

Swiss Post holds its ground despite lower profit - situation at PostBus impacts 2017 Group result

08-03-2018

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The market environment for the Swiss Post Group remains challenging: volumes of addressed letters are falling, pressure on prices in the logistics market is increasing and over-the-counter transactions continue to decline. Nevertheless, the result improved in both the letter and parcel markets. The deficit at PostalNetwork was reduced thanks to operational measures. At PostFinance, one-off effects such as the sale of two equity portfolios and reversals of impairment on financial assets helped bolster the result. One year ago, Swiss Post began an extensive

transformation process designed to tackle the rapid developments in digitization and the associated customer requirements. Swiss Post will continue to pursue this chosen path. PostBus repays excess subsidies in full

As previously communicated in early February, PostBus received excess compensatory payments between 2007 and 2015 due to irregular reclassifications. PostBus will reimburse the claimed amount – a sum of 78.3 million francs – to the Confederation and cantons. Accordingly, its operating result stands at -69 million francs. Operating income at PostBus declined to 836 million francs. In addition, a provision amounting to 30 million francs will be made for the years 2016 and 2017. The effective amount will be determined as part of the clarification of the new model in the coming weeks.

Good result at PostMail despite decline in letter volumes

Digital communication continues to pose challenges for PostMail's core business: at the end of 2017, the number of addressed letters had decreased by 4.2 percent compared with the previous year's figure, and the number of newspaper deliveries had also fallen (-2.9 percent). PostMail is combating

this trend with measures such as supplementary services over the “last mile” and succeeded in increasing its operating profit from 317 million to 370 million francs. This means that PostMail continues to make a very significant contribution to the Group result. Operating income fell to 2,835 million francs as a result of declining volumes (previous year: 2,906 million francs). However, the fall in revenue was offset by consistent cost management adapted to the relevant situation, the implementation of efficiency measures and one-off effects.

Growth in parcel business despite pressure on prices

Online retail is growing strongly, and so in turn are parcel volumes: PostLogistics delivered around 130 million parcels in 2017. This represents growth of 6.2 percent year-on-year. However, the boom in e-commerce has also resulted in new competitors forcing their way into the increasingly attractive market, significantly increasing the pressure on prices. Despite this difficult environment, PostLogistics recorded an operating profit of 119 million francs, up 2 million francs year-on-year. Operating income stood at 1,619 million francs (previous year: 1,572 million francs). As Swiss Post anticipates continued growth in online business and a resulting increase in parcel volumes, it is planning to invest around 150 million francs in the construction of three new regional parcel centers by 2020. Swiss Post expects to build additional regional parcel centers in other regions. However, the number of future locations is currently still undecided.

Restructuring of postal network continues

Swiss Post offers the densest network of postal services in Europe: in 2016, there were 3,800 access points, while the figure for last

year had already increased to 3,870. By 2020, Swiss Post will expand the postal network to more than 4,200 customer access points. Losses in over-the-counter transactions were offset by network development and the consistent adaptation of services to customer requirements. The PostalNetwork unit’s operating result improved by 34 million francs year-on-year to -159 million francs. Operating income declined by 94 million francs due to falls of more than 7 percent in letter volumes and 6.5 percent in over-the-counter payments, which resulted from growing use of digital services (including e-mail and e-banking). Thanks to investment, PostalNetwork will also continue to safeguard its part of the universal service. Swiss Post is investing in its self-operated branches and testing a new branch model. This new concept focuses on Swiss Post products, consultation on digital and physical postal services and integrated self-service solutions.

Swiss Post Solutions improves result

The digital transformation of business processes in the document solutions sector is a rapidly growing market. This has enabled Swiss Post Solutions to increase its operating profit steadily over the past five years and to continue expanding its strong international position. In the past year, the business unit generated operating profit of 25 million francs, up 5 million francs year-on-year. The positive trend in operating profit is the result of consistent implementation of efficiency improvements and optimization of the portfolio of solutions and investments. At 551 million francs, operating income was down 7 million francs on the previous year. This was essentially due to the sale of non-strategic activities and the negative exchange rate effect caused by the weak British pound. After adjustment for these effects, organic growth amounted to 5 percent.

PostFinance wants to become Switzerland's leading digital bank

In the financial year 2017, PostFinance recorded an operating profit of 549 million francs, representing an increase of 7 million francs year-on-year. This slightly improved result is due firstly to capital gains from the sale of two equity portfolios. Secondly, reversals of impairment on financial assets also had a positive impact on the result, following impairment losses incurred in the previous year. Operating income was down 67 million francs to 2,088 million francs. This was principally due to lower interest income, which declined by 117 million francs. PostFinance continues to face a difficult market environment in the interest business, due in particular to the lending prohibition. The ongoing low interest situation further eroded interest margins. This situation will continue to present PostFinance with major challenges over the next few years. To remain profitable in the long term, PostFinance is tapping into new sources of revenue, thereby reducing its dependence on the interest differential business. It is also placing even greater strategic focus on digitization and is transforming from a traditional financial

service provider into a digital powerhouse, with the aim of becoming Switzerland's leading digital bank by 2020.

Investment, universal service and appropriation of profit

Investment is of vital importance for Swiss Post. It is the only way for the company to maintain its competitive edge and remain fit for the future. In the past year, Swiss Post capitalized investments of around 400 million francs for the preservation of its capital assets, development of its core business and expansion of new business. PostFinance is investing in projects such as a new core banking system, which will come into operation on 1 April 2018. In 2017, Swiss Post financed the costs of the universal service – as well as all investments – from its own resources. As at 31 December 2017, consolidated Group equity stood at 6,613 million francs. At the General Meeting, the Board of Directors will propose paying a dividend of 200 million francs to the Confederation. This means that Swiss Post again created added value for Switzerland, customers, employees and its owner in 2017.

Source: [Swiss Post](#)