

## Despite lower result: Swiss Post on the right track in challenging environment

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In the year under review 2018, Swiss Post achieved good results in many units. However, at 405 million francs, Group profit was down 122 million francs year-on-year. In particular, the difficult operating framework at PostFinance and the settlement for repayments following the events at PostBus contributed to the lower result. At 501 million francs, operating profit (EBIT) was 217 million lower than in the previous year. This confirmed Swiss Post's expectations.

Despite the challenging environment, the different Swiss Post units achieved very good results, with the exception of PostFinance and PostBus. The parcel market is booming, and PostLogistics achieved an improved result year-on-year, rising to 145 million francs. Thanks to Swiss Post Solutions, Swiss Post is on track in international business, and at PostMail, earnings rose by 18 million francs year-on-year to 388 million francs. The result at PostalNetwork also improved: due to the restructuring of the postal network, the deficit was reduced by 65 million francs year-on-year to –94 million francs.

By contrast, the difficult operating framework at PostFinance is having a major impact on the Group result. Swiss Post therefore welcomes the Federal Council's policy decision signalling its desire to lift the ban on loans and mortgages. "This is important for the future of PostFinance and

Swiss Post, and for the financing of the universal service," says Alex Glanzmann, Head of Finance and Member of Executive Management at Swiss Post. However, the challenges facing Swiss Post are not limited to PostFinance. Declining letter volumes and pressure on prices – particularly in the logistics market – also call for new approaches and business models. "This requires bold, far-sighted and decisive action on the part of Swiss Post," adds Glanzmann. The core business remains an economic cornerstone of Swiss Post activity. Swiss Post must act now and continue to generate profits if it is to maintain a high-quality internally financed universal service in the future – this is in society's interest.

The Federal Council has decided that PostFinance must build up additional equity due to its systemic importance. This means that PostFinance will only be able to afford

to pay lower dividends to Swiss Post in future. This, in turn, means that the dividend amounts Swiss Post pays to the Confederation need to be discussed this year still. Only by doing so will Swiss Post, in particular, be able to maintain its investment capacity in the long term.

Contributions by the business units PostMail achieved an operating profit of 388 million francs. This means that PostMail exceeds the previous year's figure by 18 million francs, making the largest contribution to the overall result. However, as letter volumes and the number of subscription newspapers continue their steady fall, operating income declined by 114 million francs. The good operating result nevertheless achieved by PostMail is the result of improved and more efficient processes. PostMail has invested 23 million francs in its letter centers and in new sorting and delivery processes specifically for this purpose. Above all, however, its employees have done outstanding work. Thanks to their great commitment, PostMail has achieved an operating profit of over 300 million francs each year since 2014, making a substantial contribution to the Group result.

In 2018, Swiss Post Solutions generated operating profit of 31 million francs. Operating profit was up 6 million francs year-on-year, and has thus been rising continuously for five years. At 583 million francs, operating income was up 32 million

francs on the previous year. Growth was sustained by very good new business. The new business process outsourcing HR processes business unit (accounting / document processing) acquired from the DXC Technology Group also contributed to this growth.

Thanks to network development and the consistent adaptation of resources to meet volume trends, combined with efficiency increases, PostalNetwork improved its operating result by 65 million francs, reducing the deficit to –94 million francs. However, at 1,045 million francs, operating income was down by 57 million francs year-on-year. The decline in operating income can be attributed to another marked fall in over-the-counter transactions and letter volumes (–2 percent) and in payment transactions due to e-banking (–6 percent). Net revenue from resale merchandise in branches also declined by 36 million francs due to adjustments to the range.

PostLogistics posted operating profit of 145 million francs in 2018, which was 26 million francs higher than the previous year's level. This rise was mainly due to growth of 6.7 percent in parcel volumes, an impairment loss on assets in the previous year and lower rent and depreciation. Operating income totalled 1,678 million francs, exceeding the previous year's total by 59 million francs. This rise was due to the acquisition of companies and higher parcel volumes.

Operating expenses increased by 33 million francs year-on-year to 1,533 million francs.

Swiss Post's forecasts regarding the difficult operating framework at PostFinance were confirmed. PostFinance's operating result fell from 549 million francs in the previous year to 220 million francs. Operating income was down 372 million francs to 1,704 million francs. This is mainly due to non-recurring one-off capital gains of 109 million francs from the sale of shares in the previous year and the current market-related lower interest and dividend income, which decreased by 155 million francs. PostFinance has initiated various measures to counteract the decline in profit. It is focusing its strategy more heavily on digitization and tapping into new sources of non-interest income. At the same time, PostFinance is reducing its costs through efficiency measures. All this will not be enough to compensate for

declining income from interest operations. The lifting of the lending prohibition is therefore the key factor in ensuring PostFinance's long-term profitability and competitiveness.

PostBus has repaid the unlawfully received subsidies to the Confederation and the cantons. A large part of the repayment amount was recognized under retained earnings as at 1 January 2017. The operating result continued to be impacted by the repayments in 2018, which fell by 77 million francs to –58 million francs. Impairment losses on assets (20 million francs) and the settlement of a legal dispute in France (7 million francs) also weighed on the operating result in 2018. The 29 million franc increase in operating income was mainly due to the expansion of services and associated higher passenger revenue.

Source: [Swiss Post](#)