

## Media Release

24 February 2020

# Australia Post secures strong revenue growth whilst letter losses continue

Performance for the six months to 31 December 2019:

- Group revenue at \$3.8 billion, up four per cent on last year
- Parcels and Services: \$2.7 billion revenue, up 13 per cent, profits rose 12 per cent to \$193 million
- Letters: \$1.1 billion revenue, down nine per cent, losses \$87 million increased 112 per cent
- Group profit before tax at \$83 million, down \$71 million or 46 per cent

Australia Post today announced group revenue for first half of \$3.8 billion, up four per cent year-on-year.

Australia Post's parcel and services revenue growth was up almost \$300 million or 13 per cent on the same period last year to \$2,698 million, underpinned by strong growth in parcels, financial and international services, supporting both business and consumer customers. Community Post Office revenue grew four per cent reflecting stronger performances in both corporate and licensed stores.

This is the highest revenue growth in over a decade for these services without a major acquisition. The profits from these businesses grew to \$193 million, up 12 per cent. All these business lines operate in highly competitive markets and they now account for over 70 per cent of group revenue.

Letter revenue was down nine per cent and letter losses rose a further \$46 million or 112 per cent to a total loss of \$87 million for this half. Although Australia Post secured \$129 million in efficiencies in the period and has benefited from strong growth in other areas, this still has not fully compensated for the increasing costs supporting this important community service.

Group Chief Executive Officer and Managing Director Christine Holgate said: "Our strategy to diversify our business and focus on our customers is working well, evidenced by our record underlying performance.

"However, the costs to operate the letter business continue to rise, as our people are still required to deliver to every home or business every day, process and collect the mail, whilst letter volumes and revenues fall. The 10 cent letter increase in January will support our letters business going forward, but after four years of no increases, it alone will not fully compensate for the losses.

**For further information, please contact:**

National Media Line

03 9106 6666

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“Australia Post and the services we provide are highly regarded in the community, particularly in rural and regional Australia, where often we are the last remaining service provider with a physical presence. In order to ensure we are able to continue to provide these community services and remain sustainable, the time has come we must transform our delivery network.

“This Christmas was our busiest ever and we delivered over 50 million parcels in December, with over 3.1 million on our biggest day. Over 190 million letters were delivered, 4600 staff hired across the national network and pleasingly during this time complaints to our customer service teams decreased by 14 per cent,” Ms Holgate said.

“Ahead of Christmas we also opened the largest parcel processing facility in the Southern Hemisphere in Brisbane and invested in new automation capabilities across a number of our large processing facilities to continue to service our customers.

“During this period of exceptional growth, our entire workforce worked through unprecedented weather conditions across the country with drought and an early start to our bushfire season in November, and we still met all of our service obligations for letters and parcels. The mail continued to make it through to our customers. I am incredibly proud of the critical role our people played in these local communities assisting those in their time of need.

“Although we were lucky to not lose any facilities or Post Offices during the bushfire crisis, many of our employees lost homes and property and faced extreme stress as they were evacuated for their safety. Our Post Offices and posties were able to play an essential role supporting impacted communities including with access to critical funds through our Bank@Post services, providing free mail redirection, mail hold services and accepting over the counter donations for Red Cross Disaster Relief Fund, which has raised over \$1.4 million to date.”

Last year the first half result included a one-off \$37 million benefit from the Aramex and AGS transactions in the period. Consistent with previous years, Australia Post expects the second half to again be quieter.

At this stage the business remains on track to deliver a marginal profit at the full year and is cognisant of the market pressures facing core customers. Australia Post will release its full year results in August.

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