



POSTAL NEWS

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U.S. Postal Service Reports First Quarter Fiscal 2019 Results

- *Revenue of \$19.7 billion, up 2.9 percent over the same quarter last year*
- *Net loss of \$1.5 billion*
- *Return to financial stability requires legislative and regulatory changes, along with aggressive management actions*

WASHINGTON - The U.S. Postal Service reported total revenue of \$19.7 billion for the first quarter of fiscal 2019 (October 1, 2018 - December 31, 2018), an increase of \$553 million, or 2.9 percent, compared to the same quarter last year.

First-Class Mail revenue declined by \$81 million, or 1.2 percent, on a volume decline of 428 million pieces, or 2.8 percent, compared to the same quarter last year. Meanwhile, Marketing Mail revenue increased by \$218 million, or 4.9 percent, on volume growth of 1.0 billion pieces, or 4.8 percent, compared to the same quarter last year. Shipping and Packages revenue increased by \$516 million, or 8.7 percent, on volume growth of 93 million pieces, or 5.4 percent, compared to the same quarter last year.

Total operating expenses were \$21.2 billion for the quarter, an increase of \$1.6 billion, or 7.9 percent, compared to the same quarter last year. Excluding the impact of the \$621 million non-cash workers' compensation expense increase resulting from changes in interest rates and actuarial assumptions, operating expenses would have been \$20.6 billion for the quarter, an increase of \$939 million, or 4.8 percent, compared to the same quarter last year. The remaining operating expense increase was largely driven by increases in compensation and benefits of \$657 million, due to additional hours and contractual wage adjustments, and transportation costs of \$207 million, due to higher fuel costs and highway contract rate inflation.

The net loss for the quarter totaled \$1.5 billion, an increase in net loss of nearly \$1.0 billion compared to the same quarter last year.

"We continued to drive growth in our package business and expanded use of the marketing mail channel during the quarter. Nevertheless, we face ongoing financial challenges. We remain focused on aggressive management of the business, legislative reform, and pricing system reform, all of which are necessary to put the Postal Service on firm financial footing," said Postmaster General and CEO Megan J. Brennan. "Our nation is best served by a financially sustainable Postal Service that can invest in its future and meet the evolving mailing and shipping needs of the American public."

The controllable loss for the quarter was \$103 million, compared to controllable income of \$353 million for the same quarter last year.

"Overall volumes increased this quarter driven primarily by growth in Marketing Mail and our package business, which resulted in total revenue growth of \$553 million," said Chief Financial Officer and Executive Vice President Joseph Corbett. "This growth was offset by increased work hours and related salaries and benefits, increases in transportation costs due to these higher volumes and the continued focus on meeting customers' needs."

First Quarter Fiscal 2019 Operating Revenue and Volume by Service Category Compared to Prior Year

The following table presents revenue and volume by category for the three months ended December 31, 2018, and 2017:

	Revenue		Volume	
	2018	2017	2018	2017
<i>(revenue in \$ millions; volume in millions of pieces)</i>				
Service Category				
First-Class Mail	\$ 6,623	\$ 6,704	14,849	15,277
Marketing Mail	4,665	4,447	22,045	21,045
Shipping and Packages	6,461	5,945	1,818	1,725
International	724	771	253	279
Periodicals	311	336	1,198	1,314
Other	927	949	87	90
Total operating revenue and volume	\$ 19,711	\$ 19,152	40,250	39,730

Selected First Quarter Fiscal 2019 Results of Operations and Controllable (Loss) Income

This news release references *controllable (loss) income*, which is not calculated and presented in accordance with accounting principles generally accepted in the United States (GAAP). Controllable loss is defined as net loss adjusted for items outside of management's control and non-recurring items. These adjustments include workers' compensation expenses caused by actuarial revaluation and discount rate changes, and the amortization of Postal Service Retiree Health Benefits Fund (PSRHBF), Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS) unfunded liabilities.

The following table presents selected results of operations and reconciles GAAP net loss to controllable (loss) income and illustrates the (loss) income from ongoing business activities without the impact of non-controllable items for the three months ended December 31, 2018, and 2017:

	2018	2017
<i>(results in \$ millions)</i>		
Operating revenue	\$ 19,711	\$ 19,152
Other revenue	6	12
Total revenue	\$ 19,717	\$ 19,164
Total operating expenses	\$ 21,226	\$ 19,666
Interest and investment income (expense), net	(28)	(38)
Net loss	\$ (1,537)	\$ (540)
PSRHBF unfunded liability amortization expense ¹	275	297
Change in workers' compensation liability resulting from fluctuations in discount rates	505	—
Other change in workers' compensation liability ²	55	(67)
CSRS unfunded liability amortization expense ³	360	434
FERS unfunded liability amortization expense ⁴	239	229
Controllable (loss) income	\$ (103)	\$ 353

¹ Expense for the accrual for the annual payment due to PSRHBF by September 30 of the respective fiscal year, for the amortization of the unfunded liability based on Postal Service estimates to OPM's preliminary calculations with updated discount rate assumptions.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made through 2047 based on OPM invoices.

Financial results in the Form 10-Q are available at <http://about.usps.com/what/financials/>

Financial Briefing

Postmaster General and CEO Megan J. Brennan and CFO and Executive Vice President Joseph Corbett will host a telephone/Web conference call to discuss the financial results in more detail. The call will begin at 11:30 am ET on February 8, 2019, and is open to news media and all other interested parties.

How to Participate:

US/Canada Attendee Dial-in: 844-340-4622 Conference ID: 9554328

Attendee Direct URL: <https://usps.webex.com/usps/onstage/g.php?MTID=e8819a23e720f35b5cc2e1e0d11d116f>

Alternate URL: <https://usps.webex.com>

Event Number: 996 337 922

The briefing is also available on live audio webcast (listen only) at:

<http://about.usps.com/what/financials/briefings/welcome.htm>

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

