

NEW RISK ALERT: (STMP)

Stamps Loses Permission to Sell Custom Postage Product

New 10-K warns discontinued product accounted for approximately 3% of the shipping solution firm's revenue.

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This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.

Permission to Sell Custom Postage Revoked

Stamps, a provider of online mailing and shipping solutions in the United States and Europe, is no longer permitted to sell custom postage solutions on behalf of the USPS. Customized postage is a patented form of USPS postage that allows consumers to turn digital photos, designs or images into valid USPS-approved postage. With this product, individuals or businesses can create customized USPS-approved postage using pictures of their children, pets, vacations, celebrations, or business logos. Customized postage can be used as regular postage to send letters, postcards or packages.

Though previously disclosed in a 10-Q, Stamps' 2020 [10-K](#) provides detail regarding the USPS's decision to eliminate its custom postage program and revoke Stamps' permission to sell it via its PhotoStamps offering:

"This decision by the USPS followed the filing of a lawsuit against the USPS by a third party alleging 1st Amendment religious expression harm as a result of the USPS published regulations regarding customized postage. The USPS thereafter decided to end the customized postage program. Actions by the USPS like this, or other similar actions which may be harmful to our business interests and services, are beyond our ability to control."

The latest annual report, which disclosed the company has not generated any revenue from PhotStamps since Q2 2020, also reveals the financial impact to Stamps:

"Such revenues accounted for 2.6% of our total revenues in 2019 and 3.3% in the first six months of 2020."

The loss of revenue comes as FedEx and UPS are raising prices and prioritizing profitability over volume. Stamps' ability to provide shipping discounts that customers would not qualify for on their own is an item investors will watch carefully in 2021 as ecommerce platforms fulfill more orders and compete directly with Stamps.