Coronavirus pandemic also weighs on Swiss Postâ€™s result

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Swiss Postâ€™s result for the first three quarters of 2020 is down year-on-year. At the same time, however, it appears to be stabilizing somewhat, which means that the impact of the coronavirus pandemic on Swiss Postâ€™s finances at the end of the year may be less severe than expected after the second quarter. The annual result is now largely dependent on how the pandemic continues to develop and on business over the festive season.

In the period to the end of September 2020, Swiss Post generated Group profit of 136 million francs. That is 127 million francs less than the prior-year period. Operating profit (EBIT) in the first three quarters was 176 million francs, 195 million less than the same period in 2019. Operating income is also down. At 5'113 million francs, it is 187 million francs lower than in the previous year.

The consequences of the coronavirus pandemic are also weighing on Swiss Post's result. The significantly lower third-quarter result reflects the ongoing pressure on relevant value drivers at Swiss Post – letter volumes, over-the-counter transactions and interest rates. In the letter business, the volume of addressed letters fell by 6.8 percent compared to 2019, in payment transactions, there were 14.9 percent fewer over-the-counter payments, and PostFinance's interest income was down 25 million francs year-on-year. While these three key figures have been declining for some time now, the negative trend was to some extent further exacerbated by the coronavirus crisis. At the same time, growing parcel volumes cannot offset the negative effects in the other business units (see box).

Some recovery beginning to show

"The final annual result depends on how the pandemic continues to develop and on the festive season, which is very important for our business," says Alex Glanzmann, Head of Finance at Swiss Post. The forecasts are reviewed on a monthly basis and could change quickly, depending on the evolution of the Covid-19 situation, adds Swiss Post's CFO, stressing that: "Thanks to the good basis that Swiss Post has established in recent years, we can cope with the current financial challenges from our own efforts." Since August, there have also been signs of some stabilization. A certain recovery and a catch-up effect are beginning to show, particularly in letter volumes. For example, the

volume of promotional mailings or of priority letters has increased again in individual months in the past quarter.

At the moment, Swiss Post assumes that the impact on Swiss Post's finances by the end of the year will be less severe than was feared at the end of the second quarter. Overall however, Swiss Post expects a negative impact on its result amounting to a figure in the triple-digit millions, with the biggest part played by market effects resulting from the coronavirus pandemic. Examples of this include the accelerated decline in letter volumes at PostMail, as noted above, and the deficit in income from transport services at PostBus. The smaller part of the negative impact on EBIT is due to one-off effects of the coronavirus. These include the thank-you bonus for employees in business operations (10.5 million francs), the procurement of protective equipment such as disinfectant, Plexiglas screens and face masks, and the employment of temporary staff (21 million francs).

Solidarity shown and the economy supported
But it is not only Swiss Post that is suffering the effects of the coronavirus, it is the Swiss economy as a whole. Swiss Post has therefore taken action in solidarity, to provide additional support for or to relieve the pressure on the economy. For example, Swiss Post has paid its pending invoices earlier than the required payment deadlines. This means that suppliers have received urgently needed money as quickly as possible, enabling them to invest and use it for their financial obligations. Swiss Post has also reduced rents for tenants severely affected by lockdown, or refrained from collecting it entirely. PostFinance for its part participated in the Federal Council's assistance programme and granted its SME customers bridging loans. A total of 17'350 credit limits with a volume of more than 850 million francs were granted. And last but not least, Swiss Post will not make any general price adjustments to the mass parcel and letter business next year. Any changes will be delayed until the following years. As Swiss Post's Head of Finance Alex Glanzmann emphasizes: "With all of the measures adopted, Swiss Post has fulfilled its responsibility as a reliable partner of the Swiss economy." The "COVID-19 Solidarity" stamp also reflects Swiss Post's commitment to social cohesion. The proceeds, around 2.7 million francs to date, will go to Swiss Solidarity and the Swiss Red Cross.

Source: Swiss Post

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