POSTAL NEWS

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FOR IMMEDIATE RELEASE

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U.S. Postal Service Reports Third Quarter Fiscal Year 2022 Results

- *Operating revenue growth of $257 million for the quarter*
- *Inflation continues to pressure operating expenses; adjusted loss grew by $418 million to $459 million for the quarter*
- *One-time, non-cash benefit of $59.6 billion due to Postal Service reform legislation*
- *Continued progress on implementation of Delivering for America plan*

WASHINGTON - The U.S. Postal Service today announced its financial results for the third quarter of its fiscal year 2022 (April 1, 2022 - June 30, 2022). The enactment of the Postal Service Reform Act (PSRA) on April 6, 2022, significantly impacted the financial condition of the Postal Service, as it repealed the requirement that the Postal Service annually prepay future retiree health benefits and canceled all past due prefunding obligations. These impacts are reflected as a one-time, non-cash benefit of $59.6 billion to net income for the quarter.

The Postal Service had adjusted loss of $459 million for the quarter, compared to an adjusted loss of $41 million for the same quarter last year. Adjusted loss excludes the impact of the PSRA, retiree health benefits expense, non-cash workers' compensation adjustments for the impacts of actuarial revaluation and discount rate changes, which are outside of management's control, and amortization expenses for the Civil Service Retirement System (CSRS) and the Federal Employee Retirement System (FERS) unfunded liabilities. On a U.S. generally accepted accounting principles (GAAP) basis, the Postal Service had net income of $59.7 billion for the quarter, compared to net loss of $3.0 billion for the same quarter last year, due almost exclusively to the non-cash impact of the PSRA.

The Postal Service continued to make significant progress in improving service during the quarter through the *Delivering for America* 10-year transformation plan. One of the goals of *Delivering for America* is to meet or exceed 95 percent on-time service performance for all mail and shipping products once all elements of the plan are implemented. It took on average 2.5 days to deliver a mailpiece or package during the third quarter, which is a 7 percent improvement, compared to the average of 2.7 days the same quarter last year. From an on-time delivery perspective, 93.3 percent of First-Class Mail pieces were delivered on time during the quarter, an increase of 5.4 percentage points from the fiscal second quarter. Other achievements resulting from the 10-year plan include expansion of the Postal Service’s package processing capacity, improvements in operating precision and the roll out of USPS Connect, a set of delivery solutions that leverage the ongoing network improvements with new pricing to meet evolving business needs.

“Our strong on-time delivery results and revenue growth this quarter demonstrate that we are making appreciable progress in implementing our *Delivering for America* plan and becoming the high performing organization the public expects and deserves,” said Postmaster General and CEO Louis DeJoy. “The one-time, non-cash benefit we recorded due to the enactment of postal reform legislation was significant, but also distortive. The fact of the matter is that we have a long road and a lot of hard work ahead in our 10-year transformation to ensure the long-term financial sustainability of the Postal Service, but we are confident that we will achieve what we have set out to accomplish.”

The Postal Service's operating revenue was $18.7 billion for the quarter, an increase of $257 million, or 1.4 percent, despite a volume decline of 201 million pieces, or 0.7 percent, compared to the same quarter last year.

Marketing Mail revenue increased $324 million, or 9.4 percent, compared to the same quarter last year, on volume growth of 545 million pieces, or 3.5 percent. Marketing Mail experienced steep volume declines at the onset of the pandemic but has been rebounding as the economy continues to recover. Marketing Mail has generally proven to be a resilient marketing channel, and 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 was essentially flat, compared to the same quarter last year, despite a volume decline of 620 million pieces, or 5.1 percent. First-Class Mail volume continued to decline due to on-going migration from mail to electronic communication and transaction alternatives and remains lower than pre-pandemic levels.

Shipping and Packages revenue decreased $85 million, or 1.1 percent, compared to the same quarter last year, on a volume decline of 92 million pieces, or 5.0 percent, compared to the same quarter last year. Shipping and Packages volume remains higher than pre-pandemic levels despite the volume decline compared to the same quarter last year, due to the prior year pandemic-related surge in e-commerce.

The pandemic has significantly transformed the mix of mail and packages processed through the Postal Service's network and the Postal Service anticipates that its volumes and mix will not return to pre-pandemic levels. The Postal Service continues to grow its mail services revenue through optimization of its pricing strategies and effective use of its pricing authority, as outlined in the *Delivering for America* plan.

Adjusted loss grew by $418 million, compared to the same quarter last year, despite the increase in revenue, due to inflationary impacts on several operating expense categories. Compensation and benefits expense increased $198 million, or 1.6 percent, primarily due to wage increases in our labor agreements tied to inflation, and in particular the impacts of cost of living adjustments. Highway transportation expense increased $131 million, or 10.1 percent, primarily due to the inflationary impacts of higher average diesel fuel costs. Other operating expense increased $373 million, or 14.9 percent, as inflationary pressures have led to higher average fuel prices for delivery vehicles and an increase in rent and utilities.

"The enactment of the PSRA is a key component of restoring the Postal Service to financial stability," said Chief Financial Officer Joseph Corbett. "but the one-time, non-cash impact this quarter of the statute is not reflective of our true financial condition. Net income for the quarter reflects the accounting impact of this legislation, and while we saw revenue growth of $257 million during the quarter, rising costs associated with inflationary pressures present significant challenges. We continue to strategically manage our business and aggressively control our expenses and kept them below the level of inflation thus far in fiscal year 2022."

Third Quarter Fiscal 2022 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, 2022 and 2021:

	Revenue		Volume	
(revenue in $ millions; volume in millions of pieces)	**2022**	**2021**	**2022**	**2021**
Service Category				
First-Class Mail	$ 5,585	$ 5,537	11,518	12,138
Marketing Mail	3,774	3,450	16,126	15,581
Shipping and Packages	7,574	7,659	1,740	1,832
International	388	527	79	93
Periodicals	246	237	909	939
Other	1,174	1,074	78	68
Total operating revenue and volume	**$ 18,741**	**$ 18,484**	**30,450**	**30,651**

Selected Third Quarter Fiscal 2022 Results of Operations and Non-GAAP measures

This news release includes c*ontrollable income (loss) including partial impact of Postal Service reform legislation and partial retiree health benefits expense* which is not calculated and presented in accordance with GAAP. This non-GAAP measure is calculated as net income (loss) adjusted for the impact of the PSRA on past due obligations to the Postal Service Retiree Health Benefits Fund (PSRHBF) and on the current year PSRHBF amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, expenses caused by the actuarial revaluation of PSRHBF, and the amortization of the PSRHBF, CSRS and FERS unfunded liabilities.

This news release references *controllable loss excluding full impact of Postal Service reform legislation and all retiree health benefits expense* which is not calculated and presented in accordance with GAAP. This non-GAAP measure is calculated as net income (loss) adjusted for the full impact of the PSRA, all retiree health benefits expense, workers' compensation (benefit) expense caused by actuarial revaluation and discount rate changes, and the amortization of CSRS and FERS unfunded liabilities.

These non-GAAP measures provide meaningful information to assist users of the Postal Service's financial statements in more fully understanding the financial results and assessing the Postal Service's ongoing performance because they exclude items that may not be indicative of, or are unrelated to, underlying operations.

Non-GAAP financial measures should be considered in addition to, and not as an alternative for, the Postal Service's reported results prepared in accordance with GAAP. This adjusted financial information does not represent a comprehensive basis of accounting.

The following table reconciles GAAP net income (loss) to the non-GAAP financial measures for the three months ended June 30, 2022 and 2021:

	Three Months Ended June 30,	
(results in $ millions)	**2022**	**2021**
Net income (loss)	**$ 59,708**	**$ (2,987)**
Impact of Postal Service reform legislation on past due PSRHBF obligations and current year PSRHBF amortization[1]	(57,475)	—
PSRHBF amortization and changes in normal costs of retiree health benefits due to revised actuarial assumptions[2]	—	457
Workers' compensation non-cash (benefit) expense[3]	(1,356)	724
CSRS unfunded liability amortization expense[4]	464	454
FERS unfunded liability amortization expense[5]	350	336
Controllable income (loss) including partial impact of Postal Service reform legislation and partial retiree health benefits expense	**$ 1,691**	**$ (1,016)**
Impact of Postal Service reform legislation on current year normal costs of retiree health benefits[6]	(2,150)	—
Normal costs of retiree health benefits[7]	—	975
Controllable loss excluding full impact of Postal Service reform legislation and all retiree health benefits expense	**$ (459)**	**$ (41)**

[1] Represents the reversal of $57.0 billion for past due obligations as of September 30, 2021 and the reversal of $500 million for PSRHBF amortization that would have been due September 30, 2022, but was canceled by the PSRA. These amounts represent the noncontrollable portion of the impact of the Postal Service reform legislation.

[2] Represents expense of $230 million for PSRHBF amortization and expense of $227 million for the increase in the annual normal cost attributable to revised actuarial assumptions and discount rate changes based on OPM's invoices for obligations due September 30, 2021. These amounts represent the noncontrollable portions of retiree health benefits expense.

[3] Represents workers' compensation non-cash (benefit) expense resulting from fluctuations in discount rates, changes in assumptions, valuation of new claims, revaluation of existing claims, and the administrative fee paid to DOL, less current year claim payments.

[4] Expense for the accrual for the annual payment due to the 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 the OPM invoices.

[5] Expense for the accrual for the annual payment due to the 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 the OPM invoices.

[6] Represents the reversal for actuarially determined normal cost that would have been due September 30, 2022, but was canceled by the PSRA. This amount represents the controllable portion of the impact of the Postal Service reform legislation.

[7] Represents the accrual for the annual payment due to the PSRHBF by September 30, 2021 for actuarially determined normal cost of retiree health benefits for current employees, less the noncontrollable portion of $227 million. This amount represents the controllable portion of retiree health benefits expense.

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.