

Canada Post segment reports \$242-million loss before tax in second quarter

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Canada Post recorded a loss before tax of \$242 million for the second quarter of 2018, mainly in recognition of estimated costs associated with adjusting how delivery employees in suburban and rural Canada (RSMC) are paid. In the second quarter, Canada Post remained the country's leading parcel delivery company, and has grown its Parcels revenue year over year in 24 of the last 25 quarters

In 2016, the Corporation and the Canadian Union of Postal Workers jointly agreed to put before an arbitrator the system by which RSMC employees are paid. A ruling issued on May 31, 2018, gave the parties helpful guidance on several aspects and 90 days to reach an agreement. A mediation process is under way to reach a negotiated settlement. Once the process is completed, the Corporation will be in a position to disclose the financial impact of the settlement, which may differ significantly from the estimates recognized in this quarter.

The Canada Post segment's \$242-million loss before tax for the second quarter compares to a \$27-million profit before tax in the second quarter of 2017.¹ For the first two quarters of 2018, Canada Post is reporting a loss before tax of \$172 million, compared to a profit before tax of \$77 million for the same period in 2017.^{1,2}

Parcels results

Parcels revenue increased by \$106 million or 19.6 per cent in the second quarter compared to the same period in 2017¹ and volumes increased by 13 million pieces or 24.1 per cent.² Revenue in Domestic Parcels, the largest product category, also continued to grow rapidly, increasing by \$81 million or

20.5 per cent. In the first two quarters of 2018, Parcels revenue increased by \$216 million or 22.1 per cent, and volumes rose by 30 million pieces or 28.5 per cent, compared to the same period in 2017.¹ Revenue for Domestic Parcels in that period increased by \$157 million or 22 per cent and volumes by 12 million pieces or 15.9 per cent, compared to the first two quarters of 2017.¹

Transaction Mail results

Transaction Mail is mostly letters, bills and statements. These volumes fell by 34 million pieces or 5.9 per cent in the second quarter and revenue fell by \$33 million or 6 per cent, compared to the second quarter of 2017.¹ In the first two quarters of 2018, Transaction Mail volumes decreased by 84 million pieces or 5 per cent and revenue by \$79 million or 5.1 per cent, compared to the same period in 2017.¹ The ongoing decline in mail volumes, due to the use of digital alternatives, remains a significant challenge for the Corporation.

Direct Marketing results

In the second quarter of 2018, Direct Marketing volumes increased by 13 million pieces compared to the same period in 2017¹ but, when adjusted for trading days, volumes decreased by 0.6 per cent. Revenue decreased slightly by \$1 million or 2 per cent

in this period. These results largely reflect declines in Canada Post Personalized Mail™ and Publications Mail™. Revenue generated by Canada Post Neighbourhood Mail™, the largest product category, increased by \$4 million or 1.3 per cent, and volumes rose by 27 million pieces or 1.3 per cent, compared to the same period in 2017.¹

In the first two quarters of 2018, Direct Marketing revenue decreased by \$4 million or 0.8 per cent, while volumes dropped by 10 million pieces or 0.4 per cent, when compared to the same periods in 2017.¹ Personalized Mail and Publications Mail revenue and volumes declined, while Neighbourhood Mail revenue increased by \$4 million or 1.8 per cent and volumes by 20 million pieces or 1.1 per cent, compared to the same period in 2017.¹

Group of Companies results

The Canada Post Group of Companies³ reported a loss before tax of \$190 million in the second quarter, compared to a profit before tax of \$67 million in the same period in 2017.¹ For the first two quarters of 2018, the Group of Companies recorded a loss before tax of \$94 million, compared to a profit before tax of \$135 million in the first two quarters of 2017.¹ The Purolator segment recorded a net profit before tax of \$45 million in the second quarter of 2018, \$10 million or 29.8 per cent more than in the second quarter of 2017.¹ For the first two quarters of 2018, profit before tax for Purolator was \$66 million, almost 35 per cent more than the \$49 million earned for the same period in 2017.

Source: [Canada Post](#)