



POSTAL NEWS

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U.S. Postal Service Reports Second Quarter Fiscal Year 2023 Results

- Continued progress on the [Delivering for America](#) plan
- Mail volume declines, operational inflation and elevated retirement expenses continue to negatively impact financial results
- Service continues to improve with 98 percent of the nation's population receiving their mail and packages in three days or less

WASHINGTON - The U.S. Postal Service today announced its financial results for the second quarter of fiscal year 2023 (Jan. 1, 2023 - Mar. 31, 2023). On a generally accepted accounting principles (GAAP) basis net loss for the quarter totaled \$2.5 billion, an increase in net loss of \$1.8 billion, compared to a net loss of \$639 million for the same quarter last year. On a non-GAAP basis, adjusted loss was \$498 million, compared to adjusted income of \$427 million for the same quarter last year.

Results under GAAP include costs outside of management's control of \$2.0 billion for the quarter, an increase of more than \$900 million, compared to the costs outside of management's control of \$1.1 billion for the same quarter last year. Costs outside of management's control include retiree health benefits expense eliminated by the Postal Service Reform Act (PSRA) which were therefore not incurred this quarter, as well as other costs that increased this quarter when compared to the same quarter last year like retiree benefits expense for the amortization of underfunded Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS) plans, and workers' compensation expenses caused by actuarial revaluation and discount rate changes. The Postal Service reports its adjusted results excluding these costs.

"The Postal Service is making rapid progress with our 10-year transformation and modernization plan, which has already produced strong service performance and efficiency improvements and is creating a much more capable and effective operational model for the nation," said Postmaster General and CEO Louis DeJoy. "We continue to focus on achieving break-even financial results for the 10-year period, although inflationary and economic conditions, as well as administrative hurdles, have proven difficult. The increase in the pace of change now required to achieve our financial goals will continue to be balanced with providing service performance throughout the nation."

Total operating revenue was \$19.3 billion for the quarter, a decrease of \$484 million, or 2.4 percent, compared to the same quarter last year.

First-Class Mail revenue increased \$33 million, or 0.5 percent, on a volume decline of 1.1 billion pieces, or 8.1 percent, compared to the same quarter last year. Marketing Mail revenue decreased \$161 million, or 4.3 percent, on a volume decline of 1.7 billion pieces, or 11.0 percent, compared to the same quarter last year. Shipping and Packages revenue decreased \$162 million, or 2.1 percent, on a volume decline of 89 million pieces, or 5.0 percent, compared to the same quarter last year.

Total operating expenses were \$22.0 billion for the quarter, an increase of \$1.6 billion, or 7.6 percent, compared to the same quarter last year. On a non-GAAP basis, adjusted operating expenses increased by \$641 million, or 3.3 percent, compared to the same quarter last year.

"We continue to be challenged by declining mail volumes and rising operating costs due to inflation," said Chief Financial Officer Joseph Corbett. "We are managing the costs within our control, such as reducing work hours by 7 million hours compared to the same quarter last year. However, price increases are necessary to try to offset declining mail volumes and inflation. Despite these increases, our prices remain among the most affordable in the world."

Second Quarter Fiscal Year 2023 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, 2023 and 2022:

| | Revenue | | Volume | |
|---|------------------|------------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| <i>(revenue in \$ millions; volume in millions of pieces)</i> | | | | |
| Service Category | | | | |
| First-Class Mail | \$ 6,295 | \$ 6,262 | 11,938 | 12,989 |
| Marketing Mail | 3,578 | 3,739 | 14,093 | 15,842 |
| Shipping and Packages | 7,622 | 7,784 | 1,684 | 1,773 |
| International | 402 | 422 | 83 | 87 |
| Periodicals | 224 | 223 | 737 | 804 |
| Other | 1,181 | 1,356 | 68 | 63 |
| Total operating revenue and volume | \$ 19,302 | \$ 19,786 | 28,603 | 31,558 |

Selected Second Quarter Fiscal Year 2023 Results of Operations and Non-GAAP measures

This news release includes *controllable (loss) income* which is not calculated and presented in accordance with GAAP. This non-GAAP measure is calculated as net loss adjusted for costs outside of management's control, including workers' compensation expenses caused by actuarial revaluation and discount rate changes and the amortization of the Postal Service Retiree Health Benefits Fund (PSRHBF), CSRS, and FERS unfunded liabilities. These costs are outside of management's control as they can fluctuate significantly based on actuarial assumptions and interest rates. Furthermore, as indicated in the recent report from the USPS Office of Inspector General, *Historical Analysis of USPS Retirement Fund Returns*, the Postal Service's lack of legal authority to control the investments in the retirement funds has resulted in a lack of diversification resulting in lower investment returns and an increase in the Postal Service's expenses.

This news release also includes *controllable (loss) income excluding all retiree health benefits expense* which is not calculated and presented in accordance with GAAP. This non-GAAP measure is calculated as *controllable (loss) income* adjusted for the impact of the retiree health benefits expense associated with normal costs which were eliminated by the PSRA in April 2022.

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 loss to our non-GAAP financial measures for the three months ended March 31, 2023 and 2022:

| | 2023 | 2022 |
|---|-------------------|-----------------|
| <i>(results in \$ millions)</i> | | |
| Net loss | \$ (2,480) | \$ (639) |
| PSRHBF unfunded liability amortization expense ¹ | — | 250 |
| Workers' compensation non-cash expense (benefit) ² | 732 | (1,074) |
| CSRS unfunded liability amortization expense ³ | 775 | 465 |
| FERS unfunded liability amortization expense ⁴ | 475 | 350 |
| Controllable loss | \$ (498) | \$ (648) |
| Normal cost of retiree health benefits ⁵ | — | 1,075 |
| Controllable (loss) income excluding all retiree health benefits expense | \$ (498) | \$ 427 |

¹ Expense for the accrual for the annual payment that was expected to be due to the PSRHBF by September 30, 2022, as calculated by the U.S. Office of Personnel Management (OPM), to amortize the unfunded PSRHBF retirement health obligation. This payment was eliminated in April 2022 by the PSRA.

² Represents workers' compensation non-cash expense (benefit) resulting from fluctuations in discount rates, changes in assumptions, valuation of new claims, revaluation of existing claims, and the administrative fee paid to the U.S. Department of Labor, less current year claim payments.

³ Expense for the annual payments due September 30 of the respective year, calculated by OPM to amortize the unfunded CSRS retirement obligation. Payments are to be made in equal installments through 2043.

⁴ Expense for the annual payment due September 30 of the respective year, calculated by OPM to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

⁵ Expense for the accrual for the annual payment that was expected to be due to the PSRHBF by September 30, 2022 for actuarially determined normal cost of retiree health benefits for current employees. This payment was eliminated in April 2022 by the PSRA.

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.

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The United States Postal Service is an independent federal establishment, mandated to be self-financing and to serve every American community through the affordable, reliable and secure delivery of mail and packages to nearly 165 million addresses six and often seven days a week. Overseen by a bipartisan Board of Governors, the Postal Service is implementing a 10-year transformation plan, [Delivering for America](#), to modernize the postal network, restore long-term financial sustainability, dramatically improve service across all mail and shipping categories, and maintain the organization as one of America's most valued and trusted brands.

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

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