

# Ups performance analysis



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The key success factors for UPS are Times constrain, its accuracy, competitively priced services, provide low cost access to information about the location and description of packages.

Owning trucks and planes or other transport vehicle, may make the operation too costly. UPS depends on its manpower, risks that the delivery may be late, wrongly delivered, or abandoned. Wrong billing, transit damage or lost packages are also some risks.

Ref : wikipedia

2. How is UPS performing? What factors are driving this performance? Is the current performance likely to be sustained? Why or why not?

UPS is performing wonderful.

Jan 31 record 2012 full year share rate \$4. 53, the annual cash flow of \$5. 4 billion approx., a this year expected full year earnings per share will be within a range of \$4. 80 – \$5. 06, an increase of 6-to-12% as compared to 2012. The company also raised guidance for 2013 share repurchases from \$1. 5 billion to \$4. 0 billion.

Factors that are driving this performance are

Market leader in the \$17 billion ground segment , Consistently financial success , Integrated sorting centers, Holds 51% share of market by revenue, AAA credit rating, Provides both air and ground service. This performance is likely to be sustained because its efficiency benefits the customers; the

market advantage as a logistics leader creates opportunities for its employees and shareholders.

3. How is FedEx performing? How, if at all, does its performance and plans affect your assessment of the sustainability of UPS's current performance?

FedEx showed excellent result in FY12. Commits a strong performance, annual revenues exceeded \$42 billion, the earnings as per share increased by 40 percent, and, a 9 percent increase, despite political issue in the Us.

FedEx acquisition of RPS will challenge united parcel for the ground delivery business and affect the sustainability of UPS advantage in the ground deliver business.

Although, digitations of documents and emergence of electronic signatures for FedEx is threatening the express business of UPS. FedEx has been competing well in the higher-end, high-service segment of the package delivery market. FedEx offers every service offered by UPS, including freight services. FedEx provides transportation, e-commerce, and business services in US and Globally. It operates in four segments: FedEx Express, FedEx Ground, FedEx Freight, and FedEx Services. The FedEx Express segment offers various shipping services for the delivery of packages and freight. This segment also provides international trade services in customs brokerage, and ocean and air cargo distribution;

4. Given your assessment of the company's strategy and the sustainability of its performance, forecast the key factors for UPS's stock value.

Current share of UPS is \$82. 87( As of 1st March 203)

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In 2012-13 the Growth rate is :-10.66% P/E 16.50

2013-14 the growth rate will be : 14.38 % P/E 14.42

. UPS IPO should create a market capitalization for UPS 40\$ to 43.2 \$ billion

The Company delivers packages each business day for 1.1 million shipping customers to 7.7 million consignees in over 220 countries and territories.

Last year, UPS delivered an average of 15.8 million pieces per day worldwide, or a total of 4.01 billion packages. Total revenue in 2011 was \$53.1 billion. Evaluation UPS is the largest parcel delivery service in the world. They also help their customers with supply chain management, logistics, and financial services.

. UPS is mainly owned by employees, issuing 90% of its stock to employees and leaving only 10% for the public

5. What is your estimate of UPS's value and its multiples?

United Parcel Service has announced that after more than 90 years as a private company, it was planning an initial public offering to become a publicly traded company.

Over the long run the global parcel shipping market expansion and consistent price increases will enable UPS to grow at a compound annual rate of 4.5% during the next five years."

United Parcel Service is also seeking to capture market, which offers higher margins than ground shipping. While ground shipments represented 84.2% of the UPS's U. S. domestic parcel shipments, they brought in only 68.4% of

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U. S. domestic parcel revenues. Today, UPS holds only 36% of the express market. The primary express competitor FedEx holds 49%.

UPS has acquired four carriers serving global markets-Challenge Air Cargo (Latin America), Lynx Express (UK), Stolica (Poland) and its own Chinese operation,

Next big market for United Parcel Service is China. 2008, The UPS international Air Hub opened. UPS boasts, It's firstly constructed by a United States carrier and will link all of China via Shanghai to UPS's

Ref : Forbes

6. How do your estimates of UPS's PE and PB multiples compare with those for FedEx? How do they compare with those for the " best in breed" companies multiples

UPS holds only 36% of the express market. The primary express competitor FedEx holds 49%. (WikiInvest. com). If we benchmark UPS relative to best-of-breed(BOB) industry premium using FedEx as the industrial comparable, then we come up with an average UPS market capitalization of \$ 30, 415 million. Using the 58% average Best in Breed premium for the trailing price to earnings multiple, we come up with UPS market capitalization of \$21, 985 million. If we use the 103% average Best in Breed premium for the market to book multiple, then we come with United Parcel Service market capitalization of 38, 845\$ million. United Parcel Service doesn't seem like it deserves a Best in Breed premium because its only has 15% higher net income than

FedEx co. where the Best in Breed premium companies average over 200% higher than net income than the industrial comparable.

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