Canada Post segment reports $265-million loss before tax in third quarter

20-11-2020

Canada Post recorded a loss before tax of $265 million in the third quarter of 2020, as declines in Transaction Mail and Direct Marketing revenue and higher costs had a significant impact on earnings. Parcels revenue continued to grow in the quarter, but it was not enough to offset these contributing factors.

With Canadians shopping online more during COVID-19, the Parcels business continued to grow strongly in the third quarter. However, the postal service incurred significantly higher costs related to providing an essential service during COVID-19, including special leaves and additional collection, processing and delivery costs. Canada Post also continues to incur added costs stemming from the June 2020 arbitrator's ruling that resulted in new collective agreements with the Canadian Union of Postal Workers (CUPW).

For the first three quarters, which ended September 26, 2020, the Canada Post segment recorded a loss before tax of $709 million on revenue of $4.9 billion. That compares to a loss before tax of $162 million, on revenue of $4.8 billion, for the first three quarters of 2019. Canada Post estimates that COVID-19 had a net negative impact of $188 million on its before-tax results for the first three quarters of 2020. The segment would have still incurred a loss without the impact of COVID-19 and the new collective agreements with CUPW.

Parcels results

Canada Post's Parcels business continued to be strong as Canadians shopped online more often during COVID-19, even as physical stores reopened in the third quarter. Parcels revenue grew by $186 million, or 30 per cent1, in the third quarter and by $465 million, or 25.5 per cent, for the first three quarters of 2020, compared to the same periods in 2019. Volumes grew by 22 million pieces or 31.1 per cent in the third quarter, and by 52 million pieces or 24.5 per cent in the first three quarters, compared to the same periods in 2019.

Transaction Mail results

Transaction Mail is mostly letters, bills and statements. Ongoing revenue and volume declines accelerated as businesses and Canadians used digital alternatives even more

during COVID-19. In the third quarter, Transaction Mail volumes fell by 72 million pieces or 11.5 per cent and revenue decreased by $52 million or 8.8 per cent, compared to the same period in 2019. Over the first three quarters of 2020, Transaction Mail volumes fell by 204 million pieces or 9.2 per cent, and revenue fell by $172 million or 8.1 per cent, compared to the first three quarters of 2019.

Direct Marketing results

Customers continued to delay or cancel marketing campaigns due to COVID-19 during the quarter, adding to the impact of ongoing digital substitution. Direct Marketing revenue declined by $60 million or 24.1 per cent in the third quarter and by $212 million or 26.9 per cent for the first three quarters of 2020, compared to the prior year. Volumes fell by 269 million pieces or 25.3 per cent in the third quarter and by 1 billion pieces or 31.0 per cent in the first three quarters, compared to the same period last year.

Group of Companies results

The Canada Post Group of Companies2 reported a loss before tax of $216 million in the third quarter of 2020, which was a $129 million change from a loss before tax of $87 million for the same quarter in 2019. For the first three quarters of 2020, the Group of Companies recorded a loss before tax of $602 million, or $565 million worse than the same period in 2019. These results are due to losses in the Canada Post segment.

The Purolator segment recorded a profit before tax of $42 million in the third quarter of 2020, an increase of $1 million compared to the same period last year. For the first three quarters of 2020, Purolator recorded a profit before tax of $91 million, a decrease of $14 million compared to the same period last year.

Source: Canada Post

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