

# 2022

## Accelerating our transformation

Q1 2022 Results

The Hague — 9 May 2022



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# Key takeaways

More challenging macroeconomic environment impacts e-commerce development

## Q1 2022 normalised EBIT at €33m and free cash flow of €52m

- Performance in first two months in line with expectations, with additional pressure on e-commerce volumes and costs since start of the war in Ukraine
- Volumes at Parcels
  - +3.9%, excluding assumed non-recurring impact related to Covid-19
  - overall, -19.5% due to less non-recurring volume and expected development in cross-border activities
- Volumes at Mail in the Netherlands -7.4%, ongoing substitution in line with expectations
- Strong cash flow performance
- Continued progress in ESG and acceleration of digital transformation



# Q1 2022 performance impacted by challenging environment



## Key financial metrics

(in € million)

	Q1 2021	Q1 2022	change
Revenue	962	806	-16%
Normalised EBIT	130	33	-75%
<i>Assumed to be non-recurring and related to Covid-19</i>	42	1	
Free cash flow	159	52	-67%
Normalised comprehensive income	112	34	-69%

## €250m share buyback programme

- Execution started on 1 March 2022
- Around 6.6m shares repurchased in Q1 2022 for total amount of €23m



Q1 2022

# Strategic business drivers



# Value creation for attractive total shareholder returns

To be your favourite deliverer

## Strategic objectives



Help customers grow their business



Secure a sustainable mail market



Attract and retain motivated people



Improve environmental impact



Generate profitable growth and sustainable cash flow

## Value creation proposition



### Parcels

Manage for profitable growth



### Mail

Manage for value



Digital **NEXT**

## Business objectives

- Enhance customer interaction
- Capture further e-commerce growth
- Manage network capacity and utilisation of infrastructure
- Deliver smart logistics solutions
  
- Reinforce the value of mail, enhance customer experience and quality of service
- Keep mail accessible, reliable and affordable
- Deliver stable and predictable normalised EBIT and cash flow
  
- Transform our commercial engine
- Transform core logistics and operations
- Scale platform and digital business models



To be the leading logistics and postal service provider in, to and from the Benelux region



# ESG - our licence to operate

Intensifying investments in sustainability according to plan



## Environmental

Improve environmental impact



- Clean kilometres
- Network efficiency
- Sustainable buildings and facilities
- Green products and services



## Social

Realise full potential of our people and act as a responsible employer



- Strengthen employee engagement
- Staying safe and healthy
- Realise change
- Workforce optimisation and capacity management



## Governance

Transparent, responsible and accountable

- Two-tier board
- Stakeholder dialogue
- Clear business principles
- UN Global Compact

## Progress Q1 2022

- Carbon efficiency (g/km) -15% versus FY 2021
- Offsetting remaining carbon emissions in 2022, cutting footprint to net zero
- Negotiations on collective labour agreement (CLA) with postal deliverers well underway
- Update on Belgium on next slide

# PostNL in Belgium

Supports growing importance of e-commerce, while operating in full compliancy with legal framework

## Our way of working

- Helps to grow and boost thriving e-commerce sector, as consumers increasingly rely on online shopping
- Around 220 delivery partners with a transport licence; delivery fees cover costs (e.g. people, transport, fuel, buildings) plus margin
- Safe and compliant working conditions
- 93% of delivery partners rates their partnership with PostNL neutral to (very) satisfied

## Legal framework

- Approach complies with legal framework in the country
- In line with common practice, both in transport sector and broader economy
- Strict internal controls applied

## Current situation

- We do not recognise the serious, but unsubstantiated allegations reported in the media
- We are supportive of our colleagues in Belgium and stand by them
- Confidence in legal procedure and investigation outcomes
- All locations open, operations up and running for customers and consumers
- Clear communication with everyone working for and with us about working standards and processes



 **Belgium - 2,350 people**

**Direct**

**~550** own workforce

**Indirect**

**~1,850** people including external temporary staff and 1,500 parcels deliverers via our ~220 delivery partners

Vast majority of parcel deliverers in Belgium work on a labour contract



# Acceleration of digital transformation



Supporting business performance and customer satisfaction: seamless integration of customers, consumers and operators

## Value drivers



### Transform our commercial engine

- Simple and smart products
- Re-invented customer journeys
- Digital-first sales, care and marketing
- Automated and self-service retail



### Transform core logistics and operations

- Fully data-driven supply chain
- Automate supply chain execution
- Increase supply chain flexibility
- Digital-enabled frontline



### Scale platform and digital business models

- Data & insights for customers
- Consumer services on leading app
- Integrator platform
- Subscription models



## Foundations



### Strengthen our tech foundation

- Modernise IT foundation
- Accelerate IT delivery



### Strengthen our data foundation

- Data infrastructure and access
- Scale analytics use case factory



### Drive our digital DNA

- Agile NEXT and digital capabilities
- Digital labs and depots
- Open innovation



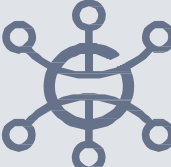


Delivering a unique customer experience: proactive, easy and simple



# Progress digital value drivers

Consumers and customers increasingly digitally connected to our platform



	Q1 2021	Q1 2022
 <p>Online visitors of which via mobile</p>	<p><b>253m</b> 67%</p>	<p><b>211m</b> 69%</p>
<p>PostNL consumer accounts of which active users</p>	<p><b>6.2m</b> 54%</p>	<p><b>7.0m</b> 56%</p>
<p>Business portal users</p>	<p><b>61k</b></p>	<p><b>61k</b></p>
<p>External API users</p>	<p><b>6.6k</b></p>	<p><b>8.0k</b></p>
<p>Plug-in users (SME)</p>	<p><b>2.0k</b></p>	<p><b>2.2k</b></p>
 <p>Trackable assets</p>	<p><b>9%</b></p>	<p><b>88%</b></p>
 <p>Realised features</p>	<p><b>343</b></p>	<p><b>379</b></p>

## Introduction algorithm to optimise packaging

- 
  - Calculating best size of parcel box
  - Aim to remove unnecessary air from packaging
- 
  - 20% less air in packaging
  - Reduction in carbon emissions



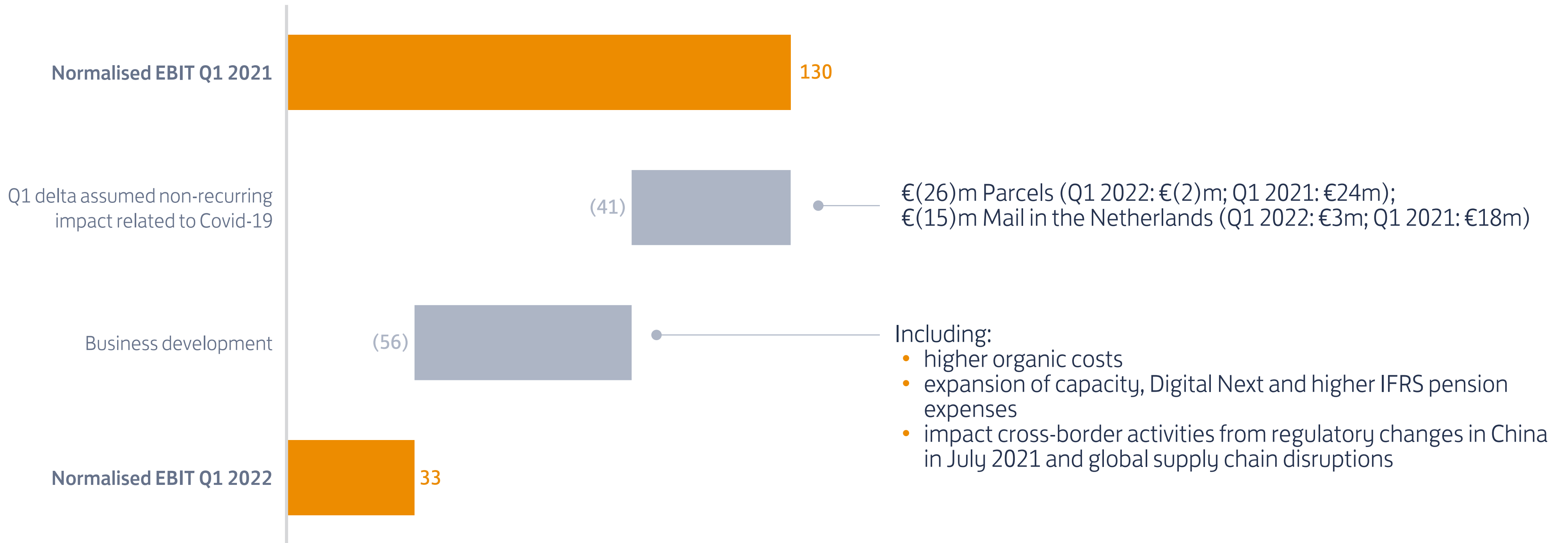
Q1 2022

# Business and financial performance



# Normalised EBIT development Q1 2022

(in € million)





# Parcels: Lower volumes and additional costs impact result

	Revenue	Normalised EBIT*	Volumes
Q1 2022	€554m	€18m	87m -19.5%
Q1 2021	€662m	€92m	108m

Revenue mix	Q1 2021	Q1 2022
<i>in € million</i>		
Parcels Netherlands	444	361
Spring	145	105
Logistics solutions and other	102	105
Eliminations	(30)	(17)
<b>Parcels</b>	<b>662</b>	<b>554</b>

\* €(2)m non-recurring impact related to Covid-19 in Q1 2022, fully Parcels Netherlands, versus €24m in Q1 2021 (€17m Parcels Netherlands and €7m Spring and Logistics)

## Business developments

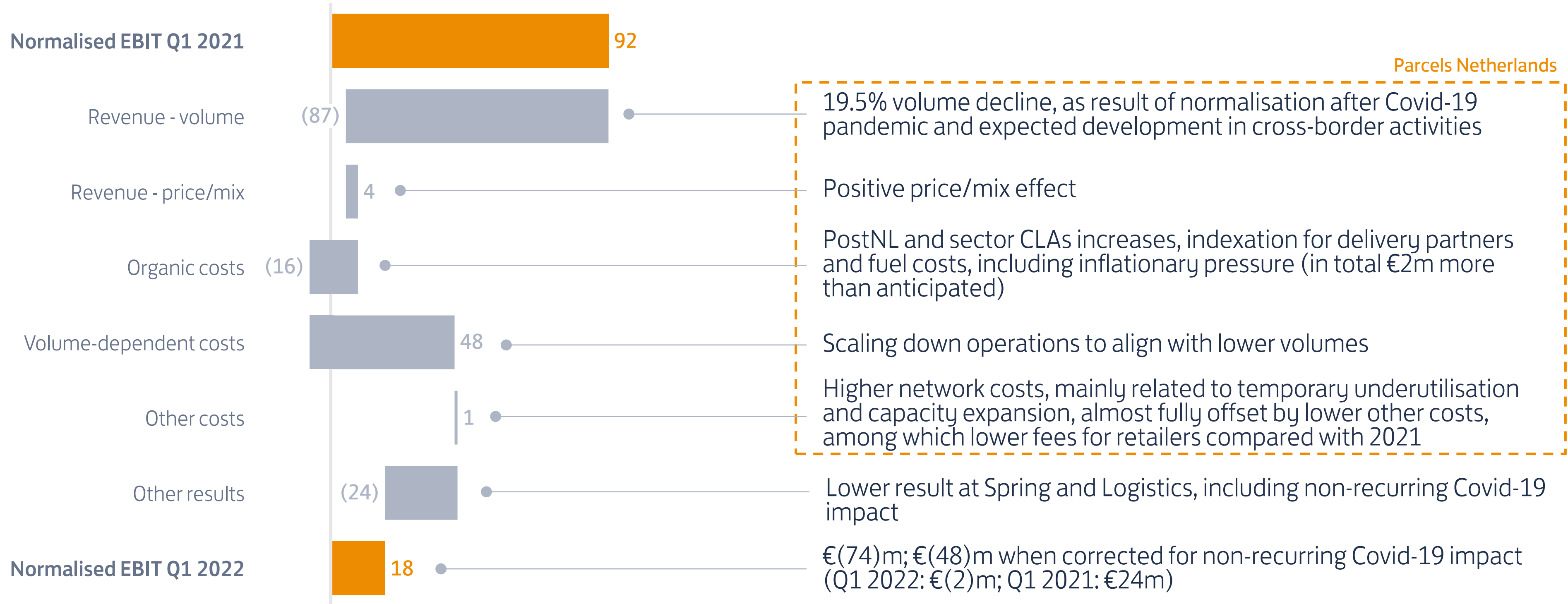
- Volume decline of 19.5%
  - stable market share
  - visible in all product categories
- 3.9% growth excluding non-recurring Covid-19 impact
  - decline international volumes in line with expectations
- ~11% growth when also excluding international volumes
  - growth in e-commerce continues, slowdown as of late February
- Rising revenue at Spring in Europe, revenue at Spring in Asia decreased
- Positive price/mix effect
- Temporary underutilisation of capacity, including small parcel sorting centre (SPSC), also due to lagging volumes and cross-border developments
- Scaling operations to align with volume development



# Parcels Q1 2022 normalised EBIT bridge

Margin 3.3%, impacted by lower volumes in combination with additional cost pressure

(in € million)



# Solid performance at Mail in the Netherlands

Volume decline in line with expectations

	Revenue	Normalised EBIT*	Volumes
Q1 2022	<b>€387m</b>	<b>€36m</b>	<b>511m</b> -7.4%
Q1 2021	€466m	€59m	552m

\* €3m non-recurring impact related to Covid-19 in Q1 2022 versus €18m in Q1 2021

## Business developments

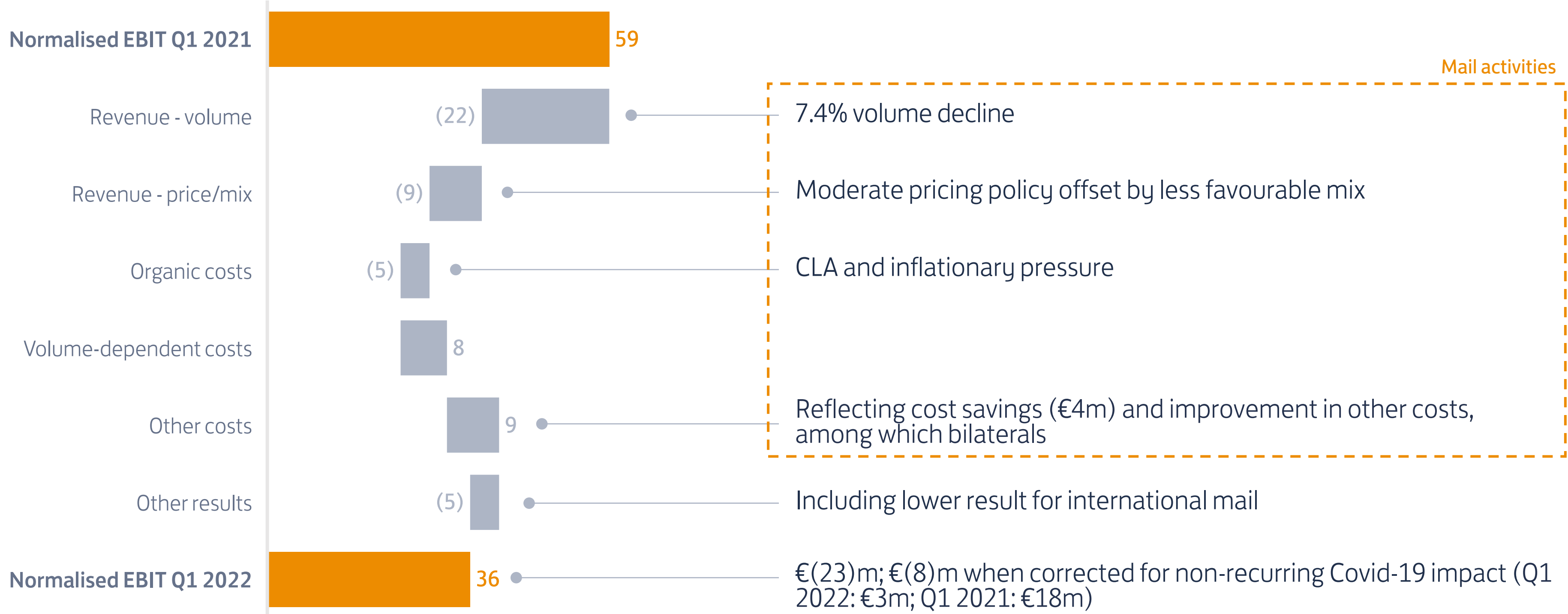
- Volume decline of 7.4%, mainly due to
  - ongoing substitution
  - small positive impact from non-recurring items related to Covid-19, mainly related to invitations for booster vaccinations and self-tests
- Moderate pricing policy offset by less favourable mix, reflecting less single mail and e-commerce items, largely related to Covid-19
- International mail (import and export) impacted by cross-border developments
- Sale of Cendris closed end of February 2021, impact on revenue €(14)m
- Additional cost savings through increased efficiency in collection and sorting processes
- Negotiations on CLA for postal deliverers well underway



# Mail in the Netherlands Q1 2022 normalised EBIT bridge

Margin 9.3%

(in € million)

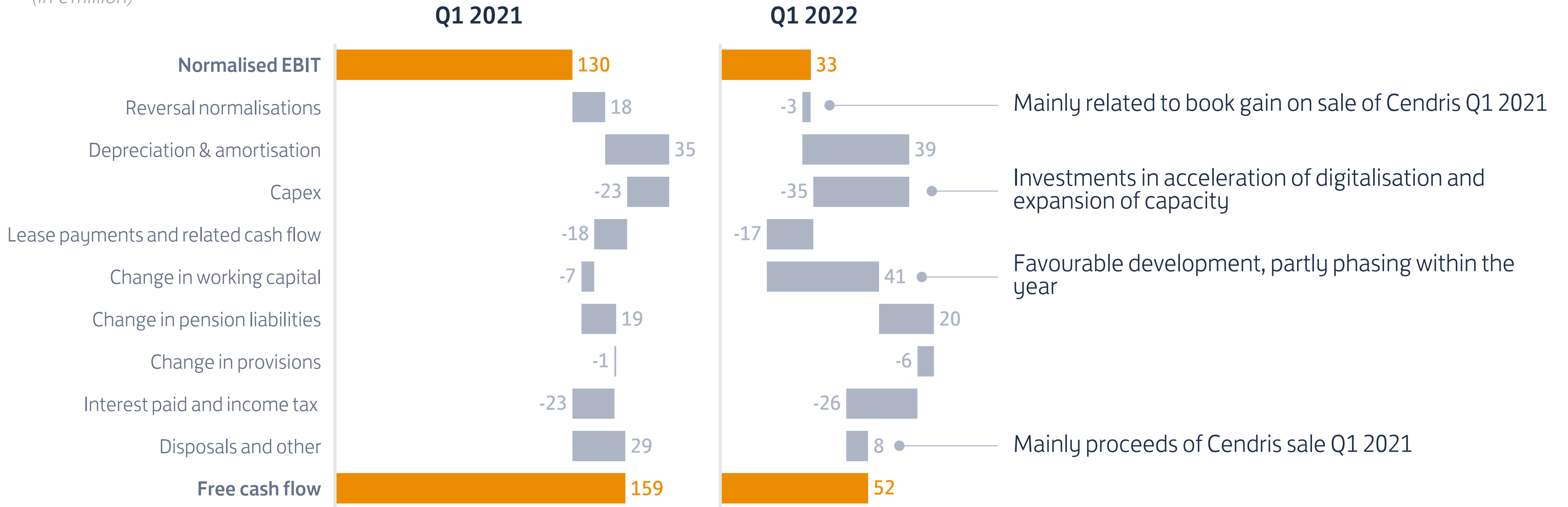




# Cash flow

Strong performance in Q1 2022

(in € million)



# Started execution of €250m share buyback programme

Neutralising assumed dilutive impact from dividends over 2021-23

## Supporting dividend per share

- Expected positive impact share buyback programme on dividend per share: ~€0.03 - €0.06 in 2022-24
- Assumptions
  - 80% pay-out ratio (mid-point of 70%-90% as defined in dividend policy)
  - split shares/cash 40%/60%

## Execution

- First tranche of €160m - €170m, with a maximum of 51m shares, started 1 March 2022
- Second tranche to neutralise impact 2023 dividend to follow in 2023
- Using cash on balance sheet

## Progress

- Q1 2022
  - around 6.6m shares repurchased
  - total amount of €23m (of which €6m settled early April)
- Up to and including 2 May 2022
  - around 23.9m shares repurchased
  - total amount of €79m

# Further strengthening of financial position

Solid balance sheet with positive consolidated equity; adjusted net debt reduced to €188m

## Balance sheet

(in € million)

	2 April 2022
Intangible fixed assets	361
Property, plant and equipment	435
Right-of-use assets	285
Other non-current assets	65
Other current assets	438
Cash	882
Assets classified as held for sale	5
<b>Total assets</b>	<b>2,470</b>

	2 April 2022
Consolidated equity	435
Non-controlling interests	3
Total equity	438
Pension liabilities	67
Long-term debt	697
Long-term lease liabilities	264
Other non-current liabilities	100
Short-term lease liabilities	64
Other current liabilities	840
<b>Total equity &amp; liabilities</b>	<b>2,470</b>

## Adjusted net debt

(in € million)

	31 Dec 2021	2 April 2022
Short- and long-term debt	732	734
Long-term interest-bearing assets	(20)	(19)
Cash and cash equivalents	(848)	(882)
<b>Net debt</b>	<b>(136)</b>	<b>(166)</b>
Pension liabilities	67	67
Lease liabilities (on balance)	333	328
Lease liabilities (off balance)	17	43
Deferred tax assets on pension and operational lease liabilities	(79)	(84)
<b>Adjusted net debt</b>	<b>203</b>	<b>188</b>

Q1 2022

# 2022 outlook and guidance





# 2022 more challenging than earlier anticipated

Addressing external developments

## External developments



War in Ukraine



Increasing inflationary pressure



New lockdowns in China

## Impact

- Direct impact on PostNL very limited
- Indirect impact through macroeconomic environment and increasing uncertainty
- Increasing fuel and energy costs
- Pressure on labour costs
- Potential impact on consumer spending
- Ongoing constraints in global supply chains
  - higher freight costs
  - delays in production and supply of goods from Asia

## PostNL approach

- Temporarily absorb increasing costs
- Scale operations at Parcels to align with volume developments to mitigate impact on margin
- Align capex with parcel volume projections
- Keep market share stable

## Adjusted assumptions FY 2022

- More or less flat volume development at Parcels (previously: 3% - 5%)
- Increasing organic costs, including further inflationary cost pressure on fuel and labour costs of ~€15m
- Additional impact cross-border activities from new lockdowns in China of ~€5m

# Adjusted 2022 outlook

Ongoing war in Ukraine impacts macroeconomic environment and e-commerce spending

(in € million)

	2021	2021 adjusted for assumed non-recurring impact related to Covid-19	2022 outlook (28 February 2022)	Revised 2022 outlook	
<b>Outlook</b>					
Normalised EBIT	308	226	210 - 240	170 – 210	including ~(20) for expansion of capacity, digital NEXT and increase in non-cash IFRS pension expenses
Free cash flow*	288		110 - 140	110 – 140	strict working capital management; capex aligned with parcel volume projections
<b>Other</b>			<b>2022 indicative</b>		
Normalised comprehensive income	285		~200		to develop in line with normalised EBIT

\* Cash flow before dividend/share buybacks, acquisitions, redemption bonds/other financing activities, after payment of leases



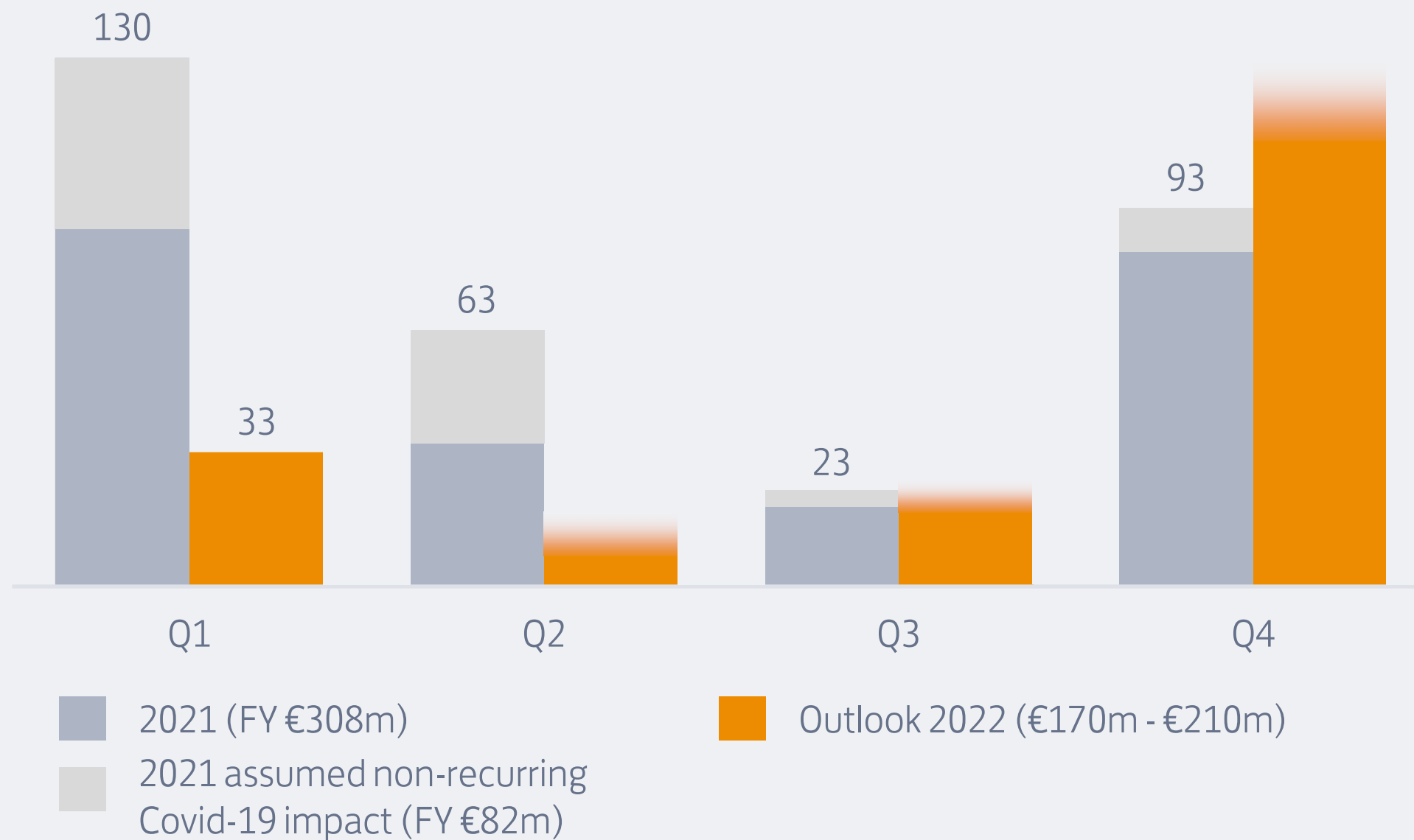
Further inflationary pressure and continuing global supply chain constraints increase cost levels, with reduced visibility on volumes

# Quarterly split of normalised EBIT

Back to normal seasonal pattern in 2022

## Normalised EBIT not equally spread over the quarters

(indicative only, in € million)



### Q2 2022 below 2021

- limited impact of Covid-19 in 2022 versus 2021
- additional inflationary cost pressure
- limited recovery in cross-border activities expected in HY1 2022 versus HY2 2021, also due to global supply chain disruptions, increasing freight costs and new lockdowns
- lower margin, mainly visible at Parcels
  - relatively high costs (step-up in capacity, acceleration of digital transformation, impact utilisation SPSC) with volumes following seasonal pattern

### HY2 2022 above 2021

- improving business performance and normal seasonal pattern in 2022, cost savings to accelerate in HY2 2022
- partial recovery in cross-border activities
- step-up margin HY2 compared with HY1 2022

Q1 2022

# Concluding remarks





# Executing strategy that builds on strong financial foundation

Focus areas unchanged



## Parcels managed for profitable growth

- Contribute to the development and growth of our customers
- Expansion of capacity aligned with volume development
- Further developing a future-proof, effective and sustainable delivery model



## Mail in the Netherlands managed for value

- Strong nationwide network
- Manage ongoing volume decline and realise cost savings e.g. by adapting processes (New Mail Route)
- Safeguarding on-time delivery



## Speed-up progress towards achieving ESG targets

- Accelerate trajectory towards environmental targets by use of renewable fuels and electrification of fleet
- Keep staffing at desired level in tight local labour markets



## Accelerate digital transformation

- Switching from customer satisfaction to Net Promoter Score (NPS)
- Tailored customer journeys to increase NPS
- Accelerate our agile operating model



## FY 2022 outlook more challenging than anticipated before

- Normalised EBIT: €170 - €210m
- Free cash flow confirmed at: €110m - €140m



Further inflationary pressure and continuing global supply chain constraints increase cost levels, with reduced visibility on volumes

# Q&A

## Q1 2022 Results



# Appendix

## Q1 2022 Results

- Assumed non-recurring impact related to Covid-19
- Full reconciliation income statement and EBITDA per segment
- Free cash flow per segment
- Profit and normalised comprehensive income
- Pension expense and cash contribution

# Assumed non-recurring impact related to Covid-19

## Volumes

(around, in million items)

	Q1 2021	Q1 2022
Parcels	26	2
Mail in the Netherlands	12	15

## Revenue

(around, in € million)

	Q1 2021	Q1 2022
Parcels	137	2
Mail in the Netherlands	33	9
Eliminations	(6)	0
<b>PostNL</b>	<b>164</b>	<b>10</b>

## Normalised EBIT

(around, in € million)

	Q1 2021	Q1 2022
Parcels	24	(2)
<i>Parcels Netherlands</i>	17	(2)
<i>Spring and Logistics</i>	7	0
Mail in the Netherlands	18	3
<b>PostNL</b>	<b>42</b>	<b>1</b>



# Full reconciliation of income statement and EBITDA per segment

## Income statement

(in € million)

	PostNL		Parcels		Mail in NL		PostNL Other		Eliminations	
	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022
Total operating revenue	962	806	662	554	466	387	48	55	(214)	(190)
Other income	21	5	-	-	21	5	(0)	-		
Cost of materials	(16)	(21)	(11)	(16)	(3)	(3)	(2)	(2)		
Work contracted out and other external expenses	(466)	(404)	(427)	(377)	(220)	(179)	(34)	(37)	214	190
Salaries and social security contributions	(249)	(245)	(83)	(90)	(138)	(127)	(29)	(27)		
Pension contributions & related costs	(40)	(42)	(7)	(8)	(11)	(11)	(22)	(24)		
Depreciation, amortisation and impairments	(35)	(39)	(18)	(19)	(9)	(7)	(8)	(13)		
Other operating expenses	(29)	(30)	(25)	(26)	(30)	(28)	26	24		
<b>Total operating expenses</b>	<b>(835)</b>	<b>(781)</b>	<b>(570)</b>	<b>(535)</b>	<b>(411)</b>	<b>(356)</b>	<b>(69)</b>	<b>(80)</b>	<b>214</b>	<b>190</b>
<b>Operating income / EBIT</b>	<b>148</b>	<b>30</b>	<b>92</b>	<b>18</b>	<b>77</b>	<b>36</b>	<b>(21)</b>	<b>(25)</b>	<b>0</b>	<b>0</b>

## EBITDA

	PostNL		Parcels		Mail in NL		PostNL Other	
Operating Income / EBIT	148	30	92	18	77	36	(21)	(25)
Depreciation, amortisation and impairments	35	39	18	19	9	7	8	13
<b>Reported EBITDA</b>	<b>184</b>	<b>69</b>	<b>110</b>	<b>37</b>	<b>86</b>	<b>43</b>	<b>(13)</b>	<b>(12)</b>
Non-cash pension expense	19	20	0	0	0	-	18	20
<b>EBITDA excluding non-cash pension expense</b>	<b>202</b>	<b>89</b>	<b>110</b>	<b>38</b>	<b>86</b>	<b>43</b>	<b>6</b>	<b>8</b>
IFRS16 impact (depreciation RoU assets)	(16)	(16)	(9)	(10)	(3)	(3)	(3)	(3)
<b>EBITDA excluding non-cash pensions and IFRS16</b>	<b>187</b>	<b>73</b>	<b>101</b>	<b>27</b>	<b>83</b>	<b>40</b>	<b>3</b>	<b>5</b>





# Free cash flow per segment

(in € million)

	PostNL		Parcels		Mail in NL		PostNL Other & Eliminations	
	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022
<b>EBITDA</b>	<b>184</b>	<b>69</b>	<b>110</b>	<b>37</b>	<b>86</b>	<b>43</b>	<b>(13)</b>	<b>(12)</b>
Change in pensions	19	20	0	-	0	-	18	20
Change in provisions	(1)	(6)	0	(0)	(1)	(7)	(0)	1
Change in working capital	(7)	41	(29)	21	20	23	1	(3)
Capex	(23)	(35)	(3)	(9)	(5)	(2)	(15)	(24)
Disposals	2	6	(0)	0	3	6	(1)	(0)
Interest paid	(3)	(3)	(1)	(1)	(1)	(1)	(1)	(2)
Income tax paid	(20)	(23)	(23)	(5)	(19)	(9)	22	(9)
Lease payments and related cash flow	(18)	(17)	(8)	(10)	(7)	(5)	(3)	(2)
Other	29	2	(1)	1	(19)	1	48	1
<b>Adjusted free cash flow</b>	<b>159</b>	<b>52</b>	<b>44</b>	<b>35</b>	<b>57</b>	<b>49</b>	<b>58</b>	<b>(31)</b>
Soft pension settlement	-	-	-	-	-	-	-	-
<b>Free cash flow</b>	<b>159</b>	<b>52</b>	<b>44</b>	<b>35</b>	<b>57</b>	<b>49</b>	<b>58</b>	<b>(31)</b>
Free cash flow yield	8%	3%						



# Profit and normalised comprehensive income\* PostNL

(in € million)

	Q1 2021	Q1 2022
<b>Operating income / EBIT</b>	<b>148</b>	<b>30</b>
Net financial expenses	(5)	(6)
Results from investments in JVs/associates	0	0
Income taxes	(31)	(7)
Profit/(loss) from discontinued operations	24	(0)
<b>Profit</b>	<b>136</b>	<b>16</b>
Other comprehensive income (mainly related to pensions)	13	15
<b>Total comprehensive income</b>	<b>149</b>	<b>32</b>
Normalisation on EBIT, net of tax	(14)	2
Exclude result from discontinued operations	(24)	0
<b>Normalised comprehensive income</b>	<b>112</b>	<b>34</b>

\* Normalised comprehensive income is defined as comprehensive income normalised for incidentals in operating income/EBIT, net of statutory tax, as well as the net result from discontinued operations

# Reconciliation of pension expense and cash contribution

(in € million)

	PostNL		Parcels		Mail in NL		PostNL Other	
	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022
Cash contribution	(22)	(23)	(7)	(8)	(11)	(11)	(4)	(4)
IFRS non-cash pension expense	(19)	(20)	(0)	(0)	(0)	-	(18)	(20)
<b>Total pension expense</b>	<b>(40)</b>	<b>(42)</b>	<b>(7)</b>	<b>(8)</b>	<b>(11)</b>	<b>(11)</b>	<b>(22)</b>	<b>(24)</b>

## Total pension expense increased by €2m in Q1 2022, in line with earlier indication

- Visible in EBIT, EBITDA and profit for the period (after tax)
- Includes a substantial non-cash part (i.e. IFRS non-cash pension expense)
  - reversed via other comprehensive income, mitigating the impact on total comprehensive income
  - visible in free cash flow under “Change in pension liabilities”

