximately 4.12% in 2023, representing \$6.52 as annual dividend. This yield has consistently increased over the years and significantly exceeds the S&P 500 average¹⁰ of 1.29% in 2024, as well as its U.S. peer, FedEx, which recorded an average dividend yield of 1.46% from 2020 to 2023 and paid 1.76% at the end of its 2023 fiscal year, which represents a \$5.00 annual dividend, \$1.52 lower than UPS.

UPS has also been recognized for incorporating shareholder value into its broader business strategy, as evidenced by its robust share buyback initiatives in recent years. The company repurchased 19 million shares in 2022 and 12.8 million in 2023, far outpacing FedEx, which repurchased 9.18 million shares in 2023 after a history of minimal buyback activity in prior years. Additionally, UPS has implemented anti-dilution measures, as seen in its reduced exercisable restricted stock units (RSUs)¹¹ from 380,000 in 2020 to 190,000 in 2023. In contrast, FedEx has exhibited significantly higher and more volatile RSU¹⁰ figures, peaking at 5 million in 2021 and standing at 1.75 million in 2023.

Looking ahead, UPS has outlined plans to repurchase 2.8 million shares over the next four years, reinforcing its commitment to enhancing shareholder value through strategic capital allocation. While UPS’s stock performance shows a moderate correlation of 0.5 with FedEx’s stock returns, recent strategic initiatives by UPS suggest a shift that could further differentiate its performance trajectory from its peer. These moves highlight UPS’s focus on delivering sustainable value to its shareholders while maintaining a disciplined approach to managing stock dilution and enhancing future returns.

Macroeconomic Dynamics

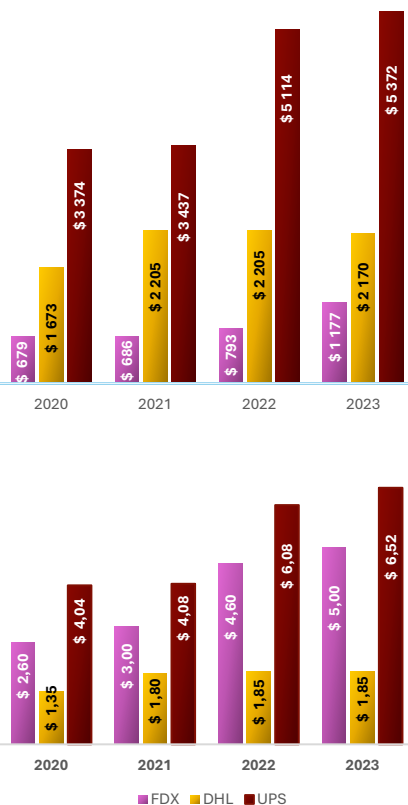
U.S. Elections¹² - 2024

Donald J. Trump⁹ has won the 2024 United States President Elections. Republicans were able to succeed in 32 out of the 50 states, winning in states such as Arizona, Georgia, Michigan, Nevada, Pennsylvania and Wisconsin that voted for Biden in the 2020 elections. This way Trump has managed to achieve 312 electors and will become the 47th President of the United States, by defeating Kamala Harris.

Trump is known to impose tariffs¹³ and restrictions on China, and following his victory, he has made statements on future tariffs, on all products, that he wants to impose to China, and his neighbors’ countries Canada and Mexico.

In 2024 July the U.S. reached a record of 4.3 million barrels of oil per day imported from Canada, besides that, is also a massive importer of cars, machinery and other various

Graph 3 & 4: Total Dividends Paid (In millions \$) & Annual Dividends per Share in (\$)



Source: Own Estimates & Annual Report

Table 5: U.S. Election Results (in electoral votes)

U.S. Elections	
Trump	Kamala
312	226

10: S&P Average Yield: https://www.gurufocus.com/economic_indicators/150/sp-500-dividend-yield
 11: RSU's and Dividends Info taken from UPS' Annual Reports: <https://investors.ups.com/company-profile/annual-reports>
 12: US Election Results: <https://www.reuters.com/graphics/USA-ELECTION/RESULTS/zjpqnemxwvx/>
 13: Trump Tariffs: <https://www.aljazeera.com/economy/2024/11/26/trump-promises-25-tariff-on-mexico-and-canada-extra-10-tariff-on-china>

commodities. The majority of cars and car parts imported into the United States come from Mexico, moreover, it is also a major supplier of electronics, machinery, oil and optical apparatus, and a significant amount of furniture and alcohol come from the country to the south of the United States. The more relevant importations from China are electronics, machinery, toys, games, sports equipment, furniture and plastics.

If this ideas materialize, it is expected that this politic would inflate prices in America leading to reduced demand and a decline in importations from those countries. Furthermore Trump and the Americans should also expect some potencial retaliation, that would translate into less exportations from America to those countries. UPS International Domestic Delivery segment would likely be affected, due to a trade decrease.

Teamsters

The International Brotherhood of Teamsters¹⁴ (IBT) is a labor union in the United States and Canada. Formed in 1903 by the merger of the Team Drivers International Union and the Teamsters National Union, the union now represents a diverse membership of workers in both the public and private sectors, totaling about 1.3 million members. UPS is the largest employer of Teamsters in the United States, with a partnership that has lasted for over 100 years. Approximately 400 000 UPS employees in the U.S., approximately 330 000 are members of the Teamsters, making up more than 80% of the company's U.S. workforce.

The last agreement became effective on August 1st 2023 and will last until July 31st 2028. The union informed that 86% of members had voted for the five-year contract, which is the largest margin in favor of a contract ever at the company. The union achieved pay raises of 2,75\$ per hour across-the-board and at least 7,50\$ increases for full-time workers, during the life of the contract.

The teamster's contract significantly increased UPS' compensation and benefits costs, however ended up being a good new for UPS, as it helped them avoid a strike by more than 70% of their U.S. workforce.

Middle East War and Oil Prices

Since september 2023, in the begging of Israel and Hamas conflict, tensions rised and became a war between Israel and Iran. At 1st October Iran launched about 200 ballistic missiles into Israel, before that oil price¹⁵ was 64,93\$ per barrel, at October 7th oil price peaked reaching 73,54\$ per barrel. The increased in oil prices reflected the market reacting to a potencial disruption of Iran's facilities, as Israel could target Iranian oil facilities to weaken the opponent strenght. Iran is a major supplier to china and has a refining capacity of around 2,4 million barrels a day, being also the world's seventh largest oil producer. However, while the Middle East war continues to escalate, oil prices are falling as the reality of weak global demand overtakes the risks of a wider war in Middle East. Israel is also targeting military infractructures instead of energy infrastructures, as had been feared.

14: *Teamsters' Contracts*: <https://teamster.org/ups-agreements-2023-2028s>

15: *Oil Prices*: <https://worldpolicyhub.com/oil-prices-after-iranian-strikes-and-israeli-threats>

Annual demand¹⁵ growth is expected to shrivel from 2.4 mb/d in 2024 to just 0.4 mb/d in 2028, putting a peak in demand in sight. In particular, the use of oil for transport fuels is set to go into decline after 2026 as the expansion of electric vehicles, the growth of biofuels and improving fuel economy reduce consumption. With demand also price per barrel is expected to reduce in the long run.

EU - Mercosur Trade Deal

After 25 years of negotiations an agreement¹⁶ between the EU and South- America Mercosur, composed by Argentina, Brasil, Bolivia, Paraguay and Uruguay, appears to be close to the finish line. The deal will create a huge new transatlantic market and would include agriculture products, like meat and soy, but also cars, car parts, machines and chemicals. There have been objections especially from European farmers, who have been protesting, afraid to be overrun and undercut by agricultural imports from South-America. Still among the voices protesting the deal are environmentalists. They warned that South America's industry, which is not generally sustainable and puts profits over the protection of the rainforest, could be fired up.

If EU-Mercosur deal goes forward the amount of imports would likely to increase since both Europe and South-America trading barriers would decrease, UPS would probably experienced a boost in its earnings, due to this deal.

Ukraine War

The Russia-Ukraine conflict has significantly impacted global logistics companies, including UPS. In response to the invasion, UPS suspended all shipments to and from Russia and Ukraine, aligning with international sanctions and ensuring the safety of its operations.

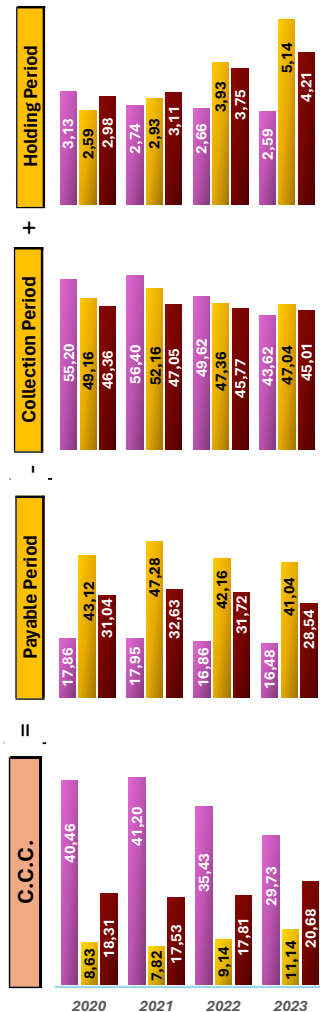
Additionally, UPS ceased flying cargo planes over Russian airspace, opting for longer alternative routes between the U.S. and Asia. This decision increased flight times and fuel costs, adding strain to an already challenged global supply chain.

These operational changes, while necessary, have financial implications. Suspending services in Russia and Ukraine resulted in lost revenue from these regions. Rerouting flights to avoid Russian airspace led to higher operational costs due to increased fuel consumption and extended delivery times. The broader economic repercussions of the conflict, such as rising fuel prices and supply chain disruptions, have further affected UPS's cost structure and operational efficiency. While specific financial figures detailing the exact impact on UPS's revenue are not publicly disclosed, the company has had to adapt to these challenges to maintain service levels and meet customer expectations.

15: Annual Demand: <https://www.iea.org/news/growth-in-global-oil-demand-is-set-to-slow-significantly-by-2028>

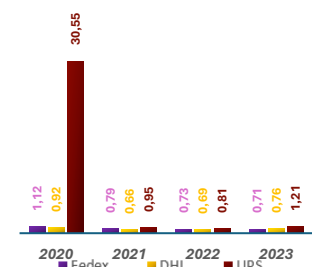
16: EU-Mercosul Deal: <https://www.euronews.com/business/2024/11/19/eu-mercotur-trade-deal-winners-and-losers-in-europe>

Graph 5,6,7 & 8: FDX, DHL & UPS: Holding Period, Collection Period, Payable Period & C.C.C



Source: Own Estimates

Graph 9: FDX, DHL & UPS: Debt-to-Equity Ratio



Source: Own Estimates

Competitive Analysis & Industry Landscape

This chapter examines UPS's performance metrics in comparison to its key competitors, FDX and DHL, to assess its position within the industry, while also analyzing the performance of its individual business segments.

Cash Conversion Cycle

Cash Conversion Cycle (CCC) is a vital metric in financial analysis, measuring how efficiently a company manages working capital by tracking the time it takes to convert inventory and receivables into cash, net of supplier payments. For UPS, its CCC has risen from 18.31 days in 2020 to 20.68 days in 2023, signaling slower cash conversion compared to its past performance. This increase is primarily driven by a rising holding period, which grew from 2.98 to 4.21 days, reflecting inefficiencies in inventory management. Additionally, its payable period decreased from 31.04 to 28.54 days, suggesting UPS is paying suppliers faster, reducing cash available for operations. However, its collection period remained stable at approximately 45 days, showing consistency in receivables management with its industry and doing better than its direct peers.

Compared to its direct U.S. competitor, FedEx, UPS is performing better in terms of CCC. FedEx's¹⁷ CCC, though improving significantly, was higher than UPS's in every year analyzed, dropping from 40.46 days in 2020 to 29.73 days in 2023. This indicates that UPS maintains an edge in managing its cash cycle, particularly through a shorter overall duration, even as FedEx has made strides in efficiency.

When viewed against DHL¹⁸, whose CCC rose from 8.63 to 11.14 days primarily due to an increasing holding period, UPS remains less competitive globally. However, its superior performance relative to FedEx highlights stronger control over cash conversion in the domestic market. In summary, UPS's CCC reflects areas of concern, particularly in inventory and supplier payment efficiency. However, its ability to maintain a shorter CCC than FedEx underlines its competitive strength in the U.S. market, providing a more favorable position for equity investors seeking exposure to the logistics sector. Still, addressing rising inefficiencies will be crucial to sustaining this advantage amidst broader industry pressure

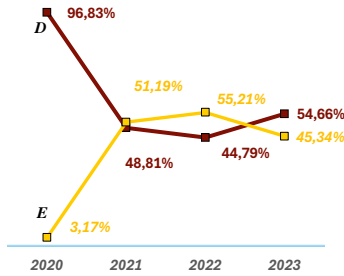
Capital Structure

The company's debt-to-equity 2020, United Parcel Service, Inc. (UPS) faced significant financial challenges, reflected in its high debt levels and low equity.

The company's debt-to-equity ratio soared to 30.55, with debt constituting approximately 96.83% of its capital structure, while equity accounted for only 3.17%. Several factors contributed to this situation. Firstly, UPS made substantial investments in technology and infrastructure to enhance its logistics capabilities, particularly in response to the surge in e-commerce driven by the COVID-19 pandemic, which can be visible in the RONIC and ROIC for 2020 (Table 11), which needed a good capital debt capital investment while the interest rates

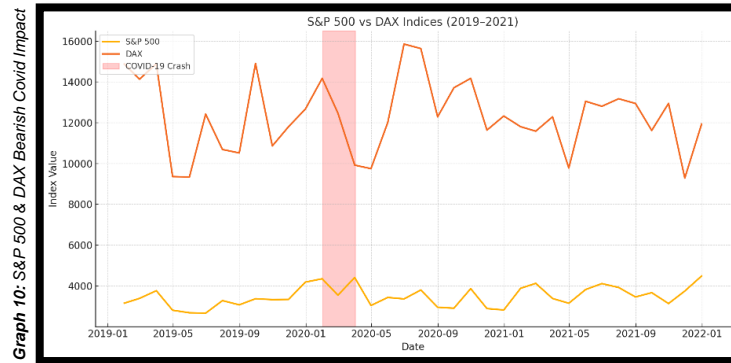
17: All DHL's Information taken from Annual Reports: <https://group.dhl.com/en/investors.html>
 18: All FedEx's Information taken from Annual Reports: <https://investors.fedex.com/home/default.aspx>
 19: Theoretical understanding of capital structure, RONIC, and ROIC metrics: Brealey, R. A., Myers, S. C., & Allen, F. (2020). Principles of Corporate Finance (13th ed.). McGraw-Hill.

Graph 9: UPS' Debt % and Equity % in its Capital Structure



Source: Own Estimates

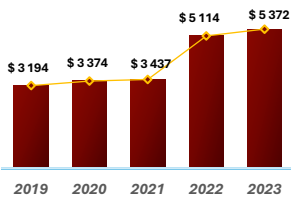
were silently inflated. Nevertheless, this higher D/E ratio in 2020 was mainly a consequence of a higher comprehensive loss due to UPS experiencing substantial actuarial losses related to its pension and postretirement fund benefit plans (market bearish due covid) and decrease in shareholders' equity, which came from a management decision to continue to pursue a shareholder value proposition, continuing to pay dividends, engaging in share buybacks, while UPS' Balance Sheet was affected by Freight divesture and also its net income decreased around \$4 440 in 2019 to \$1 343 million in 2020 (-70%).



Graph 10: S&P 500 & DAX Bearish Covid Impact

From 2021 forward, UPS maintained a good D/E Ratio, with a relatively higher exposure to debt compared to its competitors, only in 2023 UPS has shown higher use of debt comparing to its shareholders' equity. It is also important to note that in 2021 UPS had the best year in the shown time span, having a net income of \$12 890 million (x8.6 increase from last year's net income).

Graph 9: UPS' Total Dividends paid (in million \$), even with extremely high D/E Ratio



Source: Annual Report

Liquidity

The liquidity profiles of UPS, FedEx, and DHL between 2020 and 2023 underscore fundamentally different approaches to short-term financial management, each shaped by distinct operational strategies and economic conditions. UPS's current, quick, and cash ratios all declined modestly over this period, moving from slightly above 1.19 to just 1.10 in terms of the current ratio. This subtle but notable shift reflects the company's deliberate strategy to minimize idle current assets and redeploy liquidity into long-term value drivers¹⁹, such as facility automation, IT enhancements, and strategic network optimization, while simultaneously navigating pandemic-driven shifts in volume from B2B to B2C markets. Although these investments and operational transitions supported UPS's broader transformation efforts and improved its solvency and financial autonomy ratios, the corresponding reduction in short-term liquidity cushion heightens the company's exposure to sudden financial pressures. The 2021 divestiture of UPS Freight and subsequent debt repayments further exemplify UPS's active capital management, as proceeds were channeled into balance sheet improvements rather than bolstering near-term liquidity. Additionally, increased capital expenditures in 2023, coupled with pension contributions and share repurchases, signal the company's confidence in its longer-term growth trajectory but underscore the ongoing trade-off between reinvestment and short-term liquidity reserves.

In contrast, FedEx maintained comparatively higher liquidity metrics over the same timeframe, with current and quick ratios consistently exceeding 1.37 and 1.33, 2023, and a more substantial cash ratio than UPS, 0.50 vs. 0.18. This comparatively robust liquidity buffer may offer investors immediate reassurance against unforeseen market disruptions. However, the gradual downward trend in FedEx’s ratios except cash ratio suggests that it, too, faces operational pressures—potentially from rising costs or shifts in demand—and is gradually less reliant on easily convertible assets. DHL emerges as the more conservative player, posting stable liquidity ratios around a 1.10 current ratio and a quick ratio near 1.00. This steadiness reflects a balanced, risk-averse approach to working capital management, enabling DHL to remain well-prepared for short-term obligations without sacrificing financial flexibility.

From our perspective, these variances have meaningful implications. UPS’s leaner liquidity stance may appeal to investors who trust its operational agility and strategic vision, recognizing that short-term liquidity sacrifices have been channeled into long-term efficiency gains and strengthened solvency. Yet, it also warrants close scrutiny given lower liquidity buffers, macroeconomic headwinds or unexpected operating expenses could strain the company’s short-term financial stability. FedEx’s higher baseline liquidity may comfort investors more concerned with immediate resilience, even if the trajectory suggests future challenges. DHL’s stable liquidity profile likely resonates with more risk-averse stakeholders who prize steady short-term solvency and balanced capital allocation.

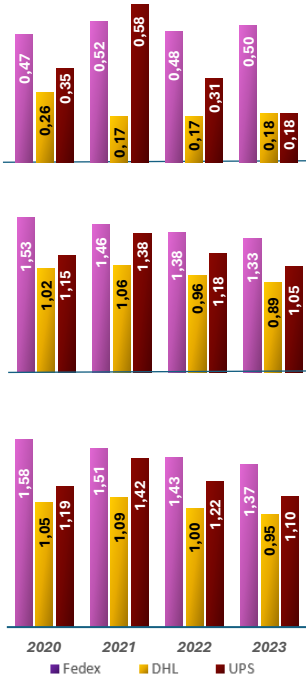
In essence, UPS’s approach—marked by reinvestment in innovation and deliberate balance sheet restructuring from 2020 to 2023—signals confidence in its long-term competitive positioning, albeit at the expense of immediate liquidity headroom. Careful monitoring of working capital, ongoing cost pressures, and macroeconomic shifts will be crucial for stakeholders assessing whether this liquidity strategy effectively supports sustainable value creation.

Financial Autonomy & Solvency Ratios

Between 2020 and 2023²⁰, UPS, FedEx, and DHL all showed incremental improvements in solvency and financial autonomy ratios, yet none approached ideal levels that would signal reduced dependence on external financing. UPS’s solvency ratio rose from 0.01 to 0.32, and its financial autonomy advanced from 0.01 to 0.32, placing it below of FedEx’s modest gains and DHL’s better situation, but not ideal. Still, a solvency ratio well below 1.0 and an equity-to-assets share (Financial Solvency) of just over one-third underline UPS’s continued vulnerability to debt markets, interest rate fluctuations, and broader economic headwinds.

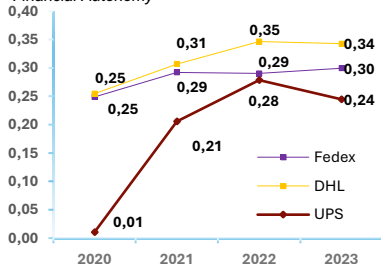
From a corporate finance perspective, these ratios reflect a delicate balance: while surpassing a 25% financial autonomy benchmark is a minimum standard, it hardly qualifies as a robust capital structure. The logistics industry, with its high fixed costs and significant infrastructure

Graph 9,10 & 11: FDX, DHL & UPS:
Cash, Quick & Current Ratios,
respectively



Source: Own Estimates

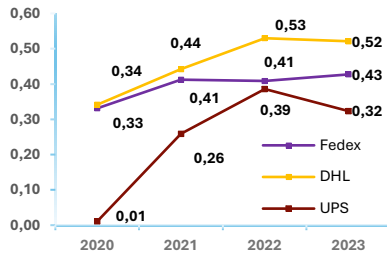
Graph 12 & 13: FDX, DHL & UPS: Solvency Ratio and Financial Autonomy



21: Information taken from Annual Reports: Captions to calculate Financial Ratios

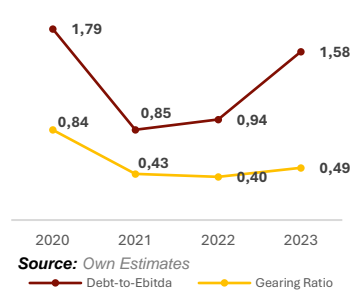
22: Ratio Comparisons and Financial Statement Analysis: Penman, S. H. (2013). Financial Statement Analysis and Security Valuation (5th ed.). McGraw-Hill Education.

23: Solvency ratios, financial autonomy, and the role of leverage: Damodaran, A. (2012). Corporate Finance: Theory and Practice (2nd ed.). Wiley..



Source: Own Estimates & Annual Report

Graph 14: UPS: Debt-to-EBITDA & Gearing Ratio



Source: Own Estimates

investments, often tolerates elevated leverage. However, the current levels suggest that greater equity buffers would benefit all three firms, providing flexibility to weather downturns, fund strategic initiatives, and reduce the cost of capital (both Equity and Debt) over the long run.

UPS’s comparative outperformance underscores relatively disciplined capital management—divestments, strategic focus on higher-margin segments, and careful debt management have all contributed to incremental gains. Yet these improvements are best seen as a starting point rather than the endgame. To enhance resilience, stabilize returns on capital, and gain more competitive freedom, UPS may need to further strengthen its equity position, aiming for a structure less reliant on debt and more aligned with conservative financing principles.

From 2020 to 2023, UPS’s Gearing and Debt-to-EBITDA ratios showed significant initial improvement followed by a partial reversal. In 2020, although the company’s Invested Capital could cover its Net Debt at a rate of 16%, the Gearing Ratio stood at a notably high 84%. By 2023, UPS had reduced this figure by 49%, moving closer to a more financially efficient level. Likewise, the Debt-to-EBITDA ratio—at a concerning 179% in 2020, indicating EBITDA was insufficient to fully cover the company’s debt—has fallen to 158% in 2023, although it still remains above the ideal threshold.

Detailed Business Breakdown & Returns

U.S. Domestic Market

The U.S. Domestic Package segment²¹ remains the cornerstone of UPS’s operations and a pivotal driver of its financial and operational success. This segment specializes in time-definite delivery services for packages across the United States, leveraging an expansive infrastructure that integrates both air and ground networks. It handles an impressive average of 19.03 million packages daily as of 2023, demonstrating its unparalleled scale and reach, serving every ZIP code in the country. The segment represents the largest contributor to UPS’s total revenue, driven by services like SurePost, which optimizes costs by partnering with the U.S. Postal Service for last-mile delivery of lightweight residential packages. This approach enhances efficiency in e-commerce delivery, a rapidly growing market segment where demand for same-day, next-day, and two-day shipping remains high.

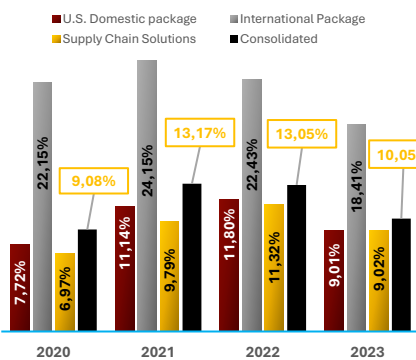
Financially, the U.S. Domestic Package segment has shown substantial strength despite declining average daily package volume. From 2020 to 2023, revenue per package surged from \$9.92 to \$12.30, reflecting improved pricing strategies and a shift toward higher-margin services. Revenue increased significantly from \$53.5 billion in 2020 to \$59.96 billion in 2023, underscoring the segment's ability to offset volume declines with value-driven pricing and operational efficiencies. This performance highlights UPS's capacity to adapt to shifting market dynamics while maintaining profitability.

Table 6: UPS’ Domestic Segment Value Creation

U.S. Domestic Segment	2020	2021	2022	2023
Core Result	\$ 3 301	\$ 5 154	\$ 5 854	\$ 4 240
Segment Growth (g)	-4,1%	56,1%	13,6%	-27,6%
ROIC	12,9%	18,4%	20,5%	13,7%
RONIC	-5,7%	77,6%	161,6%	-68,1%
Investment Rate_new capital	72,3%	72,3%	8,4%	40,5%

Source: Own Estimates

Graph 15: UPS’ Operating Margins by Segment



Source: Own Estimates

22: Segment Information taken from Annual Reports and SEC Filings
 23: Insights into segment revenues, market positioning, and profitability trends: S&P Global Market Intelligence (2023). U.S. Logistics Market Performance: UPS, FedEx, and Peers. Retrieved from <https://www.spglobal.com>

In terms of profitability, the U.S. Domestic Package segment’s operating margins demonstrated consistent improvement from 2020 to 2022, reflecting operational efficiency gains and strong revenue growth. Operating margins rose from 7.72% in 2020 to 11.8% in 2022, driven by higher revenue per package, cost optimization through technologies like ORION²², and better network utilization. However, in 2023, margins moderated slightly to 9.01%, influenced by external cost pressures such as inflation and higher labor expenses. Despite this, the segment’s ability to sustain robust margins highlights its operational resilience and pricing power in a competitive market. Also the segment has a 6.6% CAGR from 2018FY until 2023FY in terms of revenue growth.

From a value creation perspective, the segment’s Return on Invested Capital (ROIC) consistently outpaces UPS’s weighted average cost of capital (WACC) of 8.18%, signaling strong value generation. In 2022, the segment’s ROIC peaked at 20.5%, demonstrating significant returns even as UPS reinvested heavily in its U.S. operations.

Comparative Peers Analysis

In 2023, UPS maintained its dominance in U.S. domestic parcel volume²³, handling around 19.03 million daily packages—far outstripping FedEx’s 2.78 million. Although UPS’s volume declined 8.5% year-over-year, it improved revenue per package from \$9.92 in 2020 to \$12.30 in 2023, reflecting success in higher-margin businesses such as healthcare logistics and e-commerce. U.S. Domestic revenue rose from \$53.5 billion in 2020 to \$59.96 billion in 2023, though it retreated from its 2022 peak.

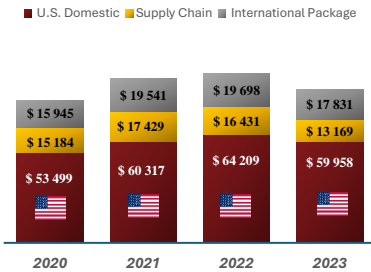
UPS’s focus on cost optimization, supported by technologies like ORION and partnerships like SurePost, enhances its market-leading ground network and boosts delivery efficiencies. While its unionized labor force ensures stability at a higher cost, UPS’s scale and integration continue to give it a strategic edge in ground logistics and broad-based e-commerce services.

Peer Strategies

In contrast, FedEx’s premium-oriented approach allowed it to surpass UPS in 2023 U.S. Domestic segment revenue, reaching \$62.47 billion despite lower package volumes. Its approximate \$22.54 revenue per package underscores the success of initiatives like “Drive” and “Network 2.0” and the integration of FedEx Ground and FedEx Express. These measures support flexibility, cost efficiencies, and the ability to meet demand for higher-priced, time-sensitive services.

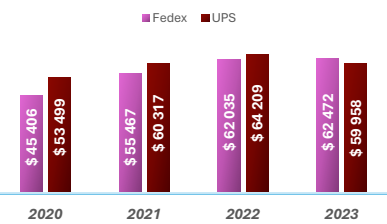
The 2023 performance highlights a shifting competitive landscape. UPS’s scale and efficiency remain crucial advantages, particularly in e-commerce and residential delivery, where density and cost control matter. However, FedEx’s focus on premium services allowed it to surpass UPS in revenue by capitalizing on high-value offerings. This divergence suggests that size alone no longer guarantees market leadership—quality, specialization, and strategic positioning increasingly drive success, which is the exact thing that UPS has been trying to

Graph 16: UPS’ Revenues by segment (in millions)



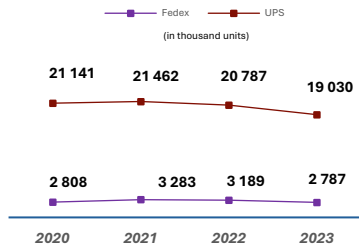
Source: Own Estimates & Annual Report

Graph 17: UPS vs FDX: Revenues by U.S. Segment



Source: Own Estimates

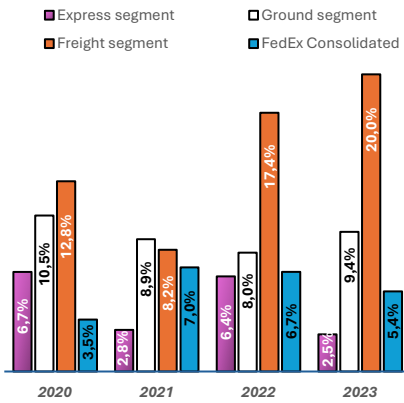
Graph 18: UPS vs FDX: U.S. Daily Package Volume



Source: Annual Report & Own Estimates

22: ORION Information: <https://about.ups.com/br/pt/newsroom/press-releases/innovation-driven/ups-to-enhance-orion-with-continuous-delivery-route-optimization.html>
23: Segment Information taken from Annual Reports

Graph 19: UPS vs FDX: U.S. Daily Package Volume



Source: Annual Report & Own Estimates

integrate while maintaining cost efficiencies, reflected in its Revenue per piece numbers and its synergies with with strategic partners. These initiatives have not only increased UPS’s revenue per piece but also bolstered its U.S. Domestic operating margin. In 2023, UPS’s U.S. Domestic operating margin, while slightly lower than its 2022 level, remained robust—approximately 91.0%—compared to FedEx’s U.S. Operations. Although UPS faced some margin compression YoY, it still benefits from significant scale economies, route optimization, and a tightly integrated ground network that helps contain costs and support profitable growth.

In contrast, FedEx’s U.S. segment is primarily a combination of its Express and Ground operations. FedEx Express, despite offering premium services, suffers from relatively low operating margins—around 2.5% in 2023—indicating its difficulty in translating premium pricing into higher profitability. Although FedEx Ground achieved a stronger margin of roughly 9.4%, the overall blended U.S. margin for FedEx remains diluted when factoring in the weaker Express results. Even at best, combining the two segments yields an aggregate operating margin lower than UPS’s U.S. Domestic result, showing that FedEx’s operational realignments and premium pricing strategy have yet to offset the cost structures embedded in its express network. Therefore we reiterate the importance of this segment for UPS, being until 2023 the company that

Table 7: UPS & FedEx: U.S. Revenue per Package

U.S. Revenue per Package	2020	2021	2022	2023
UPS	\$9.92	\$11.06	\$12.11	\$12.40
FedEx	\$18.30	\$17.79	\$20.15	\$22.54

Source: Annual Report

Table 8: UPS’ International Segment Value Creation

International Segment	2020	2021	2022	2023
Core Result	\$ 2 825	\$ 3 622	\$ 3 415	\$ 2 576
Segment Growth (g)	29,0%	28,2%	-5,7%	-24,6%
ROIC	42,2%	46,4%	38,4%	28,8%
RONIC	-92,6%	71,7%	-18,9%	-2075,4%
Investment Rate_new capital	-31,3%	39,4%	30,1%	1,2%

Source: Own Estimates

International Package Market

UPS’s International Package Segment has shown resilient growth over time, achieving a 3.8% Revenue CAGR from 2020 to 2023, despite facing significant macroeconomic headwinds. In 2023, the segment generated \$17.83 billion in revenue, down from its 2022 peak of \$19.7 billion, reflecting the post-pandemic normalization of cross-border trade volumes, muted Asia-Europe trade flows, and currency headwinds. However, the segment’s ability to sustain a positive growth trajectory over the longer term highlights UPS’s effective strategies in targeting high-margin industries and high-growth regions.

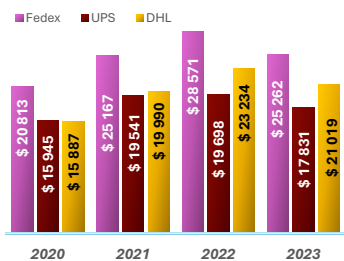
The Core Result for the segment in 2023 stood at \$2.6 billion, with a robust ROIC of 28.8%, well above the company’s 8.18% WACC. Although the ROIC has declined from its 2021 high of 46.4%, this sustained value creation reflects the segment’s ability to extract premium returns through disciplined cost management and strategic capital allocation.

Comparative Peers Analysis

Regarding Its Peers, Operating margins, while compressing from above 24% in 2021 to the high teens (18%) in 2023, remain significantly higher than DHL’s Express (13%) and FedEx’s International Express segment (~2.5%), reinforcing UPS’s status as a profitability leader.

While UPS’s revenue per piece (\$20.71) trails behind DHL (\$52.1) and FedEx (\$23.85), its superior operating margins are driven by a focus on value over volume. UPS prioritizes high-margin sectors such as healthcare logistics, supported by strategic investments, including

Graph 20: FDX, UPS & DHL: International Revenues



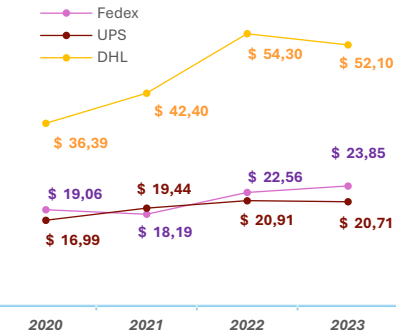
Source: Annual Report & Own Estimates

Table 9: UPS, FDX, DHL: Avg Daily Volume International

Average Daily Vol. (in thousands)	2020	2021	2022	2023
UPS	3 535	3 788	3 504	3 260
FedEx (Yielded w/ U.S. International)	3 178	3 398	3 017	2 791
DHL	1 712	1 712	1 712	1 712

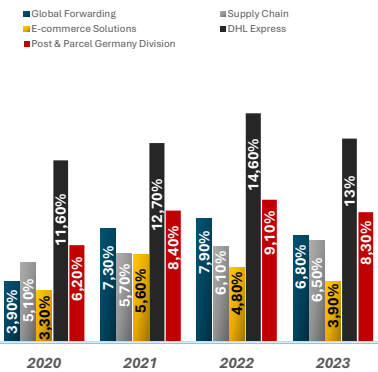
Source: Own Estimates & Annual Report

Graph 21: UPS, FDx, DHL: International Revenue Per Piece (in dollars)



Source: Own Estimates & Annual Report

Graph 22: DHL: Operating Margin per Segment



Source: Own Estimates & Annual Report

acquisitions like Bomi Group and MNX Global Logistics, which have expanded its healthcare-compliant warehouse space to 17 million square feet globally. These investments enable UPS to dominate the cold chain logistics and time-critical pharmaceutical delivery markets, setting it apart from DHL’s premium express focus and FedEx’s time-sensitive services.

UPS’s geographic strategy targets high-growth markets in Asia-Pacific, Latin America, and the Middle East, regions where e-commerce and industrial shipments are expected to grow at double-digit rates. By diversifying its global footprint, UPS reduces its reliance on mature markets like Europe and aligns with shifting trade flows. Programs like the Digital Access Program (DAP), which integrates UPS services into global e-commerce platforms such as Shopify and Amazon, further enhance its appeal to small and medium-sized businesses (SMBs) and bolster cross-border e-commerce growth²⁴, projected at between 9% CAGR through 2028.

Despite declining average daily volumes in the International Package Segment to 3.26 million in 2023 (down from 3.78 million in 2021), UPS has managed to increase its revenue per piece through disciplined pricing and premium service offerings. This yield management approach mitigates volume-related revenue pressures while maintaining profitability.

In comparison, DHL dominates in revenue and revenue per piece, reflecting its leadership in Time Definite International (TDI) services, but its operating margins remain constrained at around 13%. FedEx, while achieving higher international revenue (\$21 billion in 2023), struggles with profitability due to high fixed costs in its express network. UPS outperforms both peers in profitability, reflecting its cost-efficient operations, balanced geographic strategy, and emphasis on high-value industries

Supply Chain Market

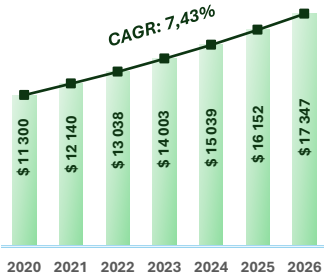
Table 10: UPS' Supply Chain Segment Value Creation

Supply Chain	2020	2021	2022	2023
Core Result	\$ 846	\$ 1 310	\$ 1 438	\$ 932
Segment Growth (g)	7,2%	54,8%	9,8%	-35,1%
ROIC	13,2%	24,7%	23,6%	11,8%
RONIC	-7,3%	-42,6%	16,2%	-28,4%
Investment Rate_new capital	-98,9%	-128,6%	60,1%	123,8%

Source: Own Estimates

Regarding UPS’s Supply Chain segment, the core figures demonstrate substantial value creation between 2020 and 2023. The segment’s peak year was 2021, with a ROIC of 24.7%, followed by 23.6% in 2022, both significantly above the WACC of 8.11%. In terms of revenue, the segment also peaked in 2021, reaching \$17.43 billion, reflecting a 14.8% year-over-year growth from 2020. However, the segment’s CAGR of -4.64% from 2020 to 2024 is largely attributed to the divestiture of its Freight Operations to TFI International in 2021, a move that removed the entire LTL business from UPS’s portfolio. This strategic decision allowed UPS to exit a lower-margin business, refocus on high-margin solutions, and free up capital for future investments in growth areas like healthcare logistics.

Graph 23: HealthCare Cold Chain Logistics CAGR

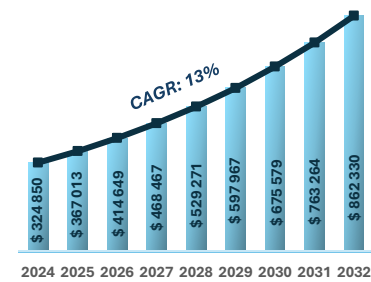


Source: Statista

The COVID-19 pandemic significantly increased demand for supply chain solutions, especially in healthcare logistics and e-commerce. UPS leveraged its cold chain infrastructure to play a pivotal role in global vaccine distribution, enhancing its position in high-margin, high-growth areas. The healthcare cold chain logistics²⁵ market was valued at \$11.3 billion in 2020 and is projected to reach \$17.4 billion by 2026, indicating a CAGR of approximately 7.4%.

Similarly, the global cold chain logistics market²⁶, valued at \$293.58 billion in 2023, is expected to reach \$862.33 billion by 2032, exhibiting a CAGR of 13%.

Graph 24: Global Cold Chain Logistics CAGR



Source: Fortune Business Insights

Recognizing growth opportunities in healthcare logistics, UPS announced plans in 2024 to acquire Germany-based providers Frigo-Trans and its sister company BPL. These acquisitions aim to enhance UPS's temperature-controlled logistics capabilities across Europe, aligning with the company's strategic objective to double its healthcare logistics revenue from 2023 to 2026. This direction underscores UPS's commitment to high-growth, high-margin markets. (press release)

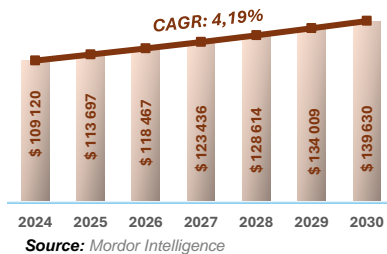
Comparative Peers Analysis

A comparison of UPS's Supply Chain segment with those of DHL and FedEx reveals significant differences in strategy, market positioning, and performance. To ensure accurate evaluation, it is essential to identify comparable segments across the companies. UPS's Supply Chain segment comprises Forwarding, Logistics, Freight (until 2021), and Other services. For DHL, the comparable segment is assumed to consist of its Supply Chain and Global Forwarding divisions. Similarly, for FedEx, the relevant comparison includes its Logistics and Freight segments. DHL is a global leader in integrated supply chain solutions, prioritizing scale and broad service coverage. However, this approach results in lower operating margins, which ranged from 4.4% in 2020 to 6.7% in 2023. While DHL maintains revenue leadership, its reliance on high-volume operations limits profitability.

FedEx, on the other hand, derives significant revenue and profitability from its Freight segment, which is heavily tied to the U.S. Less-than-Truckload (LTL) market. Its operating margins grew steadily from 8.2% in 2020 to an impressive 20% in 2023. This growth was driven by rising freight rates during the COVID-19 logistics surge and FedEx's ability to leverage network density and pricing power. However, the LTL segment's performance remains inherently tied to market cycles, making it susceptible to fluctuations and with a CAGR of 4.19% from 2024 to 2032.

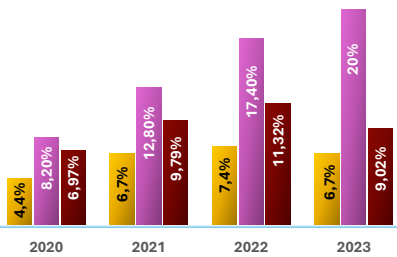
UPS's operating margins started at 6.97% in 2020, peaked at 11.32% in 2022, and settled at 9.02% in 2023. The decline in revenue, from \$17.43 billion in 2021 to \$13.17 billion in 2023, reflects the company's strategic divestiture of its LTL Freight operations to TFI International in 2021. This decision aligns with UPS's pivot toward higher-margin, high-growth sectors

Graph 25: U.S. LTL CAGR



Source: Mordor Intelligence

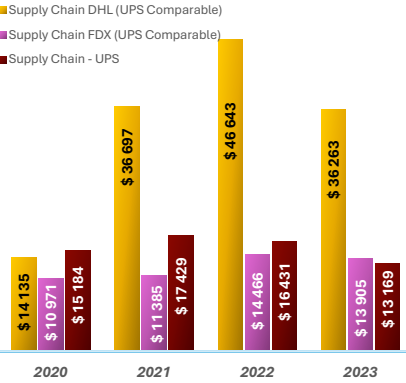
Graph 24: FD, UPS & DHL: Supply Chain Margins



Source: Own Estimates & Annual Report

25: *HealthCare Cold Logistics CAGR*: <https://www.statista.com/statistics/1191190/healthcare-cold-chain-logistics-market-size-worldwide>
 26: *Global Cold Chain Logistics*: <https://about.ups.com/us/en/newsroom/press-releases/our-strategy/ups-bolsters-healthcare-logistics-capabilities-with-cold-chain-a.html>

Graph 26: FDX, DHL, UPS: Supply Chain Revenues (in millions \$)



Source: Own Estimates & Annual Report

Table 11: UPS' Total Value Creation

UPS	2020	2021	2022	2023
Core Result	\$ 6 972	\$ 10 085	\$ 10 707	\$ 7 748
Total Business Growth (g)	8,6%	44,6%	6,2%	-27,6%
ROIC	18,0%	24,5%	24,6%	16,3%
RONIC	53,9%	129,1%	26,9%	6,8%
Investment Rate_new capital	15,9%	34,6%	22,9%	-406,1%
Average ROIC	20,8%			
Average RONIC	54,2%			
Average Business Growth (g)	7,9%			
Core CAGR	3,58%			

Source: Own Estimates & Annual Report

such as healthcare logistics and cold chain solutions, enabling the company to reallocate resources to these specialized markets.

The healthcare logistics market, with a projected CAGR of 7.4%, and the cold chain logistics market, expected to grow at a CAGR of 13%, present significant opportunities for UPS to achieve long-term growth and profitability. The company's divestiture of LTL operations supports its focus on healthcare and contract logistics, positioning it for higher ROIC and sustained growth in these rapidly expanding segments.

Overall Business

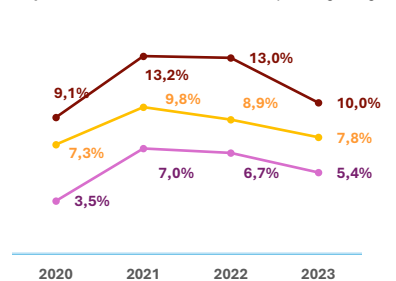
UPS's core business exhibited a solid recovery and significant value creation between 2020 and 2023, successfully navigating challenges stemming from shifts in consumer behavior due to the global pandemic, inflationary pressures, and market-related headwinds impacting core expenses. During this period, the company demonstrated consistent progress, achieving a Core Result CAGR of 3.58% (2020FY–2023FY), with a peak performance of USD 10.7 billion in 2022. This exceeded the Revenue CAGR of 2.43%, highlighting UPS's ability to operate cost-efficiently under macroeconomic pressures while capitalizing on emerging opportunities. Additionally, the company recorded a ROIC of 24.5% in 2021, partnered with a 129,1% RONIC, implying an incredible creation of value with the year-on-year invested capital.

Total revenues increased from USD 84.63 billion in 2020 to a high of USD 100.34 billion in 2022, before settling at USD 90.96 billion in 2023. Net income exhibited extraordinary growth, achieving a CAGR of +70.94%—rising from USD 1.34 billion in 2020 to USD 6.71 billion in 2023, with a peak of USD 12.89 billion in 2021. While these figures initially suggest exceptional performance, they are better characterized as a recovery, primarily driven by significant adjustments to the company's pension and postretirement benefit plans. The financial markets experienced heightened volatility during this period, resulting in increased actuarial losses reported under the "Investment Income & Other" P&L caption.

Operating margins also improved notably, peaking at 13.2% in 2021, up from 9.1% in 2020, reflecting strategic initiatives within the Supply Chain segment. However, margins declined to 10% in 2023, down from 13% in 2022. This decline can be attributed to multiple factors, including a 9.3% revenue contraction (from USD 100.3 billion in 2022 to USD 91 billion in 2023) driven by reduced shipping volumes. Average Daily Package Volumes in the U.S. Domestic segment declined by 7.4%, and International Package volumes fell by 8.3%. These reductions stemmed from the normalization of consumer demand following the pandemic, which had previously enabled improved pricing power and higher revenue per piece, as well as increased competition in the package delivery market.

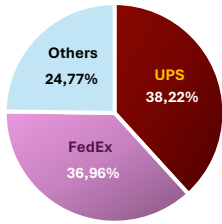
Another critical factor was the persistence of operating expenses, which decreased by only 6.22%, insufficient to offset the 9.3% decline in revenues, thereby exacerbating the impact on

Graph 27: FDX, UPS, DHL: Overall Operating Margins



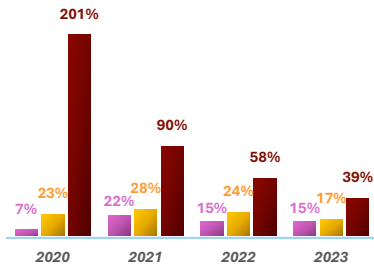
Source: Own Estimates & Annual Report

Graph 28: Global Logistics Market Share²⁷



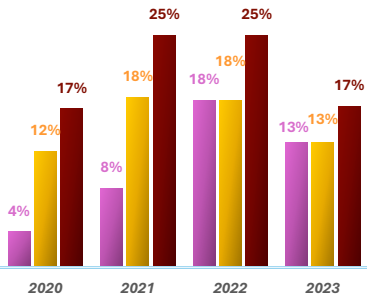
Source: CSI Market

Graph 29: UPS, FDX, DHL: Return on Equity (ROE)



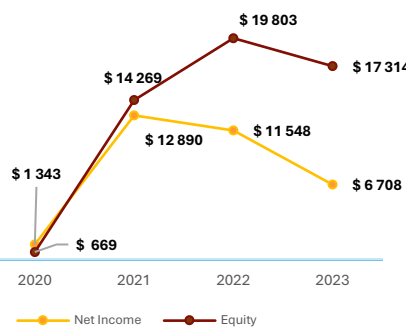
Source: Own Estimates & Annual Report

Graph 30: FDX, UPS, DHL: ROCE



Source: Own Estimates & Annual Report

Graph 31: UPS: Net Income & Equity



Source: Annual Report

operating income. These expenses were influenced by new labor agreements with the Teamsters and elevated transportation costs, including higher fuel prices driven by geopolitical tensions in the Middle East and the Russia-Ukraine conflict, as well as ongoing supply constraints and elevated costs in UPS’s international operations.

Despite these challenges, UPS achieved an average business growth of approximately 8% over the four fiscal years, demonstrating its resilience and capacity for sustained performance. Having its International Package as the leader in ROIC, showing that future the future international segment might be a feasible option when it comes to expanding.

Overall Business Comparative Analysis: UPS vs. Peers

When compared to its peers, UPS shows strenght in every profitability aspect, when comparing operating margins for the time period of 2020FY to 2023FY, UPS has been the market leader, followed by DHL and then FedEx, finalizing 2023 with a Total Operating Margin og 10%, well above its Direct U.S competitor that only stands at 5,4%. UPS has also exhibited resilience in total comprehensive income during atypical years such as fiscal years 2021 and 2022 having 1.53x and 1.51x the comprehensive income of its other competitors put together, effectively navigating macroeconomic dynamics that have substantially impacted the Courier, Express, and Parcel (CEP) industry. This adaptability underscores the company's capacity to adjust to evolving market conditions.

As of the Q3 of 2024, UPS holds a leading market share in the global logistics sector, commanding with 38.27%, followed by FedEx standing at 36.96%.

Returns (ROE & ROCE)

Return on Equity (ROE) and Return on Capital Employed (ROCE) measure a company’s profitability and efficiency. ROE shows net income as a percentage of shareholders’ equity, while ROCE assesses earnings relative to total capital employed.

UPS’s ROE in 2020 spiked to 201%, mainly due to a sharply reduced equity base (book value of 669 million) and an unusually low net income (1.34 billion). This stemmed from preparing the balance sheet for the UPS Freight business, asset reclassifications, and a 494 million goodwill impairment. Despite this anomaly, UPS maintained consistently high ROE levels in other years, never dropping below 39%, outperforming peers. Strategic share buybacks reduced outstanding shares and equity, and a 512 million non-cash Coyote trade name impairment in 2023 also affected equity.

For ROCE, UPS consistently outperformed DHL and FedEx. UPS’s ROCE rose from 17% in 2020 to 25% in 2021 and 2022, then settled at 17% in 2023. DHL ranged from 12% to 18%, and FedEx’s ROCE ranged from 4% to 18%. UPS’s stronger ROCE reflects effective capital allocation, optimized logistics, and strategic technology use.

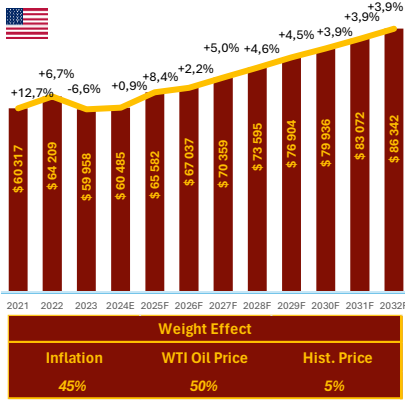
27: [Global Logistics Market Share](https://csimarket.com/stocks/competitionSEG2.php?code=FDX) : <https://csimarket.com/stocks/competitionSEG2.php?code=FDX>

Valuation

Revenues Forecast

U.S. Domestic Package

Graph 32: UPS: U.S Segment Revenue Forecast & Forecast Weight by driver



Source: Own Estimates

We chose to do a mix between bottom up approach and top down approach, forecasting both volume and price per unit using global metrics.

Regarding 2024 revenues, they were predicted totally from a historical perspective, quarterly reports were already available until the Q3 and therefore we computed the Q4 of revenues based on the average variation from the last 3 years. We believe that using revenues already available were the best way to achieve a more accurate 2024 revenue forecast.

Domestic revenues are divided into ground, next-day-air and deferred. The ground sub-segment, due to its lower cost, presents a more attractive solution during periods of economic crisis. While its volume growth may be slower during times of economic prosperity, it is likely to maintain stability and resilience in challenging economic conditions. Next-day-air and deferred sub-segments are air-based delivery products, and because of that from 2025 to 2028 their volume will grow reflecting the growth in total pounds of UPS' Aircraft fleet.

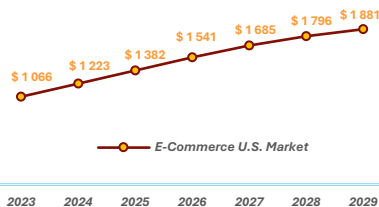
Domestic revenues were calculated by multiplying average revenue per piece, average daily package volume and number of operating days (254). To predict domestic volume we believe that using U.S. GDP real growth and U.S. e-commerce growth is a good method. Domestic business only operates in the U.S. and therefore only metrics related to the U.S. are considered. We believe that because e-commerce is a smaller parcel of the domestic package delivery segment should have a lower weight impacting the total volume, so we considered 15,6% since e-commerce accounts for 15% of total sales in the US in the first half of 2024, and we believe it will increase in the future reaching 22% in 2032.

To forecast the revenue per piece of domestic package delivery we consider inflation which stands 2,7% in the Q3 of 2024 and is expectable to reach as low as 2,3% in 2025, after that we believe it to stabilize going forward from 2026 around 2% as the United States Federal Reserve and the European Central Bank aims, as well the growth oil prices per barrel, also we will incorporate revenue per piece historical growth. UPS covers fuel surcharges to its clients, which are additional fees to account for fluctuations in fuel prices to help offset the rising costs of fuel which can be volatile and unpredictable. Given this, we will place greater emphasis on the impact of oil price increases on revenue per piece. We are convinced that historical growth will affect revenue price as 5% and the other 95% will be split between inflation (45%) and WTI Oil prices per barrel growth (50%).

International Package

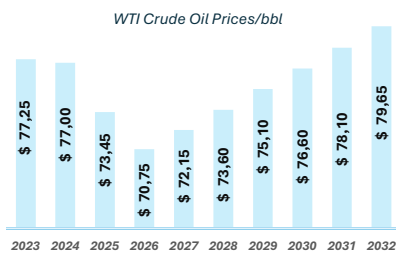
Just like the Domestic segment, International revenues will be computed by multiplying average revenue per piece, average daily package volume and number of operating days. To

Graph 33: E-Commerce Market Growth²⁸



Source: Sellers Commerce

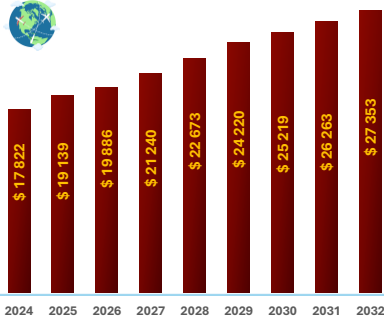
Graph 34: Future West Texas Intermediate Oil Prices per Barrel – Spot Rates



Source: Deloitte Report

28: E-Commerce Market Growth; <https://www.statista.com/outlook/emo/e-commerce/worldwide>

Graph 35: UPS: International Segment Revenue Forecast & Forecast Weight by driver



Weight Effect		
Inflation	WTI Oil Price	Hist. Price
45%	50%	5%

Source: Own Estimates

predict International volume we have the confidence that World GDP growth and e-commerce growth provide a reliable approach, we consider global metrics (World GDP and E-commerce GDP) as UPS gives no information regarding geographical revenues. As the same as domestic package e-commerce represents a smaller parcel of the total volume, and therefore will have less impact in the total volume. E-commerce represents at the moment 20,1% of total retail sales in the world, and so it will impact volume respectively, we believe that the percentage of total retail sales will keep increasing for the remaining years at a modest rate. World GDP real growth will have therefore a higher effect on volume of 79,9%.

To forecast the revenue per piece we consider average global inflation²⁹ of 5,4%, as of 2024 and 3,6% for 2025, stabilizing moving forward at 2%, and oil prices per barrel, keeping in mind fuel surcharges. Both inflation and price per barrel will affect revenue per piece by 45% and 50% respectively, including 5% historical growth.

Supply Chain Solutions

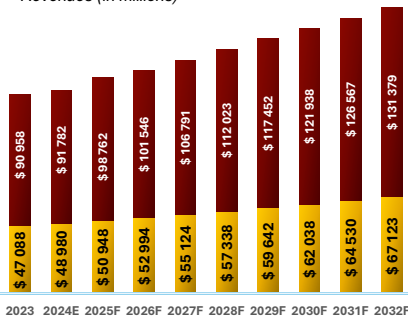
For the supply chain solutions segment, we believe that world GDP growth and the anticipated expansion of the forwarding and logistics industry are reliable indicators for forecasting revenues, given that UPS Supply Chain Solutions operates in 220 countries and does not provide detailed geographical data. In addition, UPS’s substantial investments in healthcare logistics and cold chain capabilities—enhanced during the COVID-19 period—prompt us to incorporate growth projections for healthcare logistics and the cold chain industry. As a result, real world GDP growth will account for 80% of our forecasts, overall forwarding and logistics growth 5%, cold chain solutions growth (with a 2024–2032 CAGR of 13%) another 5%, and healthcare logistics 10%..

Operating Expenses Forecast

Compensation and benefits represent a significant portion of overall expenses for most companies. However, in the delivery and logistics industry, this category is even more prominent, with cost of goods sold being minimal due to the low inventory levels. For UPS, compensation and benefits expenses account for over 50% of total core revenues. Following the Teamsters agreement in mid-2023, we anticipate a substantial increase in compensation and benefits expenses in 2024 and beyond, by implying a 4,02% CAGR, growing at the last 3 years pace, having in mind recent labor union compensation adjustments that are expected to happen in the future. As the contract expires in 2028, further negotiations and potential increases in expenses are expected. To forecast compensation and benefits we computed compensation and benefits per employee and further the average variation cost per employee, noting that using this metric total benefits and compensations are aligned with past Compensation weight in revenues, totaling around 51% of total core revenues.

Repairs and maintenance costs are closely linked to PP&E assets, such as aircraft and ground vehicles. We expect UPS to maintain the previous year’s ratio of repairs and maintenance to

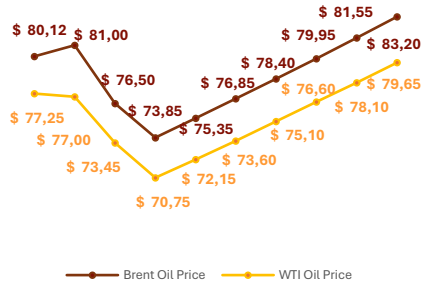
Graph 36: Forecasted Operating Expenses vs. Revenues (in millions)



Source: Own Estimates

29: *Global Inflation Driver*: <https://www.euromonitor.com/global-inflation-tracker-q1-2024/report>

Graph 37: Spot Rates for WTI & Brent Oil



2023 2024 2025 2026 2027 2028 2029 2030 2031 2032
Source: Deloitte Fuel Pricing Report

PP&E at about 8.1%. With increasing emphasis on premium services and investments in cold chain vehicles—requiring more precise temperature control—these costs should continue to rise. Given UPS’s global footprint, some services must be outsourced. Purchased transportation has historically represented about 20% of total core expenses and has moved in line with revenues. We therefore project purchased transportation at about 17.4% of total revenues, consistent with the three-year average.

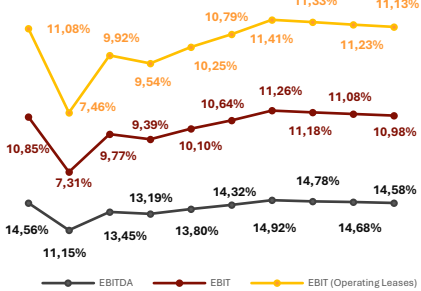
To project fuel expenses, we first calculated the annual average fuel cost per package by dividing total fuel expenses by the total number of packages delivered. Historical data shows a strong correlation between this cost and Brent oil prices. The highest average fuel cost per package was \$0.00097 in 2022, driven by the spike in oil prices following Russia’s invasion of Ukraine. In contrast, the lowest cost occurred in 2020 at \$0.00041, as COVID-19 sharply reduced oil demand and prices.

Using future oil price forecasts, we estimate fuel costs per package and then multiply by projected volume. Fuel expenses are expected to remain aligned with revenues, averaging around 5% of total revenues. They will continue to track WTI and Brent spot rates until 2032. We apply a 66% weight to West Texas Intermediate and a 34% weight to Brent, reflecting that 66% of UPS’s package volume comes from the U.S. and 34% from international markets.

Other Occupancy, Other Expenses and the Adjustments Other Expenses captions were forecasted based on percentage (%) driver of total core revenues, averaging 1.9%, 8.2% and 0.6% respectively, considering historical values.

We project the EBITDA margin to decline in 2024, reaching about 11.15%, due to only modest core revenue growth and a significant rise in core expenses—primarily driven by the Teamsters contract’s impact on compensation and benefits. In subsequent years, we expect the EBITDA margin to recover and eventually surpass pre-COVID levels, reaching the high 14% range.

Graph 38: EBITDA, EBIT & EBIT (Operating Leases) Margins



2023 2024E 2025F 2026F 2027F 2028F 2029F 2030F 2031F 2032F
Source: Own Estimates

USD (\$) in millions	2023	2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
PP&E, Gross	\$71 515	\$74 746	\$79 145	\$81 124	\$84 540	\$87 954	\$89 839	\$93 270	\$96 811	\$100 492
% of Revenues	78,62%	81,44%	80,14%	79,89%	79,16%	78,51%	76,49%	76,49%	76,49%	76,49%
Accumulated Depreciation & Amortization	\$(34 570)	\$(36 592)	\$(38 245)	\$(40 496)	\$(41 508)	\$(43 256)	\$(45 003)	\$(45 968)	\$(47 723)	\$(49 535)
% of PP&E t-1, Gross	51,27%	51,17%	51,17%	51,17%	51,17%	51,17%	51,17%	51,17%	51,17%	51,17%
Property, Plant and Equipment, Net	\$36 945	\$38 154	\$40 900	\$40 628	\$43 031	\$44 698	\$44 836	\$47 302	\$49 087	\$50 957
PP&E Depreciation & Amortization	\$1 859	\$2 022	\$1 653	\$2 251	\$1 013	\$1 748	\$1 747	\$965	\$1 756	\$1 812
Intangible Assets, Net	\$3 305	\$2 673	\$2 876	\$2 957	\$3 110	\$3 263	\$3 421	\$3 551	\$3 686	\$3 826
Intangible Assets Amortization	\$1 507	\$1 499	\$1 990	\$1 609	\$2 944	\$2 377	\$2 546	\$3 424	\$2 801	\$2 918
Total Depreciation & Amortization	\$3 366	\$3 521	\$3 643	\$3 860	\$3 957	\$4 125	\$4 293	\$4 389	\$4 557	\$4 729
% of Gross PP&E t-1 & Intangibles t-1	4,8%	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%

Graph 39: Depreciation & Amortization Expenses Calculation

For Depreciation and Amortization (D&A) expenses, we applied a historical average rate based on the previous year’s gross PP&E and intangible assets, resulting in a forward-looking ratio of 4.7%. Using our detailed PP&E and Capex Forecast (see the Core Invested Capital chapter), we were also able to separately quantify D&A from PP&E and from intangible assets.

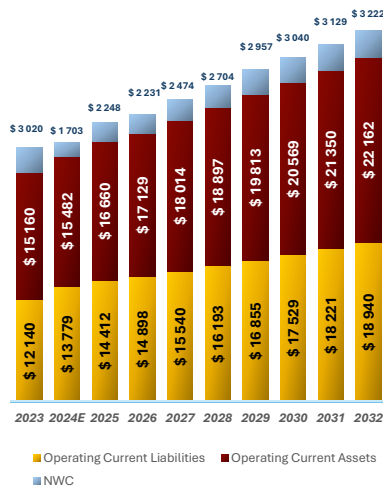
Operating Profit & Capitalized Operating Leases

When determining Operating EBIT, we included the effect of capitalized operating lease interest, as removing operating lease impacts—an integral part of the business—provides a clearer measure of operational profitability and is essential for valuation purposes. This also creates a tax shield on financing. We applied a historical average interest expense of 2.5% related to UPS’s operating leases to each year’s capitalized operating leases. (Graph X illustrates the impact of operating lease interest on the margin.)

After applying operating taxes—based on our marginal tax rate derived from historical Core results—to EBIT (including capitalized operating leases), we arrived at NOPLAT.

When verifying NOPLAT margin, we can clearly see a stabilization along the forecast to 23FY values, which we gave extreme relevance when forecasting, since in order to get the highest accurate valuation result regarding a business at some point in time, it’s important stabilize it to current marginal values.

Graph 40: NWC = Current Assets – Current Liabilities



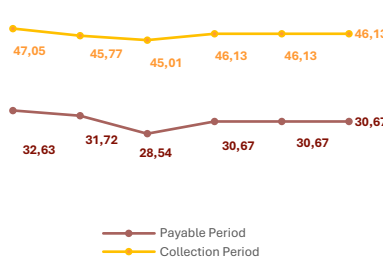
%	2023	2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
NOPLAT Margin	8,7%	5,8%	7,7%	7,4%	8,0%	8,4%	8,9%	8,8%	8,7%	8,7%

Operating Net Working Capital (NWC)

When forecasting our Balance Sheet, we took rigorous attention to the core invested capital and Net Working Capital future expectations, since a DCF is only as good as its Balance Sheet Forecast

Starting by forecasting Operating Cash as 2% of Core Revenues (McKinsey Book), followed by Accounts Receivable, net, which we decided to forecast using the historical Average Collection period of UPS. Therefore, for Accounts Receivables, we estimated a 45-day metric moving forward to 32FY, representing the average number of days (45) it takes UPS to receive payment from its sales.

Graph 41: Avg Payable Period vs. Collection Period Forecast



Regarding the other captions in Operating Current Assets, including Inventories and other current assets they were forecasted reflecting their historical revenue percentage weight (%), to maintain the business valuation as smooth as its drivers, respectively 0,9% and 1,3%

Also to forecast the Accounts payable caption, we used the Average Payable Period, which represents the average time it takes for a company to collect payments from its customers after a sale. Historical figures consideration stands at 30,7 days for UPS until 32FY.

Moving over to Operating Current liabilities, all other captions except the Accounts payable and Accrued wages and withholdings, grew reflecting a Total Core Operating Expenses historical percentage (%), 1,8% regarding self-insurance reserves and 2% regarding other current liabilities.

Source: Own Estimates

Forecast	CAGR %
Operating Cash	2% Revenues
Accounts Receivable	46 Days ACP
Inventories	0,9% Revenues
Other current assets	1,3% Revenues
Core Current Assets	(1)
Accounts payable	30,7 APP
Accrued wages & WithHoldings	7,7% Compensations
Self-insurance reserves	1,8% Core Expenses
Other current liabilities	2% Core Expenses
Core Current Liabilities	(2)
Operating NWC (1) - (2)	(1) - (2)

Source: Own Estimates

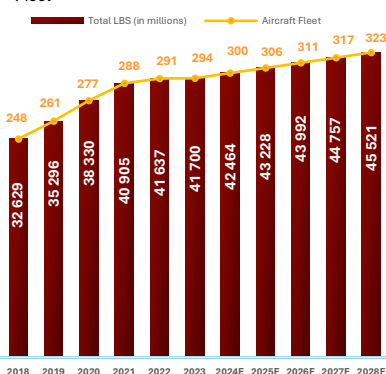
Still relating to Operating Current liabilities, the accrued wages and withholdings captions were forecasted based on Core Compensation and Benefits of the company, standing 7,7% for the future.

After analyzing and forecasting both Operating Current Assets and Liabilities, we reached a Book Value of Operating Net Working Capital. Our Book Value of NWC during the forecast stands at around 2 to 3%, being at par with the company's historical NWC.

Detailed PP&E and Capex Forecast

For forecasting UPS's Capex and PP&E, we used a different approach that leverages the company's well-documented transparency in reporting. UPS has a strong track record of accurately projecting its aircraft acquisitions, providing detailed information regarding purchases and retirements. Historically, these forecasts have closely reflected the actual fleet composition. Based on this consistency, we are confident that the aircraft planned for future acquisitions will be successfully incorporated into their fleet. Therefore we forecasted the planned aircraft fleet until 2028, pounds per aircraft were found by searching information given by each carrier (Boeing & Airbus) having in mind logistics modified aircrafts capacity.

Graph 42: Forecast Total Capacity in LBS Aircraft Fleet

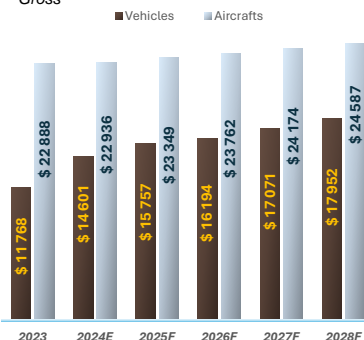


Source: Own Estimates

Aircraft Forecast	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	LBS/Aircraft
Boeing 757-200	75	75	75	75	75	75	75	75	75	75	75	92 594
Boeing 767-300	59	64	69	72	72	78	83	89	94	99	104	116 184
Boeing 767-300BCF	3	3	4	4	5	6	6	6	6	6	6	114 640
Boeing 767-300BDSF	0	2	4	4	4	4	4	4	4	4	4	116 845
Airbus A300-600	52	52	52	52	52	52	52	52	52	52	52	103 617
Boeing MD-11	37	37	40	42	42	38	38	38	38	38	38	187 393
Boeing 747-400F	11	11	11	11	11	11	11	11	11	11	11	264 555
Boeing 747-400BCF	2	2	2	2	2	2	2	2	2	2	2	238 099
Boeing 747-8F	9	15	20	26	28	28	29	29	30	30	31	308 647
Total Aircrafts Fleet	248	261	277	288	291	294	300	306	311	317	323	-
Total LBS (in millions)	32 629	35 296	38 330	40 905	41 637	41 700	42 464	43 228	43 992	44 757	45 521	1 542 574

In our analysis, we considered UPS's FY23 report, which outlines plans to acquire 27 additional Boeing 767-300s and 3 Boeing 747-8Fs. These acquisitions were distributed evenly over the next four years, anticipating this full fleet expansion by 2028F. By determining the cargo capacity of each aircraft in pounds, we calculated the total fleet capacity and then derived the average aircraft cost per pound of payload. This was done by dividing the total asset book value of the aircraft category in PP&E by the fleet's total cargo capacity in pounds. Based on historical values of the average aircraft cost per pound of payload, we calculated it to be approximately \$540,000, which we assumed would remain constant in our forecasts. Using this ratio, we projected the gross aircraft fleet value through 2028F, culminating in a book value of \$24 587 million.

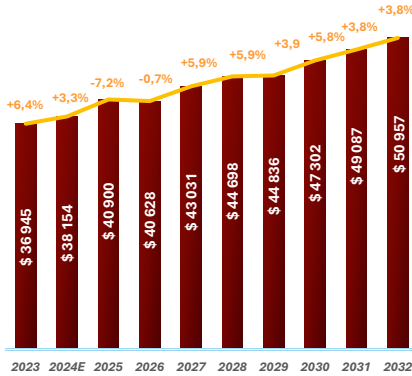
Graph 43: Vehicles & Aircraft Fleet in millions of PP&E, Gross



Source: Own Estimates

For UPS's vehicle-related PP&E, we based our forecast on the revenue-weighted proportions of ground and vehicle-intensive segments. This involved averaging percentages from the U.S. Domestic Ground, Supply Chain Logistics, and the entire International Package segment. Although the 2024E historical average stood at about 23% across these segments, we applied an additional 3.66% CAGR over the next four years to account for anticipated investments in cold chain solution vehicles.

Graph 44: PP&E, net Forecast & Growth (In millions)



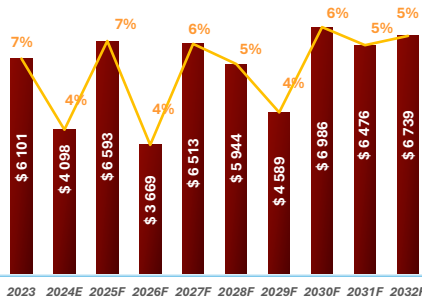
Source: Own Estimates

For other PP&E categories, we have linked their values to a future fixed percentage of total core revenues. This approach ensures consistency and aligns these assets with the scale of UPS's core business operations.

After reaching a value for PP&E, Gross for the 2024E-2028F time frame, we then forecasted it further, but now based on revenue percentage driver, accounting for this average our detailed and expected analysis of PP&E until 2028F, giving a driver of 76,49% of Total Core Revenues, therefore reaching a total Gross PP&E of 100 492 million in 2032F.

For Accumulated Depreciation and Amortization (D&A), we projected its growth based on a historical relationship with the prior years' Gross PP&E figures, maintaining a driver of 51.17% for the period 2024E-2032F. Using this approach, we calculated Net PP&E by subtracting Accumulated D&A from the Gross PP&E value, giving a total of 50 957 million in 2032F.

Graph 45: CapEx Forecast & its Growth Y.o.Y



Source: Own Estimates

To estimate future CapEx, we also must account for the total D&A expense. This D&A expense was forecasted using historical percentage weights relative to the sum of the prior year's Gross PP&E and intangible asset values, with a consistent driver of 4.7% applied for future years. CapEx for each forecast year was then determined by calculating the y.o.y change in PP&E and intangible assets, adjusted by subtracting the total depreciation expense for the respective year.

Capitalized Operating Leases³⁰

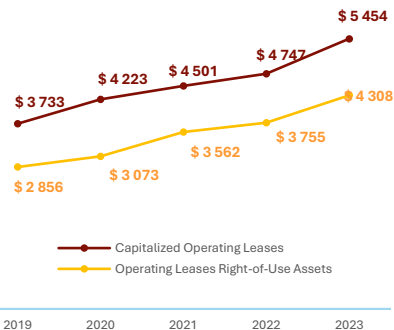
To calculate the capitalized operating leases for historical values, we utilized information provided in UPS's annual report, specifically each year's future rental commitments. These commitments were discounted at fiscal year-end (December 31st) using the company's weighted average discount rate for operating leases, also disclosed in the report.

Including capitalized operating leases in core invested capital enhances valuation accuracy by providing a more accurate representation of the company's true core value, which we deemed essential for our analysis.

To incorporate these adjustments, we replaced UPS's Operating Leases Right-of-Use Assets with the calculated capitalized operating leases for each year. Corresponding adjustments were also applied to the financing section of the balance sheet.

For forecasting, we projected the new caption using a future driver based on the historical average percentage of revenues and net PP&E (4,4%). This approach aligns with the assumption, supported by information in the annual report, that operating leases primarily pertain to aircraft and vehicles—critical assets for maintaining and expanding UPS's core business operations

Graph 46: Operating Leases Right-of-Use Assets vs. Capitalized Operating Leases



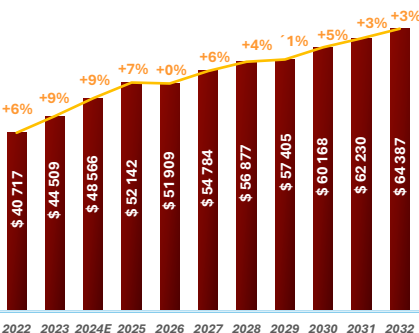
Source: Own Estimates & Annual Report

30: Capitalized Operating Leases - Koller, Goedhart and David Wessels. 2015. Valuation: Measuring and Managing the Value of Companies. McKinsey & Co.

Operating Deffered Tax Assets, Net

We addressed Operating Deferred Tax Assets (DTAs), net of Operating Deferred Tax Liabilities (DTLs), by reorganizing these items before beginning the calculation of invested capital. This involved separating core DTAs and DTLs from non-operating ones to ensure a more precise reflection of future tax impacts on the balance sheet. Since DTAs and DTLs result from temporary differences between accounting income and taxable income, their inclusion ensures that the forecasted financial statements accurately represent the company’s future tax obligations and benefits. This accuracy is critical for reliable projections of shareholders' equity.

Graph 47: Operating DTAs, net of Operating DTLs



Source: Own Estimates

In order to forecast this caption, we assumed also a historical average weight of revenues, the future driver stands at 4,8% of revenues until 2032FY.

At last, we reach the Core Invested Capital of our Balance Sheet Forecast Model, giving a last Core Invested Capital value of \$64 387 million and stabilizing at growing pace of 3%, above normal inflation rate.

Cost of Equity

Cost of equity is computed using Capital Asset Pricing Model (CAPM), which requires the risk-free rate, Equity beta and Market risk premium.

Starting with the equity beta, which measures the market risk of UPS without the impact of debt. We can calculate levered beta trough regression analysis between the historical stock returns of UPS and S&P 500 returns as a market reference, it was used a period of 5 years and monthly results, having around 60 reference points as McKinsey book suggests. Trought this method we obtained a 0.98 levered beta.

Table 12: Re-Levered Beta

Peer U.S. Companies	Levered Beta	Unlevered Beta
FedEx Corporation	1,19	0,96
DHL	1,22	0,85
Expeditors International	0,96	
C. H. Robinson Worldwide	0,82	
Air Transport Services Group Inc.	0,82	
United Parcel Service	0,98	0,85
Average		0,89
UPS Re-levered beta	1,02	

Source: Own Estimates & Yahoo Finance

We did the same for the peer companies and regressed them according their respective market index (only for DHL we used STOXX 600 index) to compare the estimated systematic risk within the sector. The levered beta reflects the company’s total risk, which was unlevered (getting a value of 0,82) to measure the market risk without the impact of debt.

Comparing with its closest peer companies UPS displays a more stable and less volatile profile, which aligns with is lower debt to equity ratio. We re-levered the unlevered beta of 0,89, which was computed through the average of unlevered betas of UPS and its peer companies (DHL and FedEx) to minimize the statistical error associated with using only UPS unlevered beta and get the equity beta value of 1,05. We do not consider companies like Expeditors International, C. H. Robinson Worldwide and Air Transport Services Group Inc. due to differences in size, geography and services.

Cost of Debt

UPS's creditworthiness is widely recognized by leading credit rating agencies. Moody's rates³¹ UPS as 'A2', while S&P Global Ratings³² assigns it an 'A' rating. These strong credit ratings

31: *Moody's Rates for A2 Rating*
 32: *S&P Global Ratings – A Rating '23 Weighted Long-Term*

Table 13: Cost of Debt (Rd) Calculation

Cost of Debt	
risk-free	4,22%
UPS Corporate Bond	5,20%
Market risk premium	5%
βd	0,21
Probability of Default	0,05%
Loss given default	25%
Cost of debt (Rd)	4,22%

Source: Own Estimates & Yahoo Finance

Table 14: Re-Levered Beta

Net Debt	20 180
Cost of debt (Rd)	4,22%
Market Cap	108 990
D/V	15,6%
E/V	84,4%
Tax rate	21%

Expected market return	9%
Risk free rate	4,22%
Expected return of security (R)	9,1%

WACC	8,183%
-------------	---------------

Source: Own Estimates & Yahoo Finance

highlight the company's financial stability and help inform the selection of suitable benchmarks for cost projections. To obtain Cost of Debt (Rd), we first computed Debt Beta (βd) based on risk-free, MRP and UPS corporate bond maturing in 2040 with a principal of \$500m and yield to maturity of 5,12%. Based on S&P Global Ratings, we assumed a loss given default of 25% and a probability of default of 0,05%. Assuming these values and Market Risk Premium of 5% (suggested by McKinsey's book), we ended up with a 4,22% Cost of Debt

Weighted Average Cost Of Capital

To calculate the Weighted Average Cost of Capital (WACC), we take a weighted average of the Expected Cost of Equity and the After-tax Cost of Debt.

The After-tax Cost of Debt is determined using a marginal tax rate of 21%. Analyzing UPS' financials, we found a net debt of \$20 180 and a market capitalization of \$108 990. This results in a target Equity to Enterprise Value ratio of 88%. Based on these figures, our calculation yields a WACC of 8,18% for UPS.

Unlevered Operating FCF & Growth Rate

Firstly, we computed the unlevered operating free cash flow by adding to the NOPLAT Depreciation and Amortization and variation of Operating DTAs and by subtracting variation in NWC, capital expenditures, capitalized operating leases and goodwill (assume to stay constant).

(in millions \$)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
NOPLAT	\$ 10 834	\$ 7 950	\$ 5 327	\$ 7 616	\$ 7 533	\$ 8 511	\$ 9 400	\$ 10 422	\$ 10 742	\$ 11 051	\$ 11 370
Core Invested Capital	\$ 40 717	\$ 44 509	\$ 48 566	\$ 52 142	\$ 51 909	\$ 54 784	\$ 56 877	\$ 57 405	\$ 60 168	\$ 62 230	\$ 64 387
Core FCF	\$ 8 662	\$ 4 159	\$ 5 577	\$ 4 041	\$ 7 766	\$ 5 636	\$ 7 307	\$ 9 894	\$ 7 980	\$ 8 989	\$ 9 213
ROIC	27%	18%	11%	15%	15%	16%	17%	18%	18%	18%	18%
ROIC (excl. Goodwill)	30%	20%	12%	16%	16%	17%	18%	20%	19%	19%	19%
RONIC	30%	-76%	-65%	64%	36%	34%	42%	193%	12%	15%	15%
Core FCF g	2%	-52%	34%	-28%	92%	-27%	30%	35%	-19%	13%	2%
Reinvestment Rate	20%	48%	76%	47%	-3%	34%	22%	5%	26%	19%	19%
g	6%	-36%	-49%	30%	-1%	11%	9%	10%	3%	3%	3%
NOPLAT g	6%	-27%	-33%	43%	-1%	13%	10%	11%	3%	3%	3%

Table 15: WACC Sensitivity Analysis: Investment Rate & RONIC

IR	RONIC				
	8,18%	9,84%	11,50%	13,15%	14,81%
15%	1,23%	1,47%	1,72%	1,97%	2,22%
17%	1,33%	1,60%	1,87%	2,14%	2,41%
19%	1,55%	1,87%	2,18%	2,50%	2,81%
21%	1,72%	2,06%	2,41%	2,76%	3,11%
23%	1,85%	2,22%	2,60%	2,97%	3,34%

Source: Own Estimates

Terminal value³³ is computed by using the perpetuity formula suggested by McKinsey's Book, for that we assume the perpetual growth (g) to be 3% and the RONIC to be 14,9%, which both stabilize in the last 3 years of the forecasted period. In addition Core FCF g in the long-run aligns with the g and the Reinvestment Rate seats at 19% in the long-run, which ensures the perpetuity formula.

We believe 3% growth rate to be a good estimation as it is in between the U.S. long-term inflation of 2% and the U.S. nominal GDP growth of 4,96% reported in September.

Enterprise Value & DCF Target Price

Here we conducted a Discounted Cash Flow (DCF) valuation in order to predict 2025 UPS' Core Value and further its stock price as December 31st, 2025.

First, we discounted the Unlevered Operating FCF and the Terminal Value for each forecasting year, having in mind that our wacc of 8.18% and a terminal growth rate of 3%, in

Table 16: Stock Price at FY25

Valuation - Stock Price	
Core Value	\$ 147 095
Non-Core Value	\$ (4 451)
Enterprise Value	\$ 142 643
Net Financing & Other Claims	\$ (25 176)
Equity Value	\$ 117 467
Shares Outstanding	853,37
Price Target at FY25	\$ 137,65
Net Debt / EV Structure	13,47%
Debt / Equity Structure	129%

Source: Own Estimates

33: Terminal Value: Koller, Goedhart and David Wessels. 2015. Valuation: Measuring and Managing the Value of Companies. McKinsey & Co.

$$TV_t = \frac{NOPLAT_t(1+g)(1-\frac{g}{RONIC})}{WACC-g}$$

order to find the Core Value of the UPS’ business for each year. After that by discounting each year’s non-core invested value, we found the Enterprise Value (EV) from 2024E to 2032F. By maintaining a Net Debt/EV of 13.47%, a Total Debt/Equity of 129% and a book value of Equity, we were able to find each years Net Financing & Other Claims (incl. Noncontrolling Interests). Finally by the deducting this to the EV and by also keeping shares outstanding at a Q3 2024 number (853.7 million), we found the DCF Stock Target Price of \$137.65 for 2025FY end.

Table 17: Forecast Capital Structure

Target Capital Structure	
Net Debt	\$ (19 213)
Operating Leases	\$ (5 956)
Noncontrolling Interests	\$ (8)
Net Financing & Other Claims	\$ (25 176)
Shareholders Equity	\$ 22 514
Total Debt- to- Equity	129%
Net Debt / EV	13,47%

Source: Own Estimates

Multiple Analysis

In our Multiples Valuation we had in consideration two peer groups, first one composed of FedEx and DHL and a second group of peer companies composed of Expeditors International, C. H. Robinson Worldwide and Air Transport Services Group Inc. however some of this companies only operate in the U.S. and others do not fully offer the same services as UPS. Therefore, we decided to remain with the first peer group, as are the most relevant companies for our analysis, due to their operational and market similarities.

Table 18: Multiples

2024FY	EV/Revenues	EV/EBITDA	EV/EBIT
UPS	x1,5	x11,3	x16,0
FedEx	x0,9	x7,4	x12,3
DHL	x0,8	x9,0	x24,5
Multiple's Average	x1,1	x9,3	x17,6
Multiple's Median	x0,9	x9,0	x16,0

Source: Own Estimates

To perform the valuation, we first computed enterprise value of all three companies using market capitalization, total Debt of most recent quarter (MRQ) and Total Cash (MRQ). Then we focused on the following multiples, Enterprise Value-to-Revenues, Enterprise Value-to-EBITDA and Enterprise Value-to-EBIT, both revenues, EBITDA and EBIT are trailing twelve months ensuring a more recent and precise valuation.

After a cautious analysis, we determined that the EV/EBIT multiple is the most suitable for our evaluation. The EV/EBITDA multiple would significantly undervalue the share price, due to the high capital expenditures typically incurred by the package delivery and logistics industry. Therefore, the EV/EBIT multiple provides a more accurate representation of operational efficiency in this capital-intensive industry.

To conclude, we believe UPS should be valued at approximately 17,6x EV-to-EBIT, to accurately reflect its fair market value.

Sensitivity Analysis

We performed three sensitivity analyses on the WACC metric, which is a crucial component of the DCF valuation. Our goal was to assess how the equity beta (β_e), cost of debt (Rd), and both the cost of debt (Rd) and cost of equity (Re) impact the WACC calculation.

Considering a 95% confidence interval³⁴ for UPS, FedEx, and DHL, we unlevered levered betas of each peer and UPS itself, averaged the extreme values within that interval, and then re-levered them based on UPS capital structure. We ended up with a minimum re-levered beta value of around 0.94 and a maximum of 1.1. This translates into an interval from 8.7% to 9.46% of cost of equity and a final WACC value ranging from 8.863% to 8.504%.

Table 19: Sensitivity Analysis: WACC; Re; Rd

		Rd			
		3,82%	4,22%	4,62%	5,86%
Re	8,70%	7,81%	7,86%	7,91%	8,07%
	8,83%	7,92%	7,97%	8,02%	8,17%
	8,96%	8,03%	8,08%	8,13%	8,28%
	9,08%	8,13%	8,18%	8,23%	8,39%
	9,21%	8,24%	8,29%	8,34%	8,49%
	9,33%	8,35%	8,40%	8,45%	8,60%
	9,46%	8,45%	8,50%	8,55%	8,71%
Rd		3,82%	4,22%	4,62%	5,86%
WACC		8,134%	8,183%	8,233%	8,386%

Source: Own Estimates

34: Confidence interval at 95%: [$\beta_e - 2 \times \text{Standard Error}$; $\beta_e + 2 \times \text{Standard Error}$]

Secondly, a sensitivity analysis was conducted on the Expected Cost of Debt (Rd). To reflect both the best and worst scenarios, we adjusted this figure within the range of the AAA to BB US Corporate Index Effective Yield (5.86%), in case UPS improves or drops to a lower credit rating. WACC ranges from 8,134% to 8,386%, showcasing the low impact Rd has on WACC going in line with the low Debt-to-EV ratio. Combining both data resulted in a WACC ranging from 7,81% to 8,71%.

Table 20: WACC Sensitivity Analysis: Equity Beta & Re

βe	Re	WACC
0,94	8,70%	7,86%
0,96	8,83%	7,97%
0,99	8,96%	8,08%
1,02	9,08%	8,18%
1,04	9,21%	8,29%
1,07	9,33%	8,40%
1,10	9,46%	8,50%

Then, we conducted a sensitivity analysis on how RONIC and Investment Rate (IR) would impact the perpetual growth rate (g), which is calculated by multiplying RONIC and IR. The interval to analyse was chose by matching RONIC with WACC (8,18%) as the minimum value, where in this scenario UPS is not creating nor destroying value with new invested capital, and the long-run stabilized RONIC value of 14,9%. The IR range of values, were computed by the standard deviation of the last 3 years of the forecasted period, when IR starts to stabilize. The perpetual growth rate ranges from 1,23% to 3,40%, corresponding to price targets of \$124,07 and \$146,47 respectively.

Finally, we are going to measure share price sensitivity to WACC and g variations. Both WACC and perpetual growth rate intervals are aligned with previous sensitivity analysis, WACC having a higher value of 8,72% and a lower of 7,98% and g going from 1,23% to 3,4%. Target prices varied by a considerable margin, from \$114,30 to \$159,33.

Table 21: Best Scenario Sensitivity Analysis – WACC & g

		WACC				
		7,8%	8,0%	7,5%	8,5%	8,7%
g	4,0%	\$196,52	\$187,06	\$214,73	\$165,54	\$158,00
	2,0%	\$156,21	\$150,88	\$166,02	\$138,09	\$133,38
	4,0%	\$196,52	\$187,06	\$214,73	\$165,54	\$158,00
	3,1%	\$173,64	\$166,68	\$186,71	\$150,34	\$144,45
	4,0%	\$196,52	\$187,06	\$214,73	\$165,54	\$158,00

Best - Case Scenario

Source: Own Estimates

We will make several assumptions to assess how an ideal scenario would impact UPS's price target using the DCF method. First we will address assumptions related to revenues and a higher market return. E-commerce growth will surpass the previously predicted rate, and that the cold chain and healthcare logistics sectors will also experience faster growth, thereby boosting revenues within UPS's supply chain segments. On the financing side, we will assume a lower WACC and a higher perpetual growth rate.

Table 22: Best Scenario – Stock Price

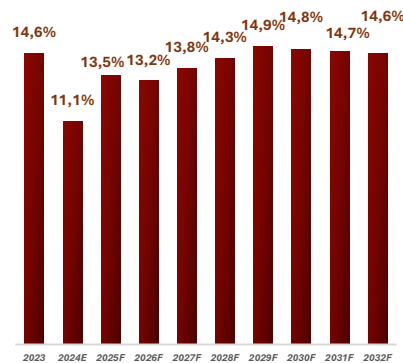
Best Scenario - Stock Price	
Core Value	\$223 126
Non-Core Value	\$(4 433)
Enterprise Value	\$218 693
Net Financing & Other Claims	\$(25 325)
Equity Value	\$183 240
Shares Outstanding	853,37
Price Target FY25	\$214,73

Source: Own Estimates

Although e-commerce growth has slowed in recent years following the significant boost from the Covid-19 pandemic, we will assume that the decline will be slower than predicted, with growth rates exceeding projections by 2% in recent years. Additionally, we will revise the market size prediction for healthcare logistics growth by increasing growth rates by 2% in recent years, growth in healthcare logistics is closely tied to factors such as pharmaceutical advancements and could be driven by the development of new drugs, which occurs intermittently, or by events like epidemics or pandemics, which may arise again in the future. Moreover, implications of better market performance result on a rise of EBITDA margins, achieving an average of 14,96% from 2025 to 2032.

Looking from a financing perspective, the recent acquisition of healthcare logistics companies could increase operating margins significantly due to the specificity of the sector, increasing

Graph 48: Best Scenario – EBITDA Margin



Source: Own Estimates

the long-term company’s RONIC and eventually the perpetuity growth g , due to this we will assume a **4%** g . Beside that, we will also assume a **7,5%** WACC.

Concluding, for this perfect scenario characterized by increased revenues, higher operating margins and a lower cost of capital, we projected a target price of **\$214,73** as of December 2025.

Table 23: Worst Scenario Sensitivity Analysis – WACC & g

	WACC				
	7,8%	8,0%	9,0%	8,5%	8,7%
2,0%	\$ 120,96	\$ 116,88	\$ 98,70	\$ 107,09	\$ 103,48
2,0%	\$ 121,10	\$ 117,01	\$ 98,77	\$ 107,18	\$ 103,56
2,0%	\$ 120,96	\$ 116,88	\$ 98,70	\$ 107,09	\$ 103,48
3,1%	\$ 131,21	\$ 126,02	\$ 103,73	\$ 113,85	\$ 109,46
2,0%	\$ 120,96	\$ 116,88	\$ 98,70	\$ 107,09	\$ 103,48

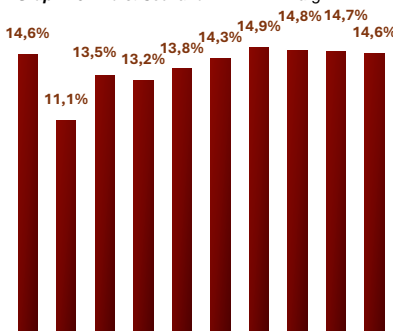
Source: Own Estimates

Table 24: Worst Scenario – Stock Price

Worst Scenario - Stock Price	
Core Value	\$ 108 659
Non-Core Value	\$ (4 469)
Enterprise Value	\$ 104 191
Net Financing & Other Claims	\$ (25 325)
Equity Value	\$ 84 226
Shares Outstanding	853,37
Price Target FY25	\$ 98,70

Source: Own Estimates

Graph 49: Worst Scenario – EBITDA Margin



Source: Own Estimates

Worst - Case Scenario

We will make assumptions that would deteriorate the conditions for UPS to prosper and see how it affects target price. In line with the best-case-scenario the assumptions impact revenues, by mitigating e-commerce growth expectations and lowering projections of healthcare logistics market size growth.

E-commerce growth would decrease by 2% comparing with the normal scenario, also healthcare logistics market size growth would decrease by 2% driven by a slowdown in pharmaceutical advancements and fewer major events. This unfavourable scenario would lower the average operating margin (2025-2032) from 14,2% to 13,5%. On a financing side WACC will be 9% and g will be 2%, aligned with the long-run inflation rate.

Concluding, for this worst-case-scenario characterized by a decrease in revenues, lower operating margins and a higher cost of capital, we projected a target price of **\$98,70** as of December 2025.

Dividend Discount Model (DDM)

DDM is ideal for valuing companies that have consistent and predictable dividend policies. Analysing UPS dividends since 2010, we can see a steady evolution and somehow consistent, therefore we chose to project a target price based on this valuation, nevertheless implying less importance compared to DCF and Multiples. Excluding the impact of the COVID-19 years, the growth rate of UPS's dividends from 2010 onward shows an average increase of 6.27%, with a low standard deviation, in line with the consistent dividend growth. We also had in mind the share repurchases strategy of the company that will decrease the amount of outstanding shares by 0,1%. For the terminal value calculation, we employed the perpetuity formula, assuming a g of 3% and a WACC of 8.18%. Based on this approach, we projected a stock price of **\$175.16**, due UPS' given importance to stock returns.

Table 25: Discount Dividend Model – Stock Price 25FY

DDM	
Growth Rate	3%
WACC	8,18%
Terminal Value	\$ 210,43
PV of Terminal Value	\$ 121,34
PV of Dividends	\$ 53,83
Stock Value at FY25	\$ 175,16

Source: Own Estimates

DDM - Sensitivity Analysis

To better assess how DDM valuation price might fluctuate, we performed a sensitivity analysis on the dividend growth rate and on the outstanding shares growth rate. The analysis was conducted with a 95% confidence interval, with the dividend growth rate ranging from 5,76% to 6,77%, and the outstanding shares growth rate ranging from 0,21% to -0,44%. Under these scenarios, the valuation prices ranged from a high of **\$186,65** to a low of **\$164,41**

Table 26: DDM Sensitivity Analysis – Stock Price 25FY

		Dividend Growth		
		5,76%	6,27%	6,77%
Outs. shares	0,21%	164,41	170,68	177,17
Growth	-0,11%	175,16	175,16	181,83
	-0,44%	179,78	179,78	186,65

Source: Own Estimates

Final Recommendation

Table 27: Complete Valuation – Stock Price 25FY

	Valuation	Weight
DFC Valuation	\$ 137,65	80%
DDM Valuation	\$ 175,16	5%
Multiple Analysis	\$ 155,22	15%
Target Price '25	\$ 142,16	
Nov 9 '24 Price	\$ 128,00	
Return (%) without dividends		11,1%
2025 Dividend	\$ 6,48	
Return (%)		16,1%

Source: Own Estimates

Our valuation suggests significant upside potential for UPS, it is our belief that with stabilization or even decrease in real oil prices as projections indicate, stabilization of inflation, and continued market growth, UPS is well-positioned to thrive. Moreover, the logistics and package delivery industry is characterized by high barriers to entry, particularly due to its capital-intensive nature, which affords it a significant competitive advantage, ensuring UPS' value creation in a prosper market. Our final target price, **\$142,16**, implies a return rate slightly above 10% and combines DCF, DDM and multiples valuations, putting a bigger weight on DCF. Moreover, as a common practice we believe UPS to at least maintain its dividends for next year of \$6,48, combing both stock and dividend return we reach a 16,1% overall return. Therefore, we reiterate our **BUY** position,

Graph 50: Football Field – Stock Price 25FY



Source: Own Estimates

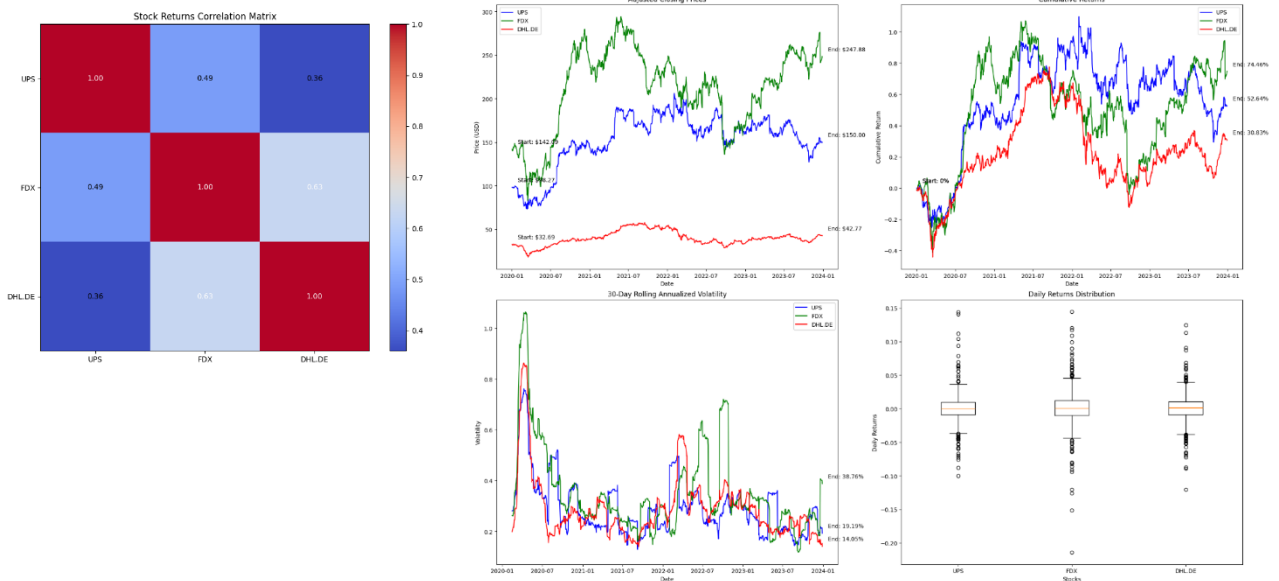
Target Price: \$142,16

Appendix

Stock Performance Analysis (Appendix 1)

'20FY-'23FY	Start Price	End Price	Change in Price %	Avr. Daily Return	Annualized Return	Annualized Volatility
UPS	\$ 98,27	\$ 150,00	52,64%	0,06%	16,91%	31,30%
FDX	\$ 142,09	\$ 247,88	74,46%	0,09%	24,60%	39,30%
DHL.DE	\$ 32,59	\$ 42,77	30,83%	0,05%	12,44%	31,25%

Comparative Stock Analysis (2020-01-01 to 2023-12-31)



Forecasted PP&E and CapEx (Appendix 2)

USD (\$) in millions	2023	2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Vehicles	\$ 11 768	\$ 14 601	\$ 15 757	\$ 16 194	\$ 17 071	\$ 17 952				
% of Ground, Domestic, Export, Cargo&Other and Logis	24%	23%	27%	31%	34%	38%				
Aircraft	\$ 22 888	\$ 22 936	\$ 23 349	\$ 23 762	\$ 24 174	\$ 24 587				
Total Lbs	41 700	42 464	43 228	43 992	44 757	45 521				
Aircraft Cost per Total Pounds of Payload	0,55	0,54	0,54	0,54	0,54	0,54				
Land	\$ 2 138	\$ 2 250	\$ 2 421	\$ 2 489	\$ 2 618	\$ 2 746				
% of Revenues	2,4%	2,5%	2,5%	2,5%	2,5%	2,5%				
Buildings	\$ 6 255	\$ 6 312	\$ 6 792	\$ 6 983	\$ 7 344	\$ 7 704				
% of Revenues	6,88%	6,88%	6,88%	6,88%	6,88%	6,88%				
Building and leasehold improvements	\$ 5 241	\$ 5 263	\$ 5 663	\$ 5 822	\$ 6 123	\$ 6 423				
% of Revenues	5,76%	5,73%	5,73%	5,73%	5,73%	5,73%				
Plant equipment	\$ 17 322	\$ 17 479	\$ 18 808	\$ 19 338	\$ 20 337	\$ 21 334				
% of Revenues	19,04%	19,04%	19,04%	19,04%	19,04%	19,04%				
Technology equipment	\$ 2 656	\$ 2 630	\$ 2 830	\$ 2 910	\$ 3 060	\$ 3 210				
% of Revenues	2,92%	2,87%	2,87%	2,87%	2,87%	2,87%				
Construction-in-progress	\$ 3 247	\$ 3 276	\$ 3 526	\$ 3 625	\$ 3 812	\$ 3 999				
% of Revenues	3,57%	3,57%	3,57%	3,57%	3,57%	3,57%				
PP&E, Gross	\$ 71 515	\$ 74 746	\$ 79 145	\$ 81 124	\$ 84 540	\$ 87 954	\$ 89 839	\$ 93 270	\$ 96 811	\$ 100 492
% of Revenues	78,62%	81,44%	80,14%	79,89%	79,16%	78,51%	76,49%	76,49%	76,49%	76,49%
Accumulated Depreciation & Amortization	\$(34 570)	\$(36 592)	\$(38 245)	\$(40 496)	\$(41 508)	\$(43 256)	\$(45 003)	\$(45 968)	\$(47 723)	\$(49 535)
% of PP&E t-1, Gross	51,27%	51,17%	51,17%	51,17%	51,17%	51,17%	51,17%	51,17%	51,17%	51,17%
Property, Plant and Equipment, Net	\$ 36 945	\$ 38 154	\$ 40 900	\$ 40 628	\$ 43 031	\$ 44 698	\$ 44 836	\$ 47 302	\$ 49 087	\$ 50 957
PP&E Depreciation & Amortization	\$ 1 859	\$ 2 022	\$ 1 653	\$ 2 251	\$ 1 013	\$ 1 748	\$ 1 747	\$ 965	\$ 1 756	\$ 1 812
Intangible Assets, Net	\$ 3 305	\$ 2 673	\$ 2 876	\$ 2 957	\$ 3 110	\$ 3 263	\$ 3 421	\$ 3 551	\$ 3 686	\$ 3 826
Intangible Assets Amortization	\$ 1 507	\$ 1 499	\$ 1 990	\$ 1 609	\$ 2 944	\$ 2 377	\$ 2 546	\$ 3 424	\$ 2 801	\$ 2 918
Total Depreciation & Amortization	\$ 3 366	\$ 3 521	\$ 3 643	\$ 3 860	\$ 3 957	\$ 4 125	\$ 4 293	\$ 4 389	\$ 4 557	\$ 4 729
% of Gross PP&E t-1 & Intangibles t-1	4,8%	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%
Capex	\$(6 101)	\$(4 098)	\$(6 593)	\$(3 669)	\$(6 513)	\$(5 944)	\$(4 589)	\$(6 986)	\$(6 476)	\$(6 739)
% of Revenues	-6,71%	-4,46%	-6,68%	-3,61%	-6,10%	-5,31%	-3,91%	-5,73%	-5,12%	-5,13%

Financial Statements

Forecasted Income Statement (Appendix 3)

Income Statement - Forecast until 2032											
	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
U.S Domestic Package	\$ 64 209	\$ 59 958	\$ 60 485	\$ 65 582	\$ 67 037	\$ 70 359	\$ 73 595	\$ 76 904	\$ 79 936	\$ 83 072	\$ 86 342
YoY%	6,5%	-6,6%	0,9%	8,4%	2,2%	5,0%	4,6%	4,5%	3,9%	3,9%	3,9%
International Package	\$ 19 698	\$ 17 831	\$ 17 822	\$ 19 139	\$ 19 886	\$ 21 240	\$ 22 673	\$ 24 220	\$ 25 219	\$ 26 263	\$ 27 353
YoY%	0,8%	-9,5%	-0,1%	7,4%	3,9%	6,8%	6,7%	6,8%	4,1%	4,1%	4,2%
Supply Chain Solutions (Incl. Other)	\$ 16 431	\$ 13 169	\$ 13 474	\$ 14 041	\$ 14 623	\$ 15 192	\$ 15 755	\$ 16 329	\$ 16 783	\$ 17 232	\$ 17 684
YoY%	-5,7%	-19,9%	2,3%	4,2%	4,1%	3,9%	3,7%	3,6%	2,8%	2,7%	2,6%
Total Revenues	\$ 100 338	\$ 90 958	\$ 91 782	\$ 98 762	\$ 101 546	\$ 106 791	\$ 112 023	\$ 117 452	\$ 121 938	\$ 126 567	\$ 131 379
Core Operating Expenses											
Compensation & benefits (Adjusted)	\$ 47 720	\$ 47 088	\$ 48 980	\$ 50 948	\$ 52 994	\$ 55 124	\$ 57 338	\$ 59 642	\$ 62 038	\$ 64 530	\$ 67 123
Per Average Cost per Employee	\$ 0,09	\$ 0,09	\$ 0,10	\$ 0,10	\$ 0,11	\$ 0,11	\$ 0,11	\$ 0,12	\$ 0,12	\$ 0,13	\$ 0,13
Repairs & Maintenance	\$ 2 884	\$ 2 828	\$ 3 082	\$ 3 304	\$ 3 282	\$ 3 476	\$ 3 611	\$ 3 622	\$ 3 821	\$ 3 965	\$ 4 116
% of Property, Plant and Equipment, net	8,3%	7,7%	8,1%	8,1%	8,1%	8,1%	8,1%	8,1%	8,1%	8,1%	8,1%
Purchased Transportation	\$ 17 675	\$ 13 651	\$ 15 981	\$ 17 196	\$ 17 681	\$ 18 594	\$ 19 505	\$ 20 450	\$ 21 231	\$ 22 037	\$ 22 875
% of Revenues	17,6%	15,0%	17,4%	17,4%	17,4%	17,4%	17,4%	17,4%	17,4%	17,4%	17,4%
Fuel	\$ 6 018	\$ 4 775	\$ 4 870	\$ 4 696	\$ 4 601	\$ 4 768	\$ 4 940	\$ 5 121	\$ 5 306	\$ 5 497	\$ 5 697
Fuel Costs Per Package Delivered	\$ 0,97	\$ 0,84	\$ 0,85	\$ 0,80	\$ 0,77	\$ 0,79	\$ 0,81	\$ 0,82	\$ 0,84	\$ 0,86	\$ 0,87
Other Occupancy	\$ 1 844	\$ 2 019	\$ 1 782	\$ 1 917	\$ 1 971	\$ 2 073	\$ 2 175	\$ 2 280	\$ 2 367	\$ 2 457	\$ 2 551
% of Revenues	1,8%	2,2%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%
Other Expenses	\$ 7 915	\$ 8 090	\$ 7 484	\$ 8 053	\$ 8 280	\$ 8 707	\$ 9 134	\$ 9 577	\$ 9 942	\$ 10 320	\$ 10 712
% of Revenues	7,9%	8,9%	8,2%	8,2%	8,2%	8,2%	8,2%	8,2%	8,2%	8,2%	8,2%
Adjustments Other Expenses	\$ (759)	\$ (732)	\$ (628)	\$ (639)	\$ (657)	\$ (691)	\$ (725)	\$ (760)	\$ (789)	\$ (819)	\$ (850)
% of Revenues	0,8%	0,8%	0,7%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%
Total Operating Expenses	\$ 83 297	\$ 77 719	\$ 81 550	\$ 85 474	\$ 88 152	\$ 92 051	\$ 95 978	\$ 99 932	\$ 103 917	\$ 107 988	\$ 112 224
Operating EBITDA	\$ 17 041	\$ 13 239	\$ 10 232	\$ 13 288	\$ 13 394	\$ 14 740	\$ 16 045	\$ 17 521	\$ 18 021	\$ 18 579	\$ 19 155
EBITDA Margin	16,98%	14,56%	11,15%	13,45%	13,19%	13,80%	14,32%	14,92%	14,78%	14,68%	14,58%
Depreciation & Amortization	\$ 3 188	\$ 3 366	\$ 3 521	\$ 3 643	\$ 3 860	\$ 3 957	\$ 4 125	\$ 4 293	\$ 4 389	\$ 4 557	\$ 4 729
% of PPE t-1, Gross and Intangible Assets t-1	4,7%	4,8%	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%
Operating EBIT	\$ 13 853	\$ 9 873	\$ 6 710	\$ 9 644	\$ 9 534	\$ 10 783	\$ 11 920	\$ 13 228	\$ 13 632	\$ 14 022	\$ 14 426
Remove: Interest on Operating leases Effect	\$ 127	\$ 202	\$ 139	\$ 149	\$ 152	\$ 160	\$ 167	\$ 173	\$ 181	\$ 188	\$ 195
Operating EBIT (Capitalized Operating Leases)	\$ 13 980	\$ 10 075	\$ 6 849	\$ 9 793	\$ 9 686	\$ 10 943	\$ 12 087	\$ 13 401	\$ 13 813	\$ 14 210	\$ 14 621
Operating Taxes	\$ (3 146)	\$ (2 125)	\$ (1 523)	\$ (2 177)	\$ (2 153)	\$ (2 433)	\$ (2 687)	\$ (2 979)	\$ (3 071)	\$ (3 159)	\$ (3 250)
% Marginal Tax Rate on Operating Result	-23%	-21%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%
NOPLAT (Capitalized Operating Leases)	\$ 10 834	\$ 7 950	\$ 5 327	\$ 7 616	\$ 7 533	\$ 8 511	\$ 9 400	\$ 10 422	\$ 10 742	\$ 11 051	\$ 11 370
Transformation Strategy Costs	\$ (46)	\$ (337)	\$ (205)	\$ (213)	\$ (221)	\$ (230)	\$ (240)	\$ (249)	\$ (259)	\$ (270)	\$ (281)
% of Compensation & Benefits	0,1%	0,7%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%
One-Time Compensation Payment	\$ 0	\$ (61)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Incentive Compensation Program Design Changes	\$ (505)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transformation and Other Charges	\$ (132)	\$ (98)	\$ (128)	\$ (138)	\$ (142)	\$ (149)	\$ (156)	\$ (164)	\$ (170)	\$ (176)	\$ (183)
% of Revenues	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%
Long-Lived Asset Estimated Residual Value Changes	\$ (76)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Legal contingencies and expenses:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Goodwill and Asset Impairment Charges	\$ 0	\$ (236)	\$ (236)	\$ (236)	\$ (236)	\$ (236)	\$ (236)	\$ (236)	\$ (236)	\$ (236)	\$ (236)
Investment income and other	\$ 2 435	\$ 217	\$ 228	\$ 231	\$ 239	\$ 249	\$ 260	\$ 271	\$ 282	\$ 293	\$ 305
% of Marketable Securities, Pension & Postretirement Fund	35,8%	2,4%	2,4%	2,4%	2,4%	2,4%	2,4%	2,4%	2,4%	2,4%	2,4%
Non-Operating Result Before Taxes	\$ 1 676	\$ (515)	\$ (340)	\$ (356)	\$ (360)	\$ (366)	\$ (372)	\$ (378)	\$ (383)	\$ (389)	\$ (395)
Non-Operating Taxes	\$ (278)	\$ 91	\$ 60	\$ 63	\$ 64	\$ 65	\$ 66	\$ 67	\$ 68	\$ 69	\$ 70
% Marginal Tax Rate on Non-Core Result	17%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
OCI:											
Foreign currency translation adjustment, net of tax	\$ (284)	\$ 198	\$ (43)	\$ (46)	\$ (47)	\$ (50)	\$ (52)	\$ (55)	\$ (57)	\$ (59)	\$ (61)
% of Revenues	-0,3%	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Unrealized gain (loss) on marketable securities, net of tax	\$ (10)	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 10	\$ 10	\$ 11	\$ 11	\$ 11
% of Marketable Securities	-0,5%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%
Unrealized gain (loss) on cash flow hedges, net of tax	\$ 184	\$ (243)	\$ (243)	\$ (243)	\$ (243)	\$ (243)	\$ (243)	\$ (243)	\$ (243)	\$ (243)	\$ (243)
Unrecognized pension and postretirement benefit/costs, net of tax	\$ 1 839	\$ (2 173)	\$ 1 108	\$ 1 153	\$ 1 199	\$ 1 248	\$ 1 298	\$ 1 350	\$ 1 404	\$ 1 460	\$ 1 519
% of Pension & Postretirement Obligations	-38,3%	35,3%	-16,8%	-16,8%	-16,8%	-16,8%	-16,8%	-16,8%	-16,8%	-16,8%	-16,8%
Total Non-Operating Result	\$ 3 127	\$ (2 633)	\$ 552	\$ 580	\$ 622	\$ 663	\$ 707	\$ 752	\$ 800	\$ 849	\$ 901
Financial											
Interest expense, Operating Leases	\$ (127)	\$ (202)	\$ (139)	\$ (149)	\$ (152)	\$ (160)	\$ (167)	\$ (173)	\$ (181)	\$ (188)	\$ (195)
Interest expense, Debt	\$ (704)	\$ (785)	\$ (936)	\$ (831)	\$ (862)	\$ (907)	\$ (931)	\$ (972)	\$ (1 005)	\$ (1 024)	\$ (1 056)
% of Net Debt t-1	5,2%	4,9%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%
Financial Result Before Taxes	\$ (831)	\$ (987)	\$ (1 075)	\$ (980)	\$ (1 014)	\$ (1 067)	\$ (1 099)	\$ (1 145)	\$ (1 186)	\$ (1 211)	\$ (1 251)
Tax shield from Operating Leases and Debt	\$ 157	\$ 160	\$ 226	\$ 206	\$ 213	\$ 224	\$ 231	\$ 241	\$ 249	\$ 254	\$ 263
Financial Result	\$ (674)	\$ (827)	\$ (849)	\$ (774)	\$ (801)	\$ (843)	\$ (868)	\$ (905)	\$ (937)	\$ (957)	\$ (988)
Total Comprehensive Income	\$ 13 287	\$ 4 490	\$ 5 029	\$ 7 422	\$ 7 354	\$ 8 331	\$ 9 239	\$ 10 269	\$ 10 605	\$ 10 943	\$ 11 283
Net Income	\$ 11 548	\$ 6 708	\$ 4 206	\$ 6 558	\$ 6 445	\$ 7 377	\$ 8 236	\$ 9 217	\$ 9 501	\$ 9 785	\$ 10 069
Shares Outstanding	859	853	853,37	853,37	853,37	853,37	853,37	853,37	853,37	853,37	853,37
Diluted EPS	13,2	7,8	4,93	7,68	7,55	8,64	9,65	10,80	11,13	11,47	11,80

Forecasted Balance Sheet (Appendix 4)

Balance Sheet - Forecast until 2032												
Core	#	2022	2023	2024E	2025	2026	2027	2028	2029	2030	2031	2032
Operating Cash		\$ 2 007	\$ 1 819	\$ 1 836	\$ 1 975	\$ 2 031	\$ 2 136	\$ 2 240	\$ 2 349	\$ 2 439	\$ 2 531	\$ 2 628
% of Revenues		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Accounts Receivable, net		\$ 12 583	\$ 11 216	\$ 11 599	\$ 12 481	\$ 12 832	\$ 13 495	\$ 14 156	\$ 14 843	\$ 15 409	\$ 15 994	\$ 16 602
Collection Period		45,8	45,0	46,1	46,1	46,1	46,1	46,1	46,1	46,1	46,1	46,1
Inventories (Fuel, Jet fuel & Other supplies)		\$ 889	\$ 935	\$ 811	\$ 873	\$ 897	\$ 944	\$ 990	\$ 1 038	\$ 1 078	\$ 1 118	\$ 1 161
% of Revenues		0,9%	1,0%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%
Other current assets		\$ 1 150	\$ 1 190	\$ 1 237	\$ 1 331	\$ 1 369	\$ 1 439	\$ 1 510	\$ 1 583	\$ 1 644	\$ 1 706	\$ 1 771
% of Revenues		1,1%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%
Operating Current Assets (1)		\$ 16 629	\$ 15 160	\$ 15 482	\$ 16 660	\$ 17 129	\$ 18 014	\$ 18 897	\$ 19 813	\$ 20 569	\$ 21 350	\$ 22 162
Accounts payable		\$ (7 515)	\$ (6 940)	\$ (6 853)	\$ (7 183)	\$ (7 408)	\$ (7 736)	\$ (8 066)	\$ (8 398)	\$ (8 733)	\$ (9 075)	\$ (9 431)
Payable Period		31,7	28,5	30,7	30,7	30,7	30,7	30,7	30,7	30,7	30,7	30,7
Accrued wages and withholdings		\$ (4 049)	\$ (3 224)	\$ (3 778)	\$ (3 930)	\$ (4 087)	\$ (4 252)	\$ (4 422)	\$ (4 600)	\$ (4 785)	\$ (4 977)	\$ (5 177)
% of Compensation and Benefits		8,5%	6,8%	7,7%	7,7%	7,7%	7,7%	7,7%	7,7%	7,7%	7,7%	7,7%
Self-insurance reserves		\$ (1 069)	\$ (1 320)	\$ (1 497)	\$ (1 569)	\$ (1 618)	\$ (1 690)	\$ (1 762)	\$ (1 835)	\$ (1 908)	\$ (1 983)	\$ (2 060)
% of Operating Expenses		1,3%	1,7%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%
Other current liabilities		\$ (1 467)	\$ (1 256)	\$ (1 651)	\$ (1 730)	\$ (1 784)	\$ (1 863)	\$ (1 943)	\$ (2 023)	\$ (2 103)	\$ (2 186)	\$ (2 271)
% of Operating Expenses		1,8%	1,6%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Operating Current Liabilities (2)		\$ (14 100)	\$ (12 140)	\$ (13 779)	\$ (14 412)	\$ (14 898)	\$ (15 540)	\$ (16 193)	\$ (16 855)	\$ (17 529)	\$ (18 221)	\$ (18 940)
Operating Net Working Capital (1)-(2)		\$ 2 529	\$ 3 020	\$ 1 703	\$ 2 248	\$ 2 231	\$ 2 478	\$ 2 704	\$ 2 958	\$ 3 040	\$ 3 125	\$ 3 222
% of Revenues		2%	3%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Property, Plant & Equipment, net		\$ 34 719	\$ 36 945	\$ 38 154	\$ 40 900	\$ 40 628	\$ 43 031	\$ 44 698	\$ 44 836	\$ 47 302	\$ 49 087	\$ 50 957
Intangible Assets, net		\$ 2 796	\$ 3 305	\$ 2 673	\$ 2 876	\$ 2 957	\$ 3 110	\$ 3 263	\$ 3 421	\$ 3 551	\$ 3 686	\$ 3 826
% of Revenues		2,8%	3,6%	2,9%	2,9%	2,9%	2,9%	2,9%	2,9%	2,9%	2,9%	2,9%
Reported Operating Leases Right-of-Use Assets		\$ 3 755	\$ 4 308									
Remove: Reported Operating Leases		\$ (3 755)	\$ (4 308)									
Capitalized Operating Leases		\$ 4 747	\$ 5 454	\$ 5 541	\$ 5 956	\$ 6 063	\$ 6 389	\$ 6 683	\$ 6 921	\$ 7 217	\$ 7 491	\$ 7 776
% of Revenues & PP&E, net		4,3%	4,3%	4,3%	4,3%	4,3%	4,3%	4,3%	4,3%	4,3%	4,3%	4,3%
Operating DTAs, net of Operating DTLs		\$ (4 542)	\$ (4 780)	\$ (4 377)	\$ (4 710)	\$ (4 843)	\$ (5 093)	\$ (5 342)	\$ (5 601)	\$ (5 815)	\$ (6 036)	\$ (6 266)
% of Revenues		4,5%	5,3%	4,8%	4,8%	4,8%	4,8%	4,8%	4,8%	4,8%	4,8%	4,8%
Core Invested Capital (excl. Goodwill)		\$ 36 494	\$ 39 637	\$ 43 694	\$ 47 270	\$ 47 037	\$ 49 912	\$ 52 005	\$ 52 533	\$ 55 296	\$ 57 358	\$ 59 515
Goodwill		\$ 4 223	\$ 4 872	\$ 4 872	\$ 4 872	\$ 4 872	\$ 4 872	\$ 4 872	\$ 4 872	\$ 4 872	\$ 4 872	\$ 4 872
Core Invested Capital (incl. Goodwill)		\$ 40 717	\$ 44 509	\$ 48 566	\$ 52 142	\$ 51 909	\$ 54 784	\$ 56 877	\$ 57 405	\$ 60 168	\$ 62 230	\$ 64 387
		6%	9%	9%	7%	0%	6%	4%	1%	5%	3%	3%
Non-Core												
Marketable securities		\$ 1 993	\$ 2 866	\$ 2 892	\$ 2 728	\$ 2 805	\$ 2 950	\$ 3 095	\$ 3 245	\$ 3 369	\$ 3 497	\$ 3 630
% of Revenues		2%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Investments and Restricted Cash		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Non-Operating DTAs, net of DTLs		\$ 379	\$ 1 134	\$ 2 089	\$ 2 248	\$ 2 311	\$ 2 431	\$ 2 550	\$ 2 674	\$ 2 776	\$ 2 881	\$ 2 991
% of Revenues		0%	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Pension and Postretirement Benefit Obligations		\$ (4 807)	\$ (6 159)	\$ (6 597)	\$ (6 862)	\$ (7 138)	\$ (7 425)	\$ (7 723)	\$ (8 033)	\$ (8 356)	\$ (8 691)	\$ (9 041)
% of Compensation and Benefits		10%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
Accrued group welfare and retirement plan contributions		\$ (1 078)	\$ (1 479)	\$ (1 116)	\$ (1 160)	\$ (1 207)	\$ (1 255)	\$ (1 306)	\$ (1 358)	\$ (1 413)	\$ (1 470)	\$ (1 529)
% of Compensation and Benefits		2%	3%	2%	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%
Other Non-Current Assets, Net Other Non-Current Liabilities		\$ (238)	\$ (1 376)	\$ (1 306)	\$ (1 405)	\$ (1 445)	\$ (1 519)	\$ (1 594)	\$ (1 671)	\$ (1 735)	\$ (1 801)	\$ (1 869)
% of Revenues		0,2%	1,5%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Non-Core Invested Capital		\$ (3 751)	\$ (5 014)	\$ (4 037)	\$ (4 451)	\$ (4 673)	\$ (4 818)	\$ (4 978)	\$ (5 144)	\$ (5 359)	\$ (5 584)	\$ (5 819)
Total Invested Capital		\$ 36 966	\$ 39 495	\$ 44 529	\$ 47 691	\$ 47 236	\$ 49 965	\$ 51 899	\$ 52 261	\$ 54 809	\$ 56 645	\$ 58 569
Financing												
Long-Term Debt		\$ 17 321	\$ 18 916									
Short-Term Debt		\$ 2 341	\$ 3 348									
Total Debt		\$ (19 662)	\$ (22 264)	\$ (26 317)	\$ (28 964)	\$ (26 956)	\$ (29 339)	\$ (30 278)	\$ (29 490)	\$ (31 852)	\$ (32 925)	\$ (34 199)
Excess Cash (+)		\$ 3 595	\$ 1 387	\$ 7 793	\$ 9 752	\$ 6 745	\$ 8 577	\$ 6 606	\$ 7 081	\$ 9 027	\$ 9 371	\$ 9 998
Net Debt		\$ (16 067)	\$ (20 877)	\$ (18 524)	\$ (19 213)	\$ (20 212)	\$ (20 762)	\$ (21 672)	\$ (22 409)	\$ (22 825)	\$ (23 554)	\$ (24 201)
Reported Operating Lease Financing		\$ (3 859)	\$ (4 465)									
Remove: Reported Operating Leases Financing + Adjustment		\$ 7 510	\$ 8 616									
Capitalized Operating Leases		\$ (4 747)	\$ (5 454)	\$ (5 541)	\$ (5 956)	\$ (6 063)	\$ (6 389)	\$ (6 683)	\$ (6 921)	\$ (7 217)	\$ (7 491)	\$ (7 776)
Noncontrolling Interests		\$ (17)	\$ (8)	\$ (8)	\$ (8)	\$ (8)	\$ (8)	\$ (8)	\$ (8)	\$ (8)	\$ (8)	\$ (8)
Net Financing Result & Other Claims		\$ (17 180)	\$ (22 189)	\$ (24 073)	\$ (25 176)	\$ (26 283)	\$ (27 159)	\$ (28 064)	\$ (29 338)	\$ (30 050)	\$ (31 052)	\$ (31 985)
Shareholders' Equity		\$ 19 786	\$ 17 306	\$ 20 456	\$ 22 514	\$ 20 954	\$ 22 806	\$ 23 535	\$ 22 923	\$ 24 759	\$ 25 593	\$ 26 584
Enterprise Value		\$ 165 249	\$ 155 002	\$ 137 530	\$ 142 643	\$ 150 062	\$ 154 149	\$ 160 906	\$ 166 378	\$ 169 462	\$ 174 874	\$ 179 682
NetDebt/EV		9,72%	13,47%	13,47%	13,47%	13,47%	13,47%	13,47%	13,47%	13,47%	13,47%	13,47%
Total D/E Capital Structure		99%	129%	129%	129%	129%	129%	129%	129%	129%	129%	129%
Check		TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

Forecasted Cash Flow Map (Appendix 5)

Cash Flows	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
NOPAT (Capitalized Operating Leases)	\$10,187	\$10,834	\$7,950	\$5,327	\$7,616	\$7,533	\$8,511	\$9,400	\$10,422	\$10,742	\$11,051	\$11,370
(+) Depreciation & Amortization	\$2,953	\$3,188	\$3,366	\$3,521	\$3,643	\$3,960	\$3,957	\$4,125	\$4,293	\$4,389	\$4,557	\$4,729
Gross Cash Flow	\$13,140	\$14,022	\$11,316	\$8,848	\$11,260	\$11,393	\$12,468	\$13,525	\$14,715	\$15,131	\$15,607	\$16,100
(+)Δ Operating DTAs, net of DTLs	\$466	\$28	\$238	\$(403)	\$333	\$133	\$250	\$250	\$259	\$214	\$221	\$230
% of Operating Taxes	-29%	-2%	-14%	13%	13%	13%	13%	13%	13%	13%	13%	13%
(-)Δ Net Working Capital	\$(630)	\$(62)	\$(491)	\$1,317	\$(544)	\$17	\$(242)	\$(230)	\$(253)	\$(83)	\$(89)	\$(92)
(-) Capex, Net	\$(4,386)	\$(4,742)	\$(6,101)	\$(4,098)	\$(6,593)	\$(3,669)	\$(6,513)	\$(5,944)	\$(4,589)	\$(6,986)	\$(6,476)	\$(6,739)
Change in Reported Operating Leases	\$(489)	\$(193)	\$(553)									
Remove Change in Reported Operating Leases	\$489	\$193	\$553									
(-)Δ Capitalized Operating Leases	\$(278)	\$(246)	\$(707)	\$(87)	\$(415)	\$(107)	\$(326)	\$(294)	\$(237)	\$(296)	\$(274)	\$(285)
(-)Δ Goodwill	\$(325)	\$(531)	\$(649)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Investments	\$(4,664)	\$(5,360)	\$(7,158)	\$(3,271)	\$(7,219)	\$(3,627)	\$(6,832)	\$(6,218)	\$(4,821)	\$(7,152)	\$(6,618)	\$(6,887)
Unlevered Operating FCF	\$8,475	\$8,662	\$4,159	\$5,577	\$4,041	\$7,766	\$5,636	\$7,307	\$9,894	\$7,980	\$8,989	\$9,213
Non-Core Result	\$7,193	\$3,127	\$(2,633)	\$552	\$580	\$622	\$663	\$707	\$752	\$800	\$849	\$901
(-)Δ Marketable Securities	\$68	\$(1,655)	\$(873)	\$(26)	\$163	\$(77)	\$(145)	\$(145)	\$(150)	\$(124)	\$(128)	\$(133)
(-)Δ Investments and Restricted Cash	\$(1)	\$26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(-)Δ Non-Operating DTAs, net of DTLs	\$2,522	\$1,186	\$(755)	\$(955)	\$(159)	\$(63)	\$(119)	\$(119)	\$(124)	\$(102)	\$(105)	\$(110)
(+)Δ Pension and Postretirement Benefit Obligations	\$(7,770)	\$(3,240)	\$1,352	\$438	\$265	\$276	\$287	\$298	\$310	\$323	\$336	\$349
(+)Δ Accrued group welfare and retirement plan contributions	\$111	\$40	\$401	\$(363)	\$45	\$47	\$48	\$50	\$52	\$55	\$57	\$59
(-)Δ Other Non-Current Assets, Net Other Non-Current Liabilities	\$199	\$2,286	\$(1,138)	\$70	\$(99)	\$(40)	\$(75)	\$(74)	\$(77)	\$(64)	\$(66)	\$(68)
Total Non-Core Changes	\$(4,871)	\$(1,357)	\$(1,013)	\$(836)	\$215	\$142	\$(4)	\$11	\$12	\$87	\$93	\$97
Unlevered Non-Operating FCF	\$2,322	\$4,484	\$(1,620)	\$1,388	\$365	\$479	\$667	\$696	\$740	\$712	\$756	\$804
Free Cash Flow to Investors	\$10,797	\$13,146	\$2,539	\$6,965	\$4,405	\$8,245	\$6,303	\$8,003	\$10,634	\$8,692	\$9,745	\$10,017
Interest Expense, Operating Leases	\$(101)	\$(127)	\$(202)	\$(139)	\$(149)	\$(152)	\$(160)	\$(167)	\$(173)	\$(181)	\$(188)	\$(195)
Interest expense, Debt	\$(694)	\$(704)	\$(785)	\$(936)	\$(831)	\$(862)	\$(907)	\$(931)	\$(972)	\$(1,005)	\$(1,024)	\$(1,056)
Tax Shield on Debt and Operating Leases	\$148	\$157	\$160	\$226	\$206	\$213	\$224	\$231	\$241	\$249	\$254	\$263
(-)Δ Debt	\$(6,831)	\$2,461	\$4,810	\$(2,353)	\$689	\$999	\$551	\$910	\$737	\$415	\$729	\$648
(-)Δ Excess Cash	\$(4,092)	\$4,714	\$2,208	\$(6,406)	\$(1,959)	\$3,007	\$(1,832)	\$(29)	\$1,525	\$(1,946)	\$(344)	\$(627)
Change in Reported Operating Lease Financing	\$513	\$246	\$606									
Remove Change in Reported Operating Leases + Adjust.	\$(978)	\$(386)	\$(1,106)									
(-)Δ Capitalized Operating Leases	\$278	\$246	\$707	\$87	\$415	\$107	\$326	\$294	\$237	\$296	\$274	\$285
(-)Δ Non-controlling Interests	\$4	\$1	\$(9)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Changes in Shareholders' Equity	\$956	\$(19,754)	\$(8,928)	\$2,557	\$(2,776)	\$(11,558)	\$(4,505)	\$(8,310)	\$(12,228)	\$(6,520)	\$(9,446)	\$(9,335)
Free Cash Flow from Investors	\$10,797	\$13,146	\$(2,539)	\$6,965	\$4,405	\$8,245	\$6,303	\$8,003	\$10,634	\$8,692	\$9,745	\$10,017

Forecasted U.S. Domestic Revenue (Appendix 6)

Next day air volume	1,757	1,910	1,945	1,979	2,014	2,048	2,095	2,132	2,169	2,208
% of Total Lbs		4,50%	4,50%	4,50%	4,50%	4,50%	2,3%	1,8%	1,8%	1,8%
Deferred air Volume	1,224	1,415	1,441	1,466	1,492	1,517	1,552	1,579	1,607	1,635
% of Total Lbs		3,33%	3,33%	3,33%	3,33%	3,33%	2,3%	1,8%	1,8%	1,8%
Next Day Air - Revenue per Piece	22,17	22,4	22,2	22,0	22,4	22,9	23,4	23,8	24,3	24,8
YoY%		1,2%	-1,1%	-0,8%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Deferred - Revenue per Piece	16,38	16,6	16,4	16,3	16,6	17,0	17,4	17,7	18,1	18,5
YoY%		1,3%	-1,0%	-0,7%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%
Operating Days	254	254	254	254	254	254	254	254	254	254
Next day air Revenue	\$10,885	\$10,954	\$11,058	\$11,477	\$11,910	\$12,432	\$12,908	\$13,399	\$13,912	
Deferred Revenue	\$5,963	\$6,007	\$6,070	\$6,306	\$6,550	\$6,844	\$7,113	\$7,391	\$7,681	

U.S. Ground Drivers	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
U.S. e-commerce	\$1,066	\$1,223	\$1,382	\$1,541	\$1,685	\$1,796	\$1,881			
YoY%		12,9%	11,5%	10,3%	8,6%	6,2%	4,5%	2,0%	2,0%	2,0%
Real Growth U.S. GDP		2,7%	1,5%	1,7%	1,7%	1,7%	1,7%	1,7%	1,7%	1,7%
Domestic volume YoY%		4,4%	3,3%	3,3%	3,1%	2,6%	2,3%	1,8%	1,8%	1,8%
Daily Domestic volume	\$16,049	\$16,753	\$17,302	\$17,881	\$18,439	\$18,925	\$19,358	\$19,700	\$20,048	\$20,402
revenue per piece Drivers										
Inflation		3%	2%	2%	2%	2%	2%	2%	2%	2%
WTI Crude Oil Prices/bbl	\$77,25	\$77,00	\$73,45	\$70,75	\$72,15	\$73,60	\$75,10	\$76,60	\$78,10	\$79,65
YoY%		-0,3%	-4,6%	-3,7%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Price Historical Growth CAGR		5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%
Ground revenue per piece YoY%		1,3%	-1,0%	-0,7%	2,2%	2,2%	2,2%	2,2%	2,1%	2,2%
Ground revenue per piece	\$11	\$11	\$11	\$11	\$11	\$11	\$12	\$12	\$12	\$12
Operating days	254	254	254	254	254	254	254	254	254	254
Domestic Ground Revenue	\$47,554	\$48,621	\$49,910	\$52,576	\$55,134	\$57,628	\$59,915	\$62,281	\$64,749	
YoY%		2,2%	2,7%	5,3%	4,9%	4,5%	4,0%	3,9%	4,0%	
Domestic Revenues	\$59,958	\$60,485	\$65,582	\$67,037	\$70,359	\$73,595	\$76,904	\$79,936	\$83,072	\$86,342
YoY%		0,9%	8,4%	2,2%	5,0%	4,6%	4,5%	3,9%	3,9%	3,9%

Forecasted International Revenue (Appendix 7)

International Volume Drivers										
Real Growth World GDP		3,18%	3,23%	3,16%	3,14%	3,09%	3,08%	2,00%	2,00%	2,00%
World E-commerce Growth		9,49%	9,49%	9,49%	9,49%	9,49%	9,49%	2,0%	2,0%	2,0%
International domestic volume YoY%		4,46%	4,56%	4,57%	4,60%	4,56%	4,62%	2,00%	2,00%	2,00%
International domestic volume	3260	3405	3561	3723	3894	4072	4260	4345	4432	4521
International Revenue per Price Drivers										
Inflation		5%	4%	2%	2%	2%	2%	2%	2%	2%
Brent Oil price/bbl	\$ 80,12	\$ 81,00	\$ 76,50	\$ 73,85	\$ 75,35	\$ 76,85	\$ 78,40	\$ 79,95	\$ 81,55	\$ 83,20
YoY%		1,1%	-5,6%	-3,5%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Price Historical Growth CAGR		3,9%	3,9%	3,9%	3,9%	3,9%	3,9%	3,9%	3,9%	3,9%
International revenue per piece YoY%		3,2%	-1,0%	-0,6%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%
International revenue per piece	20,71	21,37	21,16	21,03	21,47	21,92	22,38	22,85	23,33	23,82
Operating days	254	254	254	254	254	254	254	254	254	254
Revenue International Domestic	\$ 17 149	\$ 17 822	\$ 19 139	\$ 19 886	\$ 21 240	\$ 22 673	\$ 24 220	\$ 25 219	\$ 26 263	\$ 27 353
YoY%		3,9%	7,4%	3,9%	6,8%	6,7%	6,8%	4,1%	4,1%	4,2%

Forecasted Supply Chain Revenue (Appendix 8)

Supply Chain Solutions Revenue Drivers	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Real Growth World GDP		3,18%	3,23%	3,16%	3,14%	3,09%	3,08%	2,00%	2,00%	2,00%
Forwarding and logistics Industry growth		4,60%	4,60%	4,60%	4,60%	4,60%	4,60%	4,60%	2,50%	2,50%
Cold chain logistics		13%	13%	13%	13%	13%	13%	13%	13%	13%
Healthcare logistics		7,40%	7,40%	7,40%	5%	3,50%	3%	3%	3%	2,50%
Revenues Supply Chain Solutions YoY%		4,16%	4,20%	4,15%	3,89%	3,70%	3,64%	2,78%	2,68%	2,63%
Revenues Supply Chain Solutions	\$ 13 169	\$ 13 474	\$ 14 041	\$ 14 623	\$ 15 192	\$ 15 755	\$ 16 329	\$ 16 783	\$ 17 232	\$ 17 684
Total revenues	\$ 90 276	\$ 91 782	\$ 98 762	\$ 101 546	\$ 106 791	\$ 112 023	\$ 117 452	\$ 121 938	\$ 126 567	\$ 131 379
YoY%		1,67%	7,61%	2,82%	5,17%	4,90%	4,85%	3,82%	3,80%	3,80%

Best Case - Scenario (Appendix 9)

%	2023	2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Revenues Growth	-9,35%	0,91%	8,14%	3,11%	5,48%	5,22%	5,25%	3,84%	3,81%	3,82%
U.S. Domestic	-6,6%	0,9%	9,0%	2,5%	5,3%	4,9%	4,9%	3,9%	3,9%	3,9%
International Package	-9,5%	-0,1%	8,2%	4,3%	7,3%	7,2%	7,3%	4,1%	4,1%	4,2%
Supply Chain	-19,9%	2,3%	4,3%	4,2%	4,0%	3,8%	3,7%	2,9%	2,8%	2,7%
EBITDA Margin	14,6%	11,1%	13,7%	13,6%	14,4%	15,1%	15,9%	15,8%	15,7%	15,6%

Best Case Scenario - Stock Price	
Core Value	\$ 223 126
Non-Core Value	\$ (4 433)
Enterprise Value	\$ 218 693
Net Financing & Other Claims	\$ (25 325)
Equity Value	\$ 183 240
Shares Outstanding	853,37
Price Target FY25	\$ 214,73

Worst Case - Scenario (Appendix 10)

%	2023	2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Revenues Growth	-9,35%	0,91%	7,07%	2,53%	4,85%	4,58%	4,45%	3,80%	3,78%	3,79%
U.S. Domestic	-6,6%	0,9%	7,9%	1,9%	4,6%	4,3%	4,1%	3,9%	3,9%	3,9%
International Package	-9,5%	-0,1%	6,5%	3,5%	6,3%	6,3%	6,3%	4,1%	4,1%	4,2%
Supply Chain	-19,9%	2,3%	4,1%	4,0%	3,8%	3,6%	3,5%	2,7%	2,6%	2,5%
EBITDA Margin	14,6%	11,1%	13,2%	12,7%	13,2%	13,5%	14,0%	13,8%	13,7%	13,6%

Worst Case Scenario - Stock Price	
Core Value	\$ 108 659
Non-Core Value	\$ (4 469)
Enterprise Value	\$ 104 191
Net Financing & Other Claims	\$ (25 325)
Equity Value	\$ 84 226
Shares Outstanding	853,37
Price Target FY25	\$ 98,70

Discounted Dividend Model (Appendix 11)

	2024	2025	2026	2027	2028	2029	2030	2031	2032
Dividends Paid per Year	\$ (5 709)	\$ (6 067)	\$ (6 447)	\$ (6 851)	\$ (7 281)	\$ (7 737)	\$ (8 222)	\$ (8 737)	\$ (9 285)
% Growth	6,3%	6,3%	6,3%	6,3%	6,3%	6,3%	6,3%	6,3%	6,3%
Shares Outstanding at year end	852,0	851,1	850,1	849,1	848,1	847,2	846,2	845,2	844,3
% Growth	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%
Dividends Per Share	\$ 6,70	\$ 7,13	\$ 7,58	\$ 8,07	\$ 8,58	\$ 9,13	\$ 9,72	\$ 10,34	\$ 11,00
Present Value of Dividends		\$ 7,13	\$ 7,01	\$ 6,89	\$ 6,78	\$ 6,67	\$ 6,56	\$ 6,45	\$ 6,34

DDM	
Growth Rate	2%
WACC	8,18%
Terminal Value	\$ 181,41
PV of Terminal Value	\$ 104,60
PV of Dividends	\$ 53,83
Stock Value at FY25	\$ 158,43

Disclosures and Disclaimers

Report Recommendations

Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

This report was prepared by Pedro Miguel Cabaço Eusébio e Rodrigo Alexandre Marchão Félix, a Master in Finance student of Nova School of Business and Economics (“Nova SBE”), within the context of the Field Lab – Equity Research.

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