

Finances: positive first-quarter trend continues

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Swiss Post got off to a good start in the first half of 2021, and in its new strategy period, with Group profit of 247 million francs. It generated 217 million francs more profit in the first six months of the year than in the prior-year period. At 3,630 million francs, operating income was more than seven percent higher than in the first half of 2020. The improved result is mainly due to rising parcel volumes. A further factor is the direct comparison with the first-half results from 2020, which were severely affected by the coronavirus lockdown. A good financial basis and profits are important for Swiss Post because they allow the company to finance the investments required without taxpayers' money. This will enable it to continue to finance the nationwide universal service from its own resources in future. The encouraging result shows that Swiss Post has recovered following a challenging 2020 thanks to the huge flexibility and commitment shown by all staff.

The trend from the first quarter continued, with Swiss Post's interim results improving year-on-year. In the first six months of 2021, Swiss Post generated operating income of 3,630 million francs, an increase of 7.2 percent compared to the first half of 2020. Operating profit (EBIT) stood at 249 million francs, up 188 million francs year-on-year. With Group profit of 247 million francs, Swiss Post's profit is up 217 million francs over the previous year's figure. Looking back to 2019 – the year before the pandemic – the result is stabilizing.

This is an indication of the future viability of the direction that Swiss Post has taken with its new strategy. It wants to continue to provide the people and businesses of Switzerland with modern postal services and finance a high-quality public service from its own resources. "Swiss Post has started the new strategy period with a healthy balance sheet and a solid financial basis. The positive interim results are a good sign and show that we are heading in the right direction. However, it is also clear that the coronavirus pandemic had a major impact on the previous year's result. This means any direct

comparison with the previous year should be treated with caution," says Alex Glanzmann, Head of Finance at Swiss Post.

Parcel volumes rising, letter volumes declining

In the first half of 2021, the new Logistics Services¹ unit generated operating profit of 265 million francs, exceeding the previous year's figure by 58 million francs. This result is mainly due to increasing parcel volumes. Compared to last year, the number of parcels delivered rose again by 15.8 percent. This increase is due to the continuing boom in online retail and the change in customer behaviour resulting from the new lockdown at the beginning of 2021. People are ordering more online and having goods delivered to their homes by post. From January to the end of June, Swiss Post delivered 105 million parcels, whereas the figure stood at some 90 million for the same period last year.

More newspapers and advertisements in Switzerland and more international letters contributed to the unit's improved result. Compared to last year, the decline in addressed letters in Switzerland, at 0.9 percent, was lower than in previous years.

There were also provisions in the previous year with a negative impact on the result that did not apply this year, further improving operating profit.

Acquisitions to generate tangible added value for customers

Swiss Post realized at an early stage that online retail was growing strongly and invested heavily in parcel logistics, even before the deluge of parcels caused by the coronavirus crisis. In the logistics market, it merged its letter and parcel business at the beginning of the year to produce gains in efficiency and flexibility. And there will be more investment in the future: by 2030, Swiss Post plans to invest around 1.2 billion francs in the further expansion of its sorting and delivery infrastructure. Because the cross-border movement of goods is becoming more and more important, investing in international goods logistics and integrating the company into international logistics networks also play a key role here. To meet growing customer demand for international logistics services, Swiss Post acquired selected logistics companies in the first half of the year. In April 2021, for example, it acquired Iemoli Trasporti S.R.L., based in Como (Italy), and Iemoli SA, based in Balerna (Switzerland), as well as Ost-West Cargo Europe GmbH with locations in Stuttgart (Germany). Also in April, in collaboration with France's La Poste, Swiss Post acquired eShopWorld, one of the leading enterprise e-commerce solutions providers. "Swiss Post makes acquisitions of this kind when they foster the growth that Swiss Post requires and generate tangible added value for our customers. Swiss Post also opts for investments when it cannot develop a product or service on the market within a reasonable time frame using internal resources," explains Glanzmann, adding: "Thanks to our good financial basis and positive interim results, we can continue to make investments from

our own funds in order to keep growing and ensure that we are prepared for the future. That is an important part of the new strategy".

Almost all units contribute to the good overall result

PostalNetwork improved its result by 28 million francs in the first half of the year, generating an operating result of -41 million francs. Network development, consistent adaptation of resources to the declining volumes and efficiency improvements made it possible to offset losses in letters accepted over the counter (-12 percent) and payment transactions at branches (-11.4 percent).

During the first half of 2021, the still very young Communication Services¹ unit posted an operating result of -31 million in its first six months. This result is in line with expected growth. Acquisitions and upstream services in the digital services area will initially lead to higher expenses, but should produce higher returns from forward-looking business models in the long term.

Swiss Post Solutions achieved an operating profit of 19 million francs, up 11 million francs year-on-year, and more than double the previous year's figure. The good operating result is primarily due to a rise in new customer business abroad. Swiss Post subsidiary SPS has performed well in recent years, including during the crisis. For Swiss Post, it is important to ensure that this success continues, and the company therefore reviews strategic options for the future of Swiss Post Solutions on an ongoing basis.

Mobility Services – the unit comprising PostBus, PubliBike and Post Company Cars – improved its operating profit by 34 million francs to 9 million francs. The year-on-year improvement is mainly because PostBus is able to claim revenue losses resulting from

the coronavirus crisis from the Confederation and the cantons. In addition, demand for mobility solutions is increasing once more due to the gradual easing of coronavirus measures. The number of kilometres covered increased by 11.8 percent in the first six months compared to the previous year. Demand has again risen, even though the Postbuses' utilized capacity has still not returned to pre-coronavirus levels.

PostFinance increased its operating profit by 19 million francs to 79 million francs. The commission business and services rose by 21 million francs due to the expansion of the range of investment products and revenue from e-trading and life insurance. The performance of trading portfolio assets was

also encouraging. Interest income declined by 36 million francs due in some cases to negative interest rates on the financial and capital markets. The impact of the coronavirus pandemic is still being felt: less travel and fewer foreign currency transactions had a negative impact on the result. In terms of revenues from currency conversions, cash withdrawals in foreign currencies at ATMs at home and abroad and customer foreign exchange transactions carried out abroad suffered an appreciable decline while the number of cashless giro transactions abroad increased. The use of credit cards again increased slightly, but remains below expectations.

Source: [Swiss Post](#)