Canada Post segment reports $66-million loss before tax in first quarter

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Canada Post recorded a loss before tax of $66 million in the first quarter of 2020, as continued growth in Parcels revenue and volumes was not enough to offset increased costs. Ongoing declines in Transaction Mail and Direct Marketing also contributed to the loss.

The segment's loss before tax in the first quarter, which ended March 28, was $89 million worse than the same period a year earlier. Canada Post revenues totalled almost $1.7 billion in the first quarter, an increase of $7 million or 2.1 per cent1 compared to the first quarter of 2019.

The Corporation's operating costs totalled over $1.7 billion in the first quarter, an increase of $93 million or 7.3 per cent compared to the same period a year earlier. The increase in costs was mainly due to higher labour and employee benefits, as well as increased collection, processing and delivery costs from Parcels growth. Processing and delivering parcels is more expensive than letters, as parcels require more technology, processing space and time interacting with customers. At the same time, the mail business continued to decline in the first quarter while the number of addresses receiving daily mail and parcel service continued to grow.

By mid-March, the disruption from COVID-19 began to impact the Corporation's financial performance. With customer business models and consumer behaviours changing rapidly in response, Canada Post has worked to continue providing an essential service, while keeping employees safe. With parcel volumes rapidly increasing and Transaction Mail and Direct Marketing volumes quickly decreasing, COVID-19 is expected to have a larger impact on the business in the second quarter.

Parcels results

Parcels volumes increased by 4 million pieces or 6.1 per cent in the first quarter and revenue increased by $53 million or 10.4 per cent, compared to the same period last year. For Domestic Parcels, the largest product category, volumes increased by 2 million pieces or 6.3 per cent in the first quarter and revenue increased by $39 million or 10 per cent, compared to the same quarter in 2019. The growth rate for parcels in the first quarter of 2020 was larger than in the same period of 2019, but remained lower than the growth

rate in the first quarter of 2018. The Canadian e-commerce delivery market is highly competitive and some online retailers continued to diversify their shipping partners. The growth in Parcels revenue more than offset declines in Transaction Mail and Direct Marketing. The impact of COVID-19 on the Parcels business was minimal in the first quarter.

Transaction Mail results

Transaction Mail is mostly letters, bills and statements. In the first quarter of 2020, Transaction Mail volumes fell by 30 million pieces or 2.2 per cent and revenue decreased by $16 million or 0.6 per cent, compared to the same period in 2019. For Domestic LettermailTM, the largest product category, volumes decreased by 28 million pieces or 2.2 per cent in the first quarter and revenue decreased by $22 million or 1.6 per cent, compared to the same period last year. Revenue and volume declines were primarily driven by ongoing erosion due to the use of digital alternatives. This ongoing trend accelerated toward the end of the first quarter as many businesses began operating on an online-only basis due to COVID-19. However, the erosion was partly offset by a regulated rate increase for Lettermail items, international Letter-post items and special services and fees.

Direct Marketing results

Direct Marketing volumes decreased by 126 million pieces or 10.5 per cent in the first quarter and revenue decreased by $26 million or 8.6 per cent, compared to the same period last year. The continued erosion was partly due to the use of digital alternatives. Declines in Direct Marketing revenue and volumes were larger than in the first quarter of 2019 due to COVID-19, as marketing campaigns were delayed or cancelled near the end of the quarter.

Group of Companies results

The Canada Post Group of Companies reported a loss before tax of $53 million in the first quarter of 2020, which was $92 million worse than a profit before tax of $39 million for the same quarter in 2019. The loss for the first quarter was due to the loss in the Canada Post segment. The Purolator segment recorded a profit before tax of $10 million in the first quarter of 2020, a decrease of $2 million compared to the same period last year.

Source: Canada Post

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