

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

07-05-2021

The U.S. Postal Service today announced its financial results for the 2021 second quarter ended March 31, reporting a net loss of \$82 million, compared to a net loss of approximately \$4.5 billion for the same quarter last year, as a pandemic surge in demand for package deliveries was not enough to offset increased operating costs and a decline in revenue from mail services.

Excluding non-cash workers' compensation adjustments for each period, the loss for the 2021 second quarter would have been approximately \$1.7 billion, compared to a loss of approximately \$1.9 billion for the same quarter last year.

The quarter included the March 23 release of the Postal Service's 10-year plan, Delivering for America, which aims to deliver service excellence and a return to financial sustainability while maintaining universal six-day mail delivery and expanding seven-day package delivery. The plan also calls for investments in technology, training, Post Offices and a new vehicle fleet; modernizing our processing network; adopting best-in-class logistics practices across delivery and transportation operations; creating new revenue-generating offerings in the rapidly expanding e-commerce marketplace; pricing changes as authorized by the Postal Regulatory Commission; and legislative action, including Medicare integration. The entire plan can be found at: https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf.

“With our Delivering for America plan, the Postal Service will become a growth-oriented, high-performance organization that operates

with greater precision, achieves 95 percent on-time delivery, and does so at a lower cost to serve,” said Postmaster General and Chief Executive Officer Louis DeJoy. “As we undertake this transformation – for the benefit of our customers, employees and the American public – we will operate and invest as a going concern with service excellence, a bright future of growth and financial sustainability.”

The Postal Service reported total revenue of approximately \$18.9 billion for the second quarter of fiscal 2021, an increase of approximately \$1.1 billion, or 6.0 percent, compared to the same quarter last year.

As a result of the pandemic, and to a lesser extent, secular mail declines, the Postal Service's sales from mail services, its largest sales category, continued to decline during the second quarter. Compared to the same quarter last year, Marketing Mail revenue declined by \$511 million, or 13.7 percent, on a volume decline of approximately 2.3 billion pieces, or 13.5 percent. First-Class Mail revenue decreased by \$390 million, or 6.1 percent, on a volume decline of approximately 1.1 billion pieces, or 7.9 percent, compared to the same quarter last year.

Meanwhile, the Postal Service's sales from

Shipping and Packages increased by approximately \$2.0 billion, or 33.6 percent, on a volume increase of 376 million pieces, or 25.3 percent, compared to the same quarter last year, as a result of the surge in e-commerce associated with the COVID-19 pandemic. However, Shipping and Packages produces a lower contribution margin per revenue dollar due to higher associated labor and transportation expenses. While the Postal Service believes that consumer behavior has evolved during the pandemic as the nation has increasingly relied on the safety and convenience of e-commerce, the Postal Service still expects this surge to partially abate as the economy continues to open.

Also service performance improved in the quarter, with improvements continuing. USPS also anticipates ongoing network infrastructure investments, such as the installation of new package processing equipment, will meet customer's evolving needs ahead of the 2021 holiday season.

"The financial results for the quarter and the ongoing trend of declining mail volume and increasing package volume highlights why our Delivering for America 10-year plan needs to be fully implemented," said Chief Financial Officer Joseph Corbett. "The plan delivers the framework for us to better innovate to grow revenue, work more efficiently and achieve financial sustainability to fulfil our universal service mission. If the plan is implemented in its totality, we expect to achieve break-even operating performance over the ten-year period and positive net income by FY2023 or FY2024, reversing \$160 billion in projected losses over the next decade."

Excluding non-cash workers' compensation adjustments, total operating expenses were approximately \$20.6 billion for the quarter, an increase of \$872 million, or 4.4 percent,

compared to approximately \$19.7 billion for the same quarter last year. Actual total operating expenses, including the non-cash workers' compensation adjustments, were approximately \$19.0 billion for the quarter, a decrease of approximately \$3.4 billion, or 15.1 percent, compared to the same quarter last year.

Compensation and benefits expense increased by \$517 million, or 4.4 percent, compared to the same quarter last year, primarily resulting from higher work hours associated with the package volume growth, contractual wage increases and an increase in paid leave associated with the COVID-19 pandemic.

In addition to increased labor costs to support the volume increase, transportation expenses increased by \$336 million, or 16.7 percent, compared to the same quarter last year, primarily due to the impact of higher package volumes on air and highway transportation and shifts in average package dimensions as consumer behavior continues to evolve during the COVID-19 pandemic.

Second 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 March 31, 2021, and 2020:



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 March 31, 2021 and 2020:



Selected Second 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, and the amortization of Postal Service Retiree Health Benefits Fund (PSRHBF), Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS) unfunded liabilities which can fluctuate due to projected interest rates and inflation.

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.

Source: [USPS](#)

