

Swiss Post in good shape - even faced with particularly challenging conditions

09-03-2023

In 2022, Swiss Post generated Group profit of 295 million francs and an operating profit (EBIT) of 358 million francs. The result is down on the previous year, which was strong, but it further reinforces Swiss Post's balance sheet. With the fallout from the pandemic and the war in Ukraine, the year was marked by a number of unexpected factors that had an adverse impact both globally and on Swiss Post's business. At the halfway point in the strategy period, it is clear that Swiss Post's strategy is working: the company is in a sound position and ready for a very challenging 2023. Swiss Post intends to consistently pursue its chosen path to ensure that it continues to meet the needs of people and companies in Switzerland.

At 358 million francs, Swiss Post's operating profit (EBIT) is 157 million francs down on the previous year's figure. Group profit for 2022 is 295 million francs, a decline of 157 million francs compared to 2021. With the war in Ukraine in particular, the year 2022 brought a number of unexpected factors that had a strong impact on Swiss Post. Additional costs due to record-high inflation, lower income as a result of the turnaround in interest rates and declining letter and parcel volumes weighed on Swiss Post's business. At the same time, however, a positive free cash flow was also generated in 2022, and this flows into Swiss Post's balance sheet and increases its liquidity. As a result, Swiss Post's balance sheet is healthier now than before the coronavirus crisis. In light of these factors, Swiss Post CEO Roberto Cirillo is satisfied with company's result: "Swiss Post has fared well in a very challenging year.

Given the volatile global and economic situation, last year was particularly challenging for us – for the staff at our branches, at the parcel and letter centers, for our staff on delivery rounds and on Postbuses, and not least for our management. We're satisfied that our balance sheet is so healthy and that our strategy has put Swiss Post on a long-term path to stabilization."

Pressure in the parcel market has increased. The impact of the volatile global and economic situation on the individual Swiss Post business units varies. The highest contribution to the financial result was made by Logistics Services and PostFinance. In the logistics business, Swiss Post generated 358 million francs last year. This means that the Logistics Services unit saw a decline of 107 million francs year-on-year. However, in view

of the challenging environment during the year, the result is acceptable. Persistently high inflation, increased fuel and energy costs and higher procurement costs for operating and construction materials led to significantly higher costs at this unit last year.

Both parcel and letter volumes each fell by around 4 percent compared to the previous year. The decline in parcel volumes is a reflection, among other factors, of subdued and highly volatile consumer confidence, which has fallen appreciably since the outbreak of the war in Ukraine as people order fewer goods online. In 2022, global supply bottlenecks as a result of the coronavirus pandemic also meant that many retailers suffered delays in manufacturing or delivering their goods, or were unable to do so at all, and parcel volumes declined accordingly, particularly in the second half of the year. Over the last 10 years, letter volumes have declined by about one-third overall. This trend continued – as expected – in the 2022 financial year. While the price adjustments made by Swiss Post, which were applicable from 2022, had a stabilizing effect on the result, they could not compensate financially for the decline in letter volumes.

Despite the decline in volumes in 2022, the long-term trend towards online retail continues unabated. People have got used to shopping online. Compared to 2019, Swiss Post carried 30 percent more parcels

last year. This comparison with 2019 shows that the long-term trend in parcels is upwards, albeit much less pronounced than in the two years of coronavirus. Swiss Post will therefore continue to invest in parcel processing and to modernize and expand regional sorting centers.

Interest rate environment weighed on PostFinance result – outlook is brighter
PostFinance generated operating profit of 229 million francs, down 43 million francs year-on-year. This was mainly due to a fall of 45 million francs in net interest income. The discontinuation of negative interest rates had a much greater impact than the higher income from financial investments, which takes time to accrue. Nevertheless, PostFinance expanded its position as an investment bank in 2022, with the e-asset management volume exceeding the 1 billion franc mark for the first time. PostFinance also launched the new PostFinance Card. Its combination with Debit Mastercard® means customers can make payments in all stores, restaurants and online shops that accept Mastercard – in addition to the existing payment options available in Switzerland and abroad. As a result of the Swiss National Bank's (SNB) historic decision to return to positive policy rates, PostFinance cancelled its customer asset fees for private and business customers with effect from 1 October. PostFinance very much welcomes the turn towards a positive interest rate environment, which is also in the interests of

its customers. It means that PostFinance is now again able to pay interest on savings and retirement savings accounts 3a. The interest rate turnaround also offers the potential for greater profitability in the future.

Swiss Post is already working with various strategic partners at its branches

At –71 million francs, the operating result at PostalNetwork remained stable in 2022 (EBIT 2021: –68 million francs). The decline in traditional over-the-counter transactions at Swiss Post branches continued last year, particularly in payment transactions, with PostalNetwork recording a decline of around 15 percent year-on-year. The losses were largely offset by the PostalNetwork unit through consistent efficiency improvements. Swiss Post is developing its branches into regional service centers with partners, with products and services relevant to everyday life. Working towards this goal, Swiss Post brought a number of partners on board last year, although there is as yet little evidence of this in the financial result, as the partnerships only started in the second half of the year. Nevertheless, the foundations have been laid and more partners will follow. Last year, Swiss Post entered into strategic partnerships with SwissCaution, Assura, Sympany, Migros Bank and Cornèr Bank. Swiss Post's cooperation with these various partners shows that the transformation from branches to service centers meets a need in the Swiss economy and among the Swiss

population.

Mobility focuses on climate neutrality
At 27 million francs in 2022, the result generated by the Mobility Services unit (PostBus and Post Company Cars) is 9 million francs higher year-on-year. At PostBus, demand continued to recover following the decline in passenger numbers caused by the coronavirus crisis and reached its pre-pandemic level at year-end, leading to an increase in income from ticket sales. PostBus therefore constitutes a mainstay of public transport, connecting town and country, and ultimately the whole of Switzerland. At the same time, however, costs also rose, for example due to inflation, producing a balanced result at PostBus overall in franchised transport business. Swiss Post has set itself the goal of investing in sustainable mobility and significantly reducing CO2 emissions in the coming years. The result at Post Company Cars is slightly better than expected, mainly due to a higher result in third-party business. Third-party business refers to fleet management for business customers outside Swiss Post.

Communication Services unit remains under development

At Communication Services, the most recently created unit, operating profit stood at –72 million francs. Compared to the previous year, this result represents an improvement of 8 million francs. The unit remains under development. Thanks to the

acquisitions made, operating income stood at 73 million francs, which represents an increase of 35 million francs (2021: 38 million francs). "As envisaged, the result at Communication Services is negative while its development proceeds as planned. And we can say that Swiss Post is financially sound – we can and want to invest in future-led digital solutions for our customers," explains Head of Finance Alex Glanzmann.

Swiss Post is expanding its range of digital services to meet the need for these services and remain fit for the future. At Communication Services, Swiss Post is continuously developing its expertise and specific skills, sometimes focusing on acquisitions to do so. The company's aim is always to provide its customers with solutions and services that facilitate intuitive digital interactions and simple and secure handling of their data, for people, companies, stakeholders in the healthcare sector and public authorities.

Swiss Post is in good shape for the challenges of the future
In January 2021, Swiss Post embarked on its new four-year strategy period. "Although the strategy was developed in a very different world, all the indicators show that it is working. Swiss Post fared well in a challenging 2022 largely thanks to its strategy. Swiss Post today is in good shape and resilient for 2023, which will be a particularly demanding year," says Roberto

Cirillo, summing up the situation.

Last year, Swiss Post reached various milestones in the implementation of its strategy. In Buchs and Rümlang, Swiss Post opened two more regional parcel centers. The two areas of parcel and letter processing continue to grow closer together and Swiss Post is already taking advantage of the synergies that creates.

Through its majority shareholding in axsana AG, Swiss Post has strengthened its role as a technology provider for the electronic patient record and paved the way for a uniform EPR infrastructure in Switzerland. With the digital services it offers across all units, Swiss Post today has its finger on the pulse of the times. In some areas, however, implementation of the strategy is taking somewhat longer than planned because Swiss Post faces unforeseen developments. For example, the availability of land for the construction of parcel centers is limited. And in extensive consultations with potential partner companies, it is necessary to take the time required to acquire them as strategic partners of PostalNetwork.

Overall, however, Roberto Cirillo is satisfied with the first two years of implementation of the "Swiss Post of tomorrow" strategy: "The last two years have shown that our strategy is resilient. Both during the coronavirus pandemic and over the past year, we have shown that Swiss Post meets a need that

exists among the Swiss population and that, even in challenging times, it can maintain the quality of its services. That gives me confidence for the coming years. But it is also clear to me that we have to be consistent in following the path we have chosen". Swiss Post is balancing the four pillars of its strategy – growth and development, sustainability, price adjustments and efficiency improvements – by focusing more strongly on the latter two. Talks with the price regulator concerning the adjustment of prices will start in 2024.

Christian Levrat, Chairman of the Board of Directors of Swiss Post, underlines the point: "Swiss Post today is in good shape to get to grips with the challenges of the future. As a public service company, Swiss Post ensures competitiveness and quality of life in Switzerland. And we want to keep it that way. With its strategy, Swiss Post has established a stable foundation that is resilient in the long term, giving policymakers time to set the course for its future development after 2030."

Source: [Swiss Post](#)