

24 August 2018

NZ Post annual results – impacted by continual letter decline

NZ Post today reported a net profit after tax of \$13 million for the 12 months to 30 June 2018 (FY 2018). This represents a year-on-year decline of \$14 million on the FY 2017 result for continuing operations.

The core business (excluding Kiwi Group Holdings) reported a net loss of \$39 million, resulting from ongoing and significant letter volume decline.

Key points in FY 2018, compared to the same period last year (FY 2017) include:

- Over 63 million fewer letters delivered - representing 12% volume decline and 11% revenue decline
- Over 7 million more parcels delivered - representing 10% volume increase and 7% revenue increase
- Revenue from operations of \$877 million, down 2% - attributable to the decline of letter volumes, not fully offset by growth in parcels
- Expenditure of \$930 million, up 5% - mostly attributable to supporting growth in parcels

NZ Post Chief Executive David Walsh said the expected decline in letter revenue has proved very challenging for this year's results.

"NZ Post typically now delivers 1.2 million fewer letters every week which led to a significant financial impact, as we continued to operate a nationwide network for New Zealanders.

"Our business continues to make commercial decisions in response to the changes in the postal services market, and in doing so we are very conscious of those who rely on our letter services. As a State-Owned Enterprise we take our social responsibilities very seriously, balanced with the need to operate a sustainable business that provides value to all New Zealanders.

"If the current rate of letter decline continues, in four years time we can expect to be delivering half of the volumes that we do today. We are responding to the reduction in demand in a number of ways so this service can be maintained for communities and businesses alike."

Meanwhile, promising growth in parcels volume continues, especially in the business to consumer market, said Mr Walsh.

"Ecommerce is providing NZ Post significant opportunities and record volumes, as this year we delivered 77 million parcels for customers."

The areas for focus for FY 2019 will be to continue to take advantage of opportunities

for parcel growth and improving our customer experience. Clearly a priority will also be to look at ways to maintain our obligations for the letters service, Mr Walsh said.

Other points of note in FY 2018 include:

- Busiest ever Christmas period, on our biggest day we processed over 330,000 parcels, an increase of 15% from the previous seasonal record
- Best parcel delivery services in New Zealand based on independent testing
- 14% growth in international parcel volumes (inbound and outbound)
- 434,000 individual users of parcel delivery options – Authority to Leave at home; Parcel Collect at more than 300 alternative locations; and Parcel Redirect
- Pilot partner in product trial on Blockchain traceability system
- 33,600 additional YouShop registrations
- A total of 454 million domestic and international letters delivered over the FY 2018
- Over 2 million delivery points across New Zealand, over 250,000 in the rural network
- Winner of Supreme Award for greatest contribution to a sustainable New Zealand at the NZI Sustainable Business Network Awards
- Winner of Sustainability Project of the Year and Supreme Award at the Procurement Excellence Awards

Investment in Kiwibank

Kiwi Group contributed \$52 million to NZ Post's net profit after tax for the year ended 30 June 2018, compared to \$71 million in FY 2017. The year-on-year decline reflects the sale of 47% of Kiwi Group on 31 October 2016.

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

\$ millions	12 months ended 30 June 2018 \$m	12 months ended 30 June 2017 \$m
Revenue from operations	877	890
Expenditure	930	887
Net profit after tax from continuing operations*	13	27
Net profit after tax	13	93
Share capital	192	192
Total equity**	1,289	1,278

* Continuing operations represent NZ Post's core business plus its 53% share of Kiwi Group earnings from 1 November 2016 to 30 June 2018.

** Total equity at 30 June 2017 has been restated from \$1,285 million previously reported due to a prior period adjustment, there was no impact on the reported net profit after tax.

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