# Stamps.com is breaking up with the U.S. Postal Service, and its stock is down nearly 50%

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**Exclusive revenue-sharing deal with USPS is no longer viable because company needs to work with other carriers, CEO says**

Stamps.com stock fell nearly 50% in after-hours trading Thursday.



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Stamps.com Inc.’s stock took a nose dive in late trading Thursday, falling nearly 50% after the company said an exclusive deal with the U.S. Postal Service will not be renewed.

Stamps.com [**STMP, -2.00%**](https://www.marketwatch.com/investing/stock/stmp?mod=MW_story_quote)  predicted large declines in its financial performance in 2019 with [**its fourth-quarter earnings report Thursday afternoon**](https://www.marketwatch.com/story/stampscom-stock-plummets-more-than-35-after-forecast-shows-unexpected-and-substantial-declines-2019-02-21), then [**explained why in a conference call**](https://www.marketwatch.com/story/stampscom-ending-exclusive-partnership-with-us-postal-service-stock-down-nearly-50-2019-02-21). Citing the need to work with other parcel and mail carriers such as United Parcel Service Inc. [**UPS, +0.62%**](https://www.marketwatch.com/investing/stock/ups?mod=MW_story_quote)  , FedEx Corp.[**FDX, +0.20%**](https://www.marketwatch.com/investing/stock/fdx?mod=MW_story_quote)  and Amazon.com Inc. [**AMZN, -0.16%**](https://www.marketwatch.com/investing/stock/amzn?mod=MW_story_quote)  , executives said that its customers were asking for and require shipping options beyond what the post office was capable of offering, so the exclusive nature of their agreement no longer worked.

“Our customers can no longer survive on just the USPS, and we don’t see that as a viable option for the next five years,” Chief Executive Kenneth McBride said in the conference call. “So basically that was our premise, is like, no matter what, this company can no longer be exclusive given the trends in the shipping market.”

The company said in its announcement that it expects earnings to be chopped nearly in half and sales to decline from 2018, in large part due to the end of the revenue-sharing agreement with the post office. Stamps.com executives said in the earnings call that negotiations between it and the USPS broke down over the issue of Stamps.com exclusively selling post-office shipping products. Because Stamps.com insisted on having the ability to sell competitor’s products, the post office said it would kill the deal.

“It’s a done issue for us unless exclusivity is taken off the table, because we have to embrace other carriers now, we can’t afford to continue to just be exclusive to the USPS,” McBride said in the earnings call. “It’s just not in the best interest of our customers, and if our customers can’t receive the best solution, don’t get the best offer in the market, then they will leave us and in the end, we will lose no matter what.”

McBride said in the conference call that the company hadn’t entirely severed its relationship with the USPS, and will still sell stamps along with other services. Stamps.com planned to continue to work with the post office “in the segments of the market where they offer a solution that’s in the best interest of the customer,” he said. As part of the plan, the company wants to work with carriers such as Amazon and others to build up a “portfolio” of 40 U.S. carriers, and 450 carriers worldwide.

McBride said that Stamps.com is correlated closely with e-commerce trends and once it has set up deals with additional carriers, the company’s growth and revenue will reflect the e-commerce sector as a whole.

“So, if you’re looking in longer term, once we have additional revenue deals in place, whatever those economics may be, ultimately what that growth and revenue is going to be predicated on and correlated with is going to be e-commerce trends, and those look to be systemically quite strong,” McBride said in the conference call.

The online mail-supplies company said that adjusted earnings for 2019 are expected to be $5.15 to $6.15 a share on revenue of $540 million to $570 million, a big decline from adjusted earnings of $11.78 a share on revenue of $586.9 million in 2018. Analysts on average expected 2019 adjusted earnings of $10.79 a share on revenue of $689.1 million before Thursday’s report, according to FactSet.

Stamps.com reported fourth-quarter profit of $42.7 million, or $2.30 a share, on revenue of $170.2 million, up from $132.5 million a year ago. After adjustments for stock-based compensation and other effects, the company claimed earnings of $3.73 a share, easily beating the average analyst estimate, which called for adjusted earnings of $2.90 a share on sales of $160 million, according to FactSet.

Ahead of Thursday’s after-hours drop, Stamps.com stock had gained 7.1% in the past year, as the S&P 500 index [**SPX, -0.35%**](https://www.marketwatch.com/investing/index/spx?mod=MW_story_quote)  rose 2.7%. Its shares have never declined more than 25.4% in a single session.

Thank You

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