

Swiss Post interim results impacted by PostFinance and PostBus

27-09-2018

Swiss Post is on the right track in many sectors. However, Group profit at Swiss Post is down from 385 million francs to 218 million francs year-on-year. The interim results are heavily influenced by the ongoing difficult situation at PostFinance due to low interest rates and the continuing ban on issuing its own loans and mortgages. There were also non-recurring positive one-off items from the sale of shares in the previous year. The reimbursement of unlawful subsidy payments received by PostBus - representing 26 million francs - weighed further on Swiss Post's interim results. These negative factors played a decisive role in the reduction of profit in the first half of 2018.

Operating profit (EBIT) decreased from 538 million francs to 281 million francs in comparison with the first half of 2017. Profit also declined significantly by 167 million francs to 218 million francs. The underlying factors come as no surprise to Swiss Post: "In the current market environment with low and in some cases negative interest rates, revenue from interest operations is collapsing at PostFinance. The lending prohibition makes it impossible for PostFinance to stabilize its interest margins in this context. This is leading to a considerable slump in profits, which in turn affects the Group result", explains Alex Glanzmann, Head of Finance and a Member of Executive Management. Swiss Post therefore welcomes the key decision taken by the Federal Council to lift the ban on PostFinance issuing its own loans and mortgages.

The incidents in connection with unlawful subsidy payments at PostBus have also left their mark on Swiss Post's interim results. The total amount which Swiss Post will reimburse to the Confederation, the cantons and the municipalities stands at around 205 million francs. This had a negative impact of 26 million francs on the 2018 interim results,

which includes the excess compensatory payments received for the first half of 2018. There is also a provision for the voluntary reimbursement for the period from 2004 to 2006. The remaining amount was charged to the 2016 and 2017 accounts in line with the relevant guidelines set out in the IFRS accounting standards. Contributions by the business units

Despite declining letter volumes, PostMail increased its operating profit by 13 million francs to 199 million francs. PostMail thereby continues to make a key contribution to Group operating profit. At the end of the first half of the year, the number of addressed letters was down 5.5 percent on the previous year. The positive result is due to the increase in international business and to the successful implementation of efficiency measures.

Swiss Post Solutions implemented the strategic goals set for the first half of 2018 very successfully and generated operating profit of 14 million francs. Operating income rose by 5.5 percent to 286 million francs. Alongside the attractive range of services, the main factors responsible for the ongoing positive trend are the huge commitment of

employees, very high customer loyalty and inorganic growth to complement the service portfolio.

Network development and efficiency measures had a positive effect in the PostalNetwork business unit. PostalNetwork considerably improved its operating result year-on-year. Its contribution to the result improved by 28 million francs to –60 million francs in the first half of the year. Over-the-counter transactions continued to decline and the number of payments at the counter fell by a further 5.8 percent. Swiss Post has held numerous discussions with the cantons, municipalities and the population, and further increased the number of access points. This allows Swiss Post to get even nearer to its customers.

In the highly competitive logistics market PostLogistics posted operating profit of 73 million francs, which was 15 million francs higher than the prior-year figure. Parcel volumes carried by PostLogistics rose by 7.1 percent and were therefore largely responsible for this positive profit trend. Significant drop in results at PostFinance

PostFinance generated operating profit of 145 million francs in the first half of 2018. That is 247 million francs less than in the first six months of the previous year. This decline was mainly due to a significant drop in income from the interest differential business – the first six months of the year saw interest income decline by 82 million francs – and to a positive one-off item in the previous year. This negative development is in line with expectations created by the persistently low

interest rates on the money and capital markets, and the trend is set to continue. To counter the decline in results, PostFinance has introduced various measures to tap into new sources of income as well as to increase efficiency and reduce costs. Drop in results at PostBus

In the passenger transport market, PostBus recorded an operating result of –29 million francs. The negative result is due partly to one-off effects in connection with the amounts to be repaid for excess compensatory payments, and partly to impairment losses recognized in relation to the new strategic focus. This is a consequence of the incidents at PostBus and the associated measures. The increase in operating income was mainly due to the expansion of services and higher passenger revenue.

Transformation process continues

Swiss Post's business is marked by a number of operational challenges. PostFinance has suffered a significant slump in profits, and the measures introduced are difficult to implement within the currently applicable framework conditions. However, Swiss Post is experienced at overcoming major challenges. It has proved this for example in the conversion of the postal network. Improvements in all Swiss Post units will also be needed in future. This is the only way in which stable results can be achieved so that Swiss Post can continue to finance the public service and its investments from its own resources.

Source: [Swiss Post](#)