â€œSwiss Post needs new sources of incomeâ€[

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Lower interest income from PostFinance and continually falling letter volumes had an impact on Swiss Post figures in the first half of 2019. With a profit of 193 million francs, the Groupâ€™s earnings were 25 million francs lower year-on-year. The operating profit (EBIT) was also lower. Swiss Post Head of Finance, Alex Glanzmann, sees a need for action.

Swiss Post earned a profit of 193 million francs up to mid-2019, 25 million francs lower than in the prior-year period. The operating profit (EBIT) of 269 million francs was also down, falling by 19 million francs in comparison to the first half of 2018. The lower interest income achieved by PostFinance and falling letter volumes are putting Swiss Post's result under further pressure. As a result of increasing parcel volumes, Swiss Post is also required to invest considerable sums of money in parcel processing by PostLogistics.

Continuing trends

In the wake of the digitization process, fewer and fewer people and companies are sending letters, with volumes falling by 5.5 percent in comparison to the previous year. The trend seen in the last few years is therefore continuing. In the first half of 2019, PostMail nevertheless recorded a stable operating profit by further optimizing its letter processing procedures. In contrast to letter volumes, parcel volumes at PostLogistics are positive: compared to the previous year, customers sent 6.4 percent more parcels using Swiss Post. Yet Swiss Post's current infrastructure is increasingly reaching its limits due to the high numbers of parcels. Additional costs are being incurred to cope with the growing parcel volumes to the accustomed quality standards. These costs are weighing on the result at PostLogistics. In the long term, Swiss Post is investing in a decentralized parcel processing network and building new parcel centers in Cadenazzo (TI), Vétroz (VS) and Untervaz (GR).

In the second quarter, PostalNetwork once again succeeded in more than offsetting the fall in letter volumes and over-the-counter transactions. It did this by relocating to new access points such as branches with partners, PickPost points and My Post 24 terminals and by implementing efficiency measures. Provisions for announced reorganizations – such as the nationwide team organization of branch employees – weighed considerably on PostalNetwork's operating result in the first half of 2019. This figure was 13 million francs down year-on-year.

PostFinance generated a stable operating profit despite substantially lower interest income. This was achieved thanks to extraordinary and one-off items. PostFinance achieved a one million franc increase in operating profit year-on-year. Its operating profit stood at 146 million francs for the first half of 2019. In addition to increased commission income and profit on services, improved net trading income based on the market situation and the sale of two interests and a subsidiary helped increase profits. These sales were one-off items, which will not occur again in the coming financial years. Operating income fell by 35 million francs to 846 million francs. This was mainly attributable to an 82 million franc decline in interest income due to the market situation. The current period of negative interest remains a considerable challenge for PostFinance. The fact that it is not permitted to grant credit and mortgages independently makes the problem even more difficult to resolve.

The reorganization is ensuring stability at PostBus. PostBus's operating profit improved by 12 million francs year-on-year because the prior-year period included repayments to purchaser cantons. Due to impairment on fixed assets, operating profit was negative as in the previous year.

Other sources of income required

Despite the diminished result, Swiss Post nonetheless still has a good financial basis. However, the sources of income from the most profitable Swiss Post units – PostMail and PostFinance – are threatening to evaporate. In light of these developments, Swiss Post has reassessed its financial situation until 2030 with a number of different scenarios. "The result shows that Swiss Post needs new sources of income to be able to continue funding the universal service from its own resources and without taxpayers' money," says Alex Glanzmann, Head of Finance at Swiss Post. "If there is no change, Swiss Post will no longer be able to finance the universal service itself in the medium term," he explains. Swiss Post wants to continue paying for the universal service itself in the future. To this end, it requires a balanced regulatory framework, with the obligations of Swiss Post as a public service company on the one hand and a certain entrepreneurial scope on the other to ensure that Swiss Post remains competitive and able to generate the necessary resources to finance the universal service in the first place.

Interim Report

As part of the restructuring of PostBus, Swiss Post announced this summer its intention to dispose of the CarPostal France Group. Swiss Post has found a buyer for CarPostal France – the French company Keolis S.A., a subsidiary of French Railways (SNCF). The French competition authority now needs to approve the sale of CarPostal France. Swiss Post will

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publish the full Interim Report here as soon as the review is complete.

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