

Australia Post delivers record revenue, while growing letters losses weigh on FY22 results

26-08-2022

Australia Post today announced full year Group revenue of \$8.97 billion, up 8.5 per cent from FY21, which was driven by strong first-half parcels revenue, while in the second half eCommerce returned to normal growth rates and the underlying decline in letters volume continued.

Full year Group profit before tax of \$55.3 million, including letters losses of \$255.7 million, was supported by sales of surplus assets and revaluations, as well as favourable bond rate movements. After a strong first-half profit, the second half incurred a loss of \$144.5 million, which is considerably higher than in previous years.

Elevated volume-related costs and COVID-19 related workforce impacts saw operational costs increase by 9.2 per cent on last year, some of which is expected to remain in FY23.

More than \$1 billion has been invested by Australia Post over three years to better service customers, with \$427 million invested in new parcel facilities, fleet and technology in FY22.

Australia Post invested an additional \$17.1 million into the Licensed Post Office Network, bringing the total paid to Licensees in FY22 to \$536.6 million, supporting the important role of Post Offices in communities across Australia.

In FY22, Australia Post paid a total of \$661 million in taxes and other government charges.

Parcels and Services

Following record first-half parcels revenue driven by lockdowns in NSW and Victoria, parcels growth moderated in the second half. Parcels and Services revenue for the full year was up \$711.5 million, or 11.0 per cent, to \$7.2 billion. This strong revenue result was achieved in a highly competitive market, with low barriers to entry and new entrants seeking to take market share.

While we continued to deliver for customers and the community, there were significant cost increases, specifically related to COVID-19 restrictions and labour shortages that impacted the ability to turn this increased revenue into profit.

StarTrack, our road express and predominantly B2B premium service, delivered strong results with a disciplined focus on costs and an increase in volumes.

Letters

Underlying letters volumes, excluding those related to Census and Federal Election, were down 4.0 per cent on last year. With falling letter volumes and an ever-increasing number of delivery points to service, losses in this business are expected to continue into the future, and at an accelerated rate. The typical household today receives only one letter every two days, with 97 per cent of letters sent by business or government agencies. The



increasing adoption of digital communications will continue to reduce volumes.

Yesterday a draft notification was provided to the Australian Competition and Consumer Commission (ACCC) proposing to increase the Basic Postage Rate (BPR) from \$1.10 to \$1.20, effective January 2023. The proposed increase would be the first since January 2020, and will help Australia Post continue to provide essential mail services for all Australians. This proposed change will not affect the \$0.60 concession rate or the \$0.65 Christmas and seasonal greetings rate.

Enterprise Agreements

During the year, market-leading enterprise agreements were secured for more than 30,000 Award-level team members. In addition, Australia Post will pass on the higher of three per cent or CPI for the first two years of those agreements, announcing a 6.1 per cent increase in July this year in line with CPI.

While we are pleased to provide the wage increase for our team members, this places further pressure on our cost base and underscores the need for discipline in all costs as well as productivity improvements.

Operations

Australia Post has continued to address rising costs through realising \$207.3 million in business and operational efficiencies. Group expenses increased 9.2 per cent driven by additional costs associated with the pandemic, as well as limited domestic and global air transport capacity, which resulted in higher costs for airfreight services.

Group Chief Executive Officer and Managing Director Paul Graham said that, despite the

growing headwinds, this was a solid result.

"I am immensely proud of how our people have met the challenges of a global pandemic and still delivered essential services to all Australians," Mr Graham said.

"Not only did our team work tirelessly to keep themselves and their communities safe, but this was achieved in an environment of evolving restrictions. I'm pleased we were able to deliver a record number of parcels and expand our range of services, connecting all Australians during this difficult time.

"While it's clear more Australians are buying goods online following the pandemic, we don't expect to see the same level of eCommerce growth. This has been demonstrated in our second-half results and, going forward, we anticipate growth to be moderate.

"Despite the significant financial headwinds, we are focusing on business efficiencies, while continuing to invest in our network and technology, to better meet the needs of our customers."

During FY22, Australia Post returned dividends to the Australian Government totalling \$36.3 million.

Outlook

As foreshadowed in the first half FY22 announcement, it is expected the significant growth in eCommerce experienced in early 2022 will keep moderating, while ongoing structural decline will see letter losses accelerate. Australia Post will continue to drive productivity gains to reduce costs, and invest for the long term, however it is expected there will be Group losses in FY23.

Australia Post's 2022 Annual Report is



expected to be tabled in Federal Parliament in October 2022.

Source: <u>Australia Post</u>