

JOSEPH CORBETT
CHIEF FINANCIAL OFFICER

Agenda

- ✓ **Governance**
- ✓ **Operational Management—We Compete!**
- ✓ **Management's Response to Volume Declines**
- ✓ **Changing Business**
- ✓ **Legislation and Postal Regulator 10-Year Review**
- ✓ **June Financial Update**
- ✓ **Service Update**

Legal & Operational Structure

Seven Areas



Legal & Operational Structure

67 Districts



7 Districts in the
Great Lakes Area

- Customer Service
- Scanning
- Delivery Performance
- Op Ex
- Workhours
- Overtime
- Machine Throughput
- Safety
- Employee Retention
- Etc.



A Proactive Management Response to Recession and Secular Declines

In Reaction to Volume Declines, Management Reduced Operational Costs

			Number	%
Infrastructure	Consolidated mail processing facilities	↓	360	54%
	Delivery route consolidations	↓	20,000	9%
	Post offices with reduced retail hours	↓	13,000	36%
Workforce	Work hours (annual)	↓	331M	23%
	Career employees	↓	204,000	29%
	Non-career employees	↑	31,000	31%
	Total employees	↓	173,000	22%
	Administrative positions	↓	25,000	33%
Administration	Reduced annual headquarters spending			
	<i>Reduced HQ positions</i>	↓	\$750M	
	<i>Reduction in contractor expenses</i>			
	Reduced capital expenditures			
	<i>Avg. '07-'09 ~\$2.2B</i>	↓	\$1.2B	55%
	<i>Avg. '10-'15 ~\$1.0B</i>			
	Number of administrative areas	↓	9 to 7	22%
	Number of districts	↓	80 to 67	16%

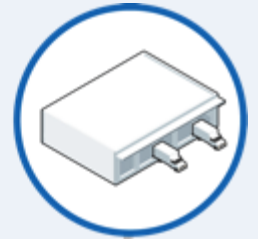
In Reaction to Volume Declines, Management Reduced Operational Costs

			Number	%
Infrastructure	Consolidated mail processing facilities	↓	360	54%
	Delivery route consolidations	↓	20,000	9%
	Post offices with reduced retail hours	↓	13,000	36%
Workforce	Work hours (annual)	↓	331M	23%
	Career employees	↓	204,000	29%
	Non-career employees	↑	31,000	31%
	Total employees	↓	173,000	22%
	Administrative positions	↓	25,000	33%
Administration	Reduced annual headquarters spending			
	<i>Reduced HQ positions</i>	↓	\$750M	
	<i>Reduction in contractor expenses</i>			
	Reduced capital expenditures			
	<i>Avg. '07-'09 ~\$2.2B</i>	↓	\$1.2B	55%
	<i>Avg. '10-'15 ~\$1.0B</i>			
	Number of administrative areas	↓	9 to 7	22%
	Number of districts	↓	80 to 67	16%

In Reaction to Volume Declines, Management Reduced Operational Costs

			Number	%
Infrastructure	Consolidated mail processing facilities	↓	360	54%
	Delivery route consolidations	↓	20,000	9%
	Post offices with reduced retail hours	↓	13,000	36%
Workforce	Work hours (annual)	↓	331M	23%
	Career employees	↓	204,000	29%
	Non-career employees	↑	31,000	31%
	Total employees	↓	173,000	22%
	Administrative positions	↓	25,000	33%
Administration	Reduced annual headquarters spending			
	<i>Reduced HQ positions</i>	↓	\$750M	
	<i>Reduction in contractor expenses</i>			
	Reduced capital expenditures			
	<i>Avg. '07-'09 ~\$2.2B</i>	↓	\$1.2B	55%
<i>Avg. '10-'15 ~\$1.0B</i>				
	Number of administrative areas	↓	9 to 7	22%
	Number of districts	↓	80 to 67	16%

But We Remain a Very Large Entity (Size and Scale are Core to Who We Are)



156M

Delivery Points

640K

Employees

31K

Post Offices

224K

Vehicles

300+

Processing Facilities

~

2,500,000,000

Scanning Events Every Day



**The Business is
Changing...**

The United States Postal Service has been connecting individuals and communities for more than 240 years.



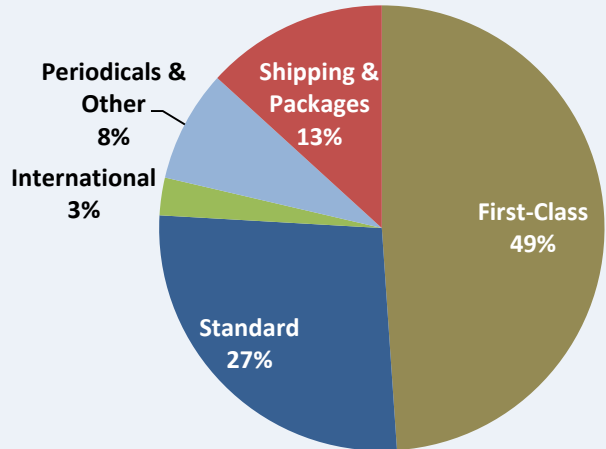
We were the original social network!

FCM Revenue is Declining but Packages are Growing

While the Postal Service has benefited from its efforts to stabilize Standard Mail volume and increase Packaging and Shipping volume, overall contribution and profit will continue to suffer as lost profits from First-Class Mail are not replaced.

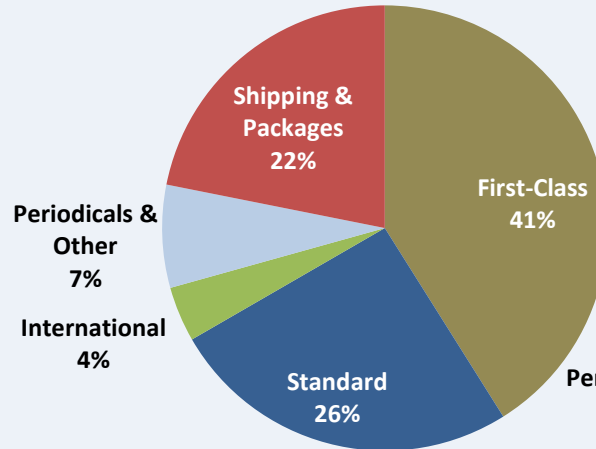
Revenue Mix by Product

2007



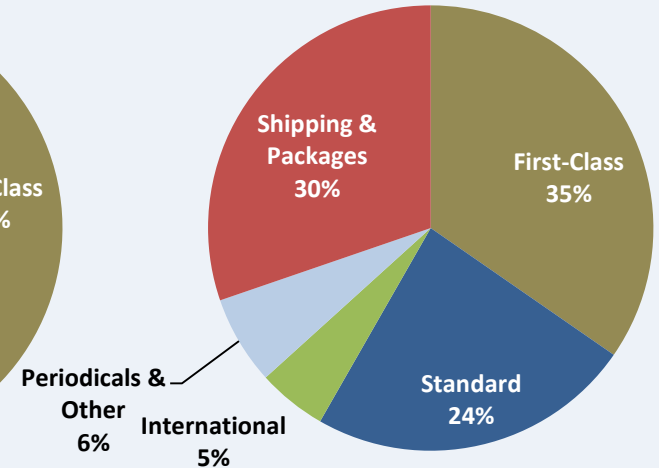
Revenue: \$74.9 B

2015




\$68.9 B

*2020 (Trending)



~ \$70+ B

* Indicative, not a forecast

A grayscale photograph of a person's hands holding a smartphone. Overlaid on the phone and hands is a semi-transparent digital graphic. The graphic features a central globe with a grid of latitude and longitude lines. Surrounding the globe are several white icons: envelopes representing email, speech bubbles for communication, and person silhouettes for users. Thin white lines connect these icons, suggesting a network or data flow. The background is a blurred image of a person's hands and arms, suggesting a professional or office setting.

However, the ways we connect, exchange information, and conduct commerce is rapidly changing.

Expectations Continue to Evolve



Experiences are the new products

Instant, universal access is more important than ownership



On-demand access to everything... and with the touch of a screen

Seamlessly communicate and transact across physical and digital mediums

Customer-Centric Transformation

Empowering customers to lead productive lives.

Providing Americans better ways to connect and communicate.

Delivering the human side of communications and commerce.



PRIORITY: YOU

Shifts in Mailing and Shipping Patterns Drives Strategy

Focus on Innovation and Investing in Our Business

- ✓ **Retaining First-Class Mail**
- ✓ **Digital Integration of Direct Mail**
- ✓ **Growing Shipping Business**

Service & Efficiency are the Keys

A stylized blue graphic of a hand holding a pen, positioned behind the main title. The hand is on the right, with the index finger pointing towards the text. The pen is horizontal, with the nib pointing left towards the text.

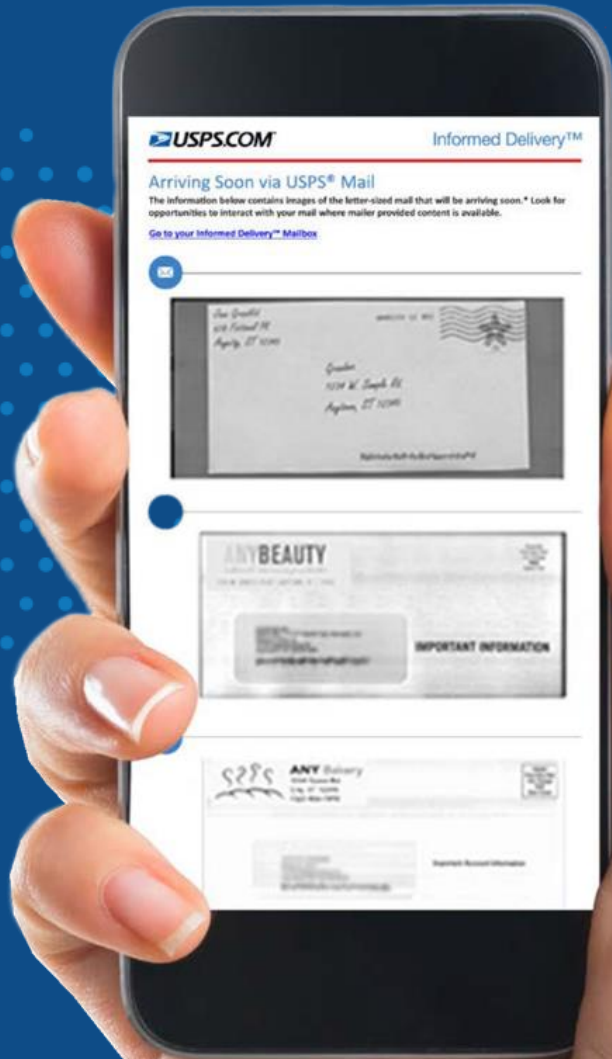
Headwinds

All products are under attack

DIGITAL STRATEGY

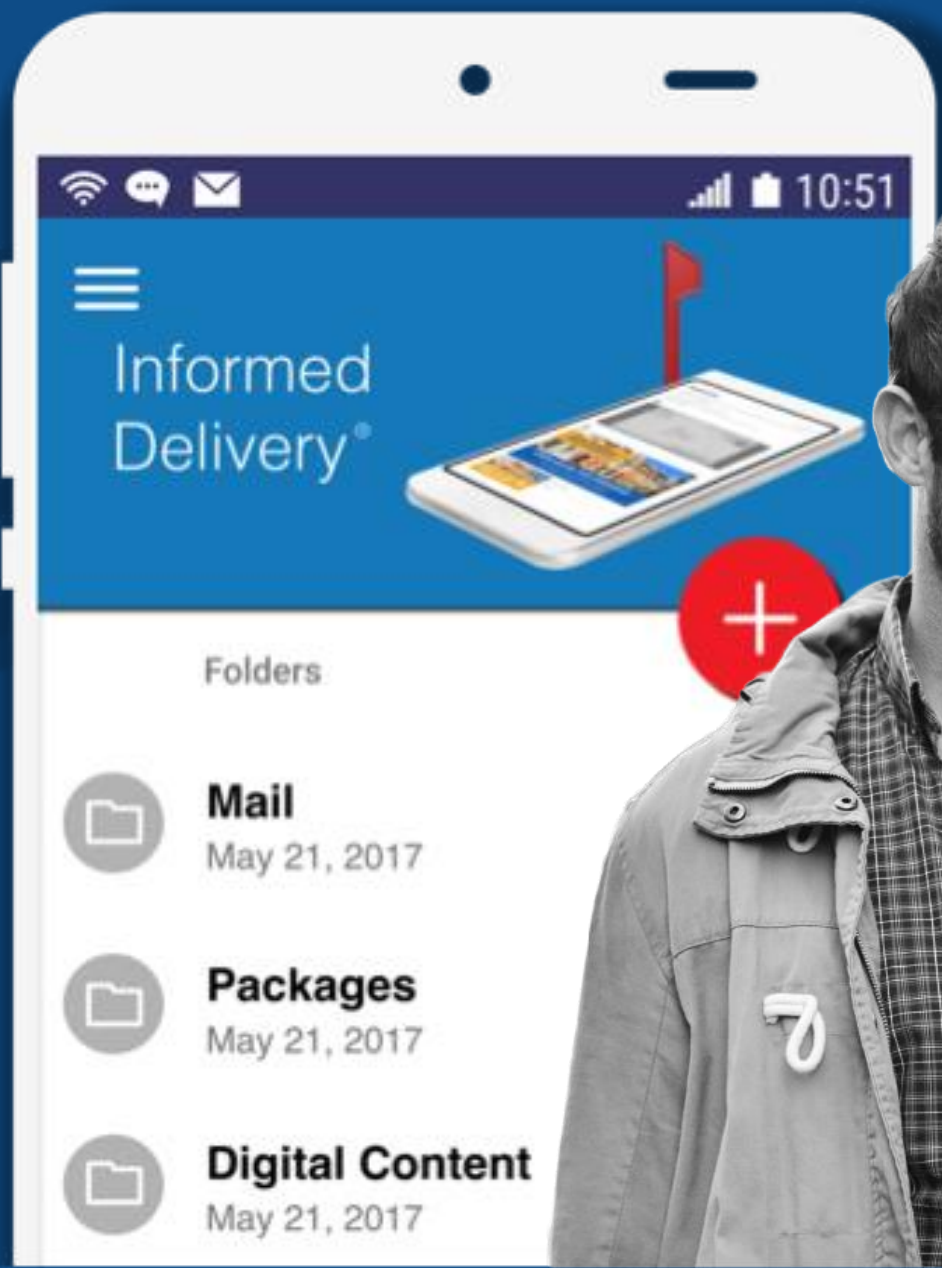


Informed Delivery[®]



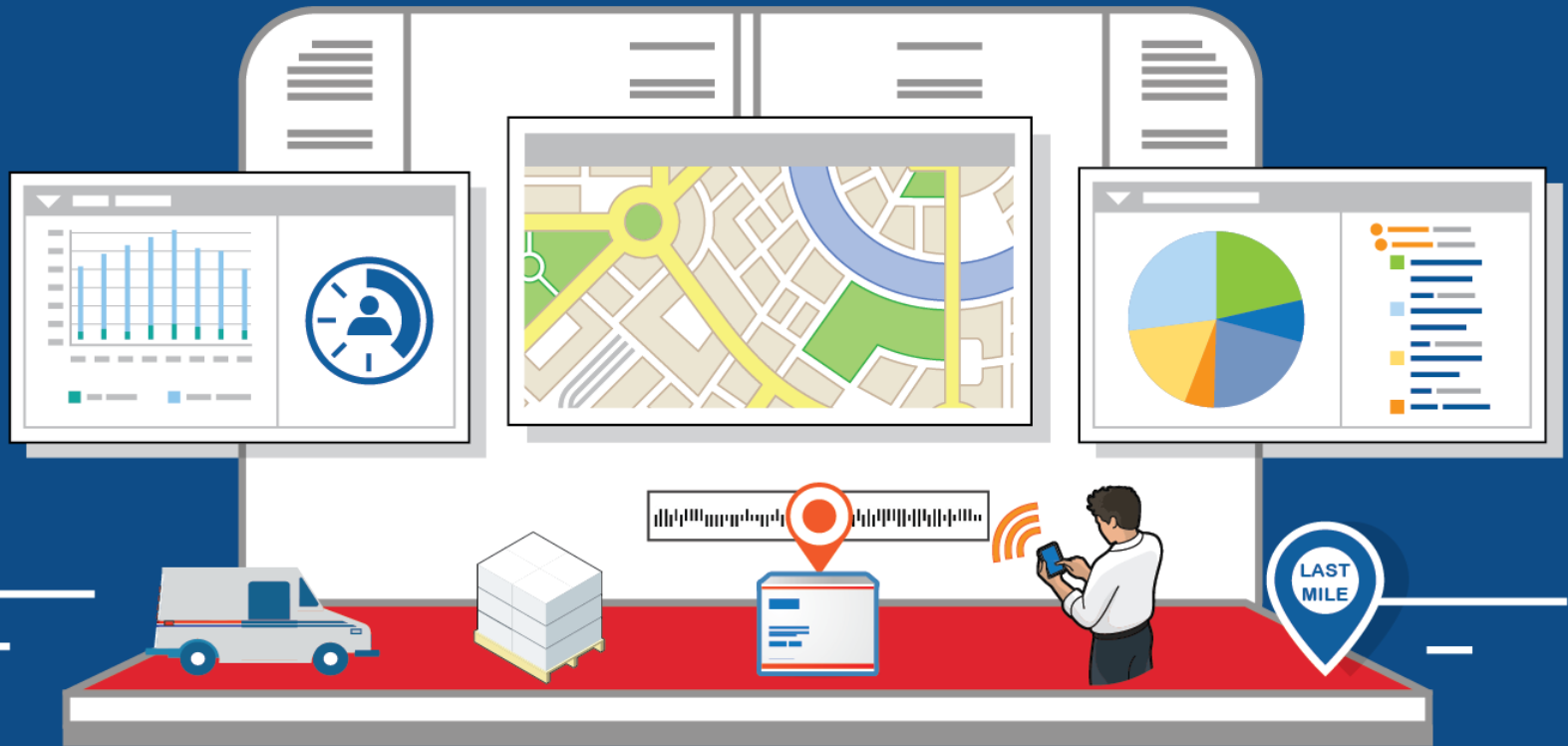
4

MILLION USERS





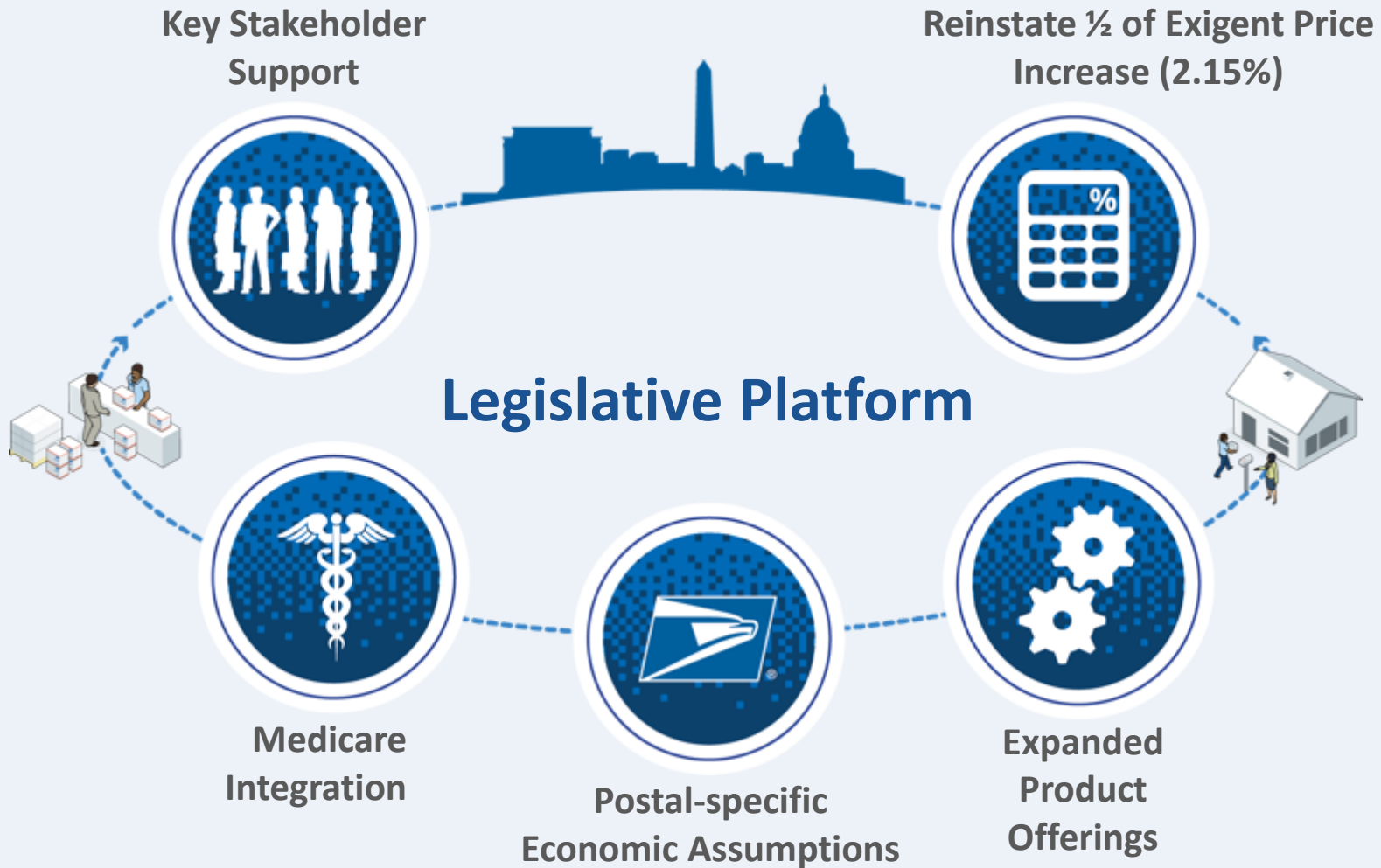
INFORMED VISIBILITY





Legislation & Postal Regulatory Commission (PRC) 10-Year Review

Legislative Proposal



Objectives for the PRC 10-Year Price Review

- ✓ **Maximize incentives to reduce costs and increase efficiency.**
- ✓ **Create predictability and stability.**
- ✓ ***Maintain high quality service standards.***
- ✓ **Allow the Postal Service pricing flexibility.**
- ✓ ***Assure adequate revenues, including retained earnings, to maintain financial stability.***
- ✓ **Reduce the administrative burden and increase transparency.**
- ✓ **Enhance mail security and deter terrorism.**
- ✓ ***Establish and maintain a just and reasonable schedule for rates and classifications.***
- ✓ **Allocate the total institutional costs appropriately.**



June YTD Financials

Financial Results

June YTD (9 Months)	FY	FY
(Billions)	2017	2016
Revenue (Excluding Temporary Exigent Surcharge)	\$ 53.1	\$ 52.7
Temporary Exigent Surcharge ¹	-	1.1
Total Revenue	53.1	53.8
Controllable Expenses ^{2, 3}	53.2	52.5
Controllable Income (Loss) ^{1, 2, 3}	(0.1)	1.3
Retiree Health Benefits Amortization	(0.7)	-
RHB Normal Cost Actuarial Revaluation ⁴	(0.4)	-
Retiree Health Benefits Prefunding	-	(4.4)
Workers' Comp. Fair Value Adj. and Other Non-Cash Adj.	1.9	(1.1)
FERS Unfunded Liabilities Amortization ⁵	(0.7)	(0.2)
CSRS Unfunded Liabilities Amortization	(1.3)	-
Change in Accounting Estimate ⁶	-	1.1
Net Income (Loss) ³	\$ (1.3)	\$ (3.3)

1 - Temporary exigent surcharge expired April 10, 2016.

2 - Before RHB pre-funding/amortization & actuarial revaluation, non-cash adjustments to workers' compensation liabilities and FERS and CSRS unfunded liabilities amortization, which are excluded from controllable expenses.

3 - June YTD has one less delivery and retail day compared to SPLY.

4 - Effect of 18% increase in RHB normal cost due to OPM changes to demographic assumptions and lower discount rate.

5 - FERS is an estimate and subject to change once we receive the bill.

6 - FY2016 data on prepaid postage resulted in a \$1.1B decrease in the liability for deferred revenue - prepaid postage and a corresponding increase in revenue.

Financial Results

June YTD (9 Months)	FY	FY
(Billions)	2017	2016
Revenue (Excluding Temporary Exigent Surcharge)	\$ 53.1	\$ 52.7
Temporary Exigent Surcharge ¹	-	1.1
Total Revenue	53.1	53.8
Controllable Expenses ^{2, 3}	<u>53.2</u>	<u>52.5</u>
Controllable Income (Loss) ^{1, 2, 3}	(0.1)	1.3
Retiree Health Benefits Amortization	(0.7)	-
RHB Normal Cost Actuarial Revaluation ⁴	(0.4)	-
Retiree Health Benefits Prefunding	-	(4.4)
Workers' Comp. Fair Value Adj. and Other Non-Cash Adj.	1.9	(1.1)
FERS Unfunded Liabilities Amortization ⁵	(0.7)	(0.2)
CSRS Unfunded Liabilities Amortization	(1.3)	-
Change in Accounting Estimate ⁶	-	1.1
Net Income (Loss) ³	<u>\$ (1.3)</u>	<u>\$ (3.3)</u>

1 - Temporary exigent surcharge expired April 10, 2016.

2 - Before RHB pre-funding/amortization & actuarial revaluation, non-cash adjustments to workers' compensation liabilities and FERS and CSRS unfunded liabilities amortization, which are excluded from controllable expenses.

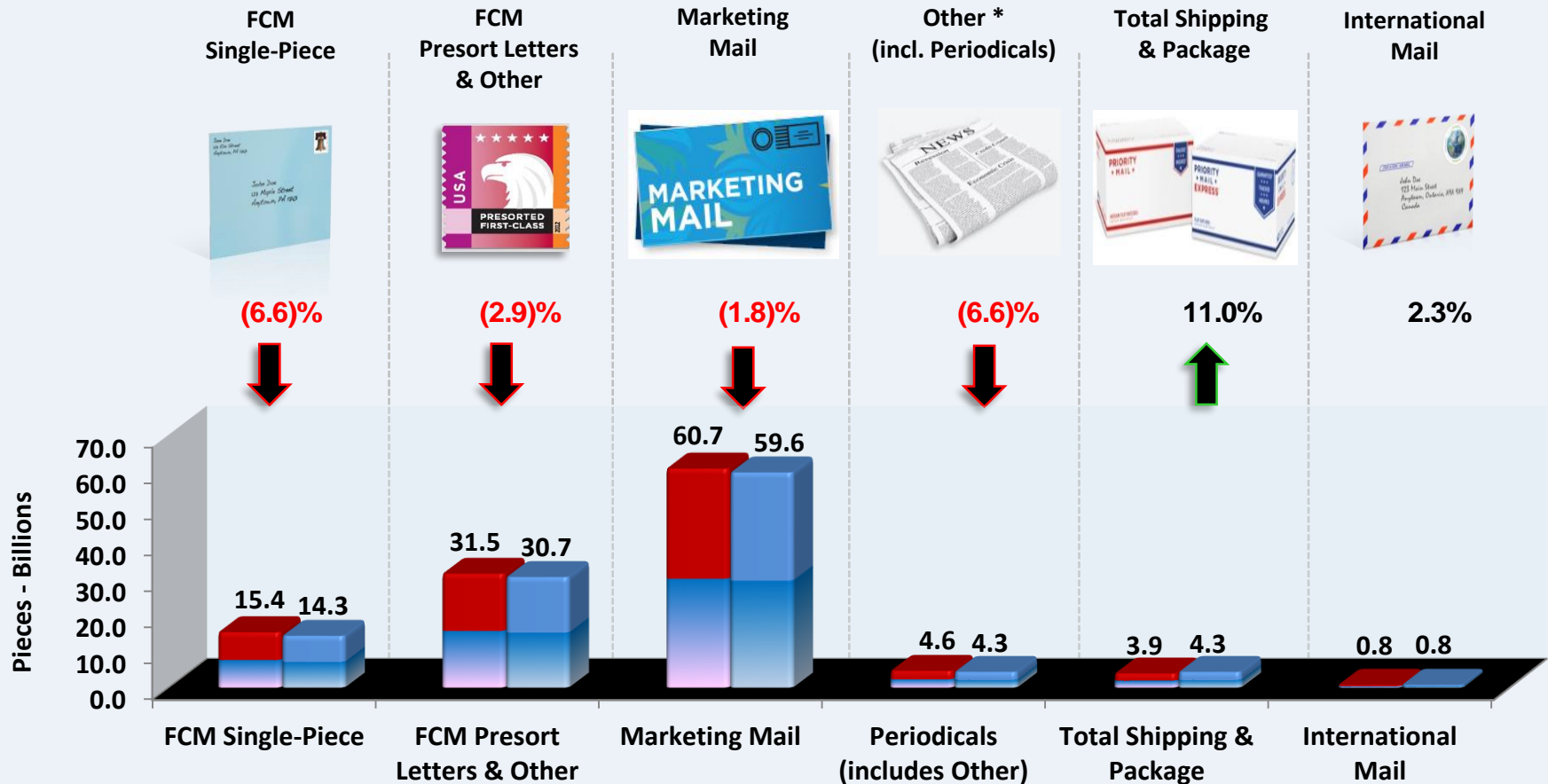
3 - June YTD has one less delivery and retail day compared to SPLY.

4 - Effect of 18% increase in RHB normal cost due to OPM changes to demographic assumptions and lower discount rate.

5 - FERS is an estimate and subject to change once we receive the bill.

6 - FY2016 data on prepaid postage resulted in a \$1.1B decrease in the liability for deferred revenue - prepaid postage and a corresponding increase in revenue.

Total Volume: FY2017 June YTD vs. SPLY



June YTD has one less delivery and retail day compared to SPLY. * Other primarily consists of USPS & Free Mail at ~287M pieces for FY2017 YTD.

Financial Results

June YTD (9 Months)	FY	FY
(Billions)	2017	2016
Revenue (Excluding Temporary Exigent Surcharge)	\$ 53.1	\$ 52.7
Temporary Exigent Surcharge ¹	-	1.1
Total Revenue	53.1	53.8
Controllable Expenses ^{2, 3}	53.2	52.5
Controllable Income (Loss) ^{1, 2, 3}	(0.1)	1.3
Retiree Health Benefits Amortization	(0.7)	-
RHB Normal Cost Actuarial Revaluation ⁴	(0.4)	-
Retiree Health Benefits Prefunding	-	(4.4)
Workers' Comp. Fair Value Adj. and Other Non-Cash Adj.	1.9	(1.1)
FERS Unfunded Liabilities Amortization ⁵	(0.7)	(0.2)
CSRS Unfunded Liabilities Amortization	(1.3)	-
Change in Accounting Estimate ⁶	-	1.1
Net Income (Loss) ³	\$ (1.3)	\$ (3.3)

1 - Temporary exigent surcharge expired April 10, 2016.

2 - Before RHB pre-funding/amortization & actuarial revaluation, non-cash adjustments to workers' compensation liabilities and FERS and CSRS unfunded liabilities amortization, which are excluded from controllable expenses.

3 - June YTD has one less delivery and retail day compared to SPLY.

4 - Effect of 18% increase in RHB normal cost due to OPM changes to demographic assumptions and lower discount rate.

5 - FERS is an estimate and subject to change once we receive the bill.

6 - FY2016 data on prepaid postage resulted in a \$1.1B decrease in the liability for deferred revenue - prepaid postage and a corresponding increase in revenue.

Financial Results

June YTD (9 Months)	FY	FY
(Billions)	2017	2016
Revenue (Excluding Temporary Exigent Surcharge)	\$ 53.1	\$ 52.7
Temporary Exigent Surcharge ¹	-	1.1
Total Revenue	53.1	53.8
Controllable Expenses ^{2, 3}	<u>53.2</u>	<u>52.5</u>
Controllable Income (Loss) ^{1, 2, 3}	(0.1)	1.3
Retiree Health Benefits Amortization	(0.7)	-
RHB Normal Cost Actuarial Revaluation ⁴	(0.4)	-
Retiree Health Benefits Prefunding	-	(4.4)
Workers' Comp. Fair Value Adj. and Other Non-Cash Adj.	1.9	(1.1)
FERS Unfunded Liabilities Amortization ⁵	(0.7)	(0.2)
CSRS Unfunded Liabilities Amortization	(1.3)	-
Change in Accounting Estimate ⁶	-	1.1
Net Income (Loss) ³	<u>\$ (1.3)</u>	<u>\$ (3.3)</u>

1 - Temporary exigent surcharge expired April 10, 2016.

2 - Before RHB pre-funding/amortization & actuarial revaluation, non-cash adjustments to workers' compensation liabilities and FERS and CSRS unfunded liabilities amortization, which are excluded from controllable expenses.

3 - June YTD has one less delivery and retail day compared to SPLY.

4 - Effect of 18% increase in RHB normal cost due to OPM changes to demographic assumptions and lower discount rate.

5 - FERS is an estimate and subject to change once we receive the bill.

6 - FY2016 data on prepaid postage resulted in a \$1.1B decrease in the liability for deferred revenue - prepaid postage and a corresponding increase in revenue.

Financial Results

June YTD (9 Months)	FY	FY
(Billions)	2017	2016
Revenue (Excluding Temporary Exigent Surcharge)	\$ 53.1	\$ 52.7
Temporary Exigent Surcharge ¹	-	1.1
Total Revenue	53.1	53.8
Controllable Expenses ^{2, 3}	53.2	52.5
Controllable Income (Loss) ^{1, 2, 3}	(0.1)	1.3
Retiree Health Benefits Amortization	(0.7)	-
RHB Normal Cost Actuarial Revaluation ⁴	(0.4)	-
Retiree Health Benefits Prefunding	-	(4.4)
Workers' Comp. Fair Value Adj. and Other Non-Cash Adj.	1.9	(1.1)
FERS Unfunded Liabilities Amortization ⁵	(0.7)	(0.2)
CSRS Unfunded Liabilities Amortization	(1.3)	-
Change in Accounting Estimate ⁶	-	1.1
Net Income (Loss) ³	\$ (1.3)	\$ (3.3)

1 - Temporary exigent surcharge expired April 10, 2016.

2 - Before RHB pre-funding/amortization & actuarial revaluation, non-cash adjustments to workers' compensation liabilities and FERS and CSRS unfunded liabilities amortization, which are excluded from controllable expenses.

3 - June YTD has one less delivery and retail day compared to SPLY.

4 - Effect of 18% increase in RHB normal cost due to OPM changes to demographic assumptions and lower discount rate.

5 - FERS is an estimate and subject to change once we receive the bill.

6 - FY2016 data on prepaid postage resulted in a \$1.1B decrease in the liability for deferred revenue - prepaid postage and a corresponding increase in revenue.

Great Lakes Area Focus Group



SERVICE PERFORMANCE UPDATE

Composite Results

First-Class Composite (Letters & Flats)

	YTD	Q3TD
Actual	93.63	94.53
SPLY Var	+1.13	+0.16

Marketing Mail/Periodicals Composite

	YTD	Q3TD
Actual	91.37	93.02
SPLY Var	+2.26	+0.34

 Qtr 3 - Highest Quarterly Achievement

Periodicals

	YTD	Q3TD
Actual	85.12	87.98
SPLY Var	+6.18	+4.29

Packages

* Constant Improvements

Great Lakes Area Focus Group



Thank You!

Questions?