

# Q1 2018 Results

The Hague, 8 May 2018



# Q1 2018 Results

## **Key takeaways**

Business review

Financial review

Q&A

# Acceleration of transformation continues

	Revenue	Underlying cash operating income
<b>Q1 2018</b>	<b>€875m</b>	<b>€29m</b>
Q1 2017	€870m	€50m

Progress towards >50% of revenue related to e-commerce in 2020



## Key takeaways

- UCOI Q1 2018, as expected, below last year; lower result in all business segments
- Good progress in % of revenue related to e-commerce
- Solid financial position
  - consolidated equity improved to €58m
  - net cash used for operating and investing activities slightly improved
- Dividend 2017 of €0.23 per share approved by AGM, final dividend of €0.17 per share to be paid 9 May 2018
- Outlook 2018 confirmed
- Political intervention required to safeguard sustainable Dutch postal market

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# Mail in the Netherlands

Continued volume decline; cost savings 2018 back-end loaded

	Revenue	Underlying cash operating income	Total cost savings	Addressed mail volume decline
<b>Q1 2018</b>	<b>€424m</b>	<b>€17m</b>	<b>€8m</b> <small>of which €3m in Mail in the Netherlands</small>	<b>10.3%*</b>
Q1 2017	€450m	€28m		

## Key takeaways Q1 2018

- Volume decline driven by ongoing substitution and loss to competition supported by regulation
  - higher decline in single mail
  - effect ACM measures continues
- UCOI development: volume/price/mix effect (again including the effect of ACM measures) and autonomous cost increases only partly offset by cost savings and lower cash out for pensions and provisions
- Delivery quality at 95%
- Final agreement on CLA for mail deliverers

\* 9.6% adjusted for one working day

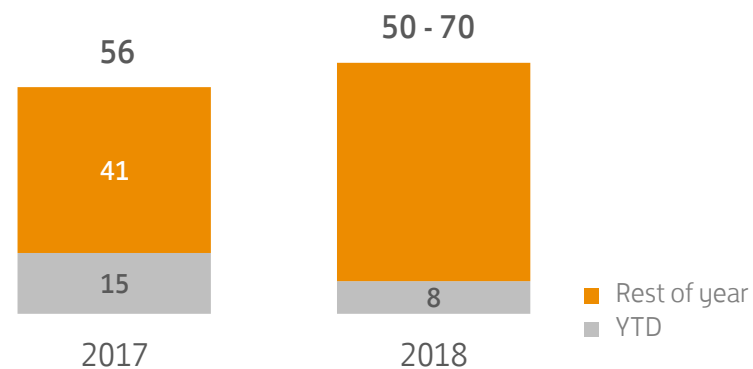
# €8m cost savings realised in Q1 2018

Guidance cost savings of €50m - €70m for 2018, back-end loaded

## Careful planning process of cost savings projects, to speed up realisation of savings and to secure quality

Centralisation locations	<ul style="list-style-type: none"> <li>• Migration of three locations</li> <li>• Preparation for further migration of depots later in 2018</li> <li>• Successful integration of sorting locations for international mail</li> </ul>
Efficiency sorting process	<ul style="list-style-type: none"> <li>• Further implementation new coding process delayed to HY2 as indicated before</li> </ul>
Optimise retail network	<ul style="list-style-type: none"> <li>• Reduction of 750 post boxes</li> </ul>
Simplify portfolio	<ul style="list-style-type: none"> <li>• Collection of data completed, next step is design of simplified portfolio</li> </ul>
Reduce staff	<ul style="list-style-type: none"> <li>• Announcement of staff reduction in line management</li> <li>• Development new blue print for further reduction in overhead</li> </ul>
Other	<ul style="list-style-type: none"> <li>• IT savings and centralisation of HR departments</li> </ul>

## Cost savings (in € millions)



# Consolidation of players in Dutch postal market inevitable

## Postal dialogue started

### Decision Significant Market Power (SMP)

- Postal operators can use PostNL's network at regulated tariffs and conditions not available to customers
- Postal operators win more volume than anticipated and deliver more via own networks
- Operational requirements increase complexity of organisation, frustrating cost savings plans and increase costs
- Financial impact between €50m and €70m on annualised basis, effect fully visible in FY 2020; impact subject to final implementation of SMP decision

### Impact changing Dutch postal market

- Market changed fundamentally: mail volumes almost halved since 2005, decline will continue
- Volumes and profitability Mail in the Netherlands deteriorated significantly over years
- Combined with increasing impact ACM measures, this endangers quality of postal delivery and reliability and accessibility of the postal network

### View and actions PostNL

- To safeguard reliability and accessibility of postal service and preserve decent labour conditions in shrinking market consolidation of market players is inevitable
- Several legal actions taken related to SMP and other ACM measures
- Active participation in postal dialogue, initiated by Dutch government, which is stakeholder process to develop shared view on future of postal market, including evaluation of USO

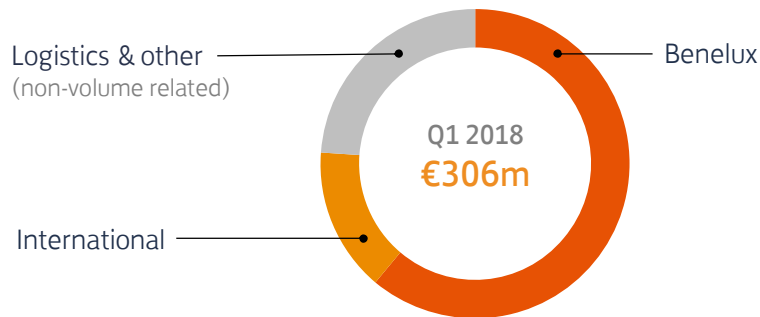
Intervention required to safeguard sustainable postal market

# Parcels

Continuing strong volume and revenue growth

	Revenue	Underlying cash operating income	Volume growth
<b>Q1 2018</b>	<b>€306m</b>	<b>€23m</b>	<b>25%</b>
Q1 2017	€249m	€28m	

## Revenue mix



## Key takeaways Q1 2018

- Strong revenue increase following volume growth and acquisition effect, slightly offset by a negative price/mix effect
- Accelerating transformation driven by ongoing growth e-commerce, strong development additional services and increase in logistics
- UCOI impacted by additional capacity costs, the expected impact from planned investments in growth and higher cash out related to pensions and provision
- Construction of three new depots in the Netherlands in progress, expected to become operational towards the end of 2018



# Engines for transformation

Meet consumers' wishes

## E-fact #6

### Time definite delivery

- Growing demand of consumers to control delivery and/or pick-up time frame
- Extension of service propositions PostNL supports e-commerce growth



# Engines for transformation

Solidify our position as leading e-commerce logistics company in the Benelux



## Development new services to stimulate e-commerce growth



- Delivery on demand – delivery in specific time frame on preferred day
- Pick-up on demand for returns – nationwide service
- Instant delivery – pilot < 2 hours delivery in urban areas

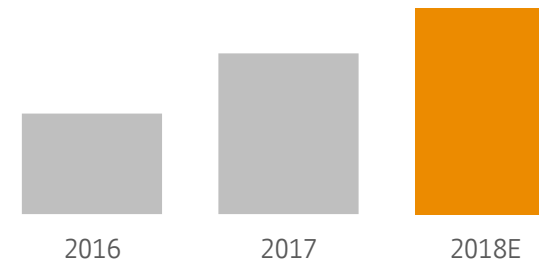


- Close collaboration with e-commerce customers
  - increase consumer satisfaction and loyalty
  - help our customers to grow



- Utilise our expertise and competences of existing B2B and express networks

## Revenue growth time definite CAGR 2016 – 2018E > 40%

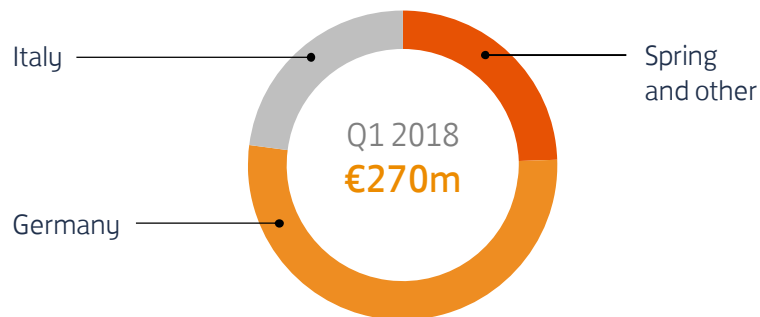


# International

Fierce competition remains

	Revenue	Underlying cash operating income
<b>Q1 2018</b>	<b>€270m</b> -5%*	<b>€(4)m</b>
Q1 2017	€285m	€5m

## Revenue mix



\* Corrected for FX, revenue decreased by 3%

## Spring & other

- Continued growth global e-commerce customers
- Mail volumes continue to decline
- Given the competitive landscape, implementation of rate increases was postponed to March, however cost from other national postal operators increased

## Germany

- Lower revenue almost fully explained by volume decline and price pressure in consolidation
- Large contracts won, implemented step-by-step starting as of Q1
- Improving revenue and productivity in final mile activities

## Italy

- Strong growth parcels
- Overall mail volumes declined and price pressure in mail remains strong, offset by expansion customer portfolio

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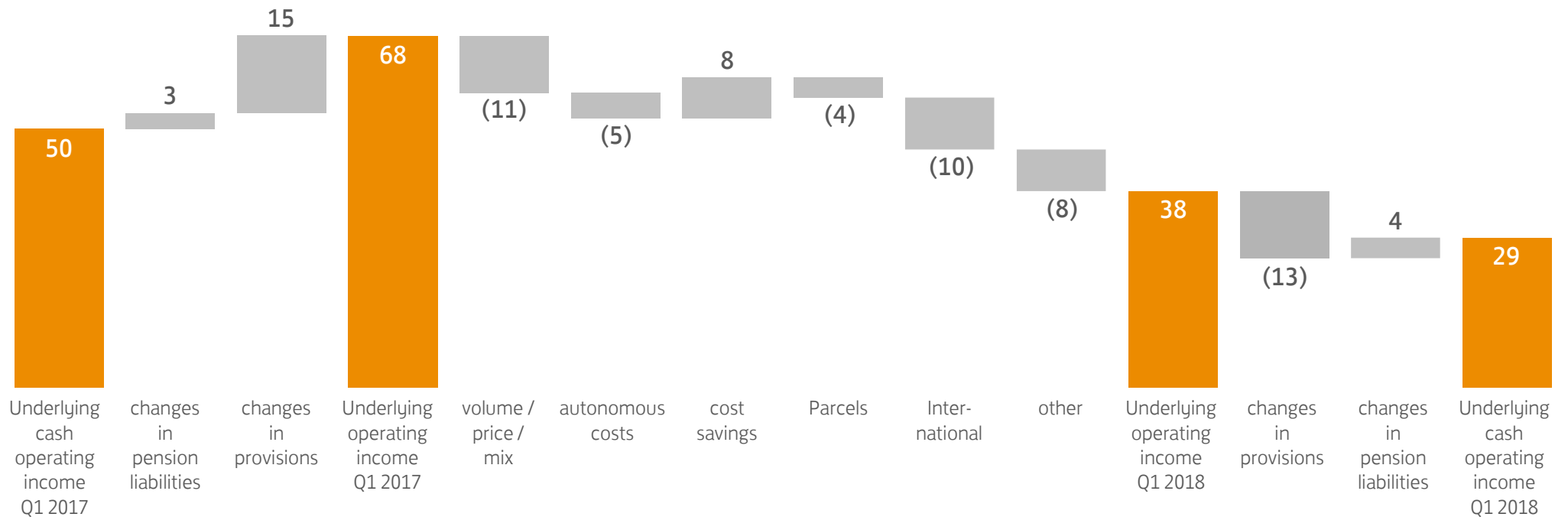
# Financial highlights Q1 2018

Underlying cash operating income below last year

<i>(in € millions)</i>	Q1 2017	Q1 2018
<b>Reported revenue</b>	<b>870</b>	<b>875</b>
Reported operating income	66	30
Restructuring related charges		5
Project costs and other	2	3
Underlying operating income	68	38
<b>Underlying cash operating income</b>	<b>50</b>	<b>29</b>
<b>Net cash used in operating and investing activities</b>	<b>(20)</b>	<b>(18)</b>

# Underlying (cash) operating income

(in € millions)



# Results by segment

(in € millions)

	Revenue		Underlying operating income		Underlying cash operating income	
	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018
Mail in the Netherlands	450	424	41	29	28	17
Parcels	249	306	28	24	28	23
International	285	270	6	(4)	5	(4)
PostNL Other	18	19	(7)	(11)	(11)	(7)
Intercompany	(132)	(144)				
<b>Total PostNL</b>	<b>870</b>	<b>875</b>	<b>68</b>	<b>38</b>	<b>50</b>	<b>29</b>

# Statement of income

Profit for the period Q1 2018 €14m

<i>(in € millions)</i>	Q1 2017	Q1 2018
Revenue	870	875
<b>Operating income</b>	<b>66</b>	<b>30</b>
Net financial expenses	(10)	(8)
Income taxes	(15)	(8)
<b>Profit for the period</b>	<b>41</b>	<b>14</b>



# Net cash from operating and investing activities

Slight improvement in net cash movement

<i>(in € millions)</i>	Q1 2017	Q1 2018
<b>Cash generated from operations</b>	<b>59</b>	<b>46</b>
Interest paid	(1)	(2)
Income taxes paid	(60)	(47)
<b>Net cash (used in)/from operating activities</b>	<b>(2)</b>	<b>(3)</b>
Interest / dividends received / acquisitions / other	1	1
Capex	(23)	(20)
Proceeds from sale of assets	4	4
<b>Net cash used in operating and investing activities</b>	<b>(20)</b>	<b>(18)</b>
Base capex		9
Cost savings initiatives		1
New sorting and delivery centres		10
<b>Total capex</b>		<b>20</b> at most 120 (FY outlook)

# Coverage ratio pension fund further improved to 114.8%

Higher pension expense balanced in Other Comprehensive Income



- Increase in pension expense (visible in underlying operating income) mainly explained by higher rate of expected benefit increases, reflecting development of coverage ratio pension fund
- Compensated by actuarial gain recorded in other comprehensive income (OCI) as net pension liability related to pension fund is limited at outstanding unconditional funding obligation
- Will be also visible in next quarters

# Consolidated statement of financial position

## Consolidated equity further improved

<i>(in € millions)</i>	31 Mar 2018		31 Mar 2018
Intangible fixed assets	257	<i>Consolidated equity</i>	58
Property, plant and equipment	517	<i>Non-controlling interests</i>	3
Financial fixed assets	46	Total equity	61
Other current assets	625	Pension liabilities	353
Cash	627	Long-term debt	403
Assets classified as held for sale	9	Other non-current liabilities	67
		Short-term debt	226
		Other current liabilities	971
<b>Total assets</b>	<b>2,081</b>	<b>Total equity &amp; liabilities</b>	<b>2,081</b>

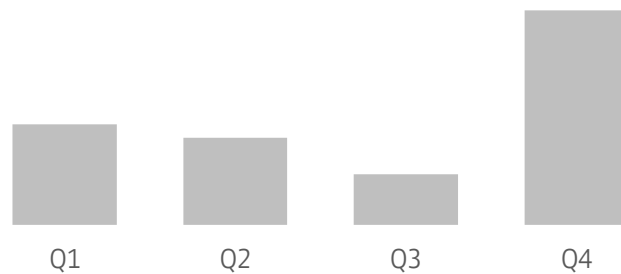
- Net cash position of €5m
- Corporate equity of €2,727m, of which €359m distributable

# Expected development Q2 2018

In line with Q1 2018 development

## Average UCOI split 2013 - 2017

(in %)



Working days	2017	2018
Q1	65	64
Q2	61	61
Q3	65	65
Q4	63	64
<b>Total</b>	<b>254</b>	<b>254</b>

## Attention points for Q2 2018

- Outlook underlying cash operating development 2018: between €160m and €200m (FY 2017: €225m)
- Underlying cash operating income Q2 2017: €46m
- No working day effect
- Cost savings 2018 back-end loaded
- Efficiency improvements Parcels visible towards end of year
- Dividend distribution will impact cash and equity development in Q2 2018

# Outlook 2018 reconfirmed

	Revenue		UCOI / margin	
	2017	outlook 2018	2017	outlook 2018
Mail in the Netherlands	1,783	- mid single digit	125 (7.0%)	3%-5%
Parcels	1,110	+ mid teens	120 (10.8%)	9%-11%
International	1,051	+ high single digit	6 (0.6%)	0%-2%
PostNL Other / eliminations	(449)		(26)	
<b>Total</b>	<b>3,495</b>	<b>+ mid single digit</b>	<b>225</b>	<b>160 - 200</b>

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## Appendix

- Breakdown pension cash contribution and expenses

# Breakdown pension cash contribution and expenses

## Regular pension expenses and cash

<i>(in € millions)</i>	Q1 2017		Q1 2018	
	Expenses	Cash	Expenses	Cash
Business segments	25	30	25	28
IFRS difference	2		7	
<b>PostNL</b>	<b>27</b>	<b>30</b>	<b>32</b>	<b>28</b>



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