International **Post** Corporation

NZ Post announces Half Year result of $115 million profit

28-02-2023

NZ Post is reporting a 2022/2023 Half Year profit of $115 million, compared to a profit of $60 million in the prior year. This includes the divestment of NZ Post's shareholding in Kiwi Group Holdings Limited.â€¯Profit from continuing operations was $9 million compared to $15 million in the prior year.â€¯

NZ Post Chief Executive David Walsh says NZ Post, like many businesses, has navigated a challenging half year.

“We've had two years of record online shopping numbers due to the pandemic creating a shift in consumer behaviour, but NZ Post is now seeing parcel volumes that are more aligned to pre-pandemic levels. Current economic conditions mean consumers are buying less, buying in different ways and making different spending and saving choices – all of which impacts our parcel revenue,” says NZ Post Chief Executive David Walsh.

With inflationary pressures, NZ Post's overall operating costs have increased during the half year, including an increase to pay rates for frontline staff combined with other costs such as rent and fuel.

“Keeping a tight rein on our costs remains a key focus as we navigate the second half of the financial year,” says Walsh.

“NZ Post is committed to continuing to be the best delivery business for New Zealand. All the research and overseas evidence tells us that online shopping is here to stay, hence our continued investment in parcel processing and automation, as well as the digital technologies to support this. The timing and scale of the investment does mean that we are incurring significant costs ahead of receiving the benefits, which is constraining profitability in the shorter term.”

NZ Post has continued to make significant progress on its network transformation programme, opening both the expansion to the Christchurch Processing Centre and the new Wellington Super Depot – the first automated parcel processing hub in the lower North Island which processes up to 11,000 parcels per hour. Work also continues on the flagship Auckland Processing Centre, due to open later in 2023.

Key highlights of the 2022/2023 Half Year results:

Bottom line profit of $115m compared to profit of $60m in the year prior (which includes the divestment of Kiwi Group Holdings Ltd)
Profit from continuing operations of $9m compared to $15m in the year prior
Material wage increase for frontline staff which has provided a real boost to most of our lower paid staff and helped mitigate some of the cost of living pressures all New Zealanders are facing
Increases in contract delivery rates paid to our Delivery Partners
Our ownership of Fliway has given our customers a much wider product offering, including the ability to ship oversized product
Roll out of the first fully electric Mercedes-Benz eVito van – the first of an

initial order of 60 as part of our partnership with NZ Green Investment Finance (the remaining vans will enter the NZ Post and Delivery Partner fleet during 2023)
Mail volumes continue to decline with a further 6% reduction compared to the prior year, noting volume was boosted by the Local Government Elections in late 2022.

“Our focus remains on transitioning to a commercially sustainable mail business, with the government’s Contract for Service funding of $130m being fully utilised this year. We have continued to remove costs, including amalgamating a number of mail delivery branches and announcing the closure of our ManawatÅ« mail processing centre (due to close in March 2023), while also increasing letter pricing,” says Walsh.

NZ Post has also completed the divestment of its remaining shareholding in Kiwi Group Holdings Limited, and through it, Kiwibank. Having returned a significant special dividend to the shareholder, the retained sale proceeds will support the continued investment in NZ Post’s future - both addressing the transition of the mail business and continuing to grow the parcel delivery business.

NZ Post is anticipating the softer trading conditions to continue throughout the second half of the financial year, due to the ongoing slowing economic environment.

“Along with our tight cost control, achieving the benefits of our investment in our automated sites will be a priority focus, while maintaining excellent service for our customers,” says Walsh.

“Like many businesses we are facing into economic headwinds, but remain confident that our business strategy is the right one and will continue to support Kiwi retailers to succeed against a backdrop of economic uncertainty.”

Source: [NZ Post]