

NZ Post reports \$35 million increase in revenue, write-down on mail assets

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NZ Post has this morning announced a \$35 million increase in revenue due to a strong operational performance for the 2018/19 financial year and a record-breaking 12 months for its parcel delivery business, balanced against a writedown on mail assets. The result is a net loss after tax of \$121 million.

“This operational performance shows that the strategy to focus on parcels is the right one, as our parcels business continues to grow. We will continue to look to invest for the future, to meet the opportunities from eCommerce,” says Rodger Finlay, NZ Post Board Chair. “We also continue to recalibrate for low numbers of letters being sent and the impact this has on our bottom line.”

The 2018/19 financial results include:

A net loss after tax of \$121 million compared to a profit of \$13 million in 2017/18

Adjustments to take into account a \$51 million write down on mail assets, \$59 million write down on tax assets and \$38 million set aside to cover the cost of future payments in relation to the Holidays Act remediation

\$35 million increase in revenue (\$912 million in 2018/19 compared with \$877 million in 2017/18)

A \$32 million improvement in underlying operating profit at \$17 million, compared to

an operating loss of \$15 million in 2017/18
65.8 million fewer letters sent this year compared to 2017/18

\$42 million share of net profits from Kiwi Group Holdings, the parent company of Kiwibank

“NZ Post delivered over 78 million parcels this financial year, which is predicted to continue growing year-on-year.

“1.8 million New Zealanders shopped online in 2018, spending a total of \$4.2 billion. A significant proportion of this spending is on items that require delivery as parcels. NZ Post completes well over half of these deliveries.

“NZ Post is primed to continue maximising the growth and opportunities that eCommerce brings, especially in the fast-growing business-to-consumer market where NZ Post has the largest share,” says David Walsh, NZ Post Chief Executive.

“It was a record Christmas too, with over 14.5

million parcels delivered during November and December. That's an average of almost three parcels a second. We will be investing significantly in our parcel network over the next three years to continue to meet this growth."

The bottom line for this financial year however, was impacted by one-off costs to bring NZ Post in line with the Holidays Act 2003, a write down on mail assets, and a write down of a deferred tax asset.

"Each year the value of our assets is reviewed as part of our financial reporting obligations. NZ Post is proud to continue to deliver a national mail service up and down the country, however because the commercial returns on that service no longer support the value of those assets, we are now reducing the 'paper' value of our mail assets by \$51 million."

Other than the Holidays Act provision, these are accounting adjustments – which include tax assets – and do not impact NZ Post's cash flow or other assets. NZ Post continues to retain over \$200 million in cash.

"Ten years ago, one billion letters each year were sent through our network – in the past 12 months we delivered just 380 million

letters, and an unquantifiable reduction is set to continue," says Mr Walsh. "This won't be a surprise for New Zealanders. Around the world, people have been sending fewer letters for many years now."

Even so, mail continues to be valued by New Zealanders – we currently use letters for a range of important functions, such as Local Government Elections and medical appointments.

"NZ Post's business strategy includes operating a sustainable mail service and we will be taking a methodical and planned approach to this. We are keeping our shareholder fully informed and we appreciate their high level of engagement.

"Our challenge is to juggle the cost of delivering mail and the reduction in the number of letters being sent, with the high value that New Zealanders place on the mail service. Providing a physical mail service for New Zealanders that meets the needs of both rural and urban New Zealand is part of NZ Post's DNA – but it must be financially sustainable on its own," says Mr Finlay

Source: [NZ Post](#)