



Improved result in FY15 shows NZ Post Group making solid progress - but challenging conditions continue

28 August 2015

Two years into its five-year reset strategy, the New Zealand Post Group has delivered a solid result and laid important foundations for the future.

Reported net profit after tax (NPAT) for the year was \$143 million, 34% (\$36 million) higher than the last financial year. Underlying profit after tax was \$128 million, just over 3% (\$4 million) higher than last financial year.

Revenue was \$1,643 million, down 0.5%. An unchanged dividend of \$5 million was returned to the Government.

Chief Executive Brian Roche said overall the result was pleasing given market conditions. Also encouraging was the significant operational change achieved in 2014/2015. These were important steps in the Group's transformation to a modern parcels, mail and financial services company.

Kiwibank performed well and contributed the vast majority of profits, off the back of net interest margin growth, Mr Roche said. The bank's strongest result yet rewarded years of investment by its parent company, the New Zealand Post Group, with its first ever dividend in FY15.

The sale of Australian-based courier company Couriers Please for AUD\$A95 million during the year contributed an excellent return on the Group's investment, reporting a gain on sale of \$46 million.

International parcel volume grew strongly in FY 2015, while domestic parcel volume also increased but not as much as we need it to, Mr Roche said. Volume growth will be a key focus again this year.

However, the ongoing decline in the core letters business, a softening global and domestic economy and strong competition in all its markets mean New Zealand Post will have to move faster again this year to maintain positive momentum.

"We still have some way to go to put our mail and logistics business on a sustainable footing. Letter volumes declined by 10% last year and are expected to keep falling by at least that amount annually. Falling letter volumes is a reality worldwide.

"This means we remain in a period of substantial and ongoing change. We will have to keep innovating and driving further reduction in operational and support costs so that we can do more than hold our own, and transform ourselves in the eyes of our customers."

Organisational change in FY15 included: realigning courier and postal parts of the business to become more sharply focused on the customer, reducing costs and duplication and investing to significantly improve processes and capabilities. Significant progress was also made on the development of digital solutions in areas including e-commerce.

The most significant structural changes completed were the move to alternate day delivery of standard mail in 30 cities and towns – with few compulsory redundancies and no drop in delivery standards – and the completion of a two-year process to centralise mail processing centres, from 55 centres down to three.

Other highlights for the year:

- Kiwibank accelerated the shift of postal and banking services from Group-owned stores to locally-owned businesses.
- Piloted new eco vehicles in New Plymouth to integrate parcels and letters delivery.
- Signed agreements for three new 737-400 aircraft to support express parcel growth opportunities.
- Successfully supported communications for the 2014 General Election, the Northland Byelection and bank interest rate change notifications.
- Reached nearly 150,000 YouShop online shoppers.
- Successfully piloted NZ Post's Connect digital platform for students to complete StudyLink applications online rather than physically.

Mr Roche said these were critical achievements towards making the Group's businesses more agile and customer focused, and maintaining a fast pace of change this year is both necessary and critical.

"While the steps we have taken were well signalled and have been carefully implemented, we recognise they represent change for some of our staff, customers and stakeholders – who are vital to our ongoing success. We will continue to work hard to bring people with us as we transform the business," Mr Roche said.

Key results

	FY 2015 \$m	FY 2014 \$m
Revenue	1,643	1,661
Expenditure	1,483	1,505
Operating EBIT	198	187
NPAT	143	107
Operating NPAT	128	124

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