



POSTAL NEWS

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U.S. Postal Service Reports Second Quarter Fiscal 2020 Results

- *Revenue of \$17.8 billion, an increase of \$348 million compared to same quarter last year*
- *COVID-19 volume and revenue impacts arose late in the quarter; significant financial impacts in the third quarter and beyond are anticipated*
- *We thank our employees and continue to prioritize their health and safety as they serve the nation*

WASHINGTON - The U.S. Postal Service reported total revenue of \$17.8 billion for the second quarter of fiscal 2020 (January 1, 2020 - March 31, 2020), an increase of \$348 million, compared to the same period last year.

The COVID-19 pandemic, which has severely affected the U.S. economy, began to negatively affect the Postal Service during late March with declining mail volume, and the impact has continued to worsen since then. It is estimated that the COVID-19 pandemic will substantially increase the Postal Service's net operating loss over the next eighteen months, threatening the Postal Service's ability to operate. However, since the Postal Service began experiencing the impacts of the pandemic in mid-March, the pandemic did not have a material impact on its second quarter results, although significant impacts are expected for the remainder of the year.

Compared to the same quarter last year, First-Class Mail revenue increased by \$89 million, or 1.4 percent, despite a volume decline of 29 million pieces, or 0.2 percent. This growth was due to one-time mailings associated with the 2020 U.S. Census, otherwise First-Class Mail revenue and volume would have each declined. Marketing Mail revenue declined by \$94 million, or 2.5 percent, on a volume decline of 604 million pieces, or 3.4 percent. Secular declines in mail have continued to negatively affect mail revenue and volume, and the Postal Service believes those declines will be exacerbated by the effects of the COVID-19 pandemic.

Meanwhile, Shipping and Packages revenue increased by \$386 million, or 7.1 percent, on a volume increase of 12 million pieces, or 0.8 percent, compared to the same quarter last year. In the near term the Postal Service anticipates that these trends will accelerate as the nation experiences a surge in e-commerce as a result of quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the COVID-19 pandemic. The Postal Service has and will continue to serve its customers during this crisis through the delivery of medicine, essential consumer staples, benefits checks, and important information, but does not expect its package revenue growth over the medium to long term to offset its losses in mail service revenue caused by COVID-19.

"Although the pandemic did not have significant impact on our financial condition in our second quarter, we anticipate that our business will suffer potentially dire consequences for the remainder of the year, and we are already feeling those impacts during the last half of March. At a time when America needs the Postal Service more than ever, the pandemic is starting to have a significant effect on our business with mail volumes plummeting as a result of the pandemic," said Postmaster General and CEO Megan J. Brennan. "As Congress and the Administration take steps to support businesses and industries around the country, it is imperative that they also take action to shore up the finances of the Postal Service, and enable us to continue to fulfill our indispensable role during the pandemic, and to play an effective role in the nation's economic recovery."

Brennan added, "We are grateful for the heroism and commitment of our 630,000 postal employees who continue to serve the American public during this pandemic, and we look forward to working with policymakers on ensuring the solvency of the Postal Service."

Total operating expenses were \$22.3 billion for the quarter, an increase of \$2.8 billion, or 14.2 percent, compared to the same quarter last year. Workers' compensation increased by \$2.2 billion due to a significant decline in interest rates as the COVID-19 pandemic weighed on the U.S. economy. Excluding costs associated with discount rate changes, actuarial revaluation, and amortization of unfunded liabilities, which are outside of management's control, expenses increased by \$328 million, or 1.8 percent, compared to the same quarter last year.

The net loss for the quarter was \$4.5 billion compared to a net loss of \$2.1 billion for the same quarter last year. Controllable loss for the quarter was \$792 million, a slight decrease compared to the controllable loss of \$806 million reported for the same quarter last year.

"We are unable to predict the duration of COVID-19 business closures and the duration of the recession we are currently experiencing; however, this situation will materially damage our financial condition," said Chief Financial Officer Joseph Corbett. "While we continue to conserve capital and reduce expenses in areas where volumes are declining, our ability to continue to serve the nation will require substantial funding from the federal government or other sources."

Second Quarter Fiscal 2020 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 March 31, 2020, and 2019:

	Revenue		Volume	
	2020	2019	2020	2019
<i>(revenue in \$ millions; volume in millions of pieces)</i>				
Service Category				
First-Class Mail	\$ 6,375	\$ 6,286	14,206	14,235
Marketing Mail	3,739	3,833	17,040	17,644
Shipping and Packages	5,821	5,435	1,484	1,472
International	609	595	189	214
Periodicals	265	298	1,021	1,163
Other	1,032	1,045	73	70
Total operating revenue and volume	\$ 17,841	\$ 17,492	34,013	34,798

Selected Second Quarter Fiscal 2020 Results of Operations and Controllable Loss

This news release references *controllable loss*, 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, reconciles GAAP net loss to controllable loss and illustrates the loss from ongoing business activities without the impact of non-controllable items for the three months ended March 31, 2020, and 2019:

<i>(results in \$ millions)</i>	2020	2019
Operating revenue	\$ 17,841	\$ 17,492
Other revenue	2	3
Total revenue	\$ 17,843	\$ 17,495
Total operating expenses	\$ 22,332	\$ 19,557
Interest and investment income (expense), net	(26)	(20)
Net loss	\$ (4,515)	\$ (2,082)
PSRHBF unfunded liability amortization expense ¹	225	275
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454
Other change in workers' compensation liability ²	(3)	(53)
CSRS unfunded liability amortization expense ³	495	360
FERS unfunded liability amortization expense ⁴	378	240
Controllable loss	\$ (792)	\$ (806)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

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, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. 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, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Forward-Looking Statements

Forward-looking statements contained in this release represent the Postal Service's best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this release use such words as "may," "will," "could," "expect," "believe," "plan," "estimate," "project" or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of COVID-19 on the Postal Service's business, financial condition and results of operations. The Postal Service has no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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