



POSTAL NEWS

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Contact: David Partenheimer
202.268.2599
David.A.Partenheimer@usps.gov
usps.com/news

U.S. Postal Service Reports Third Quarter Fiscal 2021 Results

- *Quarterly loss of \$3.0 billion, despite operating revenue increase of \$845 million, compared to the same quarter last year*
- *Pandemic has significantly transformed the mix between mail services and Shipping and Packages volumes*
- *Significant improvements in service performance in the quarter; Continued investments to meet customers' evolving needs ahead of the 2021 holiday season*

WASHINGTON - The U.S. Postal Service today announced its financial results for the 2021 third quarter ended June 30, reporting a net loss of approximately \$3.0 billion, compared to a net loss of approximately \$2.2 billion for the same quarter last year. Excluding the combined effects of non-cash workers' compensation adjustments due to fluctuations in discount rates and other actuarial revaluations, the loss for the quarter would have been approximately \$2.3 billion, compared to a loss of approximately \$2.4 billion for the same period last year.

Service performance continued to improve in the quarter, with the Postal Service reporting its strongest quarterly service performance for all First-Class, Marketing and Periodical mail categories since the same quarter last year. The Postal Service is making network infrastructure investments, such as the installation of new package processing equipment and short-term rentals of processing and logistics assets, to meet customers' evolving needs ahead of the 2021 holiday season.

"Our improved service performance during the quarter is largely the result of significant organizational focus on implementing core elements of our *Delivering for America* plan," said Postmaster General and Chief Executive Officer Louis DeJoy. "We are transitioning from an outdated network and operational posture that was ill equipped to handle the effects of the pandemic on the mix of mail and packages we process – and we expect this volume shift to continue into the foreseeable future. As we establish our new network design and deploy our operating initiatives, we will operate with much greater efficiency and precision, become financially self-sustaining, and deliver greater value to the American public we serve."

The Postal Service reported operating revenue of approximately \$18.5 billion for the third quarter of fiscal 2021, an increase of \$845 million, or 4.8 percent, compared to the same quarter last year.

Marketing Mail revenue increased by approximately \$1.0 billion, or 42.2 percent, on volume growth of approximately 4.3 billion pieces, or 38.6 percent. Marketing Mail experienced steep volume declines at the onset of the pandemic last year, but has been rebounding as the economy continues to recover. Marketing Mail has generally proven to be a resilient marketing channel, and as the economy has shown a sharp recovery, its value to U.S. businesses remains strong due to healthy customer returns on investment and better data and technology integration.

First-Class Mail revenue increased by \$54 million, or 1.0 percent, on volume growth of 130 million pieces, or 1.1 percent, as the economy continues to recover. Despite the slight increases in the current quarter, First Class Mail volumes remain lower than pre-pandemic levels and we expect continued secular declines in this product.

Shipping and Packages revenue decreased by \$646 million, or 7.8 percent, on a volume decline of 300 million pieces, or 14.1 percent, compared to the same quarter last year, as a pandemic surge in demand for package deliveries began to abate. Despite these decreases in the current quarter, Shipping and Packages volumes remain higher than pre-pandemic levels. We believe consumer behavior has evolved during the pandemic and our Shipping and Packages volumes are not expected to return to pre-pandemic levels, as the nation has increasingly relied on the safety and convenience of e-commerce. However, competition in the overall market has increased as certain

major customers have returned to diverting their volume from our network and aggressively pricing their products and services to fill their networks and grow package density.

"While the financial results for the quarter showed a continuing net loss, our *Delivering for America* plan outlines our clear strategies to structure our organization for success" said Chief Financial Officer Joseph Corbett. "By implementing this 10-year plan in full, we expect to operate in a financially self-sustaining manner within the next several years while continuing to fulfill our universal service mission."

Total operating expenses were approximately \$21.4 billion for the quarter, an increase of approximately \$1.6 billion, or 8.3 percent, compared to the same quarter last year. Excluding costs resulting from actuarial revaluation, discount rate changes, and amortization of unfunded liabilities, which are outside of management's control, expenses increased by \$334 million or 1.7 percent, compared to the same quarter last year.

Transportation expenses increased by \$182 million, or 8.3 percent, compared to the same quarter last year. Highway transportation expenses increased, while air transportation expenses decreased, due to a decline in package volume from peak pandemic levels and a shift from air to highway transportation when more economical but allowing for improved reliability and service performance. Transportation expenses were also impacted by the variation in the modes of transportation available due to the pandemic, and higher average jet and diesel fuel prices, compared to the same quarter last year.

Compensation and benefits expense increased by \$113 million, or 0.9 percent, compared to the same quarter last year. This was primarily due to contractual wage increases and certain general pandemic-related workplace inefficiencies, offset by a reimbursement of \$71 million from the U.S. government for certain eligible pandemic-related leave costs pursuant to the *American Rescue Plan Act of 2021*.

Third Quarter Fiscal 2021 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 June 30, 2021 and 2020:

	Revenue		Volume	
	2021	2020	2021	2020
<i>(revenue in \$ millions; volume in millions of pieces)</i>				
Service Category				
First-Class Mail	\$ 5,533	\$ 5,479	12,135	12,005
Marketing Mail	3,450	2,427	15,581	11,240
Shipping and Packages	7,664	8,310	1,828	2,128
International	545	544	93	185
Periodicals	237	245	939	980
Other	1,055	634	68	75
Total operating revenue and volume	\$ 18,484	\$ 17,639	30,644	26,613

Selected Third Quarter Fiscal 2021 Results of Operations and Controllable Loss

This news release references *loss excluding workers' compensation adjustments*, which is not calculated and presented in accordance with accounting principles generally accepted in the United States (GAAP). Loss excluding workers' compensation adjustments is defined as net loss adjusted for workers' compensation expenses caused by actuarial revaluation and discount rate changes, which are outside of management's control.

This news release also references *controllable loss*, which is not calculated and presented in accordance with 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, expenses caused by the actuarial revaluation of Postal Service Retiree Health Benefits Fund (PSRHBF), and the amortization of the PSRHBF, Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS) unfunded liabilities, which can fluctuate due to projected interest rates and inflation.

The following table presents selected results of operations, reconciles GAAP net loss to loss excluding worker's compensation adjustments and to controllable loss and illustrates the loss from ongoing business activities without the impact of non-controllable items for the three months ended June 30, 2021 and 2020:

<i>(results in \$ millions)</i>	2021	2020
Operating revenue	\$ 18,484	\$ 17,639
Other revenue	10	1
Total revenue	\$ 18,494	\$ 17,640
Total operating expenses	\$ 21,449	\$ 19,810
Interest and investment expense, net	(32)	(40)
Net loss	\$ (2,987)	\$ (2,210)
Change in workers' compensation liability resulting from fluctuations in discount rates	581	(55)
Other change in workers' compensation liability ¹	143	(95)
Loss excluding workers' compensation adjustments	\$ (2,263)	\$ (2,360)
PSRHBF unfunded liability amortization expense ²	230	158
CSRS unfunded liability amortization expense ³	454	450
FERS unfunded liability amortization expense ⁴	336	321
Change in normal cost of retiree health benefits due to revised actuarial assumptions ⁵	227	(113)
Controllable loss	\$ (1,016)	\$ (1,544)

¹ Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

² Expense for the accrual for the annual payment due to Office of Personnel Management (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.

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. 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. Payments are to be made over a 30-year rolling period based on OPM invoices.

⁵ Represents the accrual for the portion of the increase in the annual normal cost payments due September 30, 2021 and 2020, attributable to revised actuarial assumptions and discount rate changes, based on OPM's invoices for the respective year. This amount represents the noncontrollable portion of the expense recorded for normal cost of retiree health benefits.

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

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.