

NZ Post half year results 2017/18 - Ongoing and accelerating letter decline challenges

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NZ Post today reported a net profit after tax from continuing operations of \$6 million for the six months to 31 December 2017 (HY 2018).

- Nearly 38 million fewer letters were delivered compared to the same period last year
- Letter volumes declined by 13.8% resulting in revenue decline of \$20 million

NZ Post today reported a net profit after tax from continuing operations of \$6 million for the six months to 31 December 2017 (HY 2018).

The result for NZ Post's core business (excluding Kiwi Group Holdings) was a net loss of \$13 million. This can be largely attributed to a marked acceleration in letter volume decline.

New Zealand Post Chief Executive David Walsh said responding to this decline, whilst maintaining service obligations, has resulted in a very financially challenging six months.

"Our largest sending customers are increasingly moving to online communication for their own customers, as this is now what many of us expect in a digitised world.

"This is a significant challenge for NZ Post, and cannot be underestimated in terms of loss of revenue as we seek financial sustainability for this valued service.

"We did however see an increase in parcel volumes, up 9.9% on the same period the year before, with over 39 million delivered. During the Christmas period, on our busiest day we processed over 330,000 parcels, an increase of 15% from the previous seasonal record.

"The growth in parcels is evidence that our e-commerce strategy is the right one."

Areas of focus for the second half of FY 2018 are the ongoing need to make the letters business financially sustainable, maximising the opportunities from continued growth in parcels, and furthering plans for e-commerce partnerships, Mr Walsh said.

Looking ahead, Mr Walsh said meeting the year-end financial targets would be challenging.

"The business is having to adapt to rapidly changing customer preferences and the ongoing complexity of operational transformation.

"We remain committed to ensuring we're providing the best possible service for our customers".

Other points of note include:

- Revenue from operations of \$452 million, down 3% from the prior comparable period - attributable to the decline of letter volumes, not fully offset by growth in the parcel services
- Expenditure of \$468 million, up from \$446 million in HY 2017 - mostly attributable to supporting growth in parcels

- Net loss after tax from NZ Post's core business (excluding Kiwi Group Holdings) of \$13 million, a decline of \$23 million on the prior comparable period
- Delivered 39 million parcels with volume growth of 9.9%, resulting in 6% increase in parcel revenue from the prior comparable period
- A total of 235 million domestic and international letters were delivered over the HY 2018
- NZI Sustainable Business Network Awards 2017 - Supreme Award Winner
- An interim dividend to the Crown of \$2.5 million

Investment in Kiwibank

Kiwi Group contributed \$19 million to NZ Post's net profit after tax for the six-month period ended 31 December 2017, compared to \$54 million in HY 2017. The year-on-year decline reflects the sale of 47% of Kiwi Group on 31 October 2016. In addition to its share of Kiwi Group earnings in the period prior to 31 October 2016, NZ Post recorded a gain of \$25 million on the partial sale of Kiwi Group.

Summary of the NZ Post's financial performance (including its investment in Kiwi Group)

| \$ millions | 6 months ended 31 December 2017 unaudited \$m |
|--|---|
| Revenue from operations | 452 |
| Expenditure | 468 |
| Net profit after tax from continuing operations* | 6 |
| Share capital | 192 |
| Total equity | 1,290 |

* Continuing operations represent NZ Post's core business plus its 53% share of Kiwi Group earnings from 1 November 2016 to 31 December 2016 and from 1 July to 31 December 2017. Revenue from operations and expenditure in both the current and prior year no longer include revenue and expenditure from Kiwi Group's operations.

Source: [New Zealand Post](#)