

Quarterly result down as expected - effects of coronavirus crisis significant

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Swiss Post generated a lower result in the first quarter of 2020 than in the prior-year period. Group profit fell by 46 million, while operating profit came in at 57 million francs below the comparable figure for 2019. The financial consequences of the coronavirus pandemic were already evident in the first three months and are likely to have a significant impact on Swiss Post's annual result. The extraordinary situation has accelerated relevant developments and shows just how important Swiss Post is to Switzerland - especially in terms of logistics. It is vital that Swiss Post continues to drive forward its transformation to overcome its major, longstanding challenges.

In the first quarter of 2020, Swiss Post generated Group profit of 84 million francs, 46 million francs down on the previous year's figure. Operating profit (EBIT) for the first quarter came in at 115 million francs, 57 million less than in 2019. The decline in profit is attributable to two main factors: the continued low-interest situation and consequent low net interest income (-18 million francs) at PostFinance and the decline in volumes in the letter business (-5.6 percent) in addressed letters. Parcel volumes rose by 10 percent over the entire first quarter compared to the prior-year period. The rise in orders on online retail sites due to the coronavirus pandemic was clearly evident. In March alone, 16.9 percent more parcels were processed than a year ago.

Higher parcel volumes unable to offset negative effects

The first financial effects of the coronavirus crisis were evident in the result for the first quarter. "And we anticipate that the coronavirus crisis will have a significant impact on the result for the current year," says Alex Glanzmann, Head of Finance at Swiss Post. Based on initial estimates, Swiss Post expects a negative effect on profit amounting to hundreds of millions of Swiss

francs for 2020. However, this is an estimate. More precise forecasts are currently very difficult to make due to the changing economic situation. The sharp decline in letter volumes at PostMail and the shortfall in transport revenue at PostBus will have the greatest negative impact on operating profit (EBIT). Swiss Post has established a sound financial basis over recent years. It can therefore still absorb the negative effects of the coronavirus crisis from its own resources.

The financial consequences of the coronavirus crisis are likely to have an impact on all of Swiss Post's business units for 2020 - even PostLogistics. While over 800,000 parcels a day were processed on peak days in April during the extraordinary situation, employees had to handle them in accordance with distancing and hygiene regulations which incurred substantial additional costs. Pressure on prices and margins also remains great. This means the higher number of parcels is not fully reflected in an improved result. The growth in parcels does not even begin to offset the negative effects in the other business units.

Employees have made an incredible effort since the start of the coronavirus outbreak to

maintain the provision of postal services in Switzerland and to guarantee the universal service nationwide. Swiss Post had invested almost 10 million Swiss francs in their protection at the workplace by the end of April. The immediate bonuses for employees amounted to 10.5 million francs in total.

New strategy addresses challenges

The coronavirus crisis has clearly shown that Swiss Post is vitally important to Swiss people and a well-functioning Swiss economy. However, it is being stretched to the limit with the current system – particularly in view of rapidly increasing parcel volumes. Swiss Post knows which direction business performance will head in if it fails to act. It needs to generate profit to remain successful. It will

only be able to implement the transformation over the next few years and invest in the development of its services with a stable financial basis. In particular, Swiss Post wishes to continue financing the universal service and the investments required from its own resources in future, to stop the decline in revenue and to initiate a turnaround. With its new “Swiss Post of tomorrow” strategy, Swiss Post is addressing major and longstanding challenges. It aims to stabilize EBIT at a level of around 400 million francs by 2024 with its new strategy. “To guarantee that it can fund the universal service, Swiss Post must stabilize its operating profit again long-term,” underlines Alex Glanzmann, Head of Finance.

Source: [Swiss Post](#)