Successful first year for Swiss Post with new strategy

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Swiss Post has recovered faster than expected from the financial impact of the coronavirus pandemic. In 2021, it generated Group profit of 457 million francs, up 279 million francs year-on-year. To ensure that Swiss Post can hold its ground in free competition and in the digital world and continue guaranteeing the universal service without relying on taxpayersâ€™ money, it is making consistent and focused investments. This is because the pressure on the letter and financial business remains unabated. Swiss Post wants to develop its core business such that it can continue meeting the needs of people and businesses in Switzerland. In both the physical and digital worlds. Swiss Post met with success as it embarked on this path in 2021, the first year of the new strategy period.

In 2021, Swiss Post coped with the challenges of the pandemic successfully and dependably, whether it be the enormous parcel volumes in day-to-day operations, serving at the Swiss Post branches or working behind the wheel of a Postbus. Swiss Post's financial result for the year is also positive: at 515 million francs, operating profit (EBIT) is up 257 million francs year-on-year. Group profit for 2021 totals 457 million francs, up 279 million francs over 2020, the first year of the pandemic. Because of the extremely negative impact of the pandemic in 2020, there is more to be gained from a comparison with the year 2019 (in other words, before the pandemic): operating profit in 2021 is up 65 million over the figure for 2019. Swiss Post CEO Roberto Cirillo sums up the situation as follows: "I'm very pleased with the first year of the new strategy period. We have successfully consolidated our logistics for parcels and letters. We have developed and acquired important digital skills for SMEs, public authorities and the healthcare sector. We have kept our promise to stabilize the number of our self-operated branches at around 800. And we were named the world's best postal service for the fifth time. Our very good financial result offers further reassurance that we are on the right track."

Financial impact of the pandemic absorbed quickly

Swiss Post proved able to cushion the financial impact of the pandemic in 2021. This quick recovery was possible thanks to its flexibility and positive developments in various business units: at 18 million francs in 2021, the result generated by the Mobility Services unit (PostBus / Post Company Cars) is 81 million francs higher year-on-year. The main reason for the increase is that the

Confederation and cantons will compensate PostBus for its revenue losses in regional transport resulting from the coronavirus pandemic. In addition, rail replacement services also improved the PostBus result. In 2021, PostalNetwork also increased its operating result by 33 million francs compared to the previous year (EBIT 2021: −68 million francs). The decline in traditional over-the-counter transactions at Swiss Post branches continued last year. However, thanks to targeted modifications to the branch network and consistent efficiency improvements, the PostalNetwork unit more than offset these further losses in over-the-counter transactions in 2021. Head of Finance Alex Glanzmann explains: "Swiss Post has recovered faster than expected from the financial impact of the coronavirus pandemic. However, the pressure on Swiss Post's core business has not gone anywhere. We must continue to make targeted investments in the things that Switzerland's people and businesses need, both now and in the future."

Positive impact of banking packages and digital investment solutions at PostFinance

PostFinance achieved an operating profit of 272 million francs, up 110 million francs year-on-year. Last year, PostFinance introduced the new PostFinance App, launched the digital banking app Yuh in conjunction with Swissquote and, as in previous years, reinforced its investment business with new digital investment solutions. Thanks to this strategic approach and the banking packages introduced in 2021, PostFinance achieved an improvement in its result from commission business and services. The trend in trading portfolio assets was also positive. Interest income on financial assets continued to decline due to market conditions. This decline was not fully offset by PostFinance, despite increased activity in the interbank market and higher customer asset fees.

More parcels require more investment

In the logistics business, Swiss Post achieved a stable result of 465 million francs last year (−5 million francs compared to 2020). Due to booming online retail and the lockdown at the beginning of 2021, parcel volumes again rose by almost 10 percent. Thanks to a combination of this trend and company acquisitions across the range of its core business, the Logistics Services unit increased its revenue by 127 million francs last year. However, rising parcel volumes also lead to significantly higher costs in the Human Resources and Transport units. And they require Swiss Post to invest heavily in its infrastructure, increasing operating expenses in the logistics segment by 132 million francs year-on-year. The volume of letters again declined by more than three percent last year. However, thanks to growth in the parcels segment, acquisitions and consistent cost management, Swiss Post almost offset the further decline in earnings from letters last year.

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Important investments also in secure digital solutions for customers

In 2021, the operating result for the newly created Communication Services unit stood at –80 million francs. Swiss Post has been building up this unit since the beginning of last year with a view to providing SMEs, public authorities, the healthcare sector and not least the people of Switzerland with digital postal services in the future. These services will be simple and secure and will offer an alternative to services from foreign corporations and companies with a purely commercial focus. This requires the development of new digital skills, which Swiss Post is also securing through the acquisition of selected specialized companies – for example, in cloud security, electronic identification, SME digitization and software for municipalities. These investments led to a negative financial result at the Communication Services unit in 2021 and will also do so in the coming years, a scenario in line with expectations. Head of Finance Alex Glanzmann explains: "This unit's result is expected to improve continuously in the coming years. At the end of the strategy period, we aim to be generating profit through digital communication services.

Pressure on the core business remains unabated

Despite the positive annual result, the challenges in Swiss Post's core business remain unchanged: the negative interest rate environment at PostFinance, declining numbers of over-the-counter transactions and a further decline in letter volumes coinciding with a rise in parcel volumes. As in previous years, the rising parcel volumes alone cannot compensate for the decline in profit due to falling letter volumes. In addition, processing and delivery of the enormous parcel volumes pose a major challenge for staff, and hence for Swiss Post as a whole. Investments of around 1.5 billion francs in infrastructure are envisaged in the logistics segment by 2030. In order to survive in the market, Swiss Post must also achieve targeted growth in its core business and become digitized. Roberto Cirillo stresses: "The debate about Swiss Post and competition is not always based on the facts. For years, Swiss Post has been generating well over 80 percent of its income in open and fierce competition with other companies. However, Swiss Post also wants to do justice to the important role it plays in the Swiss economy, especially for SMEs. That's why we want to invest – including in digital skills. This is in line with the requirements of people and businesses in Switzerland. In the long term, it is the only way we can guarantee the Swiss public service throughout all parts of the country without relying on taxpayers' money."

"The smart Swiss model must not be jeopardized by extreme changes"

In 2021 – in the middle of the difficult times of the pandemic – Swiss Post embarked on a new, four-year strategy period. Swiss Post has already succeeded in reaching the first

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milestones in the new strategy: it has made major organizational adjustments, in particular with the merger of the letter and parcel units. Swiss Post has also stabilized its network of branches at around 800 and opened it up to the first third-party providers. And it has continued developing and strengthening its digital services. Christian Levrat, Chairman of the Board of Directors of Swiss Post since December 2021, stresses: "The Swiss economy needs outstanding infrastructure if it is to continue on its path of global success. Swiss Post will facilitate this by becoming more digital and by continuing to improve integration into international online retail. The strategy we are pursuing is the right way to achieve this. And for me, it was a significant reason why I was confident in accepting the role as Chairman of the Board of Directors." The Chairman of the Board of Directors is also pleased that in this first year of the new strategy period, Swiss Post proved able to improve its financial result significantly and is therefore now on more solid ground than before the pandemic. "Swiss Post is the foundation for the public service of the future. "The smart Swiss model of a high-quality, customer-focused, modern and publicly owned infrastructure that is still self-financed must not be compromised by extreme changes. On the contrary, the prudent course is to continue developing it."

Source: Swiss Post

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