International Post Corporation

Improved performance driven by record Peak and Post26 strategy, with challenging second half ahead

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Performance for the half year to 31 December 2024: Group revenue $5.01 billion, up 6.3% on same period last year (1H24) Group profit before tax $249.1 million, up $215.5 million from $33.6 million in 1H24 Parcels and Services revenue $4.06 billion, up 5.4% on first half last year Letters revenue $943.5 million, up 10.0% on 1H24 and volumes down 10.6% during the same period Letters losses of $83.7 million, down 54.1% from 1H24

Australia Post today reported an interim profit of $249.1 million, an increase of $215.5 million on 1H24. This result has been driven by a record Peak period, along with the successful delivery of the Post26 transformation initiatives. Despite the improved performance, the business is still facing significant structural and competitive headwinds.

More than 262 million parcels were delivered across Australia during 1H25, which was a 3.0% increase from the prior corresponding period. Letters volumes continue their downward trajectory, declining by 98.2 million in the half, which represents a 10.6% reduction on the prior corresponding period.

As part of the Post26 Strategy, there is an ongoing focus on simplifying the business. In 1H25, $87.2 million in savings were realised as costs were removed, non-core businesses closed, and operations streamlined.

Australia Post is well advanced in the implementation of the Government's Modernisation reforms, which have also contributed to the improved performance in the half. These reforms are helping to build a more financially sustainable business. However, to achieve long-term financial sustainability, further reform continues to be required.

Parcels Business

Parcels revenue increased to $3.53 billion, a 6.0% improvement on the half. A key indicator of this growth was the record Peak in 2024, which saw Australia Post deliver 102.8 million parcels to customers at record service levels, an increase of over 3.0% year-on-year. A recent survey conducted by Australia Post revealed over 70% of Australians purchased Christmas gifts during the Black Friday sales weekend, which contributed to the record Peak.

Competition in the Parcels market remains very intense, particularly as large global logistics and platform providers continue to invest billions into their Australian operations. Additionally, the emergence of re-commerce platforms, as seen in international markets, are causing further disruption.

Letters Service

The $0.30 increase to the Basic Postal Rate, which came into effect in April 2024, improved Letters revenue in the half, however declining Letters volumes saw a loss of $83.7 million. Australians are sending fewer letters, with households on average now receiving less than two addressed letters per week. Additionally, sales of domestic seasonal stamps, which have not changed price for more than a decade, have decreased 72% to 4.7 million since 2017.

Australia Post's Unaddressed Mail Service (UMS) continues to impact the profitability of the business, with a 1H25 loss of $44.8 million and this is expected to continue.

In November 2024, Australia Post lodged a draft notification with the Australian Competition and Consumer Commission (ACCC), proposing a $0.20 increase in the Basic Postage Rate (BPR) from $1.50 to $1.70 to help address ongoing Letters losses. The ACCC is currently assessing the draft notification. Even if approved, the Letters service will still be loss making.

Post Office Network

With over-the-counter transactions and foot traffic in Post Offices continuing to decline, Australia Post is broadening its points of presence to meet evolving customer behaviours and expectations. This includes increasing its network of parcel lockers nationally and trialling new parcel-focused formats and optimised parcel capacity, to improve customer experiences.

Additionally, Australia Post's modernised POS system, POST+, which replaced a +30-year-old legacy system has now been fully implemented. This system provides improved functionality and the ability to quickly and easily deliver system upgrades and improvements. In its first peak season POST+ performed exceptionally well with record transaction volumes through the new system.

Earlier this month, Australia Post finalised new in-principle Bank@Post agreements with existing banking partners, CBA, NAB and Westpac and confirmed ANZ has agreed to join Bank@Post. These new agreements will help reduce the Bank@Post losses and associated burden on the taxpayer as well as provide vulnerable customers and communities with greater certainty about banking services at approximately 3,400 Post Offices. Australia Post, the Government and

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the Banks recognise that longer-term solutions need to be looked at to ensure services remain available and financially viable.

Outlook

Group Chief Executive Officer and Managing Director, Paul Graham said Australia Post is continuing to make significant progress on achieving its Post26 strategy.

"These results demonstrate the material improvement we've achieved across most areas of the business as we execute on our Post26 Strategy and implement the Modernisation reforms. This would not have been possible without the support of our 64,000 team members who, day after day, deliver for our customers and the community.

"We remain focused on transforming the business to secure our long-term viability. I would like to acknowledge the valued support of the Communication Workers Union, who continue to work collaboratively with us as we have rolled out the New Delivery Model to more than 119 sites nationally to date.

"The combination of Post26, Modernisation reforms and a record Peak period, has meant the business has responded positively in the short-term to the changes we've made. However, despite the improved performance, the business is still facing a number of significant structural and competitive headwinds.

"As we are seeing globally, Letters volumes are falling, and this is expected to continue at pace. We do not anticipate the Letters service will ever return to profitability.

"The Parcels sector is becoming increasingly competitive, as we see global disrupters making significant investment in Australia, along with a rise in new entrants and start-ups. While the eCommerce industry is still experiencing modest growth, Australia Post is competing against providers who don't make the same important contribution to Australia's job market, economy and community wellbeing that Australia Post does and will continue to do.

"In this environment of increasing competitive headwinds and ongoing structural challenges, further reform is required to ensure the long-term relevance and financial sustainability of Australia Post.

"The outlook for the second half remains challenging and we cannot afford to be complacent because we have seen an improvement in our first half bottom line, which is traditionally profit-making. Competition is intensifying, and our traditional revenue streams are shrinking.

"Australia Post remains a cornerstone of the Australian community and is proud to deliver

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essential services to our customers, from cities and metro areas to our regional, rural and remote communities," Mr Graham concluded.

Source: Australia Post