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Kiwibank performance and one-off sale boosts first half result

New Zealand Post Group today reported net profit after taxation (NPAT) of \$100 million for the six months ended 31 December 2014.

The result was led by Kiwibank's strong performance and the sale of Australia-based courier company CouriersPlease. It represents a \$29 million increase on the prior comparative period. Underlying NPAT after adjusting for non recurring items was \$84 million, up \$13 million.

Key financial points

- Revenue of \$879 million, up from \$860 million in the December 2013 half year
- NPAT of \$100 million, an increase of 40%; underlying NPAT of \$84 million, an increase of 18%
- Financial Services (Kiwibank) profit of \$71 million, up 36%
- Remainder of the Group contributed \$29 million of the NPAT, on reduced costs and parcel growth
- Net positive impact of \$24 million from one-off valuations and disposal of assets
- Widening gap between revenue from parcels (up) and letters (down)
- Interim dividend of \$2.5 million declared.

New Zealand Post Group chief executive Brian Roche said that in the second year of a five-year transformation plan, the overall result confirmed the Group was moving in the right direction, although it was still a challenge to get a return on investment in its core (Mail and Logistics) business.

Mr Roche said New Zealand Post was carrying more parcels than ever before, driven primarily by substantial growth in ecommerce activity and associated growth in inbound parcels from overseas in the lead up to Christmas. Further innovations were planned and improving customer experience would continue to be a strong focus.

The growth in parcels helped to offset the continuing decline of the traditional letters business. The ongoing reduction of letter volumes makes it necessary for the Group to maintain its focus on structural and operational change to achieve sustainable profit levels.

Letter volumes were down 36 million items (9.8%) compared with the December 2013 half year. New Zealand Post was on track to start the move to alternate day delivery for standard letters in urban areas from 1 July and making significant progress on other operational and processing changes.

Kiwibank's performance for the six months was strong, driven by improved net interest margin and cost containment, Mr Roche said.

Management of the Group's corporate-owned retail stores was shifted to Kiwibank in the period to improve the ongoing accountability for the stores' performance.

Work would continue to identify stores in the retail network where services can be hosted by local businesses using models other than where New Zealand Post owns the store, including agency and kiosk arrangements.

Results summary

\$ millions	6 months ended 31-Dec-14 (unaudited)	6 months ended 31-Dec-13 (unaudited)	12 months ended 30-Jun-14 (audited)
Revenue from operations	879	860	1,661
Operating expenditure	784	761	1,505
Profit before income tax	130	94	140
Net profit after tax	100	71	107
Share capital	192	192	192
Shareholders' equity	1,252	1,163	1,192

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