

Financial and Pricing Update

Today's Topics

- USPS Financials
- PRC Treatment of PSRA RHB Changes
- Upcoming Rate Increases
- Opportunities to Improve Balance Sheet

Reminder: PSRA Improved USPS Balance Sheet, but Substantial Deficiency Remains

(in billions)	FY 2022	FY 2021
Assets	\$46.1	\$46.4
Cash	\$23.6	\$24.3
Other Assets	\$22.5	\$22.1
Liabilities	\$144.4	\$205.2
Debt	\$10.0	\$11.0
Workers' Compensation	\$14.7	\$18.2
CSRS Unfunded Obligation	\$43.2	\$41.5
FERS Unfunded Obligation	\$32.9	\$32.2
RHB Unfunded Obligation	\$23.7	\$81.3
Other Liabilities	\$19.9	\$21.0
Total Net Deficiency	-\$98.3	-\$158.8

- According to OPM, Medicare Integration reduces unfunded RHB obligation by ~\$60 billion
- Liabilities still exceed assets by about ~\$100 billion

April 2023 YTD Results (v SPLY)

Mail Class	YTD		April	
	Volume	Revenue	Volume	Revenue
First-Class Mail	-6.7%	0.8%	-9.3%	0.5%
Marketing Mail	-9.1%	-4.4%	-18.4%	-11.5%
Competitive	-3.6%	-0.1%	-3.0%	-1.7%
Total	-7.9%	-0.9%	-14.2%	-3.5%

April 2023 YTD Results

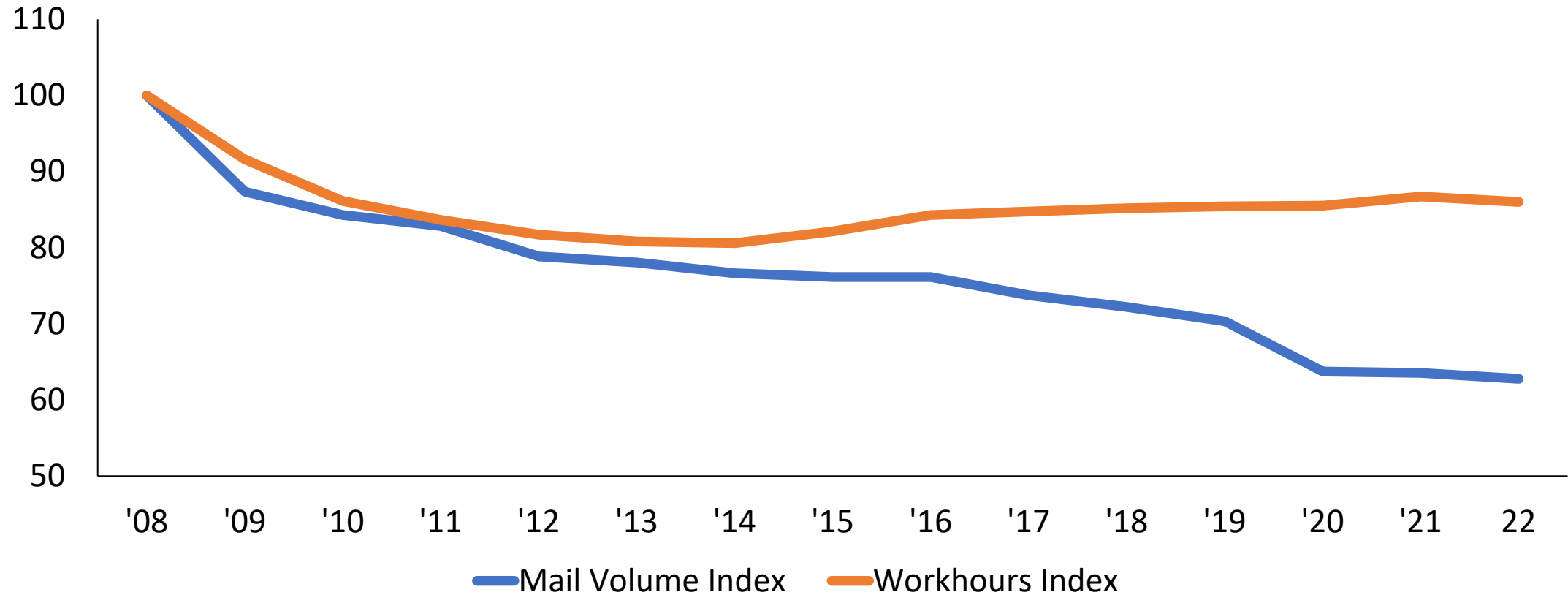
YTD Net Income (Excludes Non-Cash Workers Compensation)	
Actual	(\$3,416)
Plan	(\$2,055)
Same Period Last Year*	(\$667)

*Also excludes \$57 billion RHB reversal

YTD Mail Volume	
-- v. SPLY	-7.9%
-- v. Plan	-3.6%
YTD Workhours	
-- v. SPLY	-2.8%
-- v. Plan	0.4%

USPS running behind “planned” \$4.5 billion FY 2023 loss (which excluded ~\$4 billion retiree health benefit normal costs).

Question: Can USPS reverse trend?

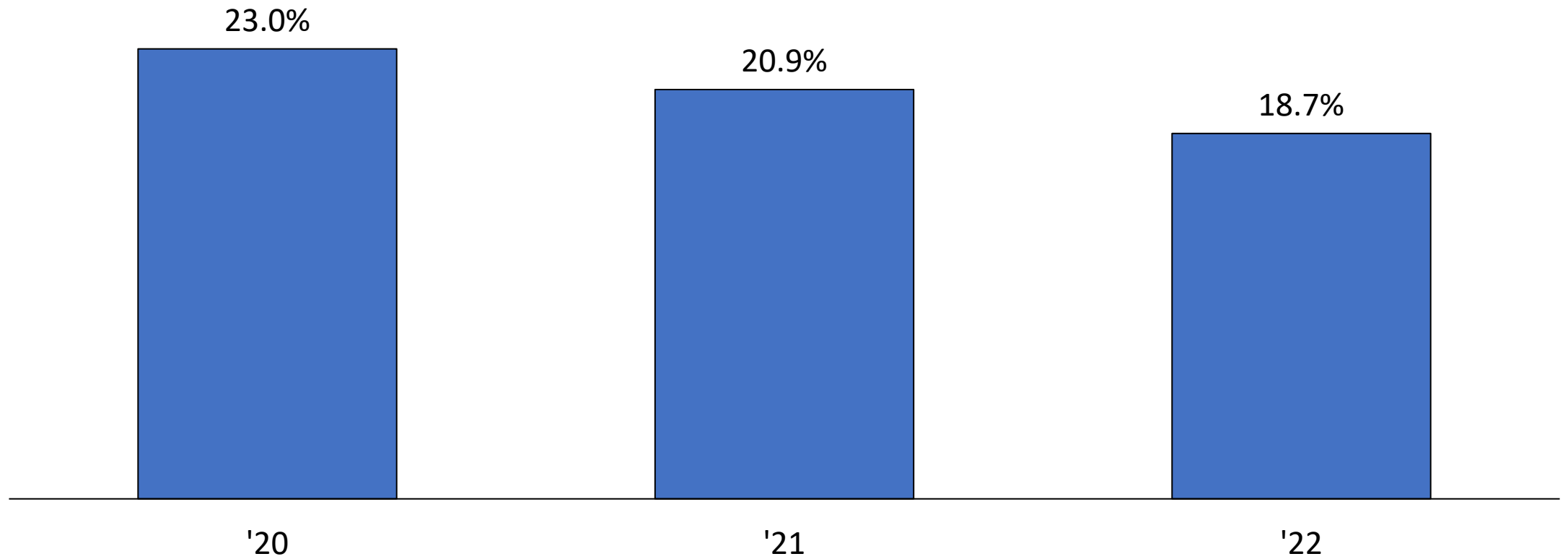


Workhour Mix Increases Difficulty

Function	April 2023 YTD Workhours (Millions)	
	Total	Percent
City Delivery	249	36.5%
Mail Processing	120	17.6%
Customer Service	86	12.6%
Rural Delivery	132	19.3%
Other	96	14.0%
Total	682	100%

...As Does Increased Use of Career Employees

Non-Career (as % of Total Employees)



PRC Treatment of PSRA RHB Issues

- \$57 billion reversal of past-due RHB prefunding
 - Excluded from CRA Report
 - Resulted in USPS accruing ~1% density authority
- RHB normal cost (present value of RHB benefits earned during the year)
 - Not accrued or attributed
 - ...but litigation benefited workshare

First-Class Mail 5-Digit Auto Letters

	FY 2022 ACD	With Normal Costs Accrued
Min. Discount	\$0.036	\$0.039
Avoided Cost	\$0.042	\$0.045
Passthrough	85.7%	86.7%

Price Cap Authority (Compensatory Classes)

- July 2023: 5.378%
 - CPI: 3.406%
 - Density: 0.936%
 - Retirement: 1.036%
- July 2024 (Est.): 6.1 - 8.1%
 - CPI: 1.0 - 2.5%
 - Density: 3.4 - 3.9%
 - Retirement: ~1.7%
- January 2024 (Est.): 1.7-2.3%
 - CPI: 1.7 - 2.3%

Opportunities to Improve USPS Balance Sheet

- **Investment of USPS Postretirement Assets**
 - USPS can only invest its \$300 billion of postretirement assets in U.S. Treasuries (currently yielding ~2.5%)
 - Investing in diversified portfolio would likely increase returns substantially (National Association of State Retirement Administrators average estimate: 7%)
- **Allocation of Responsibility for CSRS Benefits of P.O. Department Employees Between USPS and Federal Government**
 - USPS estimates that an appropriate allocation would more than eliminate \$43 billion CSRS unfunded obligation
- **Valuation of USPS Real Estate Assets**
 - USPS real estate assets currently held on USPS balance sheet at book value of <\$15 billion
 - 2012 USPS OIG study suggested potential market value for these assets of ~\$85 billion