
PostNord: Interim Report Q1 2024 - Improved income in a market that remains weak

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“Our improved earnings are mainly explained by improved earnings for PostNord Sweden and PostNord Strålfors, and a reduced negative impact of currency effects attributable to PostNord International. The quarter includes recognized compensation for the universal service obligation in Denmark of SEK – (56) million. To respond to lower volumes and the effects of cost inflation, we are continuing to adjust our prices and capacity.

There is a high tempo in the implementation of our improvement programs. The aim is to gradually increase both the efficiency and flexibility of our business model. The fact that the Group’s operating income increased for the second quarter in a row is proof that our measures and our focus on costs are paying off.

In April we replaced one credit facility with a new one with a longer term. At the same time, a new two-year loan facility of SEK 1.5 billion was agreed. PostNord’s financial preparedness therefore remains strong”, said Annemarie Gardshol, CEO of PostNord.

Parcel business with growth potential

We continue to invest to achieve long-term growth in the parcel market, driven by continuing growth in e-commerce. We continuously develop our e-commerce services, with our extensive network of parcel distribution points, based on service points and parcel lockers, combined with home deliveries growing all the time. We were also the first operator in the Nordic region to be awarded Nordic Swan Ecolabel e-commerce logistics, and we are pleased that the response to this has been very positive, with several customers now offering Nordic Swan Ecolabel deliveries with PostNord at their checkouts.

As part of our overall journey toward market and cost leadership in the parcel business, we introduced a comprehensive Cost Leadership program in 2023. The goal of the program is to create structurally improved profitability over time and thus strengthen our competitiveness. We also believe that there is significant potential to further capitalize on the consolidated strength of PostNord’s Nordic parcel network,

and there is significant growth potential in Nordic import volumes in particular. The next major step will be taken in early May, when PostNord's entire product organization comes together in one Nordic unit. This unit will support the countries and our international operations by continuing to establish a competitive harmonized Nordic product portfolio.

A financially sustainable mail business

On January 1, 2024, PostNord's universal service obligation for letter deliveries in Denmark came to an end. Exceptions apply to mail items to small islands, the visually impaired and international mail. The Danish Ministry of Transport has decided that PostNord Denmark must maintain these three specific tasks until procurement processes have been completed. Compensation for these deliveries will be paid in accordance with the provisions of the Danish Postal Services Act. The compensation payable by the Danish state for this has not yet been determined for the first quarter. The organization, offering, and prices are continually adjusted to meet the new reality.

We are the proud provider of the universal postal service in Sweden. PostNord does not receive any state aid and the license conditions granted to PostNord by PTS (Swedish Post and Telecom Authority) almost two years ago will expire in March next year. We got the most recent regulatory relief, which meant that letters could arrive after two days, instead of overnight, six years ago. Since then, mail volumes have halved. Our assessment is that less than half of today's mail volumes will remain by 2030. As a result of efficiency improvements and price increases, we have managed to keep these operations financially viable, but we see further challenges ahead.

The government Postal Financing Inquiry has proposed both regulatory relief and compensation for PostNord for the costs that regulation entails over time. We are very keen to see a decision made in line with the Postal Financing Inquiry's proposals as soon as possible.

Rapid pace of change

At the end of the quarter, around 70 percent of the energy used for PostNord's own vehicle fleet was renewable.

Swedish and Danish consumers are of the opinion that PostNord is the most sustainable brand in parcels and logistics. This is according to the Sustainable Brand Index 2024, Europe's largest brand study on sustainability. In Denmark, PostNord was voted the sector leader for the second year in a row. It is pleasing that PostNord's efforts in this regard are recognized and appreciated.

(PostNord)