

UPS 2Q18 Revenue Up 9.6% On Strong Growth And Pricing

25-07-2018

UPS (NYSE:UPS) today announced second-quarter diluted earnings per share growth of 8.2%, to \$1.71, and adjusted diluted earnings per share growth of 23%, to \$1.94.

Second-quarter 2018 adjusted results exclude a pre-tax charge of \$263 million, or \$0.23 per share after-tax, due to transformation costs primarily related to the Voluntary Retirement Plan (VRP).

Consolidated Results	2Q 2018 Adjusted		2Q 2017
	2Q 2018		
Revenue	\$17,456		\$15,927
	M		M
Net Income	\$1,485	\$1,685	\$1,384
	M	M	M
Diluted earnings per share	\$1.71	\$1.94	\$1.58
EPS Growth	8.2%	23%	

“UPS is making great progress on our transformation initiatives to enhance profitable growth and improve operating leverage,” said David Abney, UPS Chairman and CEO. “We are confident that our

strategies will position the company to provide improved value for customers and shareowners.”

For the total company in 2Q 2018:

- Consolidated revenue increased 9.6% to \$17.5 billion, on growth across all segments.
- Average yield increased 4.6%, led by International and U.S. Deferred Air products.
- Net income increased 7.3% and adjusted net income was 22% higher than 2Q17.
- Year-to-date cash from operations was \$7.2 billion.
- Free Cash Flow surged to \$4.4 billion in the first half of the year, driven primarily by transformation initiatives that improved working capital.
- Year-to-date dividends per share increased by 10% to \$1.6 billion and share repurchases were \$511 million.
- The company has made capital expenditures of \$2.8 billion in the first half of 2018.

U.S. Domestic Segment

The U.S. Domestic segment experienced strong revenue growth of 6.3%, driven by ecommerce demand and increased revenue per piece over the prior year. Operating profit was primarily reduced by planned increases in pension expense and cost for ongoing network projects.

	2Q 2018	Adjusted 2Q 2018	2Q 2017		2Q 2018	Adjusted 2Q 2018	2Q 2017
Revenue	\$10,354 M		\$9,741 M	Revenue	\$3,602 M		\$3,171 M
Operating profit	\$939 M	\$1,135 M	\$1,255 M	Operating profit	\$618 M	\$654 M	\$570 M

For the U.S. Domestic segment in 2Q 2018:

- Revenue improved across all products, demonstrating robust market demand for UPS solutions.
- Revenue per piece increased 3.6% as higher base-rates and fuel surcharges offset headwinds from customer and product mix.
- Adjusted operating profit excludes transformation charges of \$196 million, which lowered reported operating margin by 190 basis points.

For the International segment in 2Q 2018:

- International revenue increased 14%, driven by double-digit growth in Export and Domestic.
- Daily Export shipments increased 9.5%, led by strong growth in Europe and the U.S.
- Operating profit was \$618 million and adjusted operating profit rose 15% to \$654 million.
- Adjusted operating profit excludes transformation charges of \$36 million.

International Segment

The International segment delivered its 14th consecutive quarter of currency neutral double-digit operating profit growth. The segment enjoyed its highest 2nd quarter operating profit ever, led by the Europe region.

Supply Chain and Freight Segment

“The Supply Chain and Freight segment delivered another quarter of double-digit growth in revenue and adjusted operating profit,” continued Abney. “Our targeted growth strategies and improved efficiencies produced the segment’s best profit growth in its history.”



	2Q 2018	Adjusted 2Q 2018	2Q 2017
Revenue	\$3,500 M		\$3,015 M
Operating profit	\$216 M	\$247 M	\$212 M

possible to predict or provide a reconciliation reflecting the impact of future pension mark-to-market adjustments or other unanticipated events, which would be included in reported (GAAP) results and could be material.

“UPS is focused on executing our strategic imperatives for improved efficiency and high-quality growth,” said Richard Peretz, UPS’s chief financial officer. “We remain confident in our ability to achieve our full-year adjusted earnings per share target.”

For the Supply Chain and Freight segment in 2Q 2018:

- Revenue increased 16% to \$3.5 billion, the business units are focused on leveraging UPS solutions to better serve middle-market customers.
- The Forwarding business led all units with 23% revenue growth, as revenue management initiatives drove top-line improvement.
- UPS Freight revenue increased 13% on higher pricing and tonnage gains.
- Operating profit was \$216 million and adjusted operating profit was up 17% to \$247 million.
- Adjusted operating profit excludes transformation charges of \$31 million.

- UPS expects 2018 adjusted diluted earnings per share in a range of \$7.03 to \$7.37.
- The company raises 2018 free cash flow target to \$5.0 billion.
- The effective tax rate should be in a range of 23% to 24% for the remainder of the year.
- Capital expenditures in 2018 are planned between \$6.5 billion and \$7.0 billion.

*** Information on non-GAAP financial measures is attached to this press release.**

Conference Call Information

UPS CEO David Abney and CFO Richard Peretz will discuss second-quarter results with investors and analysts during a conference call at 8:30 a.m. ET, July 25, 2018. That call is open to others through a live Webcast. To access the call, go to www.investors.ups.com and click on “Earnings Webcast.”

Source: USPS

Outlook

The company provides guidance on an adjusted (non-GAAP) basis because it is not