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## **NZ Post annual results – a return to profit with strong growth**

NZ Post has announced a net profit after tax of \$6 million following a financial year of “two halves”, with a strong operational performance in the first part of the 2019/2020 financial year, before the COVID-19 response and resulting lockdowns materially affected revenue streams.

“The return to profit in a year of enormous challenges reflects very positively on NZ Post’s amazing 6,500 people who were proudly ‘essential workers’,” says NZ Post Board Chairman Rodger Finlay.

“To them, I extend the Board’s thanks.”

“As New Zealand’s largest online shopping and mail delivery partner, we were initially hit hard by the Alert Level 4 Lockdown across all our service lines, and we are now well positioned to move forward with confidence,” says NZ Post Chief Executive David Walsh.

“Once restrictions eased as the country moved to Alert Level 3, domestic parcel volumes increased dramatically. However, this came with extra cost, as we had to bring on more people and vans, physical distancing and extra processing sites.”

The 2019/2020 financial results include:

- Strong operating cashflow of \$65 million, up from \$12 million in 2018/19
- A net profit after tax of \$6 million compared to a loss of \$121 million in 2018/19
- \$17 million in operating profit, compared to an operating loss of \$55 million in 2018/19
- Over 80 million parcels delivered (an increase of 1 million overall, Domestic parcels up 5 million, International down 4 million, due to COVID-19 response)
- 72 million fewer letters sent this financial year compared to 2018/19
- Share of Kiwi Group Holdings net profit fell to \$18 million from \$39 million in 2018/19

“COVID-19 showed the absolute best of our people; every day our front line was out in communities delivering essential items to New Zealand. It is our people who got us through the massive challenges of unprecedented online demand after Level 4 was lifted. Not only did they help keep New Zealanders connected, but their hard work has also helped support and grow New Zealand businesses, some of which had to quickly start selling online for the first time.”

During the first COVID-19 response, in the Level 4 Lockdown the number of letters sent dropped by up to 50%, international services declined due to global disruptions to supply chains, and NZ Post retail outlets were closed. Due to the disruptions to revenue streams, NZ Post applied for and received a COVID-19 wage subsidy of \$29.7 million. “We’re really proud that we were able to get through these lockdowns with our workforce intact.

“The COVID-19 response has also helped to bring into clear focus where we need to concentrate our efforts in the future. There was a huge surge in the volume of domestic parcels sent when restrictions on what New Zealanders could buy online lifted at the beginning of Alert Level 3. During the first two weeks of Alert Level 3, we received 3.5 million parcels to deliver – which is approximately 200 parcels per minute, a level of volumes we had been planning to receive in 2023.

“This volume tested our network like never before, and is another example of why we need to invest for the future. Since then we have launched a ten-year, \$170 million infrastructure investment plan to make sure we meet our customers’ expectations and help them grow for the future, as online shopping increases.”

The investment programme begins with construction of a new ‘super depot’ for parcels, in Grenada, Wellington, an upgrade to the Southern Operations Centre in Christchurch in 2022 and will also include a new processing centre in Wiri, Auckland, due to open in 2023.

This year the Government also confirmed its support for NZ Post in Budget 2020 , including:

- Mail contract for services: \$130 million over three years (commencing 1 July 2020) to support the continued delivery of mail services, and allow time to develop the future of mail; *and*
- An equity injection from the Company’s Shareholder of up to \$150 million to recapitalise and strengthen reserves, which gave NZ Post the confidence to invest in infrastructure to meet the demand of online shopping.

“We’re extremely proud of the essential job we have done connecting people in these uncertain times. While we have some work to do on the future of mail, our role in the upcoming General Election delivering EasyVote packs and supporting vulnerable people with a postal voting option continues to show the importance of our mail service,” says David Walsh.

“We’ve spent time considering what went well during our COVID-19 response and of course, where we could have done better. We’ve learnt good lessons about how to do things differently for our customers and people, which we are applying, and will be built on as we turn towards what is traditionally the busiest time of the year for us, Christmas.”

Other highlights include:

- Total recordable injuries dropped by 13%
- We reduced our total carbon emissions by 4,626 tCO<sub>2</sub>e (4% reduction on last year). This is equivalent to having 2,126 cars off the road.
- A record-breaking 2019 Christmas, and an award-winning Christmas advertising campaign - Ho Ho Hush Hush
- We launched a scheme to encourage our contracted delivery partners to get into electric vehicles
- Our people provided 632 hours of volunteering support - which is over 15 working weeks of support
- Last year our Customer Care team responded to 3.2 million customer questions and concerns

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