International Post Corporation

Canada Post segment reports $264-million loss before tax in third quarter

19-11-2021

Canada Post recorded a loss before tax of $264 million in the third quarter, a slight improvement compared to the same period a year earlier. While the first half of 2021 showed strong revenue growth from all lines of business, it slowed slightly in the third quarter as consumers returned to shop in store. Revenue gains in Transaction Mail due to the federal election and some recovery in Direct Marketing partially offset a decline in Parcels revenue for the quarter.

For the first three quarters of the year, Canada Post recorded a loss before tax of $492 million, an improvement of $217 million or 30.5 per cent from the same period of the prior year.

Revenue for the Canada Post segment increased by $37 million, or 0.8[1] per cent, in the third quarter compared to the same period a year earlier. For the first three quarters of 2021, revenue increased by $501 million, or 8.5 per cent, compared to the same period a year earlier due to increases in all lines of business. Year-over-year comparisons are affected by the impacts of COVID-19 on volumes and revenue, which began at the end of the first quarter of 2020 and affected the lines of business differently. In the third quarter of 2020, Direct Marketing and Transaction Mail volumes declined substantially, while significant and unsustainable parcel volume growth was constrained by available capacity.

Cost of operations increased by $32 million, or 1.8 per cent, in the third quarter of 2021 and by $275 million, or 3.3 per cent, for the first three quarters, compared to the same periods a year earlier. These increases were driven by annual wage increases and higher costs of processing and delivering parcels compared to mail. The Corporation also invested in operations and capacity.

Canada Post's long-standing mandate is to serve every Canadian address while maintaining financial self-sustainability. The pandemic has changed the needs of Canadians dramatically, putting further pressure on the Corporation's existing business model and operations. To grow the business and better meet these evolving needs, Canada Post is investing to expand capacity, improve the customer experience and innovate its operations.

Parcels

In the third quarter, Parcels revenue declined by $31 million, or 5.3 per cent, as volumes fell by 20 million pieces, or 22.1 per cent, compared to the same period a year earlier. The reopening of stores for in-person shopping negatively impacted demand for parcels. Global supply chain issues also began to affect inbound volumes, particularly from China. For the first nine months of the year, revenue rose by $307 million, or 11.4 per cent, as volumes declined by 2 million pieces, or 2.3 per cent, compared to the same period a year earlier. Year-to-date Parcels revenue was positively affected by more proactively managing available capacity and the mix of commercial customers and products. The Corporation continues to make investments to improve processing capacity and efficiencies to support growth in the Parcels business.

Transaction Mail

Transaction Mail revenue grew by $21 million, or 2.4 per cent, in the third quarter as volumes rose by 8 million pieces from the same period in the prior year. This was partly due to federal election mailings. For the first three quarters of 2021, revenue grew by $54 million, or 1.3 per cent, as volumes rose by 4 million pieces compared to the same period a year earlier, due in part to the census and federal election mailings. Despite revenue growth from these mailings, continued erosion in Transaction Mail persists as consumers and mailers migrate to digital alternatives.

Direct Marketing

Direct Marketing continued to partially recover in the third quarter, following significant declines in Personalized Mail™ and Neighbourhood Mail™ in 2020 as customers postponed or cancelled marketing campaigns due to COVID-19. Direct Marketing revenue grew $42 million, or 20.3 per cent, in the third quarter as volumes rose by 184 million pieces, or 21.1 per cent, compared to the same period in the prior year. While Direct Marketing results improved, some retailers delayed or cancelled marketing campaigns in the third quarter due to global supply chain issues. For the first three quarters of 2021, Direct Marketing revenue increased by $100 million, or 15.9 per cent, as volumes increased by 497 million pieces, or 19.8 per cent, compared to the same period a year earlier.

Group of Companies

The Canada Post Group of Companies2 recorded a loss before tax of $191 million in the third quarter of 2021, marking a $25 million improvement from the $216 million loss before tax in the same period a year earlier. In the third quarter, Purolator's and SCI's profits before tax of $65 million and $7 million, respectively, helped offset the Canada Post segment's loss before tax. For the first three quarters of the year, the Group of Companies recorded a loss before tax of $274 million, an improvement of $328 million from the same period in 2020, when the loss before tax was $602 million. Due to recurring factors, the Canada Post segment would have reported a loss, regardless of COVIDâ€‘19.

Background

The operations of the Canada Post Group of Companies[2] are funded by the revenue generated by the sale of its products and services, not taxpayer dollars.

Source: [Canada Post]

[1]All per cent values in this news release have been adjusted for differences in business and paid days and are calculated on values rounded to the nearest thousand. In the third quarter of 2021, there was one additional business day and no difference in paid days compared to the third quarter in 2020. For the year-to-date period of 2021, there were three additional business days and three additional paid days compared to the same period in 2020.

[2]The Canada Post Group of Companies consists of the core Canada Post segment and its three non-wholly owned subsidiaries, Purolator Holdings Ltd., SCI Group Inc. and Innovapost Inc.