

Q3 2019 Results

The Hague, 4 November 2019



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Key takeaways

Business review

Financial review

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Q&A

Key takeaways Q3 2019

- Sandd acquisition completed, financial impact reconfirmed; focus on completion of integration in HY1 2020
- Sale of Postcon to Quantum Capital Partners completed
- Current volume development impacts margin improvement at Parcels
- Result at Mail in the Netherlands slightly better
- Overall, satisfying Q3 performance
- Outlook 2019 UCOI confirmed

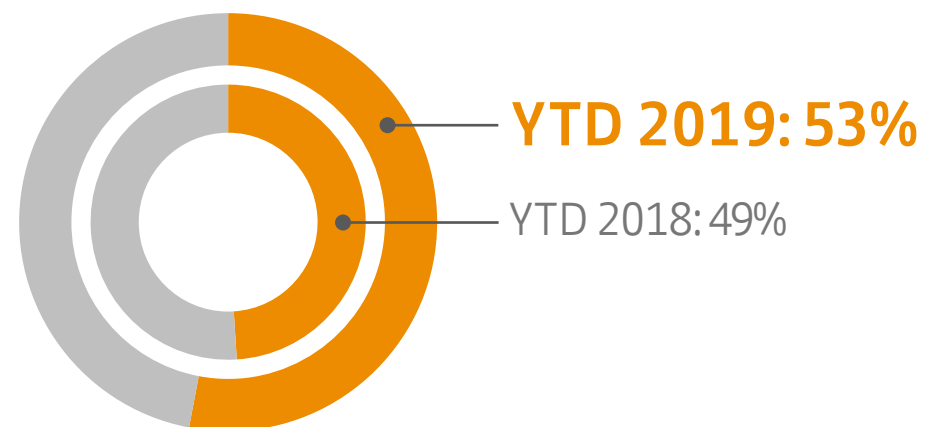
Underlying cash operating income at €25m

Outlook for underlying cash operating income 2019 confirmed

	Revenue	Underlying cash operating income	Net cash from operating and investing activities	Profit from continuing operations
Q3 2019	€636m	€25m	€54m	€13m
Q3 2018	€638m	€23m	€(42)m	€19m

Progress transition

(% of revenue relating to e-commerce)



Financial performance

- Underlying cash operating income (UCOI) up
- Net cash from operating and investing activities improved by €96m (mainly improving working capital, following business performance, terminal dues and some phasing)
- Profit from continuing operations at €13m

Outlook UCOI 2019 confirmed

- Expected UCOI 2019 between €170m and €200m
- Anticipated UCOI impact from acquisition Sandd between €(15)m and €(25)m in Q4 2019

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Parcels

Current volume development impacts margin improvement



Revenue development Parcels Benelux

- Effect volume growth (€34m), slightly offset by negative, though improving, price/mix effect of €3m
- Continuing lower growth in some customer segments (fashion and electronics)
 - Market research shows increase in value per parcel resulting in a slowdown in overall volume growth
 - Rationalisation webshops

Logistics and Spring






- Growth in Logistics and Spring; business environment remains challenging, impacted by global macroeconomic pressures

Result Parcels at €27m

- Performance at Parcels Benelux flat
 - volume/price/mix resulted in performance improvement of €5m, organic cost increases (CLA and indexation) of €4m and better operational efficiency offset by costs related to infrastructure expansion: additional costs up €1m
- Other result, mainly Spring, down €1m

Be the leading e-commerce logistics company in Benelux

Executing on strategy as presented at our Capital Markets Day

	Ambition	Key metric	Recent milestones	Next
	Capture future growth	Volume growth (%)	<ul style="list-style-type: none"> Volume growth Parcels Q3 2019 11% 	<ul style="list-style-type: none"> ~13% FY 2019 expected
	Invest in new capacity and innovate network	Utilisation	<ul style="list-style-type: none"> Contract signed for building small parcel sorting centre 24th depot opened in Dordrecht Increase capacity and expansion own retail network in Belgium 	<ul style="list-style-type: none"> Further preparations SPS Depot Tilburg
	Improve value through yield management	Revenue per parcel (€)	<ul style="list-style-type: none"> Pricing policy changed to mitigate end-of-year seasonality costs Indexation prices for customer contracts Contract negotiations with upward price points 	<ul style="list-style-type: none"> Negotiations contract renewals
	Optimise supply chain & reduce costs	Costs per parcel (€)	<ul style="list-style-type: none"> Single delivery attempt; directly to retail Pilot: real-time tracking of parcel in PostNL app 	<ul style="list-style-type: none"> Peak season
	Being a good employer and reduce environmental footprint	Environmental footprint Employee satisfaction	<ul style="list-style-type: none"> Preparations for new labour market regulation 	<ul style="list-style-type: none"> Effective 2020

Further steps in execution of strategy to improve margin



Revenue per parcel

Customer/mix



- Continued stronger growth larger customers

Pricing/yield measures



- Pricing policy changed to mitigate end-of-year seasonality costs
- Indexation prices for customer contracts will be visible in 2020
- Contract negotiations with upward price points



Costs per parcel

Efficiency



- Introduction of single delivery attempt
- Improvement in drop duplication and hit rate
- Optimisation of capacity impacted by current volume growth
- Higher indirect cost per parcel (IT)

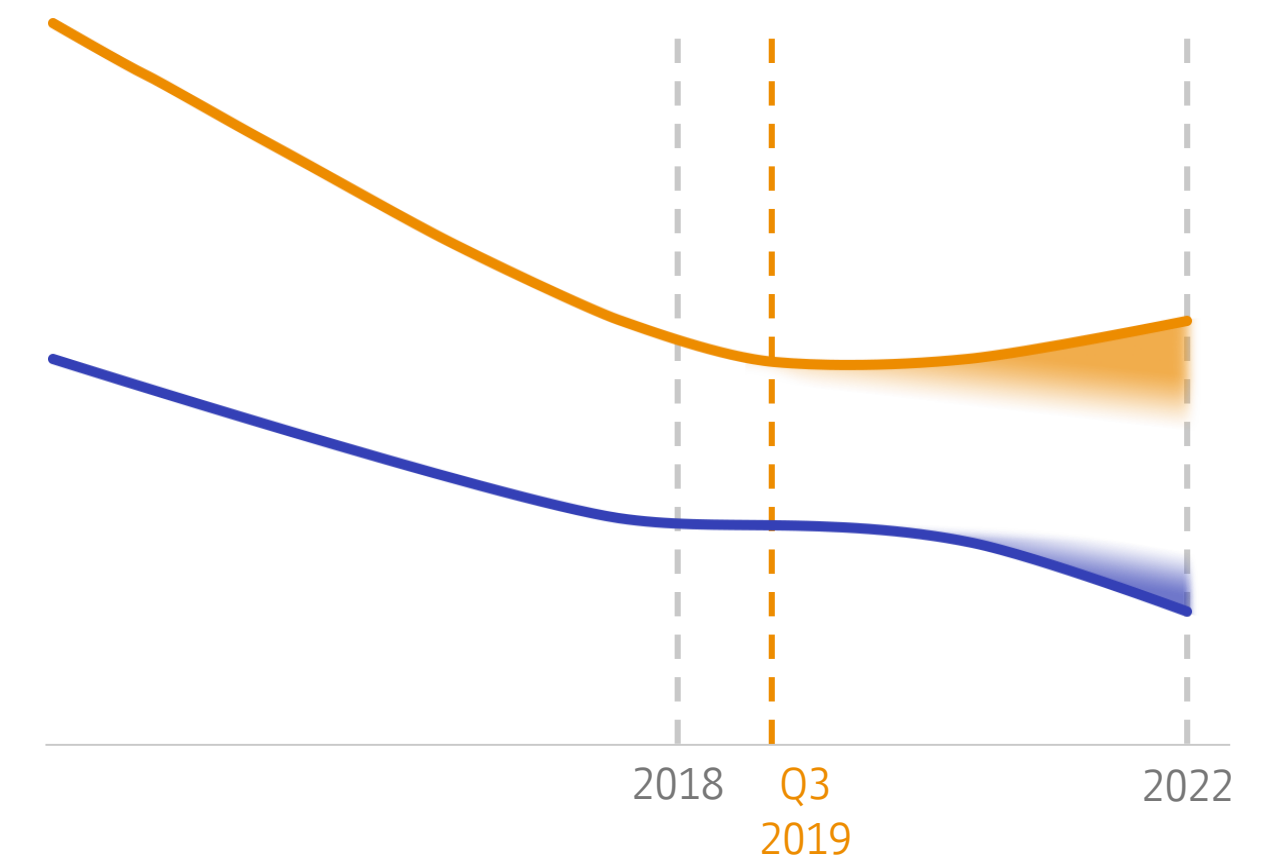
Organic costs



- Cost increases; CLA and indexations
- Prepare for Balanced Labour Market Act (effective 2020)

Revenue and costs per parcel

(Indicative)



Mail in the Netherlands

Continuing volume decline Mail in the Netherlands partly offset by price increases and cost savings

	Revenue	Underlying cash operating income	Total cost savings	Addressed mail volume decline
Q3 2019	€342m	€0m	€9m	10.6% (9.9% YTD)
Q3 2018	€371m	€(1)m	of which €7m in Mail in the Netherlands	

Business development

- Main trends, such as volume decline and tight labour market, continued
- Volume declined by 10.6%, driven by ongoing substitution and loss of volumes to competition (around 3%, mainly to Sandd)
- Delivery quality stable at 95%

Result improved

- Impact from volume/price/mix effect of €(12)m and autonomous cost increases of €6m not offset by cost savings of €7m
- Other effects, mainly less cash-out for pensions and provisions and terminal dues, as seen in the previous quarters as well, had a positive impact of €12m

€9m cost savings achieved in Q3 2019

FY 2019 cost savings expected to come in at the lower end of the range of between €45m and €65m

Cost savings Q3 2019

Reduction line management and overhead

- Implementation staff reduction according to plan

Efficiency sorting and delivery process

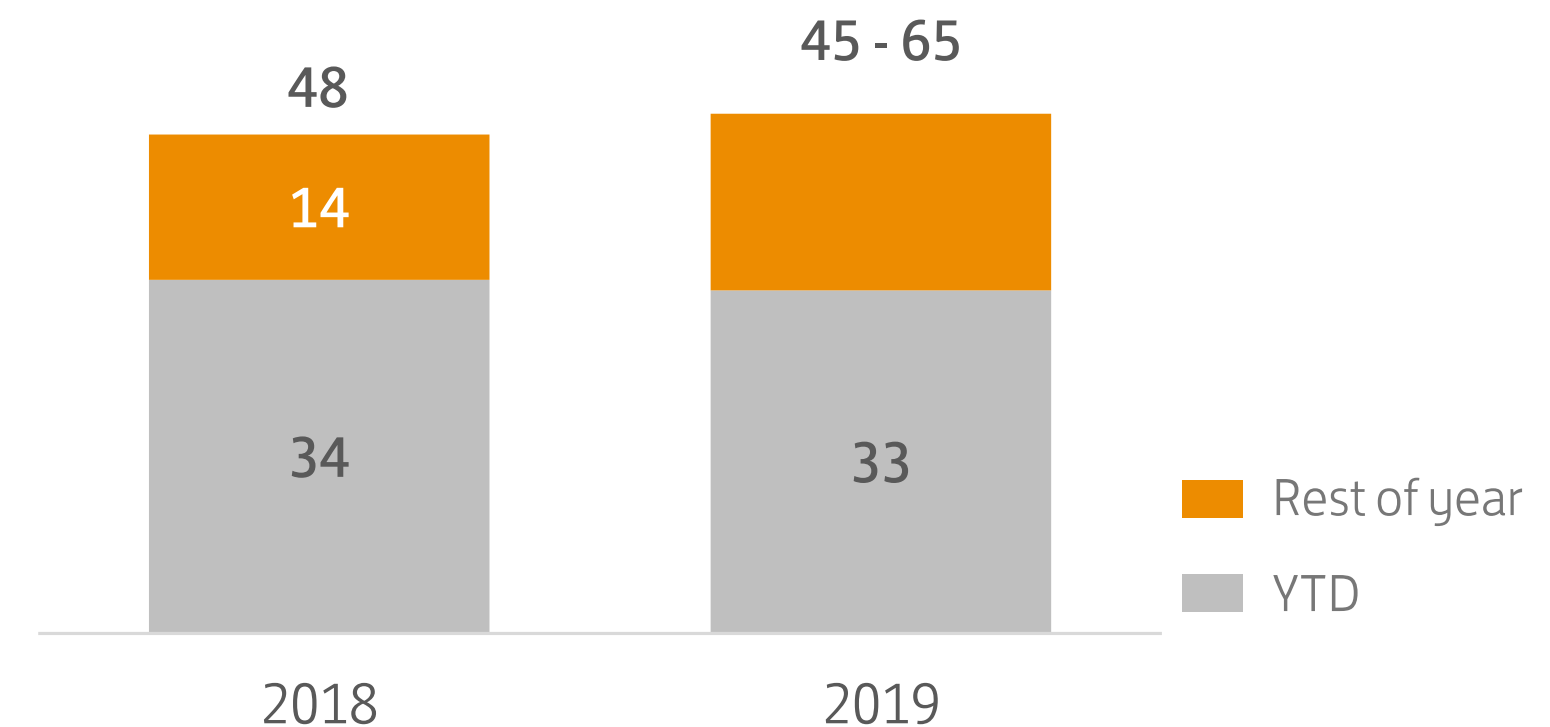
- Adjustments in delivery process and sequenced sorting completed, resulting in realising saving

Implementation New mail route

- Switch to equal-flow model started in June, with non-time-critical mail delivered on 5 days instead of 3 days

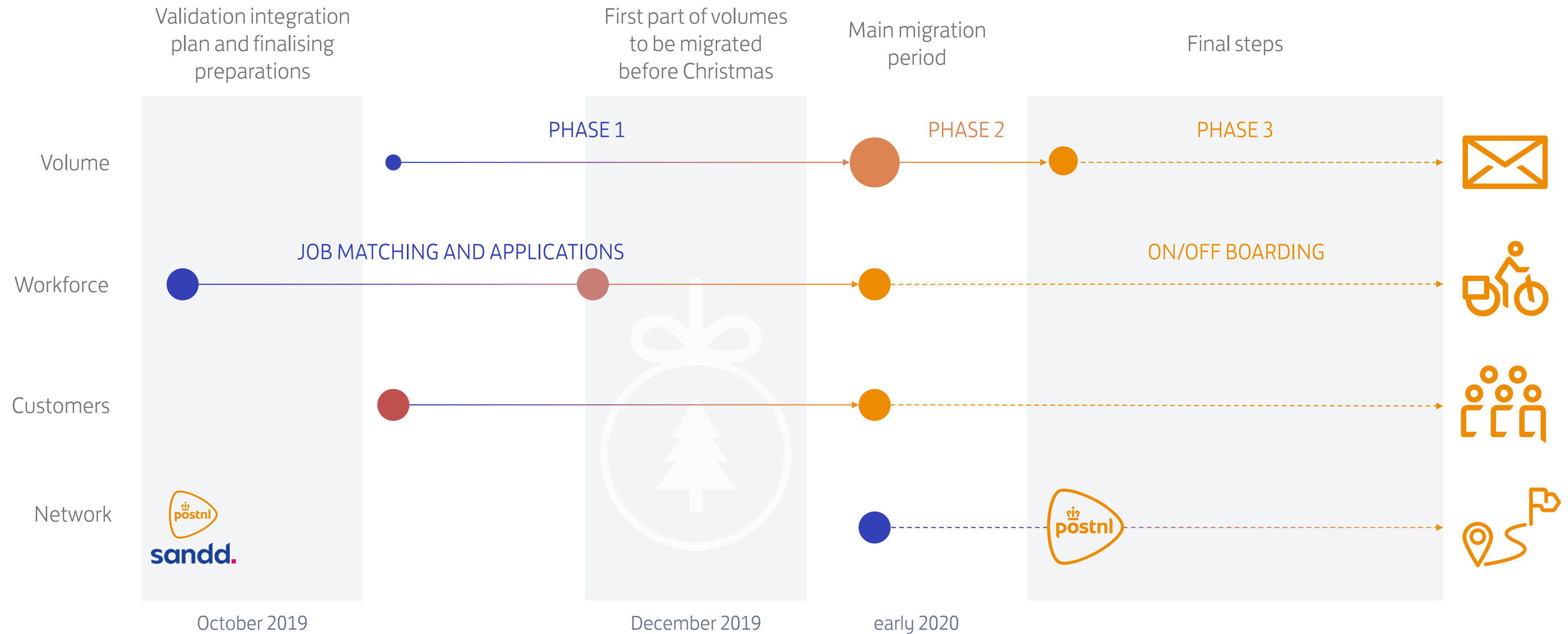
Cost savings YTD

(in € million)



Integration Sandd expected to be completed in HY1 2020

Milestones towards one strong nationwide network



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Financial highlights continuing operations

(in € million)

	Q3 2018	Q3 2019	YTD 2018	YTD 2019
Reported revenue	638	636	1,978	2,001
Reported operating income	31	23	92	82
Project costs and other	2	2	24	13
Elimination intercompany results from discontinued operations	(1)	1	(6)	0
Normalised EBIT	32	26	110	95
Restructuring-related charges	(3)	1	0	1
Underlying operating income	29	27	110	96
Change in pension liabilities	2	0	9	7
Change in provisions	(8)	(2)	(31)	(6)
Underlying cash operating income	23	25	88	97
Net cash from/(used in) operating and investing activities	(42)	54	(76)	79

Statement of income

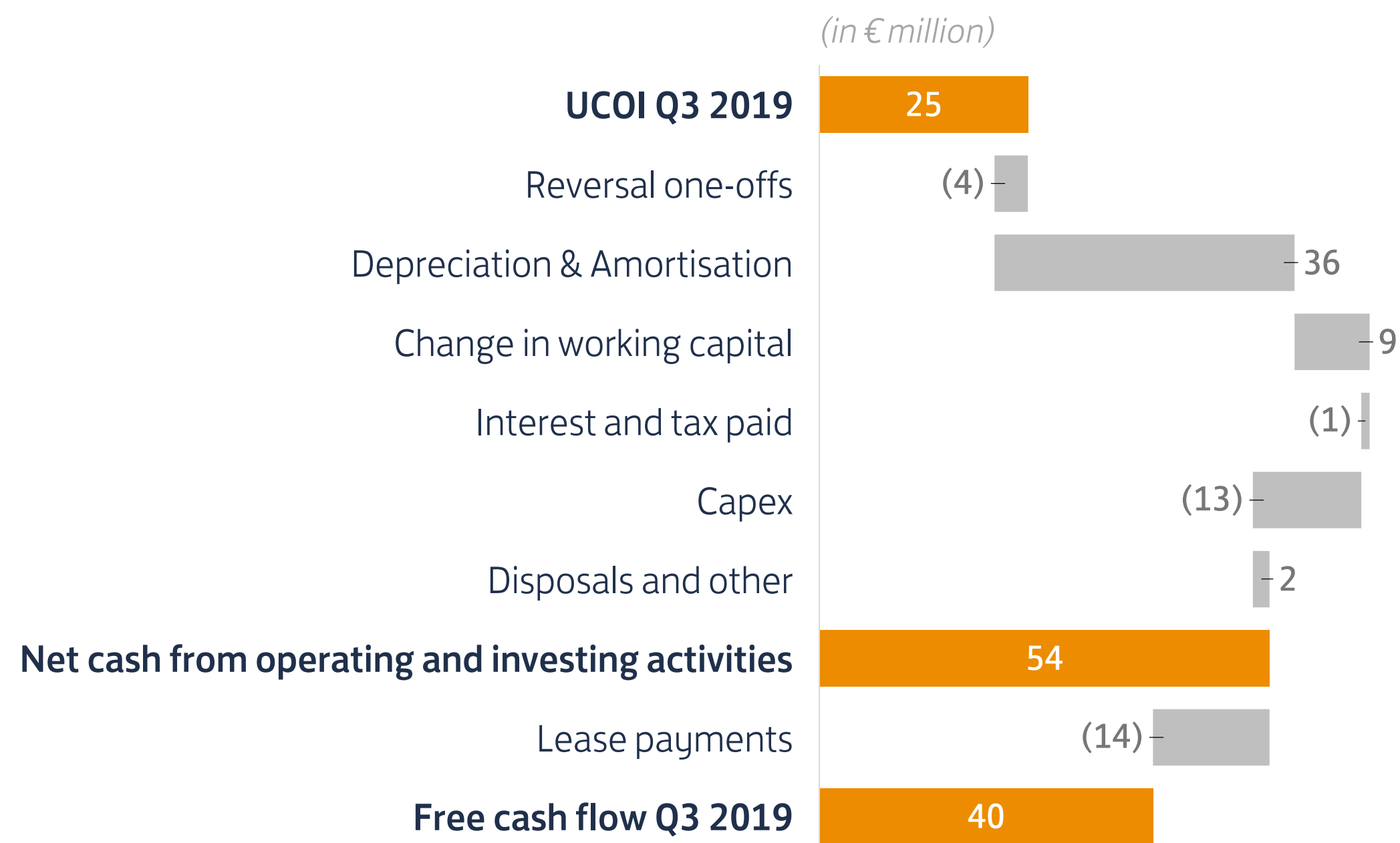
Profit for the period increased by €36m in Q3 2019

(in € million)

	Q3 2018	Q3 2019	YTD 2018	YTD 2019
Revenue	638	636	1,978	2,001
Operating income	31	23	92	82
Net financial expenses	(5)	(4)	(21)	(11)
Results from investments in associates and joint ventures	0	0	0	0
Income taxes	(7)	(6)	(20)	(18)
Profit from continuing operations	19	13	51	53
Loss from discontinued operations	(49)	(7)	(68)	(45)
Profit for the period	(30)	6	(17)	8

- Loss from discontinued operations: €(7)m in Q3 2019, partly explained by a negative, however improving, business result of Postcon and Nexive
- Sale of Postcon to Quantum Capital Partners completed end of October
- Disposal process Nexive still in progress

Generation of free cash flow in Q3 2019



Capex (in € million)

	Q3 2019	YTD 2019
Base capex	10	29
Cost savings initiatives	1	6
New sorting and delivery centres	2	3
Total capex (FY 2019: max. 80)	13	38

Consolidated statement of financial position

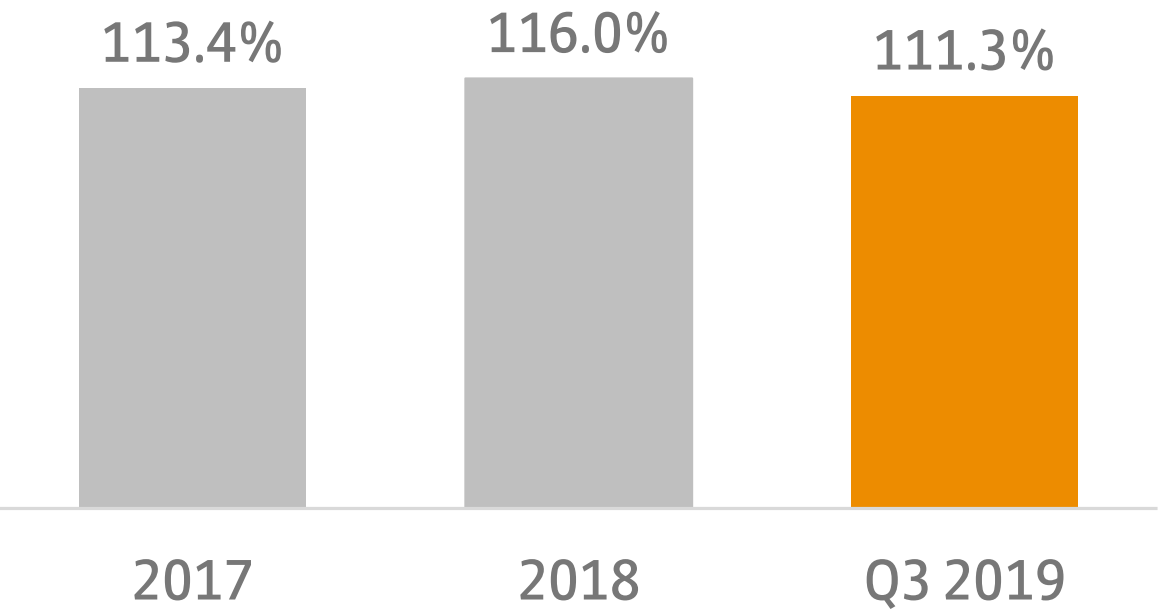
Green bond issued: €300m, coupon 0.625%, term of 7 years, no covenants, covers financing needs for medium term

<i>(in € million)</i>	28 Sep 2019		28 Sep 2019
Intangible fixed assets	208	Consolidated equity	(26)
Property, plant and equipment	445	Non-controlling interests	3
Right-of-use assets	213	Total equity	(23)
Other non-current assets	77	Pension liabilities	321
Other current assets	403	Long-term debt	695
Cash	525	Long-term lease liabilities	153
Assets classified as held for sale	178	Other non-current liabilities	23
		Short-term lease liabilities	51
		Other current liabilities	689
		Liabilities related to assets classified as held for sale	140
Total assets	2,049	Total equity & liabilities	2,049

- Adjusted net debt is €698m; gross debt (Eurobond, other debt/receivables), pension liabilities (adjusted for tax impact), lease liabilities (on-balance sheet and off-balance sheet commitments, adjusted for tax impact) and cash position
- Adoption of IFRS 16 Leases per 1 January 2019
 - Recording of right-of-use assets and increased lease liabilities for operating leases, mainly related to rent and lease of buildings and transport fleet
 - Right-of-use assets include transferred finance leases and capitalised leasehold rights and ground rent contracts (from PP&E)

Decline in interest rates impacts pension position

Coverage ratio pension fund (12-months average)



- actual coverage ratio September 2019: 106.1%

(in € million)	YE 2018	Q1 2019	HY 2019	YTD 2019
Fifth and last instalment unconditional funding obligation (to be paid in Q4 2019)	33	33	33	33
Transitional plans	263	276	284	288
Provision for pension liabilities	296	309	317	321

- increased amount for one-off payment for transitional plans in 2020

Going forward lower interest rates will result in:

- increasing pension expenses to be visible in (normalised) EBIT in 2020; impact on equity mitigated by positive effect in OCI; expected impact on cash contributions limited

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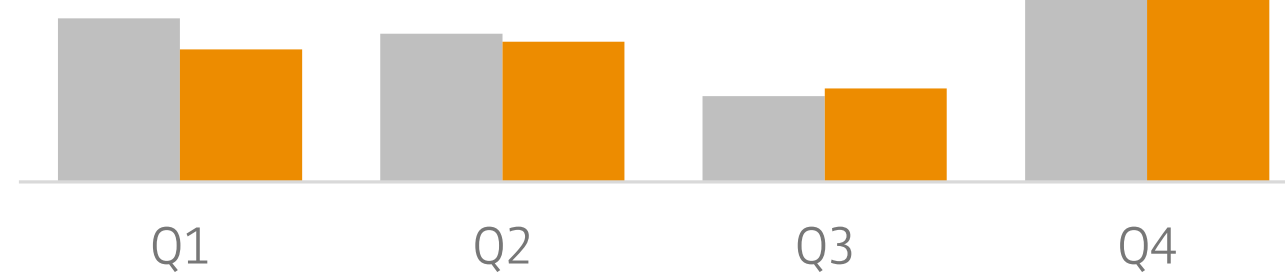
Q&A

Seasonal pattern

UCOI split 2013 - 2018

(in %)

■ average 2013-2018 ■ 2018



Working days	2018	2019
Q1	64	63
Q3	61	62
Q3	65	65
Q4	64	65
Total	254	255

Attention points for Q4 2019

- Underlying cash operating income Q4 2018: €100m
- Mail in the Netherlands: in Q4 2018 non-recurring effect from retro-active invoice to postal operators
- FY 2019 cost savings expected to come in at the lower end of the range of between €45m and €65m

Outlook underlying cash operating income FY 2019 confirmed

Anticipated UCOI impact from acquisition of Sandd of between €(15)m and €(25)m in Q4 2019

	Revenue		UCOI / margin		compares to normalised EBIT (margin)
(in € million)	2018	outlook 2019	2018	outlook 2019	
Parcels	1,555	+ high single digit	117 (7.5%)	~ 7%	~ 7%
Mail in the Netherlands	1,678	- high single digit	93 (5.5%)	>= 5%	>= 5%
PostNL Other / eliminations	(461)		(22)		Δ~(15)*
Total	2,772	+ low single digit	188	170 - 200	155 - 185
Adjusted for acquisition Sandd				150 - 180	120 - 150

- normalised EBIT as new key metric for profitability as of 2020 (comparative numbers for 2019)
- reflection of business performance; one-off and significant non-business-related items are excluded and explained
- normalisations in EBIT equal to underlying items in UCOI for 2019 except for restructuring-related costs

* difference between UCOI and normalised EBIT visible in PostNL Other, mainly due to pensions

Reconciliation outlook FY 2019, including impact Sandd

Financial impact Sandd

- UCOI contribution synergies of around €50m - €60m
- Integration-related cash-out of approximately 1x run-rate synergies, equally split over 2019 and 2020; one-off costs (non-cash) related to accelerated depreciation in 2019 and 2020
- Delay in implementation of current cost savings plans will impact result by €(30)m - €(50)m (cumulative) in period 2019 – 2022 (25 February 2019: €(50)m - €(70)m)
- Expected UCOI impact in Q4 2019 expected to be between €(15)m and €(25)m

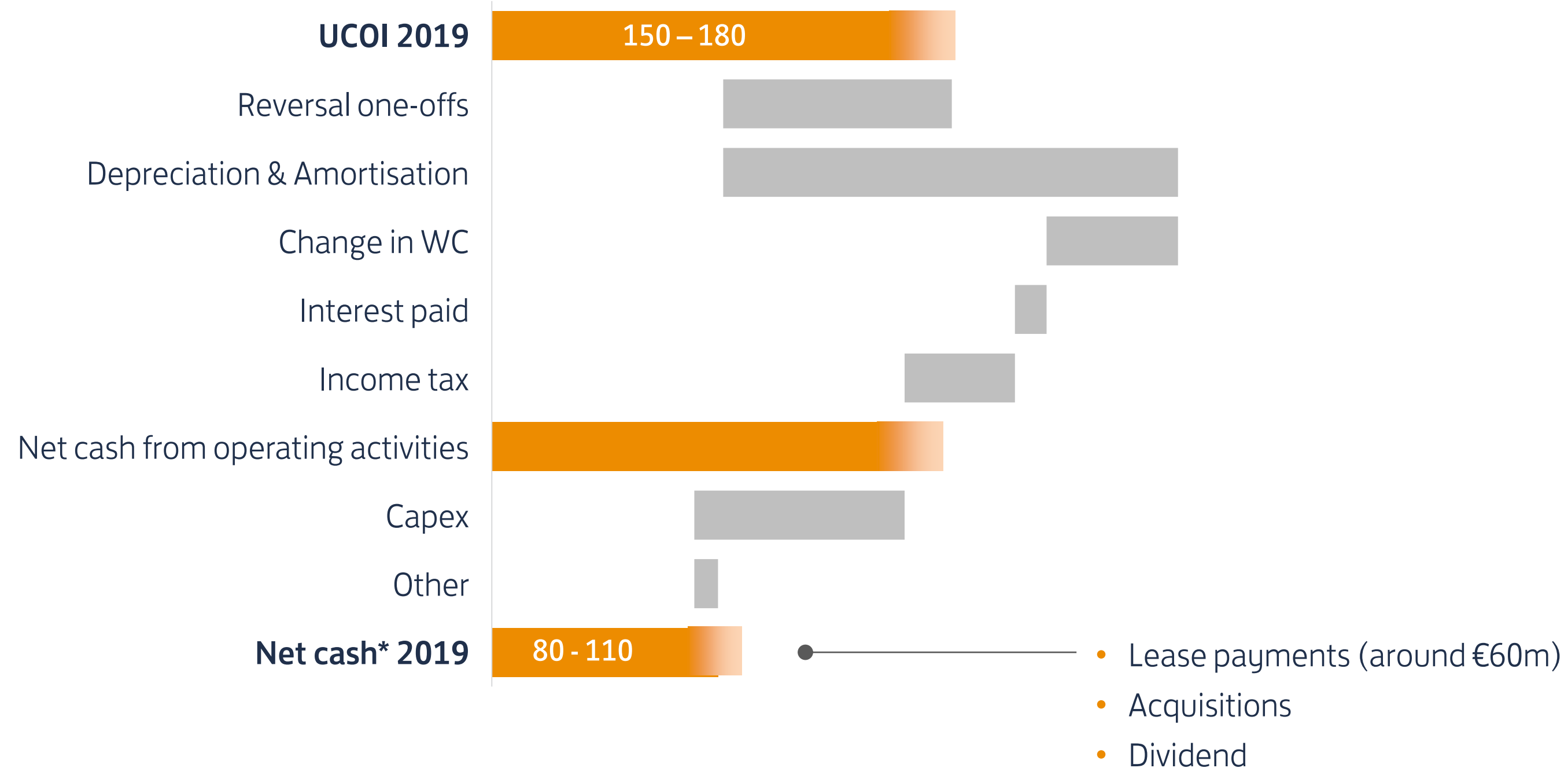
(in € million)

	FY 2019	FY 2019 including Sandd
Underlying cash operating income	170 - 200	150 - 180
Change in pension liabilities	~ (10)	~ (10)
Change in provisions	~ 10*	~ 15
Underlying operating income	170 - 200	155 - 185
Restructuring-related charges	~ (15)	~ (35)
Normalised EBIT	155 - 185	120 - 150
One-offs excl. restructuring-related charges	(10) - (20)	(45) - (55)
Operating income	140 - 170	70 - 100

* impact less than indicated before

Expected 2019 net cash from operating and investing activities including consolidation of Sandd

Indicative only (in € million)



** Net cash from operating and investing activities*

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- Outlook 2019 UCOI confirmed

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Appendix

- Results by segment Q3 and YTD
- Underlying (cash) operating income Q3 and YTD
- Underlying cash operating income Parcels Q3 and YTD
- Generation of free cash flow YTD 2019
- Breakdown pension cash contribution and expenses

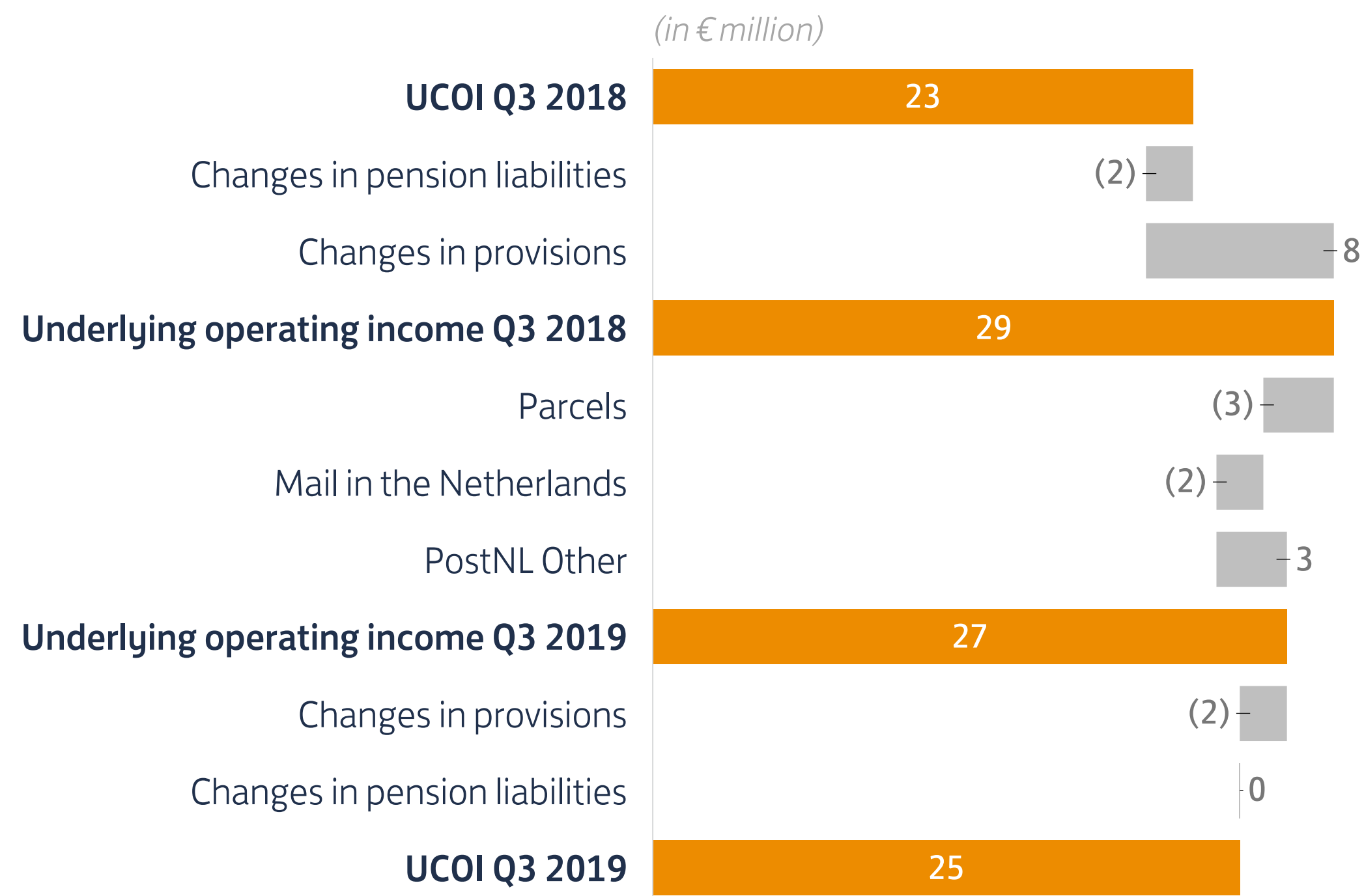
Results by segment Q3 2019

	Revenue		Normalised EBIT		Underlying operating income		Underlying cash operating income	
<i>(in € millions)</i>	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019
Parcels	375	401	30	27	30	27	28	27
Mail in the Netherlands	371	342	10	4	7	5	(1)	0
PostNL Other	17	19	(8)	(5)	(8)	(5)	(4)	(2)
Intercompany	(125)	(126)						
PostNL	638	636	32	26	29	27	23	25

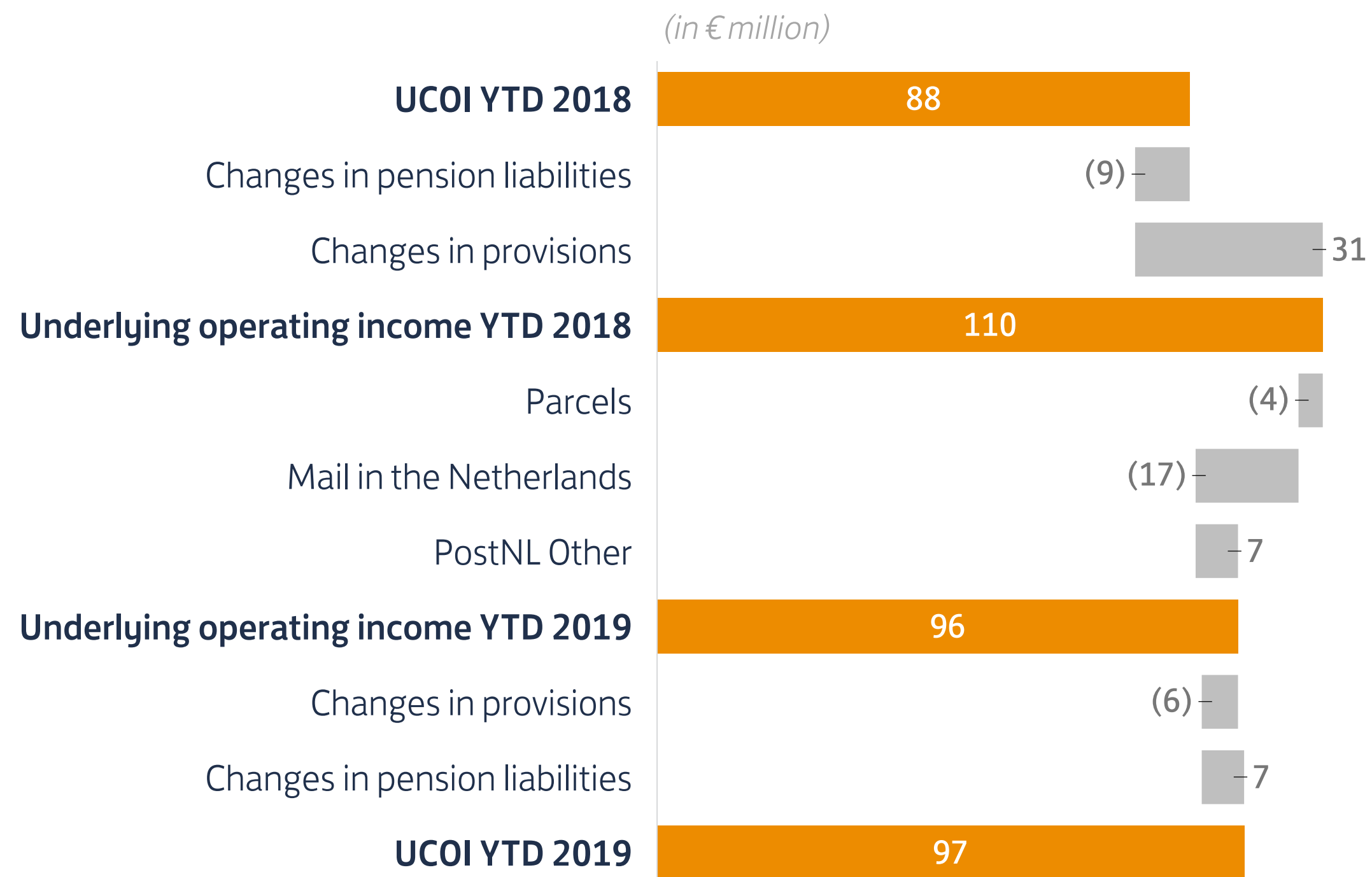
Results by segment YTD 2019

	Revenue		Normalised EBIT		Underlying operating income		Underlying cash operating income	
<i>(in € millions)</i>	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019
Parcels	1,116	1,201	85	79	85	81	81	79
Mail in the Netherlands	1,195	1,114	55	37	54	37	22	28
PostNL Other	54	59	(30)	(21)	(29)	(22)	(15)	(10)
Intercompany	(387)	(373)						
PostNL	1,978	2,001	110	95	110	96	88	97

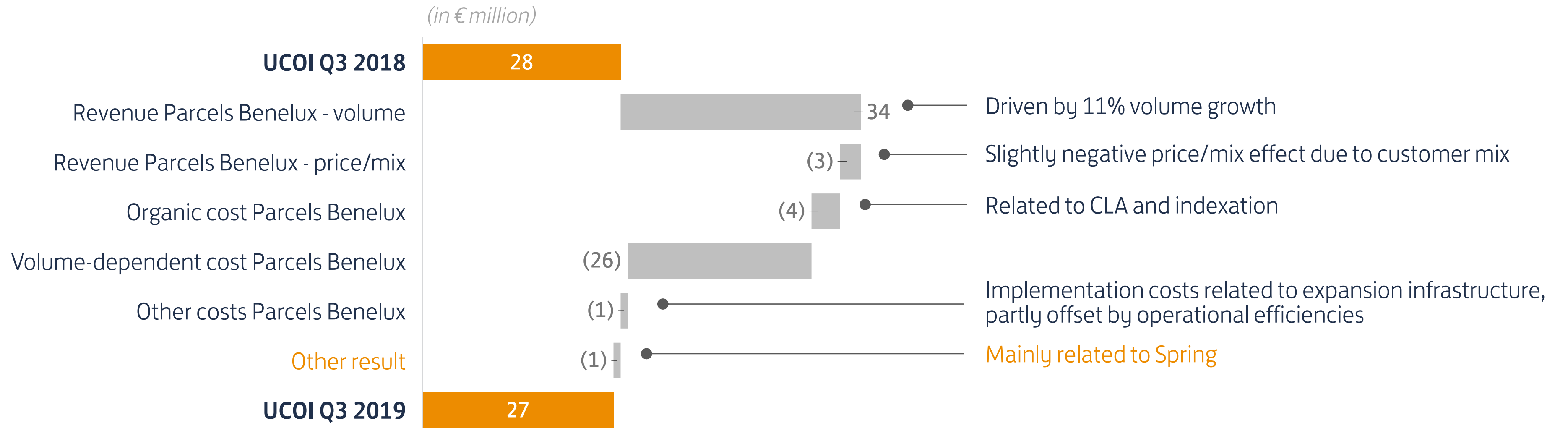
Underlying cash operating income increased by €2m in Q3 2019



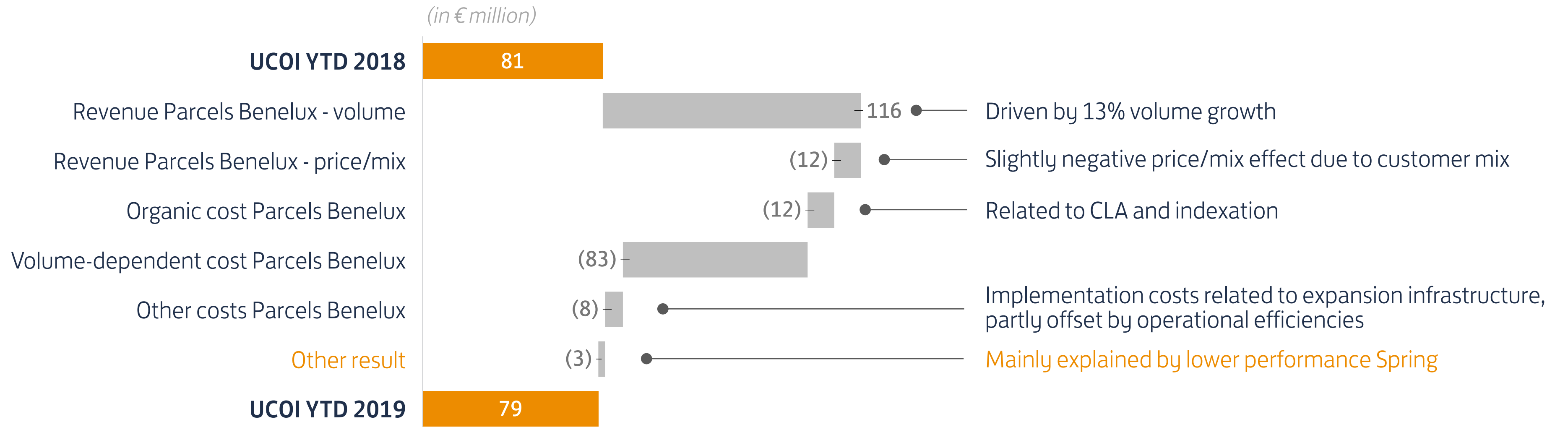
Underlying (cash) operating income YTD 2019



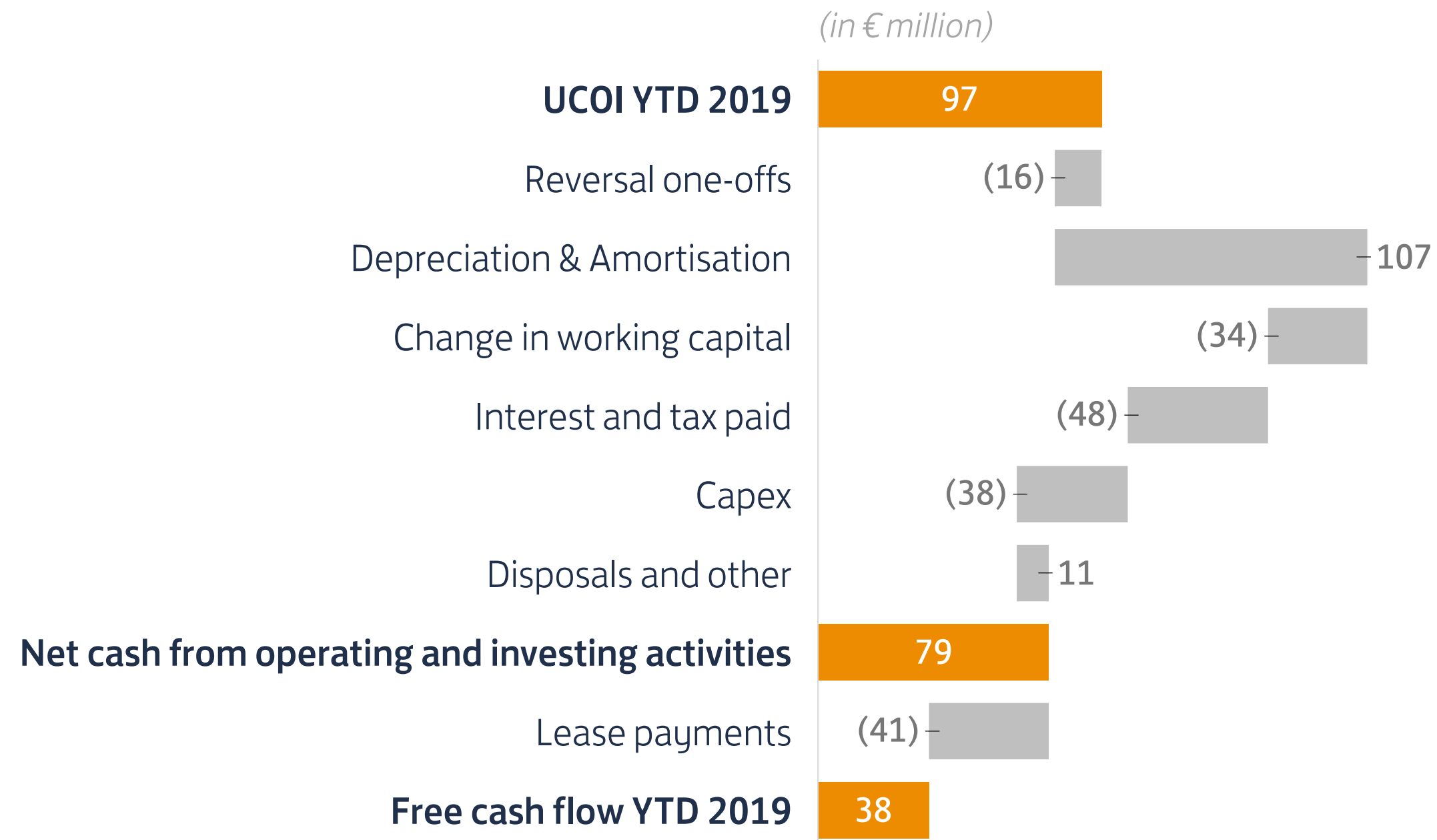
Underlying cash operating income Parcels Q3 2019



Underlying cash operating income Parcels YTD 2019



Generation of free cash flow YTD 2019



Breakdown pension cash contribution and expenses

	Q3 2018		Q3 2019	
	Expenses	Cash	Expenses	Cash
Business segments	25	30	25	30
IFRS difference	7		5	
PostNL	32	30	30	30
Interest	2		1	
Total	34		31	

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Additional information is available at postnl.nl

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