

UNITED PARCEL SERVICE INC

Form 10-Q

November 02, 2012

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United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012, or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-15451

United Parcel Service, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of

Incorporation or Organization)

58-2480149

(IRS Employer

Identification No.)

55 Glenlake Parkway, NE Atlanta, Georgia

(Address of Principal Executive Offices)

(404) 828-6000

(Registrant's telephone number, including area code)

30328

(Zip Code)

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Check one: Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☒ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There were 230,434,603 Class A shares, and 723,576,134 Class B shares, with a par value of \$0.01 per share, outstanding at October 25, 2012.

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UNITED PARCEL SERVICE, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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PART I. FINANCIAL INFORMATION

Cautionary Statement About Forward-Looking Statements

This report includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in the future tense, and all statements accompanied by terms such as “believe,” “project,” “expect,” “estimate,” “assume,” “intend,” “anticipate,” “target,” “plan,” and variations thereof and similar terms are intended to be forward-looking statements. We intend that all forward-looking statements we make will be subject to safe harbor protection of the federal securities laws pursuant to Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Our disclosure and analysis in this report, in our Annual Report on Form 10-K for the year ended December 31, 2011 and in our other filings with the Securities and Exchange Commission contain some forward-looking statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results. From time to time, we also provide forward-looking statements in other materials we release as well as oral forward-looking statements. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made.

Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties are described in Part I, “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2011 and may also be described from time to time in our future reports filed with the Securities and Exchange Commission. You should consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements. We do not undertake any obligation to update forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements.

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Item 1. Financial Statements

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

September 30, 2012 (unaudited) and December 31, 2011

(In millions)

	September 30, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$8,430	\$3,034
Marketable securities	586	1,241
Accounts receivable, net	5,545	6,246
Deferred income tax assets	569	611
Other current assets	1,214	1,152
Total Current Assets	16,344	12,284
Property, Plant and Equipment, Net	17,829	17,621
Goodwill	2,170	2,101
Intangible Assets, Net	614	585
Non-Current Investments and Restricted Cash	305	303
Other Non-Current Assets	1,802	1,807
Total Assets	\$39,064	\$34,701
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt and commercial paper	\$3,859	\$33
Accounts payable	1,863	2,300
Accrued wages and withholdings	1,839	1,843
Self-insurance reserves	857	781
Income taxes payable	391	146
Other current liabilities	1,480	1,411
Total Current Liabilities	10,289	6,514
Long-Term Debt	11,148	11,095
Pension and Postretirement Benefit Obligations	5,213	5,505
Deferred Income Tax Liabilities	1,332	1,900
Self-Insurance Reserves	1,871	1,806
Other Non-Current Liabilities	1,597	773
Shareowners' Equity:		
Class A common stock (231 and 240 shares issued in 2012 and 2011)	3	3
Class B common stock (723 and 725 shares issued in 2012 and 2011)	7	7
Additional paid-in capital	—	—
Retained earnings	10,448	10,128
Accumulated other comprehensive loss	(2,929)	(3,103)
Deferred compensation obligations	77	88
Less: Treasury stock (2 shares in 2012 and 2011)	(77)	(88)
Total Equity for Controlling Interests	7,529	7,035
Total Equity for Non-Controlling Interests	85	73
Total Shareowners' Equity	7,614	7,108
Total Liabilities and Shareowners' Equity	\$39,064	\$34,701

See notes to unaudited consolidated financial statements.

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UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

(In millions, except per share amounts)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue	\$ 13,071	\$ 13,166	\$ 39,556	\$ 38,939
Operating Expenses:				
Compensation and benefits	7,577	6,647	21,159	19,845
Repairs and maintenance	306	324	911	956
Depreciation and amortization	464	447	1,382	1,331
Purchased transportation	1,743	1,796	5,193	5,206
Fuel	969	1,015	3,008	2,980
Other occupancy	220	229	670	715
Other expenses	1,026	1,042	3,108	3,023
Total Operating Expenses	12,305	11,500	35,431	34,056
Operating Profit	766	1,666	4,125	4,883
Other Income and (Expense):				
Investment income	6	16	18	36
Interest expense	(98	) (84	) (284	) (252
Total Other Income and (Expense)	(92	) (68	) (266	) (216
Income Before Income Taxes	674	1,598	3,859	4,667
Income Tax Expense	205	526	1,304	1,588
Net Income	\$ 469	\$ 1,072	\$ 2,555	\$ 3,079
Basic Earnings Per Share	\$ 0.49	\$ 1.10	\$ 2.66	\$ 3.12
Diluted Earnings Per Share	\$ 0.48	\$ 1.09	\$ 2.63	\$ 3.09

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

(In millions)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 469	\$ 1,072	\$ 2,555	\$ 3,079
Change in foreign currency translation adjustment, net of tax	243	(179	) 176	(47
Change in unrealized gain (loss) on marketable securities, net of tax	1	2	2	(5
Change in unrealized gain (loss) on cash flow hedges, net of tax	(8	) 39	(92	) (29
Change in unrecognized pension and postretirement benefit costs, net of tax	27	45	88	147
Comprehensive income	\$ 732	\$ 979	\$ 2,729	\$ 3,145
See notes to unaudited consolidated financial statements.				

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UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)

(unaudited)

	Nine Months Ended September 30,	
	2012	2011
Cash Flows From Operating Activities:		
Net income	\$2,555	\$3,079
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	1,382	1,331
Pension and postretirement benefit expense	709	628
Pension and postretirement benefit contributions	(864)	(1,397)
Self-insurance reserves	141	44
Deferred taxes, credits and other	330	387
Stock compensation expense	421	402
Other (gains) losses	162	160
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	468	177
Other current assets	(47)	185
Accounts payable	(279)	(67)
Accrued wages and withholdings	13	367
Other current liabilities	196	88
Other operating activities	(84)	(22)
Net cash from operating activities	5,103	5,362
Cash Flows From Investing Activities:		
Capital expenditures	(1,603)	(1,557)
Proceeds from disposals of property, plant and equipment	61	29
Purchases of marketable securities	(2,256)	(3,830)
Sales and maturities of marketable securities	2,901	3,357
Net decrease in finance receivables	56	128
Cash paid for business acquisitions	(100)	—
Other investing activities	34	(243)
Net cash used in investing activities	(907)	(2,116)
Cash Flows From Financing Activities:		
Net change in short-term debt	2,075	1,110
Proceeds from long-term borrowings	1,741	277
Repayments of long-term borrowings	(8)	(180)
Purchases of common stock	(1,402)	(2,173)
Issuances of common stock	253	220
Dividends	(1,600)	(1,500)
Other financing activities	8	(238)
Net cash provided by (used in) financing activities	1,067	(2,484)
Effect Of Exchange Rate Changes On Cash And Cash Equivalents	133	1
Net Increase In Cash And Cash Equivalents	5,396	763
Cash And Cash Equivalents:		
Beginning of period	3,034	3,370
End of period	\$	