UPS's Future is the Future of Global Commerce, Execs Say

November 2, 2000

ATLANTA--(BUSINESS WIRE)--Nov. 2, 2000--

Solid Growth Seen for Holiday Season and 2001;
UPS Airlines Selects MD-11 As Next Long-Range Freighter

UPS (NYSE:UPS) has prepared itself well for the global marketplace and expects the year 2001 to produce revenue growth of about 10% and earnings-per-share growth in the mid-teens, the company's senior management team told analysts today.

Noting "the marketplace is ripe" for the services that UPS has to offer, UPS Chairman and CEO Jim Kelly declared: "When you look at the UPS of 2000 - a logistics company, an electronic commerce company, a consulting company and a financial services company - it's obvious we're not just delivering packages."

UPS is capitalizing on its unique level of "customer connectivity" to provide distribution and supply chain solutions that step beyond package delivery, Kelly continued. "We see extraordinary growth opportunities across the supply chain. There is a virtually untapped market. Some $3.4 trillion was spent last year on supply chain management and we see opportunities throughout the order cycle, in goods flow, information flow and funds flow."

The company's development of the service parts logistics business is a prime example, Kelly said. In less than a year, the UPS Logistics Group has signed long-term service parts contracts valued at more than $1 billion.

UPS has outgrown comparisons to other transportation companies, added Scott Davis, currently the vice president of finance and designated successor to retiring Chief Financial Officer Bob Clanin.

"Instead, we see our peers as other 'best-in-class' companies," Davis continued. If you compare UPS to the other industry leaders on Fortune magazine's "America's Most Admired" list and also its "Top 25 All-Star" list of the "World's Most Admired," UPS compares quite favorably based on its financial performance, he said.

"One of UPS's outstanding competitive advantages is its financial strength," Davis concluded. "It stems from our history of management ownership (as a private company) with its disciplined approach to fiscal responsibility. This financial engine supports UPS's unique integrated network solution in a way that truly enables UPS to deliver value. And this means we're fully prepared . . . to make our opportunities happen."

Kelly, Davis, Clanin and other senior managers discussed the company's current performance and future outlook Thursday during a day-long investors' conference in Atlanta. It was the first such detailed presentation at the company's headquarters since UPS went public on Nov. 10, 1999.

During the course of the day, UPS executives said:

-- The 4th quarter will produce results in line with the company's annual targets, although there could be a slight slowdown in the rate of growth. The company is expecting a robust holiday peak season during the quarter, including peak day deliveries exceeding 19 million.

-- For 2001, UPS's overall goals are to achieve revenue growth of about 10%; earnings-per-share growth in the mid-teens, and a superior return on equity of about 30%.

-- In 2001, international export volume should continue to grow quite strongly, in the double digits. International domestic growth (within national boundaries) will likely be in the upper single digits.

-- The logistics business should continue to achieve a 30%-plus quarterly revenue growth rate and should reach about a 5-to-6% profit margin in the 2002-2003 timeframe. Service parts logistics will be a key component. The logistics business will be the most significant "growth driver" in the non-package segment.
-- UPS capital expenditures will rise in 2001 to $2.8 billion from $2.1 billion in 2000, driven by strong growth in the domestic air and international businesses. Even with the increase, though, 2001 capital expenditures will approximate a reasonable level of 8% of revenue.

-- The UPS Airlines has selected the Boeing MD-11 as its next long-range widebody jet freighter. Over the next four years, UPS will acquire 13 pre-owned MD-11s from Boeing, to be delivered between 2001 and 2004. The deal also includes options for 22 additional MD-11s, which if exercised could bring the value of the agreement to more than $2 billion. The optional aircraft would be delivered between 2005 and 2010. Under terms of the agreement, Boeing will convert the aircraft from passenger planes to cargo freighters. UPS will use the planes for its burgeoning international business, particularly on flights from the United States to Europe and Asia.

In opening the conference, Kelly sought to remind his audience that UPS has spent 93 years positioning itself “for 21st century commerce.” UPS's first year as a public company saw “the world come to realize what we’ve known for decades: that we’re well positioned, able to execute, that we have a history of innovation and most importantly, that we have the most exceptional people in our industry,” he continued.

The UPS of today has prepared itself to deal with business trends that are revolutionizing global commerce, such as more effectively managing inventories, Kelly said. “And by creating financial and information services that complement and enhance the value of our parcel delivery business, we’re also giving our customers the tools to simplify and streamline their business processes, whether it’s back-end fulfillment or front-end financing for expansion,” he continued.

“The highly integrated nature of our global network gives UPS a competitive advantage that cannot be replicated in the foreseeable future,” added UPS Vice Chairman Mike Eskew. “We possess unparalleled infrastructure, unmatched technology, highly skilled people, financial strength and unique connectivity to our extensive customer base.”

Eskew concluded his remarks with a glimpse of some of the growth strategies UPS will pursue: “Specifically, we will continue to aggressively grow our financial services portfolio. We will examine new revenue opportunities in the movement of information, whether it is the physical or virtual movement of data. And we’ve outlined well the opportunity that still exists in the movement of goods of any size, by any mode, anywhere in the world.”

UPS is the world's largest express carrier and largest package delivery company, serving more than 200 countries and territories around the world. Headquartered in Atlanta, the company is located on the Web at www.ups.com. UPS was just named the World's Most Admired mail and package delivery company for the third consecutive year in a Fortune magazine survey.

EDITOR'S NOTE: The 2000 Investor Conference was presented live today through a UPS Webcast. It will be available for replay next week. Go to www.ups.com, click on UPS Investor Relations, then click on "Investor Conference." Conference materials also are available at the site.

Except for historical information contained herein, the statements made in this release constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements involve certain risks and uncertainties, including statements regarding the intent, belief or current expectations of UPS and its management regarding the company's strategic directions, prospects and future results. Certain factors may cause actual results to differ materially from those contained in the forward-looking statements, including our competitive environment, economic and other conditions in the markets in which we operate, strikes, work stoppages and slowdowns, governmental regulation, increases in aviation and motor fuel prices, cyclical and seasonal fluctuations in our operating results, and other risks discussed in the company's filings with the Securities and Exchange Commission, which discussions are incorporated herein by reference.

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