International Post Corporation

NZ Post annual results

11-09-2017

Kiwi Group contributed $71 million to NZ Post's net profit after tax for the year ended 30 June 2017, compared to $131 million in FY 2016. The year-on-year decline reflects the sale of 47% of Kiwi Group on 31 October 2016, as well as the impact of an impairment of Kiwibank's IT project known as CoreMod in the current financial year. The impairment of CoreMod adversely impacted NZ Post's share of Kiwi Group earnings by $8 million. In addition to its share of Kiwi Group earnings, NZ Post also recorded a gain of $24 million on the partial sale of Kiwi Group.

NZ Post today reported a net profit after tax from continuing operations of $27 million for the 12 months to 30 June 2017.

This represents a year-on-year improvement of $17 million on the FY 2016 result.

Key points in FY 2017 include:

- Revenue from operations of $890 million, down 5% on FY 2016
- Expenditure of $887 million, down 9% on FY 2016
- Underlying net profit after tax from NZ Post's core business (excluding Kiwi Group Holdings) of $4 million, an improvement of $12 million on FY 2016
- A dividend to the Crown of $105 million, including special dividend of $100 million from partial sale of Kiwi Group Holdings ('Kiwi Group')

"The result is a significant turnaround from 12 months ago. It is pleasing to return the postal service part of the business back to full-year profit," Chief Executive David Walsh said.

"The positive effects of lower costs across the organisation and revenue growth in parcels has more than offset the impact of letter mail decline."

The main feature of the year was 70 million parcels processed and delivered, up 8.5% on the year before, Mr Walsh said.

"This included a very strong Christmas period for parcel volumes, with numbers up by about 1.5 million during November and December, compared to the previous year. And uniquely this year, the usual slowdown post-Christmas didn't happen as more and more people shopped online."

Mr Walsh said NZ Post is anticipating another record year for parcel volumes, and has been "peak period planning" for the pre-Christmas period since February.

Two areas of focus for FY 2018 are to convert parcel volume growth into higher revenue, and taking further steps to put the letters part of the business on a more sustainable footing, Mr Walsh said.

Other points of note in FY 2017 include:

- $24 million invested in the network transformation programme.
- 18% growth in international parcel volumes (inbound and outbound).
- 220,000 individual users of refreshed parcel delivery options – Authority to Leave at home; Parcel Collect at more than 190 alternative locations; and Parcel Redirect.
- Christchurch, Waikato and Taranaki

operations centres opened and operational.
- 250 electric delivery Paxster vehicles in operation.
- Automated mixed mail sorting machines in Auckland processing up to 70,000 items per night.
- 245,000 You Shop customers signed up.
- Letter volume decline of 11%.

Investment in Kiwibank

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* Continuing operations represent NZ Post's core business plus its 53% share of Kiwi Group earnings from 1 November 2016 to 30 June 2017. Revenue from operations and expenditure in both the current and prior years no longer include revenue and expenditure from Kiwi Group's operations.

Source: New Zealand Post