

UNITED PARCEL SERVICE INC

Form 10-Q

May 05, 2011

[Table of Contents](#)

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 March 31, 2011, 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)

Edgar Filing: UNITED PARCEL SERVICE INC - Form 10-Q

Delaware
(State or Other Jurisdiction of

58-2480149
(IRS Employer

Incorporation or Organization)

Identification No.)

55 Glenlake Parkway, NE Atlanta, Georgia
(Address of Principal Executive Offices)

30328
(Zip Code)

(404) 828-6000

(Registrant's telephone number, including area 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 248,422,793 Class A shares, and 737,791,369 Class B shares, with a par value of \$0.01 per share, outstanding at April 26, 2011.

Table of Contents

UNITED PARCEL SERVICE, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2011

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1.	<u>Financial Statements</u>	1
	<u>Consolidated Balance Sheets</u>	1
	<u>Statements of Consolidated Income</u>	2
	<u>Statements of Consolidated Comprehensive Income</u>	2
	<u>Statements of Consolidated Cash Flows</u>	3
	<u>Notes to Consolidated Financial Statements</u>	4
	<u>Note 1 Basis of Presentation</u>	4
	<u>Note 2 Recent Accounting Pronouncements</u>	4
	<u>Note 3 Stock-Based Compensation</u>	4
	<u>Note 4 Cash and Investments</u>	5
	<u>Note 5 Property, Plant and Equipment</u>	9
	<u>Note 6 Employee Benefit Plans</u>	9
	<u>Note 7 Goodwill and Intangible Assets</u>	10
	<u>Note 8 Debt and Financing Arrangements</u>	11
	<u>Note 9 Legal Proceedings and Contingencies</u>	12
	<u>Note 10 Shareowners' Equity</u>	15
	<u>Note 11 Segment Information</u>	17
	<u>Note 12 Earnings Per Share</u>	19
	<u>Note 13 Derivative Instruments and Risk Management</u>	19
	<u>Note 14 Restructuring Costs and Related Expenses</u>	24
	<u>Note 15 Income Taxes</u>	25
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
	<u>Overview</u>	26
	<u>Items Affecting Comparability</u>	27
	<u>U.S. Domestic Package Operations</u>	28
	<u>International Package Operations</u>	30
	<u>Supply Chain & Freight Operations</u>	32
	<u>Operating Expenses</u>	33
	<u>Investment Income and Interest Expense</u>	35
	<u>Income Tax Expense</u>	35
	<u>Liquidity and Capital Resources</u>	36
	<u>Net Cash from Operating Activities</u>	36
	<u>Net Cash used in Investing Activities</u>	37
	<u>Net Cash Provided by (Used in) Financing Activities</u>	38
	<u>Sources of Credit</u>	39
	<u>Contingencies</u>	40
	<u>Recent Accounting Pronouncements</u>	42
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	43
Item 4.	<u>Controls and Procedures</u>	43
PART II OTHER INFORMATION		
Item 1.	<u>Legal Proceedings</u>	44
Item 1A.	<u>Risk Factors</u>	44
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
Item 3.	<u>Defaults Upon Senior Securities</u>	44
Item 4.	<u>Reserved</u>	44
Item 6.	<u>Exhibits</u>	45

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****March 31, 2011 (unaudited) and December 31, 2010****(In millions)**

	March 31, 2011	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,657	\$ 3,370
Marketable securities	787	711
Accounts receivable, net	5,462	5,627
Finance receivables, net	196	203
Deferred income tax assets	695	659
Income tax receivable	123	287
Other current assets	698	712
Total Current Assets	12,618	11,569
Property, Plant and Equipment, Net	17,407	17,387
Goodwill	2,107	2,081
Intangible Assets, Net	599	599
Non-Current Finance Receivables, Net	275	288
Non-Current Investments and Restricted Cash	303	458
Other Non-Current Assets	1,285	1,215
Total Assets	\$ 34,594	\$ 33,597
LIABILITIES AND SHAREOWNERS EQUITY		
Current Liabilities:		
Current maturities of long-term debt and commercial paper	\$ 1,554	\$ 355
Accounts payable	2,017	1,974
Accrued wages and withholdings	1,660	1,505
Self-insurance reserves	752	725
Income taxes accrued	307	
Other current liabilities	1,315	1,343
Total Current Liabilities	7,605	5,902
Long-Term Debt	10,504	10,491
Pension and Postretirement Benefit Obligations	3,648	4,663
Deferred Income Tax Liabilities	2,024	1,870
Self-Insurance Reserves	1,776	1,809
Other Non-Current Liabilities	803	815
Shareowners Equity:		
Class A common stock (252 and 258 shares issued in 2011 and 2010)	3	3
Class B common stock (736 and 735 shares issued in 2011 and 2010)	7	7
Additional paid-in capital		

Edgar Filing: UNITED PARCEL SERVICE INC - Form 10-Q

Retained earnings	14,206	14,164
Accumulated other comprehensive loss	(6,052)	(6,195)
Deferred compensation obligations	85	103
Less: Treasury stock (2 shares in 2011 and 2010)	(85)	(103)
Total Equity for Controlling Interests	8,164	7,979
Total Equity for Non-Controlling Interests	70	68
Total Shareowners' Equity	8,234	8,047
Total Liabilities and Shareowners' Equity	\$ 34,594	\$ 33,597

See notes to unaudited consolidated financial statements.

Table of Contents**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES****STATEMENTS OF CONSOLIDATED INCOME****(In millions, except per share amounts)****(unaudited)**

	Three Months Ended March 31,	
	2011	2010
Revenue	\$ 12,582	\$ 11,728
Operating Expenses:		
Compensation and benefits	6,608	6,539
Repairs and maintenance	315	274
Depreciation and amortization	441	451
Purchased transportation	1,648	1,501
Fuel	908	678
Other occupancy	261	262
Other expenses	975	981
Total Operating Expenses	11,156	10,686
Operating Profit	1,426	1,042
Other Income and (Expense):		
Investment income (loss)	11	(4)
Interest expense	(85)	(85)
Total Other Income and (Expense)	(74)	(89)
Income Before Income Taxes	1,352	953
Income Tax Expense	467	420
Net Income	\$ 885	\$ 533
Basic Earnings Per Share	\$ 0.89	\$ 0.54
Diluted Earnings Per Share	\$ 0.88	\$ 0.53

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME**(In millions)****(unaudited)**

	Three Months Ended March 31,	
	2011	2010
Net income	\$ 885	\$ 533

Edgar Filing: UNITED PARCEL SERVICE INC - Form 10-Q

Change in foreign currency translation adjustment	125	(128)
Change in unrealized gain (loss) on marketable securities, net of tax	(4)	19
Change in unrealized gain (loss) on cash flow hedges, net of tax	(63)	39
Change in unrecognized pension and postretirement benefit costs, net of tax	85	42
Comprehensive income	\$ 1,028	\$ 505

See notes to unaudited consolidated financial statements.

Table of Contents**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES****STATEMENTS OF CONSOLIDATED CASH FLOWS****(In millions)****(unaudited)**

	Three Months Ended	
	March 31,	
	2011	2010
Cash Flows From Operating Activities:		
Net income	\$ 885	\$ 533
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	441	451
Pension and postretirement benefit expense	256	224
Pension and postretirement benefit contributions	(1,252)	(656)
Self-insurance reserves	(6)	(13)
Deferred taxes, credits and other	112	139
Stock compensation expense	120	100
Other (gains) losses	23	97
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	312	177
Other current assets	137	(20)
Accounts payable	(81)	48
Accrued wages and withholdings	144	379
Other current liabilities	182	89
Other operating activities	8	