Australia Post reports strong parcels growth but HY19 profit falls as letters decline

19-02-2019

Australia Post today announced a profit before tax for the first half of $154 million, down 36 per cent year-on-year. This included $30 million of one offs. Underlying profit before tax was $124 million, down 38 per cent. Group revenue was flat at $3.6 billion.

The largest business segment, domestic parcels, performed strongly with revenue growing by 10 per cent, up $147 million, well ahead of the general retail market which grew 2.9 per cent in the period. Group parcels profit grew by $25 million to $127 million. In December, Australia Post delivered a record 40 million parcels, up 12 per cent.

All Community Service Obligations were met or exceeded and customer service standards remained high for letters and parcels, including through extreme weather conditions across the country during the Christmas peak.

Group Chief Executive Officer and Managing Director Christine Holgate said she was pleased with the continued strong performance of the parcels business, however significant challenges remain for Australia Post with letters revenue now declining at the fastest rate in its history.

"Although we delivered 10 per cent growth in domestic parcels, well in excess of the growth rates of the economy and in a period of very strong competition, this could not make up for the profit decline in the letters business," Ms Holgate said.

"Letter revenues are down 10 per cent or $125 million, which reduced profit by $102 million in the half. This is after saving an estimated $50 million in delivery costs as posties carried 40 per cent of our parcels.

"Since the last increase in the Basic Postage Rate in January 2016, more than three years ago, our costs to deliver letters are up 10 per cent. The number of new delivery addresses has increased by 500,000, yet letter volumes have declined by 800 million.

"Australia Post will deliver more than two billion letters to almost 12 million homes and businesses this year. Although it is shrinking, letters is still viewed as a critical service by the overwhelming majority of Australians."

Australia Post is an entirely self-funding

business. Last financial year, Australia Post incurred an estimated cost of $404 million in delivering the letters service in accordance with its legislated community service obligations.

Group expenses were held at two per cent growth in the first half, underpinned by total productivity savings of $121 million. Independent research shows that Australia Post has improved its Total Factor Productivity at twice the rate of the overall economy and reserved letters at three times the rate.*[1]

Ms Holgate said the business was also making good progress on delivering on its strategic initiatives including:

Securing the historic Bank@Post agreement with CBA, Westpac and NAB, protecting critical banking services in Community Post Offices, particularly in regional and rural Australia. A further seven financial institutions have already committed to new Bank@Post terms: Suncorp, Resimac, Auswide Bank, AMP Bank, Maitland Mutual, Transport Mutual and ME Bank
The first new major agreement with our important licensee partners in 26 years, providing technology and aligning payments to parcels and other growing services
$64 million of investment in the operational network, including new processing equipment in Sydney, Melbourne and Brisbane enabling automated sorting of an additional 100 million parcels

Our fastest growing parcel product, Express, expanded in a trial to a further 500 postcodes
Acquisition of remaining 60 per cent stake in Aramex Global Solutions, which provides end-to-end cross-border logistics and eCommerce solutions, supporting our international growth strategy

"We have invested in both capability and capacity, without which our teams could not have delivered the Christmas Peak. Our people were exceptional as they delivered through the most challenging weather conditions, including floods, bush fires and hail storms," Ms Holgate said.

"Our Net Promoter Score with our customers is at a record high and complaints on Australia Post entities to the Postal Industry Ombudsman were down 31 per cent, although we recognise we still have much more work to do.

"The progress we have made against our strategic initiatives, coupled with the unwavering commitment of our extended workforce to serve the community, means we remain confident that Australia Post will play an important role for many years to come."

Australia Post is on track to deliver a modest profit for the full year, in the face of ongoing market pressures in the traditionally quieter second half. Australia Post will release its full results in August.

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Source: Australia Post