Australia Post continues transformation, delivering record revenues boosted by eCommerce

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Australia Post today announced for FY19 record group revenue of $6,990 million, up two per cent, and a profit before tax of $41 million.

This full year profit result is in line with that achieved three years ago, although masks the significant transformation from a letter business to a growing delivery and services organisation.

Australia Post earned over $4,774 million in Parcels & Services revenue in FY19, representing 68 per cent of total revenue. The letters business now accounts for just 32 per cent of total revenue at $2,216 million, impacted by falling letter volumes. The business has changed from primarily providing a community service to operating in a highly competitive market.

In FY19 the business achieved several significant milestones as the strategy progressed and transformation continued. Domestic parcels grew 9.2 per cent to $3,181 million, confirming Australia Post's eCommerce leadership position. The international parcel business grew 15.7 per cent to $586 million, underpinned by the successful consolidation of the global ecommerce business APG[1]. Financial Services and Identity Services generated over $500 million revenue.

"This year we saw record domestic and international parcel revenue as more and more customers are choosing Australia Post as their preferred partner to deliver their ecommerce ambitions," said Australia Post Group Chief Executive Officer and Managing Director Christine Holgate.

"We also signed the historic Bank@Post community agreements this year, first with Commonwealth Bank, NAB and Westpac, and now more than 70 financial institutions have signed on. The Community Representation contribution will enable customers to continue to conduct essential banking transactions in 3,500 Post Offices across Australia using the Bank@Post service."

Other highlights for the financial year included:

Continued investment program across the operational network – invested $424 million including $300 million CAPEX in robotics and

automation and 1000 electric delivery vehicles purchased to support the growing ecommerce market, offering significant safety and environmental benefits
Increased investments were funded from improved operating cashflows, cash grew $36 million
Customer Net Promoter Score up 3 points to 20.5 – a standout performance compared to other logistics operators and retailers
Secured an agreement with important post office licensees – providing increased payments for parcels and financial services, in addition to upgraded technology.
Strong customer uptake of alternate delivery options – more than 90 million parcels delivered via the Post Office network and increasing use of 24/7 Parcel Lockers in 350 locations and growing
Full acquisition of Aramex Global Solutions, now known as AP Global, completed in December 2018 contributing $78 million in additional revenue and giving Australia Post full control of its international commercial arm.
Disposal of 10 per cent stake in Aramex parent for $228 million, reducing exposure to risk
However, this financial year, letter revenues declined almost 9 per cent to $2,216 million and losses from this business increased to $192 million. Fixed costs to operate the letter business continue to rise with increasing delivery points, although there has been no increase to the Basic Postage Rate in over three years, when Australia Post delivered 822 million more letters.

The losses in the letters business were after receiving the benefit from posties who are now carrying over 40 per cent of parcels. This significantly contributed to the $250 million of additional efficiency savings the group achieved in the year, which supported Australia Post remaining profitable.

“It is important letter pricing is addressed responsibly to ensure essential community post services are protected. Without an increase to the Basic Postage Rate, Australia Post will no longer be able to afford to fully subsidise the losses from the important post business, which would risk the closure of community post offices and a reduction in services,” Ms Holgate added.

“Australia Post is absolutely committed to honouring our community obligations and appreciates the essential role we play in communities, but urgent help is required.”

Once again, this year Australia Post either met or exceeded all of the prescribed performance standards that underpin the community service obligations and contributed $1,300 million in taxes and dividends to the Federal Government including $42 million in cash dividend payments.

Australia Post has forecast that although Group revenue will grow in FY20, there will be continued pressure on profitability due to the

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ongoing impact of letter losses.

"As a business it is critically important we remain focussed on growth opportunities – to do this we must continue to adapt and evolve to support our changing customer requirements. This includes opening the largest parcel processing facility in the Southern Hemisphere in late 2019, as well as launching new customer innovations, while we continue to keep a tight internal focus on costs." Ms Holgate said.

Source: Australia Post

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