

Lower interim results additionally impacted by coronavirus crisis

27-08-2020

In the first half of 2020, Swiss Post generated Group profit of 30 million francs, 163 million francs less than the prior-year period. The financial impact of the coronavirus pandemic on Swiss Post has been considerable, with a negative coronavirus effect of around 120 million francs on the interim results. The crisis has accelerated major trends, such as the decline in letter volumes and over-the-counter transactions as well as the increase in parcel volumes. However, the crisis has also highlighted how important Swiss Post is in providing services for Switzerland and its people. Accordingly, it is essential that Swiss Post invests in its future and evolves further to continue providing its services for Switzerland in both urban and rural areas from its own resources.

Swiss Post's results for the first half of 2020 are significantly lower than the same period last year. Swiss Post generated Group profit of 30 million francs in the first six months, 163 million francs down on the previous year's figure. Operating profit (EBIT) stood at 61 million francs in the first half of the year, 208 million lower than the same period in 2019. The decline in the interim results is primarily due to the fall in volumes in letter business and over-the-counter transactions, lower net interest income at PostFinance and effects caused by the coronavirus pandemic. For example, PostBus is still a long way from achieving normal passenger numbers. On the other hand, the pandemic has had a positive impact on online business, resulting in a significant rise in volumes year-on-year. However, the increase in parcels could not financially offset the negative effects on the

Group result.

Coronavirus accelerates major developments in the core business

The coronavirus pandemic has shown how important Swiss Post is for the universal service in Switzerland – particularly in logistics. Alex Glanzmann, Head of Finance at Swiss Post, underlines this point: "I've been impressed by the huge commitment shown by our employees. They and, in turn, Swiss Post have successfully provided key services for the whole of Switzerland under challenging conditions due to the social distancing regulations in force."

The coronavirus pandemic has accelerated key trends in Swiss Post's core markets. This is clearly illustrated by volumes in the parcel market, which rose by around 22 percent in

the first six months year-on-year. From January to the end of June, Swiss Post processed just under 87 million parcels, whereas the figure stood at 71 million for the same period last year. 17 million parcels were processed in April 2020 alone – the highest figure for a single month in Swiss Post's 170-year history. PostLogistics posted operating profit of 108 million francs for the first half of the year, which is 40 million francs higher than the previous year's figure. This increase was mainly attributable to the rise in parcel volumes, but also the insurance benefits received and the release of provisions in relation to the attack on a van transporting cash in 2019. However, this upturn on the logistics market did not offset the negative effects on the other markets.

The coronavirus outbreak has also accelerated the trend of digitization – resulting in declines in the letter business (–7.8 percent in addressed letters). In particular, there was a sharp fall in promotional mailing volumes. This led to a decline in revenue of 72 million francs in addressed letters and unaddressed items. PostMail recorded operating profit of 110 million francs for the first half of 2020, down 84 million francs year-on-year.

Similarly, PostalNetwork experienced declines in its core business in letters (–11 percent) and payment transactions at branches (–15 percent). However, its operating result improved by one million

francs because a provision of 20 million francs was set aside due to an organizational development in the previous year. PostalNetwork generated an operating result of –72 million francs in the first half of 2020.

The global impact of the coronavirus crisis also hit customers of Swiss Post Solutions. This meant the unit generated operating profit of 8 million francs, which was 9 million francs lower than the previous year's figure. SPS acquired new customers despite the crisis.

In addition, PostBus was severely hit by negative coronavirus effects. It reduced its transport services significantly after the Federal Council's recommendation to the Swiss people in March that public transport should be avoided as far as possible. This led to a slump in demand and revenue, which saw transport income fall by 17.8 percent year-on-year. Demand has now risen again sharply even though the Postbuses' utilized capacity has still not returned to pre-coronavirus levels.

PostFinance's operating profit decreased by 86 million francs year-on-year, falling to 60 million francs. The main reason for the decline is interest income, which fell by 31 million francs due to ongoing low interest rates. Given this situation, Swiss Post particularly welcomes the Federal Council's intention to lift the ban on loans and mortgages to secure PostFinance's business

and competitiveness long-term. Revenue from cash transactions over-the-counter and at ATMs also fell sharply due to the coronavirus crisis. In addition, trading portfolio assets saw no substantial conversion gains from cash withdrawals in foreign currencies and from the use of credit cards as a result of the restrictions on travel for customers.

Pandemic has shown that Swiss Post needs to continue to evolve
The financial effects of the coronavirus pandemic on Swiss Post's results are significant, with the interim results hit by a negative effect of around 120 million francs. "The effects of coronavirus will also have an impact in the second half of the year. Based on the current pandemic situation, we

currently expect the negative financial effects of the coronavirus crisis to be lower in the second half of the year than in the first six months," says Alex Glanzmann. "Irrespective of this, Swiss Post remains on a strong and financially stable footing," underlines Swiss Post's Head of Finance. "This means it can finance the investments required for the new 'Swiss Post of tomorrow' strategy with its own resources." The challenges presented by the pandemic have made clear that Swiss Post must evolve rapidly to avoid reaching its limits as it faces up to future developments. Such rapid evolution is additionally required to ensure the provision of services for the Swiss people and Swiss economy in future and to finance them from its own resources.

Source: [Swiss Post](#)