



Austrian Post H1 2020

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The first half of 2020 presented major challenges for many companies across the globe, including Austrian Post. The company's priorities were determined, on the one hand, by the COVID-19 pandemic and related safety and health protection measures, and on the other hand, by the negative economic impacts. In particular, the second quarter of 2020 brought about the most significant disruption of the last ten years due to lockdown and economic standstill in some industries.

In spite of the considerably more difficult conditions, Austrian Post succeeded in maintaining the nationwide supply of mail, parcel and branch network services thanks to the tireless commitment of all employees, although the fulfilment of delivery obligations wasn't necessarily profitable and government regulations and crisis measures produced extra costs. "Upon initial review, our conclusion is that we managed to preserve the safety and health of employees and safeguard the performance capabilities of the company. This entailed considerable costs to ensure staff safety and resulted in extremely high capacity utilisation of the logistics infrastructure to handle the additional parcel volumes of up to 50 % per week", says CEO Georg Pözl.

"Against this backdrop, first half-year 2020 revenue exceeded our expectations and earnings were in line with current expectations", CEO Georg Pözl adds. Austrian Post's Group revenue amounted to EUR

981.9m, slightly higher than the prior-year level (+0.1 %). The dynamically growing parcel business showed a significant increase of 30.0 %, compensating for the decline in the Mail and Retail & Bank divisions.

The Mail Division accounted for 59.8 % of the Group revenue. In the Mail Division, the expected shortfalls resulted in a revenue decrease of 10.5 %. This is, on the one hand, due to a significant decline in conventional Letter Mail volumes triggered by the closure of many governmental offices and businesses. On the other hand, Direct Mail revenue was also significantly impaired by the government-imposed store closings in response to COVID-19.

The revenue of the Parcel & Logistics Division was driven by organic growth from online orders as well as additional parcel volumes generated through the cooperation with Deutsche Post DHL Group since August 2019. The 34.6 % revenue decrease in the newly created Retail & Bank Division in the first half



of 2020 is due to the inaugural launch of bank99 on 1 April 2020, whereas the first half of the previous year still included service fees from the previous banking partner of EUR 18.8m.

The earnings development of the first half-year reflects the dynamics of the different business areas and the impacts of COVID-19. On balance, the negative COVID-19 effects amounted to about EUR 45m in total as a result of extraordinary health measures and logistics costs (about EUR 20m) as well as the impact on earnings related to the revenue loss (about EUR 25m). The revenue decrease in the Letter Mail and Direct Mail business areas have a strong impact on earnings due to the high level of fixed costs. In contrast, the Parcel business benefited from the massive impetus in e-commerce but is generally subject to higher variable costs. Furthermore, additional expenses arose over the past months to ensure Austrian Post's ability to handle the unexpected rise in parcel volumes of up to 50 % during some weeks. EBIT of the logistics business (excl. Retail & Bank Division) was down by 27.4 % in the first half-year to EUR 76.9m.

The start-up of bank99 presents a significant special effect in 2020. bank99 has been operating on the market since the beginning of April and will feature a focused offering of financial services. The bank has already succeeded in attracting more than 42,000

customers in the first four months and recorded initial financial services revenue. The objective is to add new products to the financial services offering in the upcoming quarterly periods and generate positive earnings contributions by 2023. Accordingly, the Retail & Bank Division produced a negative earnings contribution of EUR 28.7m due to the start-up costs for bank99 and the impact related to COVID-19. Group EBIT in the first half of 2020 totalled EUR 48.2m, down from EUR 107.7m in the first half of 2019. Earnings per share equalled EUR 0.66, compared to EUR 1.17 in the previous year.

A forecast for revenue and earnings in the 2020 financial year is not possible at present due to the currently hard-to-assess economic situation in many customer segments facing uncertainty. The further development of the COVID-19 pandemic, the resulting government measures as well as the manner and extent to which the economy rebounds will all have a direct impact on the company's further business development in 2020. Against the backdrop of current trends, and assuming an ongoing recovery of the economic situation, it is expected that revenue will remain largely stable in 2020. The full consolidation of the Turkish company Aras Kargo will contribute to revenue growth over the year 2020.

In terms of earnings, the forecast for 2020 assumes that the EBIT of the logistics business (excl. Retail & Bank Division) will equal to at



least EUR 160m for the full year 2020. Group EBIT (basis EBIT 2019: EUR 201m) will be impacted by two additional effects, on the one side the positive effect from the full consolidation of the Turkish company Aras Kargo and, on the other side, the negative effect related to the start-up costs of bank99. The necessary long-term investments and start-up costs should steadily decline in the coming quarterly periods.

Austrian Post will continue to pursue investments and measurements that lead to an extension of capacities and to sustainable efficiency enhancement. Targeted investments and measures should contribute to an earnings improvement in all divisions and will therefore increase the Group earnings in 2021.

Source: [Austrian Post](#)