



22 February, 2016

## **NZ Post Group interim results**

New Zealand Post Group today reported net profit after taxation (NPAT) of \$110 million for the six months to 31 December 2015.

This is a \$10 million increase on the prior comparative period, attributable to Kiwibank's performance and proceeds from the sale of Australia-based subsidiary Converga.

Underlying NPAT (excluding the gain from the Converga sale and other one off effects) was \$74 million, down \$12 million on the interim result for the comparable period last year.

Key financial points:

- Revenue of \$766 million – down from \$836 million in the December 2014 half year, which included the sale of Couriers Please
- Expenditure of \$668 million, down \$73 million from \$741 million
- NPAT of \$110 million, up from \$100 million; underlying NPAT of \$74 million, down \$12 million
- Financial Services (Kiwi Group Holdings, including Kiwibank) profit of \$73 million, up \$1 million on the December 2014 half year
- Remainder of the Group contributed \$37 million of the NPAT
- Net positive impact of \$42 million from disposal of assets
- Interim dividend of \$2.5 million declared.

New Zealand Post Group Chief Executive Brian Roche said Kiwi Group Holdings, including Kiwibank, Kiwi Insurance and Kiwi Wealth, is progressing well and despite a volatile market put in a good performance to lock in its excellent growth in the previous equivalent period.

The postal services business (mail and parcels) result, however, was below expectation, and continues to give rise to concerns as to its ongoing financial performance.

“The postal services business continues to be challenged by tough market conditions. During the last 12 months letter volume fell by about 60 million units and while we have significantly reduced costs we have not kept pace with the rate of decline.

“We will continue to make necessary changes so that the nationwide letters network runs sustainably, including pursuing further cost savings.

“On the other side of the equation, we need to do more to grow revenues to offset the \$20-30 million we are losing every year from lower letter volumes.

“We have made some progress in parcels in the last year but there's a lot more we can do. A highlight was a 7% increase in parcel volumes during the pre-Christmas period (November and December) compared with the previous year.”

Looking ahead, Mr Roche said that as well as further cost reduction, the focus on strategic

investment, automation and improving customer services will continue. “We also need to get better and faster at supporting our front line teams to secure more parcels business.”

Other highlights include:

- S&P revised upwards its rating outlook on NZ Post to stable from negative and affirmed its ‘A+/A-1’ credit rating
- Alternate day delivery for standard mail introduced
- 4.8 million letters processed and delivered for the Flag referendum
- You Shop grew to 171,000 registered users
- Paxster eco-vehicle selected to deliver parcels and mail to residential addresses
- Three jointly leased 737-400 aircraft prepared for introduction into service
- The first ever standalone Kiwibank branches, for Hamilton and Christchurch central, announced
- Kiwibank total lending for home loans, business banking and credit cards increased 4.8% to \$16.35 billion and customer deposits increased 5.0% to \$14.43 billion in the six months from July 1, 2015
- Kiwibank - customer numbers grew by 40,000 since the same time last year to 920,000, and the critical measure of Main Bank Customers increased from 418,000 in December 2014 to 435,000 at the end of 2015
- Continued investment and progress in the upgrade of Kiwibank’s core technology systems.

\$ millions	6 months ended 31 Dec 2015 (unaudited)	6 months ended 31 Dec 2014 (restated)	12 months ended 30 Jun 2015 (restated)
Revenue from operations	766	836	1,556
Operating expenditure	668	741	1,396
Profit before tax	135	130	191
Net Profit after tax	110	100	143
Share Capital	192	192	192
Total Equity	1,259	1,252	1,154

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