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CHICAGO
2024

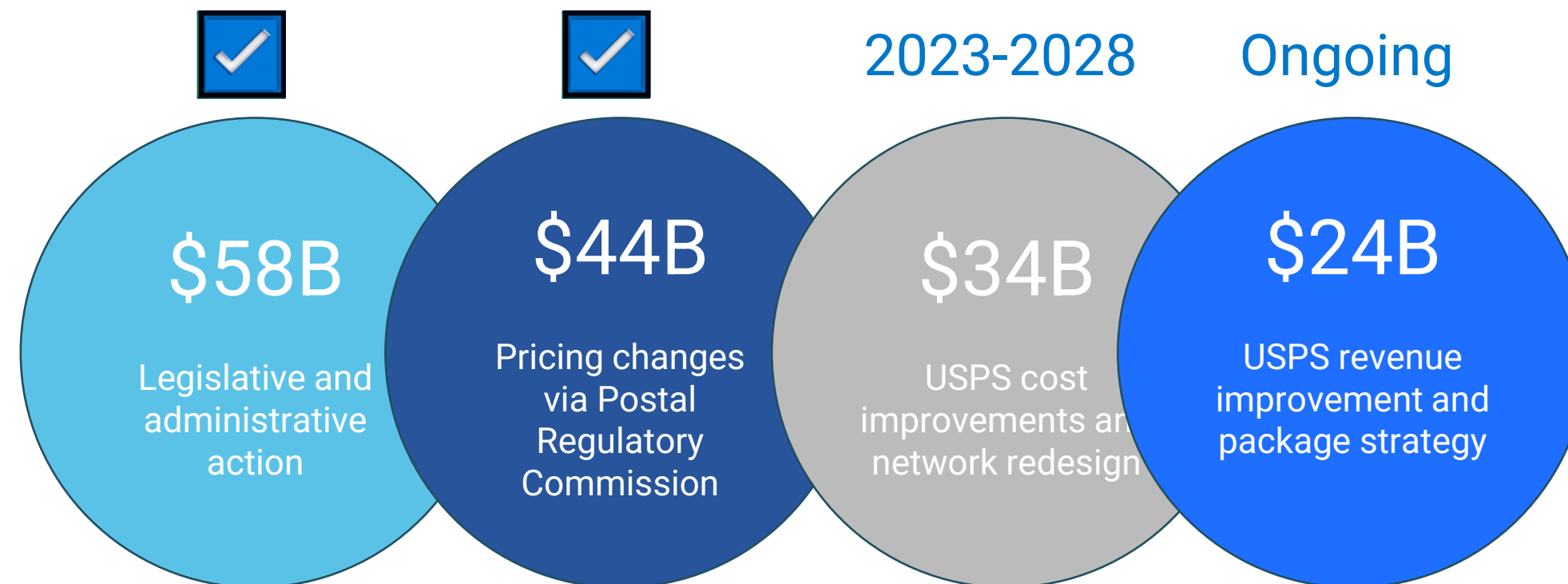
AUGUST 12TH - 15TH

Industry Update

Chris Lien, EVP Postal Affairs
BCC Software

USPS Delivering for America Plan Key Initiatives

The DFA Plan was launched in March 2021 and is the USPS strategy to mitigate a \$160B projected loss while revitalizing the USPS.







PMG initial goal was for USPS to financially “breakeven” by the end of FY23, which did not happen, and likely won’t for 2024 or 2025.

USPS DFA Progress Report to Congress – Dec 2023

- “Our Recovery Plan Depends on Package Business; Delivering Mail Under the Current Legislative and Regulatory Regime Will Never Enable Us to Cover Our Costs.”
- Redesigning the delivery network from 430 randomly deployed “middle mile” facilities to 210 purposeful sort and delivery centers.
- By the end of 2024, the USPS expects to:
 - Complete 20 modernized processing facilities
 - Close over 40 costly annexes
 - Opening of 100 commercially impactful Sort and Delivery Centers (S&DCs); 18 planned for February
 - Deploy 30,000 new carrier vehicles
 - Reduce labor costs by \$2 billion
 - Grow package business by over \$1.5 billion

What are the new Facilities?

Regional Processing and Distribution Center (RPDC)	Local Processing Center (LPC)	Sorting and Delivery Center (S&DC)	Delivery Unit (DU)
			
<ul style="list-style-type: none">• All outgoing operations• Destinating Parcels to the 5 digit• Cross dock destinating 3-digit letters and flats	<ul style="list-style-type: none">• Letters and Flats to DPS or carrier route• Cross dock 5-digit parcels	<ul style="list-style-type: none">• Destinating Entry• Carrier Routed Parcels• Cross dock to and from DU	<ul style="list-style-type: none">• Maintain Current Operations, including destination entry

Regional Processing and Distribution Centers (RPDC)

- Sort outgoing volume for all letters, flats, and packages to the 3-digit.
- Sort destinating parcels to the 5-digit and cross-dock destinating 3-digit (or finer mailer-prepared containers, e.g., 5-digit) sorted letters and flats to an LPC
- Sort all originating mail and packages to be sent to other regions

Local Processing Centers (LPC)

- Sort destinating letters into carrier walk sequence
- Perform destinating flats processing
- Include enough space to add a Sorting and Delivery Center
- Transport mail volume downstream to other Sorting and Delivery Centers
- Transport mail volume downstream to other Delivery Units

Sorting and Delivery Centers (S&DC)

- Function as a Destination Delivery Unit
- Up to 18 ZIP codes or 400,000 people in the same facility
- Act as a hub or sortation facility for DDU facilities

New Facilities

RPDCs

- Richmond VA RPDC
- Charlotte NC RPDC
- Portland OR RPDC
- Atlanta GA RPDC

LPCs

1. Richmond VA LPC*
2. Portland OR LPC*
3. Norfolk VA LPC
4. Eugene OR LPC
5. Atlanta GA LPC
6. Augusta GA LPC
7. Macon GA LPC
8. Duluth GA LPC
9. Pocatello ID LPC
10. South Houston LPC
11. Many other facilities are identified as substantially or fully operating but are not yet marked in the monthly data as LPCs or as receiving drop shipments of mail.

S&DCs

- ~68 facilities launched individually or in one of two major waves
- Another 28 expected prior to the end of September

Fifteen S&DCs Coming Online by September 7, 2024

1. Oakland Park OH SDC
2. Washington TWP OH SDC
3. High Point NC SDC
4. La Crosse WI SDC
5. Lake Charles LA SDC
6. Sarasota FL SDC
7. Vineland NJ SDC
8. Wilkes Barre PA SDC
9. Acworth GA SDC
10. Carbondale IL SDC
11. Olympia WA SDC
12. Severna Park MD SDC
13. Shawnee Mission KS SDC
14. Wallingford CT SDC
15. York East PA SDC

USPS FQ3, 2024 Results – Not Getting Better...

Q3 (3 Months) (Billions)	FY 2024	FY 2023
Total Revenue ¹	\$ 19.0	\$ 18.8
Controllable Expenses ^{1, 2}	<u>20.1</u>	<u>19.7</u>
Controllable Income (Loss) ^{1, 2}	(1.1)	(0.9)
Workers' Comp. Fair Value Adj. and Other Non-Cash Adj.	-	0.5
FERS Unfunded Liability Amortization ³	(0.6)	(0.5)
CSRS Unfunded Liability Amortization ³	<u>(0.8)</u>	<u>(0.8)</u>
Net Income (Loss) ¹	<u>\$ (2.5)</u>	<u>\$ (1.7)</u>

1 - Quarter 3, FY2024, has the same number of delivery days and retail days as Quarter 3, FY2023.

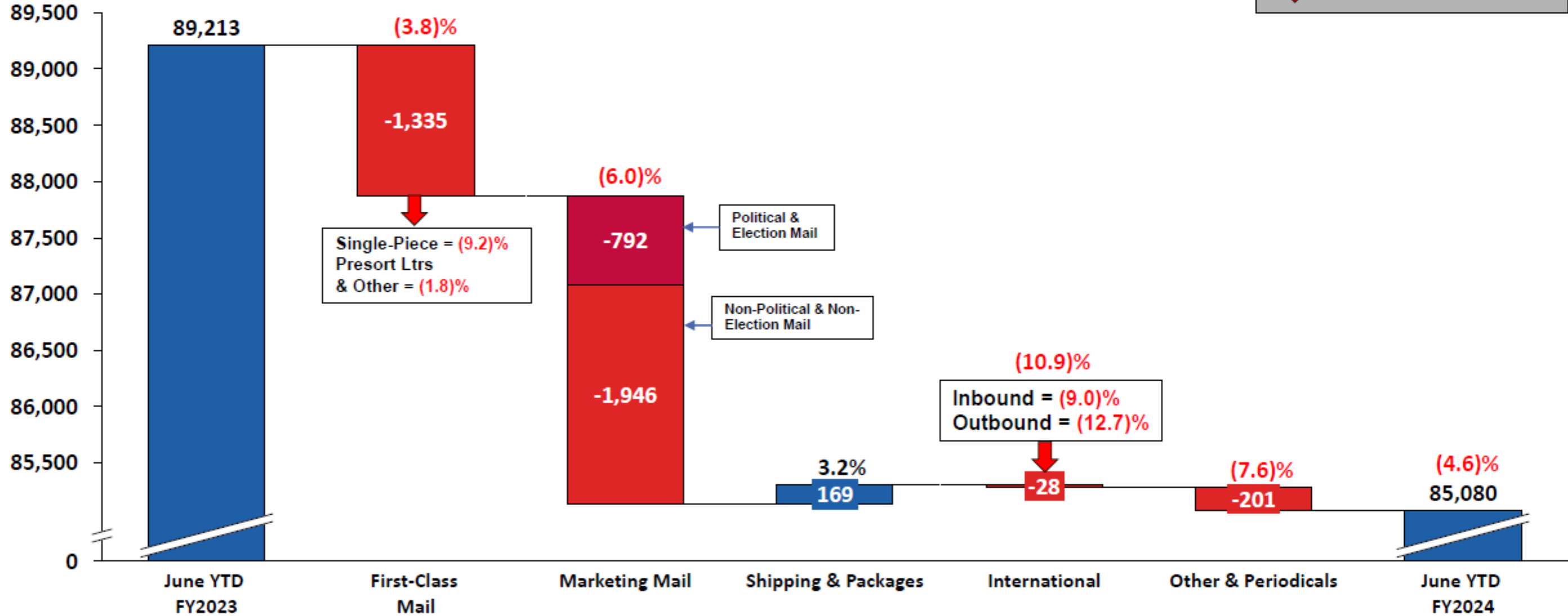
2 - Before Federal Employee Retirement System (FERS) and Civil Service Retirement System (CSRS) unfunded liability amortization payments and non-cash adjustments to workers' compensation liabilities.

3 - This represents the OPM amortization expense related to the FERS and CSRS unfunded liabilities.

And Mail Volume Continues to Decline...

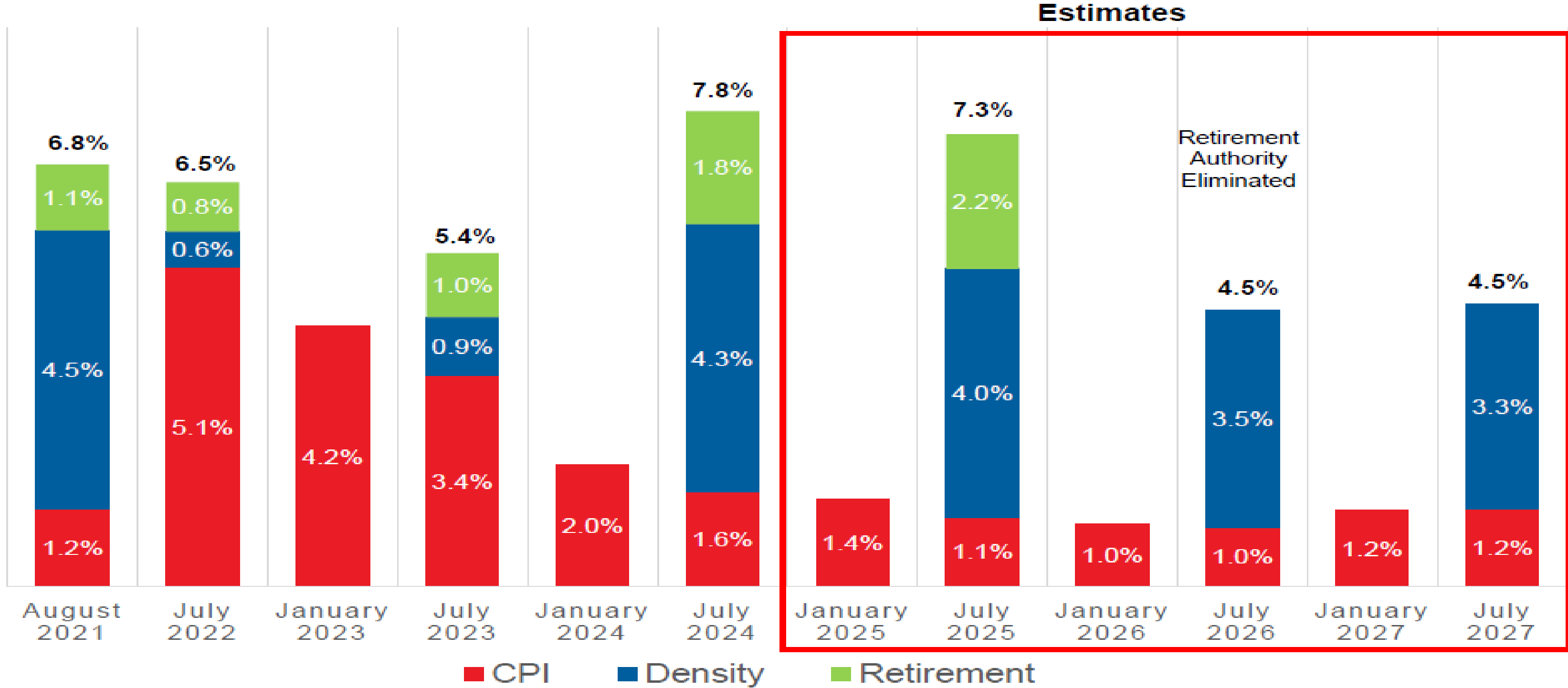
FY2024 vs. FY2023
FY2024 June YTD Volume
(Pieces – Millions)

↓ 4.1B Pieces



June YTD FY2024 has the same number of delivery days and 0.25 less retail days than June YTD FY2023.

And Postage Prices Will Continue to Go Up...



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If you do nothing, you will be left behind. So...

Do Something!

5 Actions to Proactively Address Strategic Postal Changes



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