

## Focus on the potential of the parcel business

*Balanced volume growth, resulting in improving profitability and cash conversion*

### Highlights for PostNL Parcels

- E-commerce in the Benelux region will continue strong growth, offering opportunities and further growth potential
- Development of new value-added services, through innovation and by smart expansion of infrastructure
- New, dedicated sorting centre for small parcels to be opened in 2021
- Commercial initiatives underway to optimise yield management
- Balanced volume growth – resulting in improving profitability and cash conversion – is the basis for value creation

### Outlook PostNL

- UCOI outlook 2019 confirmed at €170 million - €200 million
- As of 2020, PostNL's outlook will be based on normalised EBIT and free cash flow
- Normalised EBIT is expected to increase, with free cash flow as a percentage of normalised EBIT of over 50% after 2020, providing a sustainable basis for shareholder return

**At its Capital Markets Day to be held today, PostNL will present an update of its strategy for its parcels business, which aims to improve the margin and lower the cost per parcel delivered. This will help the parcel business achieve a better balance between volume growth, profitability and sustainable cash generation. PostNL today also announces that, as of 2020, it will manage its financial performance based on normalised EBIT and free cash flow (FCF). These new key financial metrics have been chosen in order to improve the visibility and comparability of PostNL's financial performance.**

Herna Verhagen, CEO of PostNL, comments: "PostNL has played a key role in the strong growth of e-commerce in the Benelux region. In the last five years, our parcel business has grown by almost 100%, and we now deliver 251 million parcels a year. In our strategy update, we define multiple levers to further shape the growth of e-commerce. We aim for higher customer satisfaction by introducing innovative solutions, new services and improved digitised interaction with consumers. Smart yield management, a sharp focus on efficiency and innovative investments in our capacity will help us to improve the average margin per parcel. Balanced growth, profitability and sustainable free cash flow, while addressing the needs of society, people and the environment: together, these are the basis for sustainable value creation for all our stakeholders."

### Improving the balance between volume and value

The strategy for Parcels aims to capture value through yield management and several other commercial and operational initiatives. PostNL will optimise collection, transport and network control, leading to lower costs per parcel. More and better digitised interaction with consumers will improve first-time-right delivery, reducing time per stop and the number of kilometres driven. New smart receiver options at and near home will be introduced, such as safe-place deliveries and new pick-up points.

PostNL assumes volume growth of ~14% CAGR (2018-22). The expansion of logistics solutions, focusing on niche markets and offering additional services, will complement the parcel business. Spring's international activities will also help PostNL's parcel business to grow, by optimising its cross-border network and providing in-feed for its Benelux networks. This is expected to translate into ongoing revenue growth (assumption: 10%-12% CAGR 2018-22) that reflects an improving balance between volume and value.

### Separate small parcel sorting leads to lower costs per parcel

To accommodate future volume growth, PostNL continues to invest in additional capacity and focus on utilisation to achieve further network efficiency. In 2021, PostNL plans to open a small parcel sorting centre at a central location in the Netherlands. This sorting solution for small parcels will be highly automated and will facilitate 24/7 sorting, leading to lower sorting costs. As around 40% of total volume currently consists of small parcels, the new facility will significantly enhance distribution capacity in the existing network. This expansion will accommodate further growth, while limiting capital investments after a peak in 2020. With this and other initiatives, PostNL is creating the potential for an improving margin and a better cash flow profile after 2020.

# POSTNL CAPITAL MARKETS DAY 2019

## Securing a sustainable mail business

At Mail in the Netherlands, the structural decline in mail volume requires ongoing attention for implementation of cost savings plans. The intended consolidation of Dutch postal networks is necessary for sustainable profitability and cash flow, as is a regulatory framework that reflects a market that is in structural decline. The proposed consolidation of networks will secure the foundation for a sustainable postal service in the Netherlands. Combining the two national postal networks is of vital importance for the postal market in the Netherlands to remain reliable, affordable, innovative and accessible for everyone. The key elements of the consolidation and subsequent integration as presented on 25 February 2019 remain the same and will be updated after the intended transaction is closed.

## Key financial metrics and outlook

As of 2020, PostNL will manage its financial performance based on normalised EBIT and free cash flow (FCF). These new key financial metrics have been chosen in order to improve the visibility and comparability of PostNL's financial performance.

PostNL confirms its UCOI outlook 2019 at €170 million - €200 million. The UCOI outlook for 2019 would equate to normalised EBIT of €155 million - €185 million. Assuming approval for the transaction with Sandd in Q4 2019, the result in 2019 is expected to be impacted by €25 million - €35 million, based on the financials as presented on 25 February 2019. Normalised EBIT is expected to increase, with free cash flow as a percentage of normalised EBIT of over 50% after 2020, providing a sustainable basis for shareholder return.

## Sustainable generation of free cash flow

Although profitability is already expected to improve in 2020, this will not yet be visible in free cash flow. The main developments that explain the forecast of free cash flow for 2020 are:

- Accommodating further growth by investments in Parcels infrastructure, to slow down from 2021;
- Ongoing investments in working capital due to changes in the revenue mix combined with strict working capital management;
- The impact of the intended consolidation of postal networks;
- Final payment transitional pension plans in 2020.

After 2020, PostNL's cash conversion potential is expected to improve significantly, with free cash flow as a percentage of EBIT substantially increasing to over 50%.

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## Audio webcast and conference call Capital Markets Day 2019

On 7 May, at 13.00 CET, the presentations for analysts and investors will start. This can be followed live via an audio webcast on [www.postnl.nl](http://www.postnl.nl). All presentations will also be available on the website.

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## Additional information

Additional information is available at [www.postnl.nl](http://www.postnl.nl). This press release contains inside information within the meaning of article 7(1) of the EU Market Abuse Regulation.

## Warning about forward-looking statements

Some statements in this press release are 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside our control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which we operate and management's beliefs and assumptions about possible future events. You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this press release and are neither predictions nor guarantees of possible future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events, except as may be required under applicable securities law.

## Use of non-GAAP information

In presenting and discussing the PostNL Group operating results, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. Non-GAAP financial measures do not have standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The main non-GAAP key financial performance indicator for 2019 is underlying cash operating income. The underlying cash operating performance focuses on the underlying cash earnings performance, which is the basis for the dividend policy. In the analysis of the underlying cash operating performance, adjustments are made for non-recurring and exceptional items as well as adjustments for non-cash costs for pensions and provisions. For pensions, the IFRS-based defined benefit plan pension expenses are replaced by the non-IFRS measure of the actual cash contributions for such plans. For the other provisions, the IFRS-based net charges are replaced by the related cash outflows. As of 2020, the main non-GAAP key financial performance indicator is normalised EBIT. Normalised EBIT is derived from the IFRS-based performance measure operating income adjusted for the impact of project costs and incidentals. Aside from adjustments for restructuring-related costs all currently adjusted non-recurring and exceptional items within underlying cash operating income are also adjusted normalisations within normalised EBIT.