



Equity Rating
BUY

Price Target
\$ 220

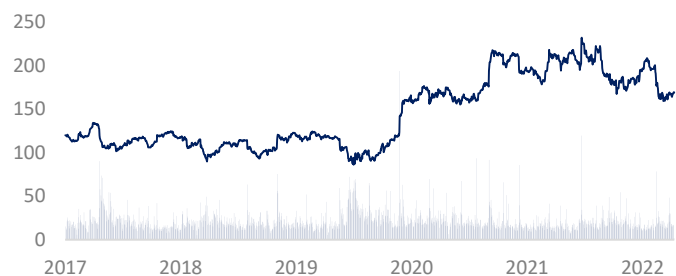
Business Overview

United Parcel Services is a global parcel delivery company founded in 1907. The Group is engaged in three main business lines - US domestic package, International Package and Supply Chain solutions.

Company Name	United Parcel Service
Ticker	UPS
Country	US
Industry	Logistics
Current Price	\$ 172.32
Price Target (1 Year)	\$220.49
Upside/ Downside to PT	28%
Indicative Yield	3.53%

Our view: why?

- Diversified product-line and strong market positioning:** UPS is an American multinational shipping & receiving and supply chain management company. The Group is engaged in three main business lines - US domestic package (c. 62% of sales), International Package (c. 20% of sales) and Supply Chain solutions (c. 18% of sales). The majority of the business is in the U.S. (c. 75% of sales), while internationally, the company only generates c. 25% of its revenue. Over time, the business segments have been fairly stable contributors to the top line. The most profitable business segment is international transportation with an average of c. 20% EBIT margin while the two other segments generate an average of around 7 - 9% EBIT margin.
- Results:** Consolidated revenues of USD 24.2B, up 4.2% from last year's, while operating profit of USD 3.1B was registered, up 7.5% from last year; up 6.0% on an adjusted basis, diluted EPS of USD 2.96; adjusted diluted EPS up 10.3% over last year to USD 2.99; reaffirms financial year 2022 consolidated revenue, adjusted operating margin and adjusted return on invested capital targets with an adjusted total debt/adjusted EBITDA at 1.59% (trailing the last 12 months).
- Valuation approach:** Our 1-year price target is calculated using a Free Cash Flow to the Firm Model ("FCFF") and a weighted cost of capital (WACC) of 8.10%.
- Dividends:** For the year, the company now expects dividend payments to be around USD 5.2 billion, subject to Board approval, and share repurchases are projected to be at least USD 3.0 billion.



Outlook

- Revenue:** Revenues are strongly correlated to GDP growth and disposable income of the consumer base. YoY revenue growth will remain somewhat under the global industrial average growth rate. In the second half of the projection period, the revenue growth rate will converge somewhat to the industrial average.
- ROIC:** Returns on capital have historically been significantly higher than the industry average of 11%. They are however projected to some extent converge to lower levels (20%) while still remaining clearly higher than the industry average.
- EBIT and EBITDA:** A 20% EBIT from the most profitable business segment (International transportation) stands to grow with the overall EBITDA margin projected to be 17.1% in 2023.



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