

2022

Q3 2022 Results

The Hague — 7 November 2022



Additional information

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Key takeaways

Q3 2022 normalised EBIT at €(20)m and free cash flow of €(49)m

Record-high inflation (CPI)*

(%, year-on-year change of consumer price index, the Netherlands)



All-time low consumer confidence*

(seasonally adjusted, the Netherlands)



Q3 2022 results

- High inflation and low consumer confidence put pressure on consumer spending and growth expectations for e-commerce and impacts cost levels significantly
- Volumes at Parcels below expectations
 - domestic volume growth of around 1%
 - overall volumes -1.1% driven by decline in cross-border activities
- Volumes at Mail in the Netherlands -9.3% in line with expectations
- Free cash flow performance reflects step-down in normalised EBIT and negative working capital phasing
- Continued progress in ESG with 23% carbon efficiency improvement since YE 2021, and accelerating digital transformation
- Negotiations on CLAs PostNL and Saturday deliverers well underway



*Source: Statistics Netherlands (CBS)

Less spending on products

Uncertain impact on volume development Parcels

FT - 8 October 2022

Confidence slumps around the globe as cost of living crisis bites

High food and energy prices have fuelled business and consumer pessimism, Brookings-FT tracking index shows

A mood of mounting economic pessimism is taking hold across the world's major economies, as soaring prices and geopolitical uncertainty damage the prospects of businesses and consumers.

RTL Nieuws - 12 October 2022

Dille & Kamille

Winkel sluit deuren en zet website op zwart tijdens Black Friday: 'Tegengeluid'

Financieel Dagblad - 24 October 2022

Pakhuizen overvol, consument laat het afweten

In het kort

- De pakhuizen in Nederland liggen overvol met consumentenproducten.
- Eerder dit jaar zijn grote voorraden aangelegd, maar de vraag van consumenten neemt af.
- De pijn zit vooral in sectoren die kleding en elektronica verkopen.

South China Morning Post - 1 November 2022

Alibaba, JD.com post healthy presales for Singles' Day but consumer spending may be slowing

- Alibaba and JD.com, China's leading e-commerce platforms, recorded robust sales during the first round of the Singles' Day shopping spree
- However, a third of consumers recently surveyed by Bain & Company said they expected to spend less on Singles' Day this year

Econsultancy.com - 12 October 2022

How is the cost of living crisis impacting Black Friday 2022?

Black Friday spend is predicted to be subdued this year, as the cost of living crisis hits both consumers and retail brands. New figures from Retail Economics and Metapack suggest that consumer spending on non-essential items during the last three months of the year will [drop by £4.4bn](#), with nearly 60% of UK consumers expected to cut back.

However, despite total spend being predicted to fall, we could see a high proportion of consumers grab the opportunity to shop discounted products in order to maximise overall value. A recently-published [Emarsys study](#) of 3,006 US consumers found that one in five respondents plan to increase their Black Friday spend from 2021, with one in ten using the occasion to complete most of their Christmas shopping.

Financieel Dagblad - 30 September 2022

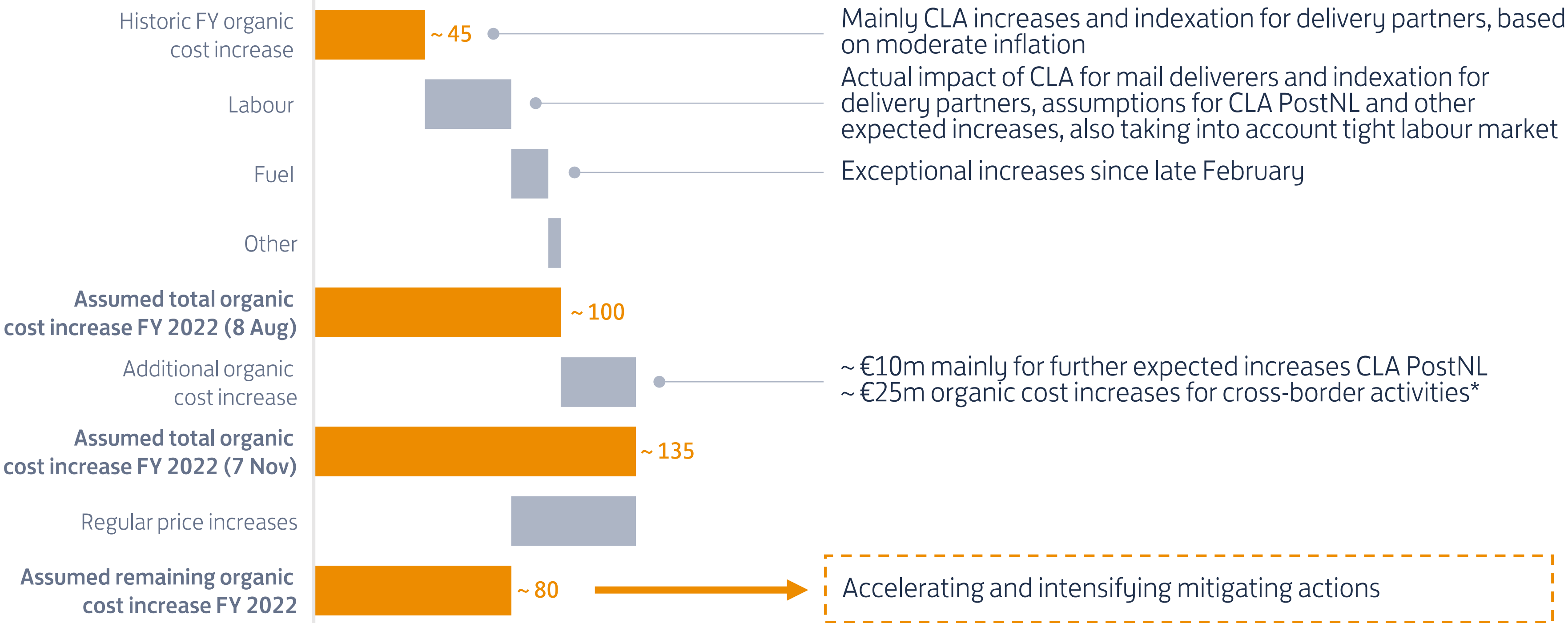
Consument geeft meer geld uit aan minder producten

Consumenten kopen minder producten in de detailhandel dan een jaar eerder. Wel geven ze per saldo meer uit aan hun boodschappen. Dat blijkt uit cijfers van het Centraal Bureau voor de Statistiek (CBS) over de maand augustus. De inflatie is in september volgens het CBS verder opgelopen, van 13,7% naar 17,1%.



Unprecedented inflation not absorbed by regular price increases

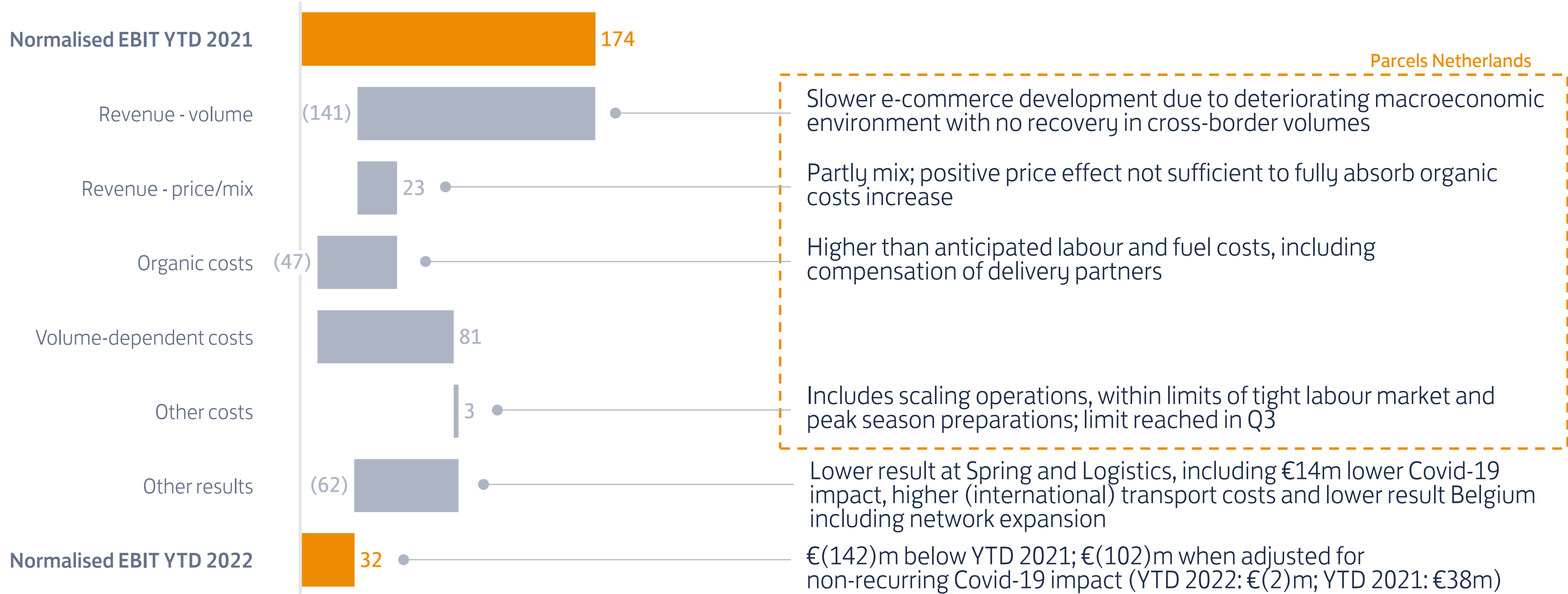
(in € million)



* no additional impact on normalised EBIT; relabeling of costs, previously included in other cost lines

External headwinds depress YTD performance at Parcels

(in € million)



Accelerating and intensifying mitigating actions

Secure financial position in this challenging environment

Operational measures

to adapt organisation to volumes

Additional cost measures

to improve efficiency and productivity

Cash initiatives

to optimise free cash flow

Active yield management

with aim to keep market share stable

- Continuous scaling of operations and network capacity with volumes:
 - within limits of tight labour market
 - ensuring flexibility for peak season to safeguard customer and consumer service levels
- Routes, staffing and fleet optimisation
- Regular cost savings programme at Mail in the Netherlands

- Reduction of indirect costs at Parcels
- Tight control of overhead costs: limiting and postponing project costs and prudent approach to filling staff vacancies

- Adjusting investments (capex and leases), also related to IT structure and acceleration of digitalisation, to align with volume development
- Strict working capital management

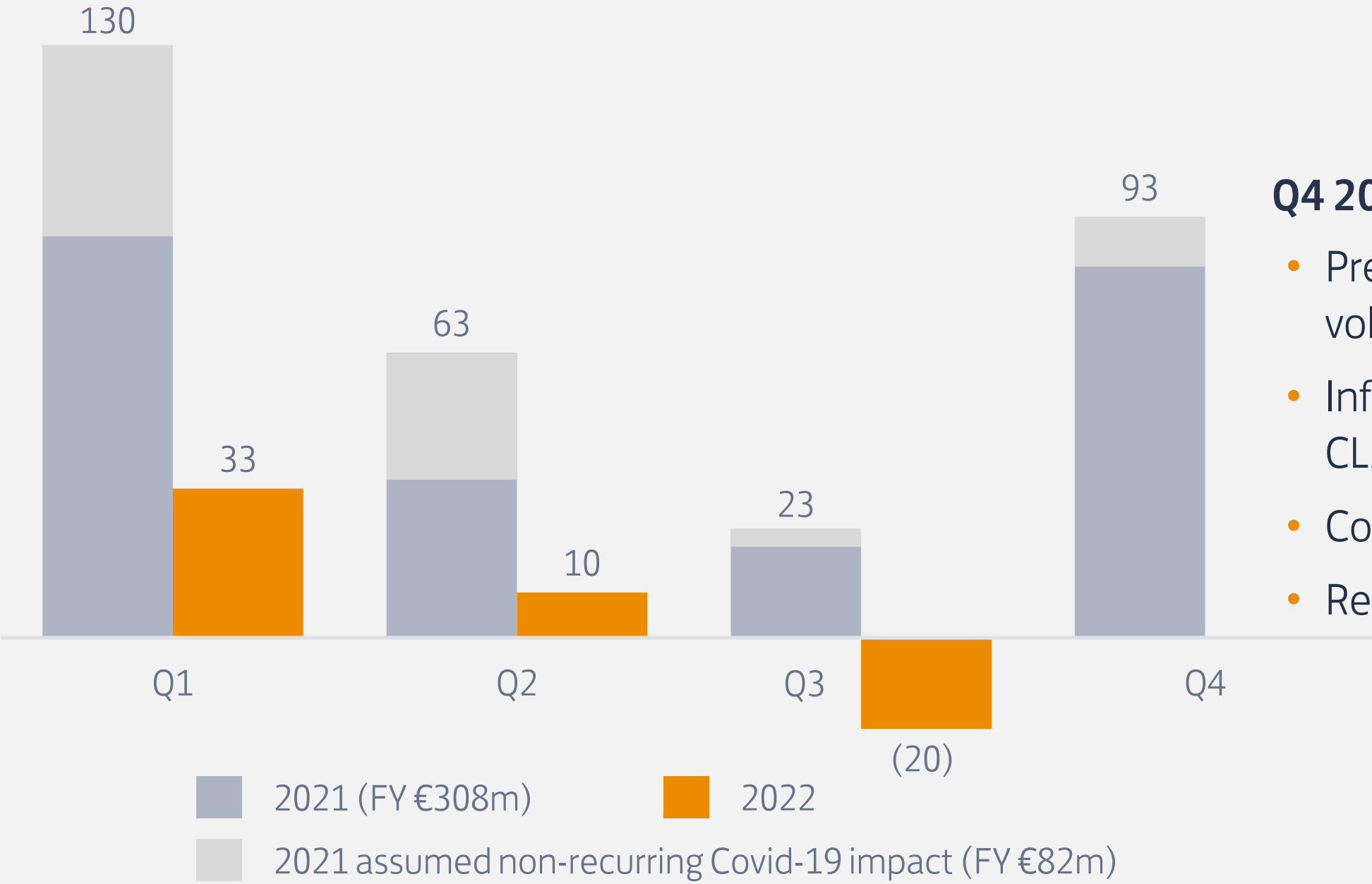
- Regular pricing policy including indexation
- New propositions and commercial initiatives to manage mix, e.g. pricing on size and weight
- Price adjustments going forward to address inflationary pressure

Q4 strongest quarter of year and key driver for FY performance

Margin improvement in Q4 due to better balance between volumes and costs

Normalised EBIT

(in € million)



Q4 2022 drivers

- Prepared for peak days with 2x regular parcel volume; overall volume expected to be in line with last year
- Inflationary cost pressure (fuel and labour, including impact of CLA PostNL, retroactively as of 1 April)
- Cost savings Mail in the Netherlands back-end loaded
- Recovery in cross-border activities not yet likely



Executing on our strategy

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**

Consumers and customers increasingly digitally connected to our platform

Progress Q3

- recruitment of extra parcel deliverers on own payroll, aiming for at least 50% of parcels delivered by PostNL employees over next few years

- cross-border control platform to determine optimum route for an individual parcel
- seamless integration of data, hardware and software



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

Q3 2022 performance

Results depressed by deteriorating macroeconomic environment



Key financial metrics

(in € million)

	Q3 2021	Q3 2022	change	YTD 2021	YTD 2022	change
Revenue	729	709	-3%	2,530	2,261	-11%
Normalised EBIT	23	(20)		216	23	-89%
<i>Assumed to be non-recurring and related to Covid-19</i>	5	1		74	2	
Free cash flow	10	(49)		223	(39)	
Normalised comprehensive income	27	(3)		196	50	-75%

Parcels: Volumes lower than anticipated with rising costs

Costs increasingly high relative to volume

	Revenue	Normalised EBIT	Volumes		Revenue mix <i>in € million</i>		
					Q3 2021	Q3 2022	
Q3 2022	€506m	€(1)m	80m	-1.1%	Parcels Netherlands	329	332
Q3 2021	€505m	€27m	81m		Spring	95	95
					Logistics solutions and other	95	93
					Eliminations	(14)	(14)
					Parcels	505	506

Volume

- Domestic volume up around 1% reflecting a slower though continued upward trend in e-commerce
- Overall, volume decline of 1.1%,
 - as a result of cross-border activities, mainly driven by lower import volumes from Asia
 - recovery in cross-border activities not yet visible
- Domestic market share stable during the quarter

Revenue

- Volume decline offset by a positive price/mix effect: price increases and favourable change in mix
- Stable revenue Spring due to price increases (surcharges) offset by lower volumes; Logistics also more or less stable

Costs

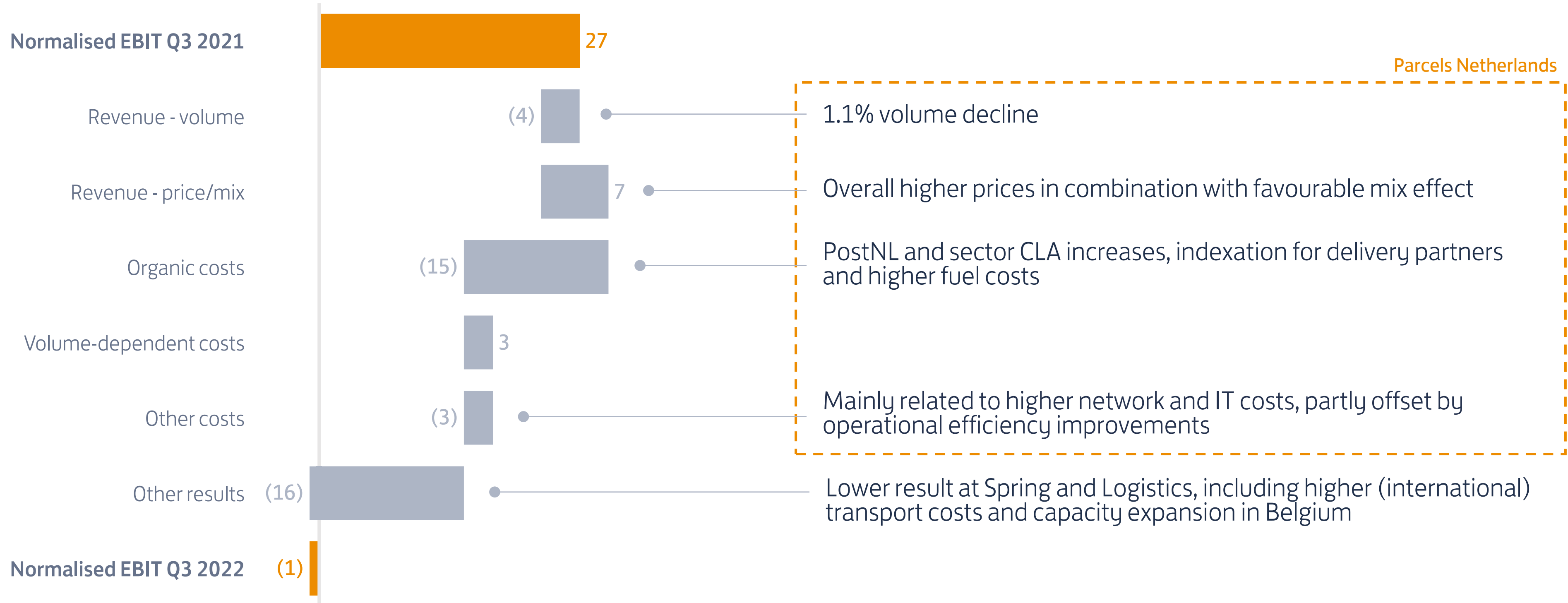
- Inflation results in increase in fuel and labour costs
- Continuously align network capacity with volumes within limits of tight labour market
 - maintain necessary flexibility for peak season
 - safeguard customer and consumer service levels



Parcels Q3 2022 normalised EBIT bridge

Price increases not sufficient to mitigate organic costs increase

(in € million)



Mail in the Netherlands: Solid performance

Mitigating volume decline through moderate pricing policy and cost savings initiatives

	Revenue	Normalised EBIT*	Volumes
Q3 2022	€328m	€(1)m	390m -9.3%
Q3 2021	€345m	€12m	430m

* €1m Covid-19 impact in Q3 2022 versus €5m in Q3 2021

Volume

- Overall volume decline of 9.3% in line with expectations
- -7.6% excluding non-recurring Covid-19 impact

Revenue

- Moderate pricing policy
 - stamp price stable in 2022, 5.2% increase as of 1 January 2023
- Favourable mix
- International mail: mainly lower non-EU import and less gateway volumes

Costs

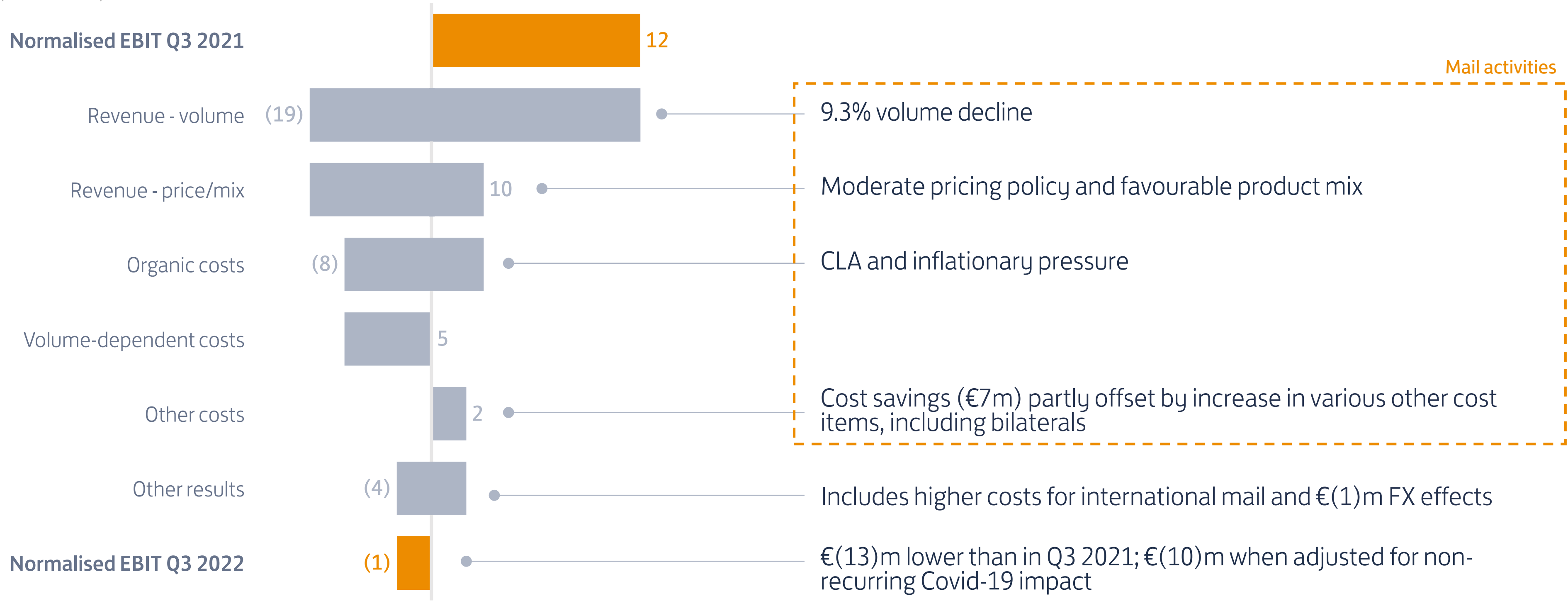
- Increased labour costs
- Further cost savings achieved through efficiency gains in collection and sorting processes



Mail in the Netherlands Q3 2022 normalised EBIT bridge

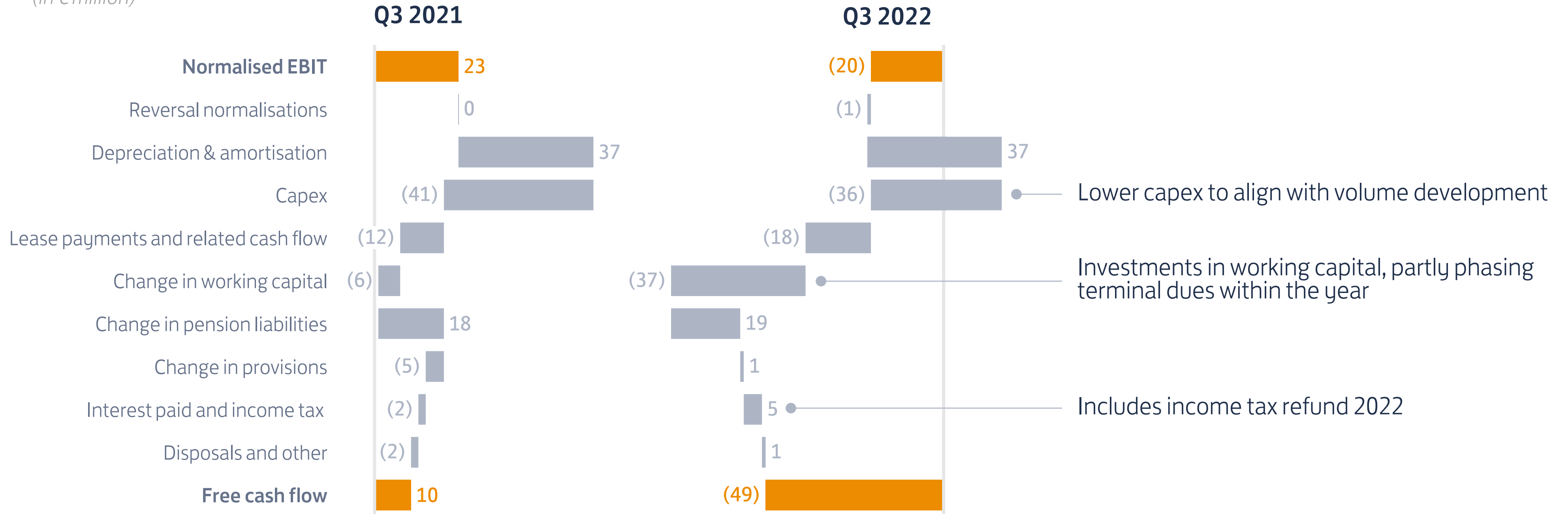
Impacted by organic costs increase, cross-border mail and phasing in cost savings

(in € million)



Cash flow

(in € million)



Balance sheet

Adjusted net debt at €594m

Balance sheet

(in € million)

	1 October 2022
Intangible fixed assets	380
Property, plant and equipment	446
Right-of-use assets	277
Other non-current assets	64
Other current assets	443
Cash	477
Assets classified as held for sale	5
Total assets	2,091

	1 October 2022
Consolidated equity	131
Non-controlling interests	3
Total equity	134
Pension liabilities	67
Long-term debt	697
Long-term lease liabilities	254
Other non-current liabilities	105
Short-term lease liabilities	63
Other current liabilities	771
Total equity & liabilities	2,091

Adjusted net debt

(in € million)

	31 December 2021	1 October 2022
Short- and long-term debt	732	744
Long-term interest-bearing assets	(20)	(18)
Cash and cash equivalents	(848)	(477)
Net debt	(136)	249
Pension liabilities	67	67
Lease liabilities (on balance)	333	318
Lease liabilities (off balance)	17	42
Deferred tax assets on operational lease liabilities	(79)	(81)
Adjusted net debt	203	594

Necessary measures to secure robust financial position

In challenging macroeconomic environment

Deteriorating macroeconomic environment and prolonged uncertainty

- Record-high level of inflation in September, while consumer confidence has dropped to an all-time low
- Global logistics markets are expected to continue to be negatively impacted by the deteriorating macroeconomic environment, with
 - slower growth expectations for e-commerce
 - upward pressure on costs

Taking all necessary measures while continuing to execute on longer-term strategy

- Unchanged strategic focus areas
- Preparing for peak season: strongest quarter of year and key contributor to FY performance
 - maintaining necessary flexibility
 - safeguarding customer and consumer service levels

Q&A

Q3 2022 Results



Appendix

Q3 & YTD 2022 Results



- Results by segment
- Full reconciliation income statement and EBITDA
- Free cash flow per segment
- Revenue mix for Parcels
- Assumed non-recurring impact related to Covid-19
- Result development (bridge) per segment YTD 2022
- Profit and normalised comprehensive income
- Pension expense and cash contribution

Results by segment for Q3 2022 and YTD 2022

	Revenue		Normalised EBIT		Margin	
	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022
<i>(in € million)</i>						
Parcels	505	506	27	(1)	5.3%	(0.2)%
Mail in the Netherlands	345	328	12	(1)	3.5%	(0.4)%
PostNL Other	52	56	(16)	(18)		
Intercompany	(172)	(181)				
PostNL	729	709	23	(20)	3.1%	(2.8)%
	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022
Parcels	1,756	1,579	174	32	9.9%	2.0%
Mail in the Netherlands	1,201	1,066	94	47	7.8%	4.5%
PostNL Other	150	165	(52)	(56)		
Intercompany	(577)	(549)				
PostNL	2,530	2,261	216	23	8.5%	1.0%



Note: Normalised figures exclude one-offs in Q3 2022 (€1m) and YTD 2022 (€5m); Q3 2021 (€0m) and YTD 2021 (€18)m

Full reconciliation of income statement and EBITDA Q3 2022

Income statement

(in € million)

	PostNL		Parcels		Mail in NL		PostNL Other		Eliminations	
	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022
Total operating revenue	729	709	505	506	345	328	52	56	(172)	(181)
Other income	1	1	0	0	1	1	-	-		
Cost of materials	(15)	(20)	(12)	(15)	(3)	(3)	(1)	(2)		
Work contracted out and other external expenses	(370)	(373)	(339)	(354)	(169)	(167)	(34)	(33)	172	181
Salaries and social security contributions	(226)	(225)	(80)	(86)	(118)	(113)	(28)	(26)		
Pension contributions & related costs	(40)	(43)	(7)	(8)	(11)	(11)	(22)	(24)		
Depreciation, amortisation and impairments	(37)	(37)	(19)	(16)	(10)	(7)	(8)	(14)		
Other operating expenses	(19)	(33)	(21)	(28)	(24)	(29)	26	24		
Total operating expenses	(708)	(731)	(478)	(507)	(334)	(330)	(67)	(74)	172	181
Operating income / EBIT	23	(21)	27	(1)	12	(1)	(16)	(18)	-	-

EBITDA

	PostNL		Parcels		Mail in NL		PostNL Other	
Operating Income / EBIT	23	(21)	27	(1)	12	(1)	(16)	(18)
Depreciation, amortisation and impairments	37	37	19	16	10	7	8	14
Reported EBITDA	60	16	46	15	22	5	(8)	(4)
Non-cash pension expense	18	19	0	0	0	-	18	19
EBITDA excluding non-cash pension expense	78	36	46	15	22	5	10	15
IFRS16 impact (depreciation RoU assets)	(16)	(16)	(10)	(11)	(3)	(3)	(2)	(3)
EBITDA excluding non-cash pensions and IFRS16	62	20	35	4	19	3	8	12

Full reconciliation of income statement and EBITDA YTD 2022

Income statement

(in € million)

	PostNL		Parcels		Mail in NL		PostNL Other		Eliminations	
	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022
Total operating revenue	2,530	2,261	1,756	1,579	1,201	1,066	150	165	(577)	(549)
Other income	24	7	0	0	24	7	(0)	-		
Cost of materials	(47)	(60)	(34)	(46)	(8)	(9)	(4)	(5)		
Work contracted out and other external expenses	(1,253)	(1,146)	(1,151)	(1,079)	(578)	(510)	(102)	(105)	577	549
Salaries and social security contributions	(717)	(707)	(249)	(265)	(382)	(364)	(85)	(78)		
Pension contributions & related costs	(121)	(130)	(22)	(24)	(34)	(35)	(65)	(71)		
Depreciation, amortisation and impairments	(108)	(115)	(55)	(54)	(28)	(21)	(25)	(40)		
Other operating expenses	(73)	(92)	(70)	(80)	(82)	(85)	79	73		
Total operating expenses	(2,319)	(2,250)	(1,582)	(1,547)	(1,112)	(1,025)	(203)	(226)	577	549
Operating income / EBIT	234	18	174	32	112	47	(52)	(61)	-	-

EBITDA

	PostNL		Parcels		Mail in NL		PostNL Other	
Operating Income / EBIT	234	18	174	32	112	47	(52)	(61)
Depreciation, amortisation and impairments	108	115	55	54	28	21	25	40
Reported EBITDA	342	133	229	86	140	68	(27)	(21)
Non-cash pension expense	54	58	0	0	0	-	54	58
EBITDA excluding non-cash pension expense	396	191	230	86	140	68	27	37
IFRS16 impact (depreciation RoU assets)	(47)	(48)	(29)	(32)	(9)	(8)	(9)	(8)
EBITDA excluding non-cash pensions and IFRS16	350	143	201	54	131	60	18	29



Free cash flow per segment Q3 2022

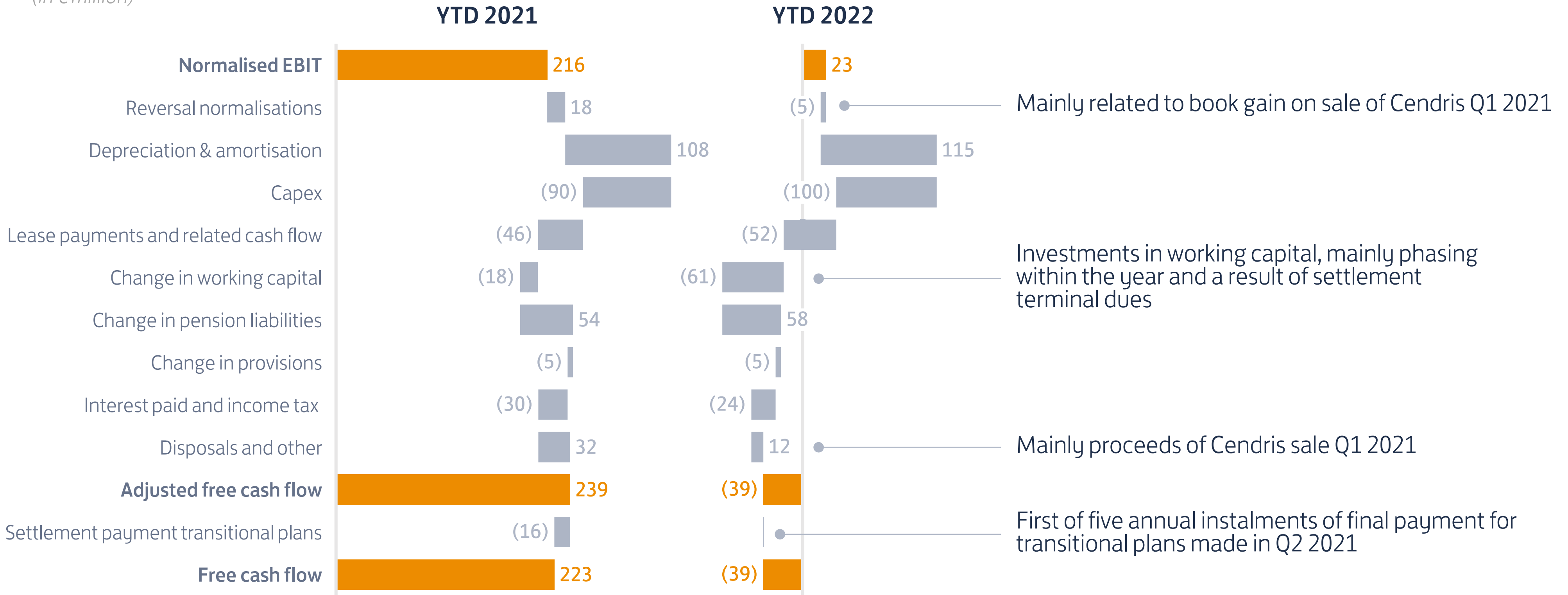
(in € million)

	PostNL		Parcels		Mail in NL		PostNL Other & Eliminations	
	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022
EBITDA	60	16	46	15	22	5	(8)	(4)
Change in pensions	18	19	0	-	0	-	18	19
Change in provisions	(5)	1	0	1	(5)	0	(0)	(0)
Change in working capital	(6)	(37)	41	23	(52)	(65)	5	4
Capex	(41)	(36)	(18)	(10)	(9)	(3)	(14)	(23)
Disposals	0	0	0	0	0	0	(0)	(0)
Interest paid	(5)	(5)	(1)	(1)	(1)	(1)	(4)	(3)
Income tax paid	3	9	(7)	0	(3)	0	12	9
Lease payments and related cash flow	(12)	(18)	(9)	(11)	(4)	(4)	2	(3)
Other	(2)	1	(3)	0	0	0	1	0
Adjusted free cash flow	10	(49)	50	18	(53)	(67)	13	(0)
Settlement payment transitional plans	-	-	-	-	-	-	-	-
Free cash flow	10	(49)	50	18	(53)	(67)	13	(0)
Free cash flow yield	0%	(6)%						



Cash flow YTD

(in € million)



Revenue mix for Parcels by quarter

(in € million)

	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Parcels Netherlands	444	361	383	345	329	332	1,157	1,038
Spring	145	105	131	91	95	95	372	291
Logistics solutions and other	102	105	100	98	95	93	298	296
Eliminations	(30)	(17)	(26)	(15)	(14)	(14)	(70)	(46)
Parcels	662	554	589	519	505	506	1,756	1,579

Assumed non-recurring impact related to Covid-19

Volumes

(around, in million)

	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Parcels	26	2	11	-	-	-	37	2
Mail in the Netherlands	12	15	23	3	16	7	51	25

Revenue

(around, in € million)

	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Parcels	137	2	78	-	-	-	215	2
Mail in the Netherlands	33	9	27	1	7	2	67	11
Eliminations	(6)	0	(9)	0	-	-	(15)	0
PostNL	164	10	96	1	7	2	267	13

Normalised EBIT

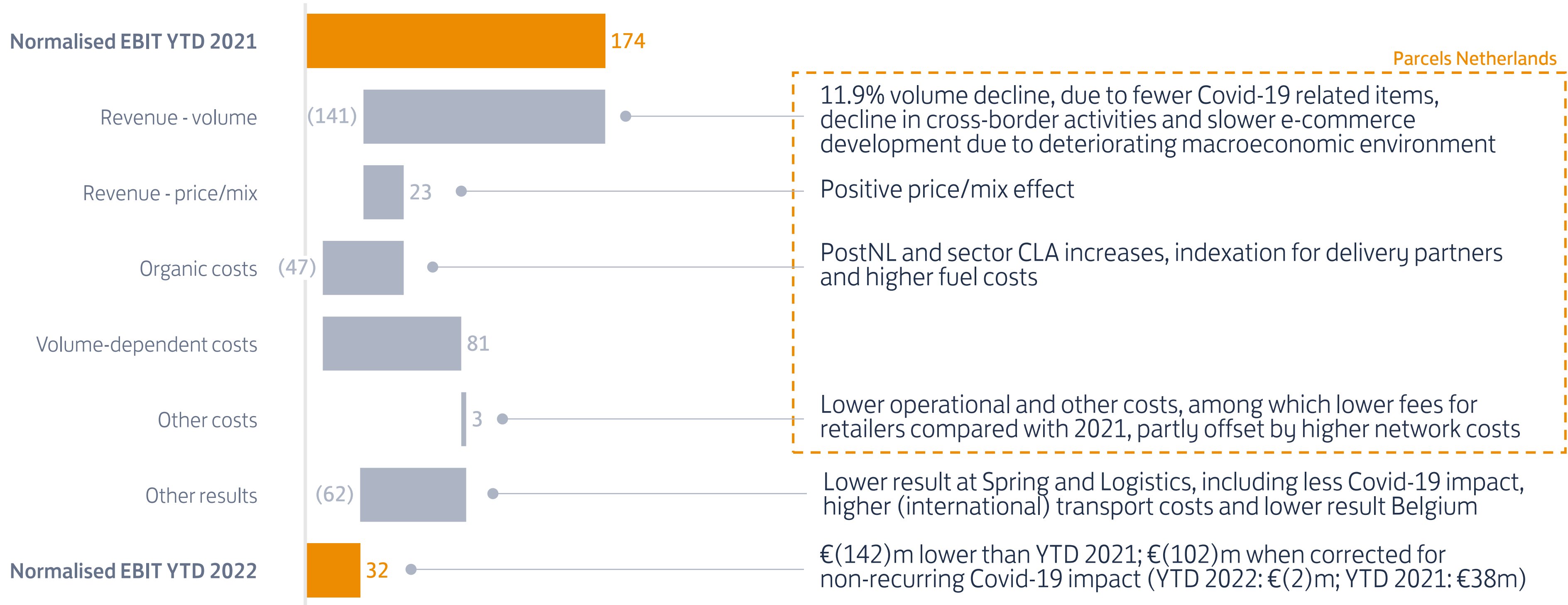
(around, in € million)

	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Parcels	24	(2)	14	-	-	-	38	(2)
<i>Parcels Netherlands</i>	17	(2)	7	-	-	-	25	(2)
<i>Spring and Logistics</i>	7	-	7	-	-	-	13	-
Mail in the Netherlands	18	3	12	(0)	5	1	35	4
PostNL	42	1	26	(0)	5	1	74	2



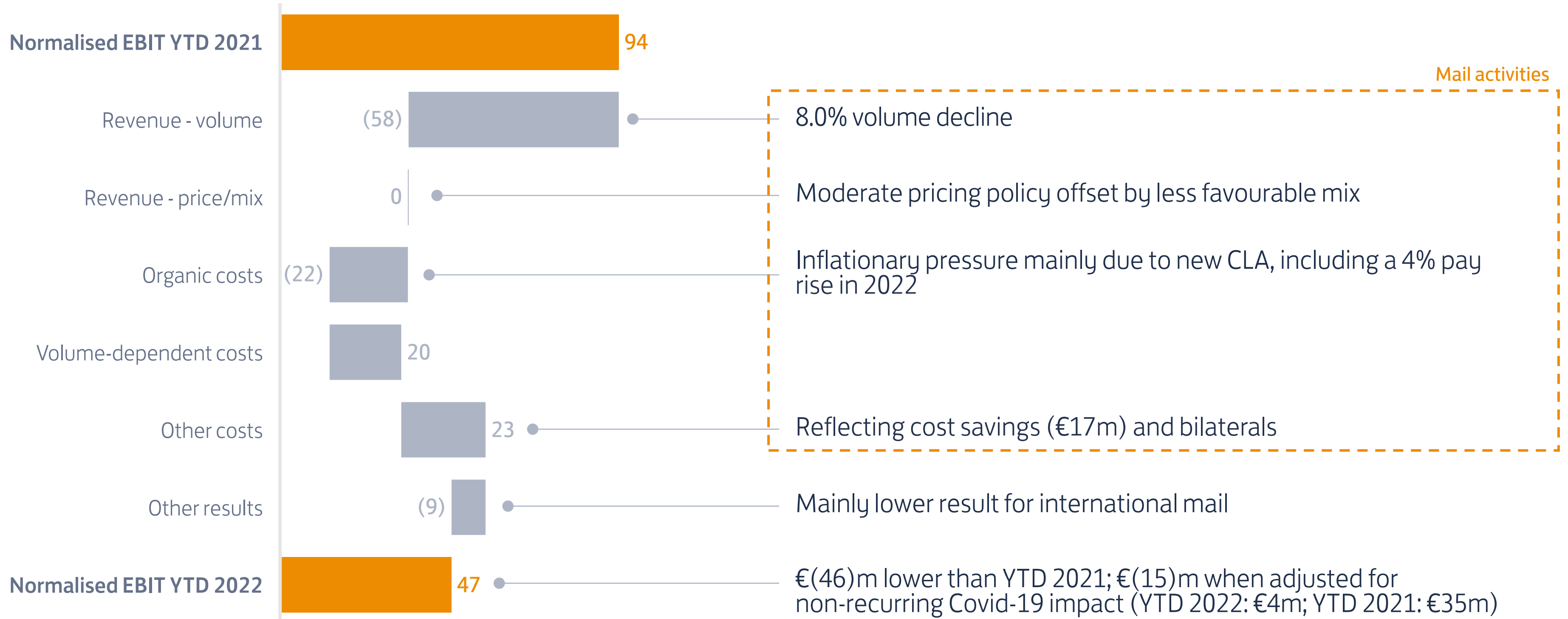
Parcels YTD 2022 normalised EBIT bridge

(in € million)



Mail in the Netherlands YTD 2022 normalised EBIT bridge

(in € million)



Profit and normalised comprehensive income* PostNL

(around, in € million)

	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Operating income / EBIT	148	30	63	9	23	(21)	234	18
Net financial expenses	(5)	(6)	(4)	(5)	(5)	(4)	(15)	(16)
Results from investments in JVs/associates	0	0	(1)	(0)	0	(0)	(0)	(0)
Income taxes	(31)	(7)	(15)	(2)	(5)	6	(51)	(3)
Profit/(loss) from discontinued operations	24	(0)	(1)	(13)	(1)	(0)	22	(13)
Profit	136	16	41	(11)	12	(20)	190	(15)
Other comprehensive income (mainly related to pensions)	13	15	15	16	14	16	42	47
Total comprehensive income	149	32	56	5	26	(4)	231	32
Normalisation on EBIT, net of tax	(14)	2	0	1	0	1	(14)	4
Exclude result from discontinued operations	(24)	0	1	13	1	0	(22)	13
Normalised comprehensive income	112	34	57	19	27	(3)	196	50

* 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	
	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022
Cash contribution	(22)	(24)	(7)	(8)	(11)	(11)	(4)	(4)
IFRS non-cash pension expense	(18)	(19)	(0)	(0)	(0)	-	(18)	(19)
Total pension expense	(40)	(43)	(7)	(8)	(11)	(11)	(22)	(24)
	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022
Cash contribution*	(67)	(71)	(22)	(24)	(34)	(35)	(11)	(12)
IFRS non-cash pension expense	(54)	(58)	(0)	(0)	(0)	-	(54)	(58)
Total pension expense	(121)	(130)	(22)	(24)	(34)	(35)	(65)	(71)

Total pension expense increased by €3m in Q3 2022 and €9m in YTD 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”
- Sensitivity: pension expense increase/decrease of €25m per 50bps change in interest rate versus assumed indexation**



* Excluding settlement payment transitional plans (€16m in Q2 2021)

** Net change in the (IFRS) pension interest rate versus assumed indexation; expresses the (IFRS) pension expense impact; for a sensitivity analysis of the defined benefit obligation please refer to PostNL's Annual Report 2021