International Post Corporation

Australia Post delivers for community through COVID-19

27-08-2020

Australia Post today announced for FY20 group revenue of $7,499 million, a new record up seven per cent, and a profit before tax of $53.6 million. While total revenue grew by more than $500 million during the period, boosted by a boom in eCommerce, growing losses in the letters business and increased network costs resulted in a profit before tax result up only $13 million compared to FY19.

Australia Post's parcel and services revenue at $5,503 million was up 15 per cent, adding $729 million to the full year result, highlighting that 73 per cent of total revenue is now generated from highly competitive markets.

Pleasingly, domestic Australia Post branded parcels rose 25 per cent to $2,456 million. In the second half of the year parcel revenues were boosted by the continued growth of eCommerce as consumer demand grew as families adapted to lock down restrictions and more businesses went online as their physical stores hibernated.

Costs increased over the period by $477 million including higher operational network costs to support growth in parcels and AP Global, additional processing facilities and chartered air freight to meet customer demands, as well as personal protective equipment for workers. Australia Post also generated over $280 million in cost savings from business efficiency programs implemented across the organisation including reducing support costs by $62 million.

Letter revenues were $2.0 billion for the period, down $220 million or 10 per cent for the full year. Although Australia Post benefited from a 10 cent increase to the basic stamp price on January 1, the significant disruption in letter volumes in the second half adversely impacted results, with letters losses growing by 26 per cent to a full year loss of $241 million.

Australia Post Group Chief Executive Officer and Managing Director Christine Holgate said the result highlighted the critical need for temporary regulatory relief announced by the Federal Government in April this year, as the business quickly adapts to changes in consumer behaviour accelerated by COVID-19.

"We understand the important role our Posties and Post Offices play in serving Australia. Protecting their roles, whilst meeting new community and business expectations, is critical as our business adapts to significant market changes. The Temporary Regulatory Relief provides us the opportunity to enable the Posties to deliver more parcels in turn helping sustain their roles and protect the viability of our Post Offices in a very challenging period," Ms Holgate said.

"And while the growth in eCommerce has been a strong driver behind this year's financial result, we have had to make changes to ensure our workforce and network can operate as efficiently and safely as possible. The pandemic has also severely impacted our ability to deliver across the country ontime. We had to make temporary changes, including new parcel pop-up facilities and chartering planes for air freight, to continue to serve the country during what has been a very uncertain year.

"Our Post Office network continued to play an essential role in providing goods and services to local communities. Through bushfires, floods and a pandemic, our Post Offices kept their doors open. Although traditional services such as letters, passports and Billpay fell in the period, due to travel restrictions and as businesses switched to digital communications, parcel revenues grew and have become their most important income source. Over-the-counter parcel transactions have increased as people looked to send care packages and parcels to stay connected with loved ones through the COVID-19 crisis.

"The International business has been impacted by global conditions, due to a significant fall in air freight capacity to and from Australia, as well as many countries closing their borders in the second half of the financial year. Although international letters and packets volumes were down 16 per cent year on year, the strong performance of AP Global, our cross-border eCommerce business, saw revenue grow by $146 million to $225 million, ensuring our total international portfolio remained strong.

"Domestically, our focus on investment in growing capacity in the parcels network has served us well, with the largest parcel processing facility in the Southern Hemisphere opening last October in Brisbane. This facility, along with 16 temporary smaller sites, has ensured we were able to support small and large businesses in connecting them with their customers, proudly contributing $2.4 billion in eCommerce economic activity in the fourth quarter.

"Of course, this result would not have been possible without the continued hard work and dedication of our people – particularly our posties, delivery drivers, parcel and mail processors, contact centre and both corporate and licensed Post Offices teams.

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They continued to show up for work each and every day through uncertain times and worked hard to ensure the community had sustained access to essential goods and services."

Australia Post is cognisant of the challenging and uncertain economic conditions in the coming year and the potential impact on business and household expenditure.

The 2020 Annual Report will be tabled in Federal Parliament in October 2020.

Source: Australia Post

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