



# Third quarter 2017 results

## Analyst call

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Koen Beeckmans, CFO



Brussels – November 9, 2017

# Investor presentation - Interim financial report 3Q17

## Financial Calendar

More on [corporate.bpost.be/investors](http://corporate.bpost.be/investors)

**04.12.2017**

(17:45 CET)

Interim dividend 2017  
announcement

**07.12.2017**

Ex-dividend date  
(interim dividend)

**11.12.2017**

Dividend payment date

**13.03.2018**

(17:45 CET)

Annual results FY2017

**02.05.2018**

(17:45 CET)

Quarterly results 1Q18

**09.05.2018**

Ordinary General Meeting of  
Shareholders

**15.05.2018**

Ex-dividend date

**17.05.2018**

Payment date of the dividend

**08.08.2018**

(17:45 CET)

Quarterly results 2Q18

**07.11.2018**

(17:45 CET)

Quarterly results 3Q18

**03.12.2018**

(17:45 CET)

Interim dividend 2018  
announcement

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## Disclaimer

This presentation is based on information published by bpost in its Third Quarter 2017 Interim Financial Report, made available on November, 8<sup>th</sup> 2017 at 5.45pm CET on [corporate.bpost.be/investors](http://corporate.bpost.be/investors). This information forms regulated information as defined in the Royal Decree of 14 November 2007. The information in this document may include forward-looking statements<sup>1</sup>, which are based on current expectations and projections of management about future events. By their nature, forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other factors because they relate to events and depend on circumstances that will occur in the future whether or not outside the control of the Company. Such factors may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. Accordingly, no assurance is given that such forward-looking statements will prove to have been correct. They speak only as at the date of the Presentation and the Company undertakes no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements. This material is not intended as and does not constitute an offer to sell any securities or a solicitation of any offer to purchase any securities.

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## Highlights of 3Q17

### Revenues up 20.4%

- Driven by very strong growth in Parcels and acquisitions partly offset by lower Domestic Mail revenues in line with guidance

€ 647.6m

### Domestic Mail underlying evolution as expected

- Continued e-substitution but overall underlying volume trend in line with guidance

-5.3%

### Very strong parcels performance

- Domestic: very strong reported volume increase driven by strong e-commerce growth and C2C; price/mix effect of -7.1% fully mix related
- International: mainly driven by increase in flows from Asia

+ 32.8%

+ € 9.1m

### Organic cost evolution on track

- Opex influenced by acquisitions (€ +103.3m)
- Increase in transport cost in line with international business evolution

+ € 109.3m

**EBITDA perfectly in line with last year and guidance**

€ 110.3m

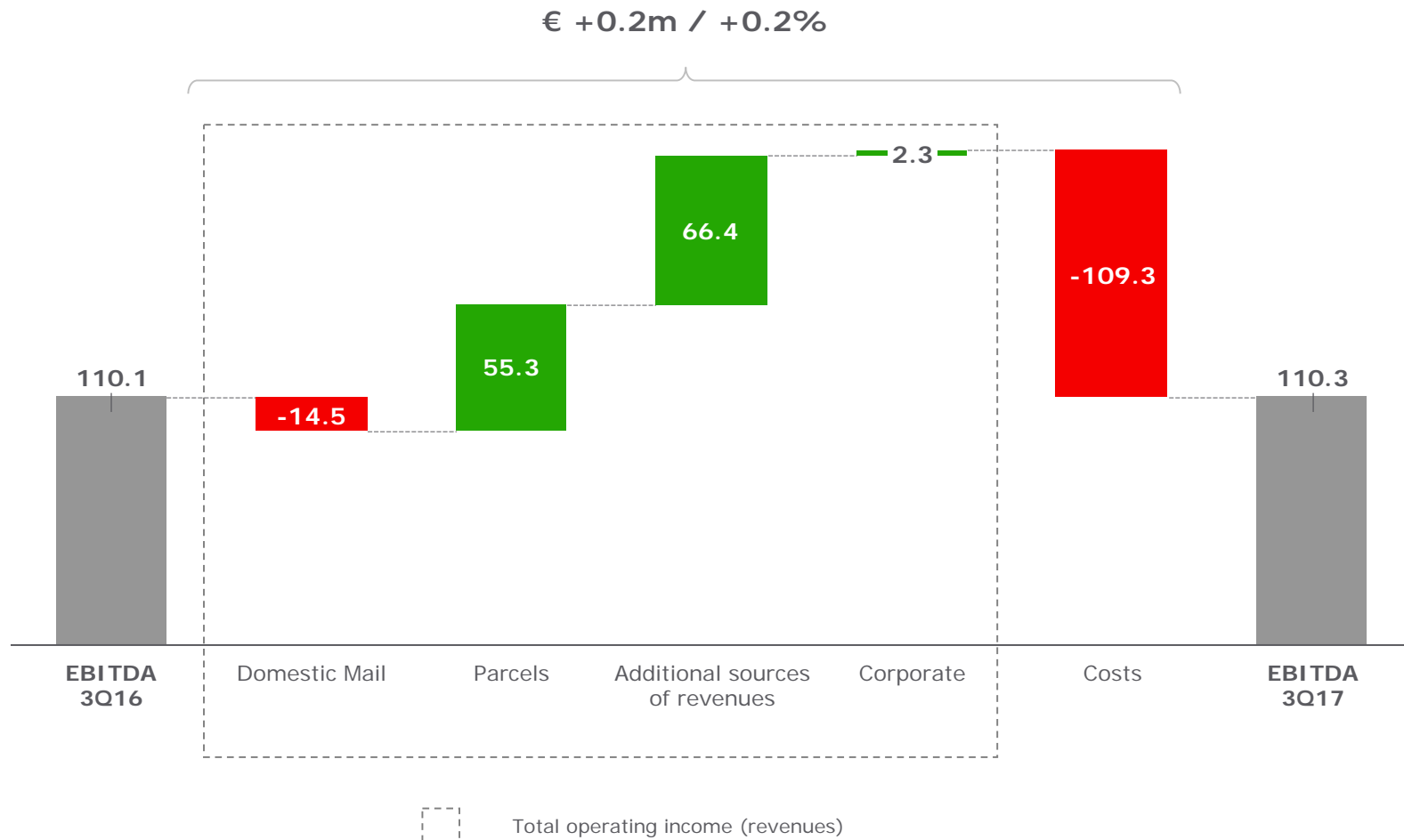
**BGAAP net profit of bpost SA/NV up € 1.5m**

€ 52.0m

**2017 outlook reconfirmed**

# EBITDA slightly up and driven by very strong Parcels growth and acquisitions

€ million



## Summary of key financials 3Q17

€ million

	3Q16	3Q17	% Δ
Total operating income (revenues)	538.1	647.6	20.4%
Operating expenses	428.0	537.3	25.5%
<b>EBITDA</b>	<b>110.1</b>	<b>110.3</b>	<b>0.2%</b>
<i>Margin (%)</i>	<i>20.5%</i>	<i>17.0%</i>	
<b>EBIT</b>	<b>87.8</b>	<b>87.2</b>	<b>-0.7%</b>
<i>Margin (%)</i>	<i>16.3%</i>	<i>13.5%</i>	
<b>Profit before tax</b>	<b>89.0</b>	<b>91.4</b>	<b>2.7%</b>
Income tax expense	28.2	31.4	
<b>Net profit</b>	<b>60.8</b>	<b>60.0</b>	<b>-1.3%</b>
<b>FCF</b>	<b>(71.9)</b>	<b>(76.3)</b>	
<b>bpost S.A./N.V. net profit (BGAAP)</b>	<b>50.5</b>	<b>52.0</b>	<b>3.0%</b>
<b>Net Debt/ (Net cash), at 30 September</b>	<b>(657.7)</b>	<b>(518.6)</b>	<b>-21.1%</b>

## Total operating income (revenues)

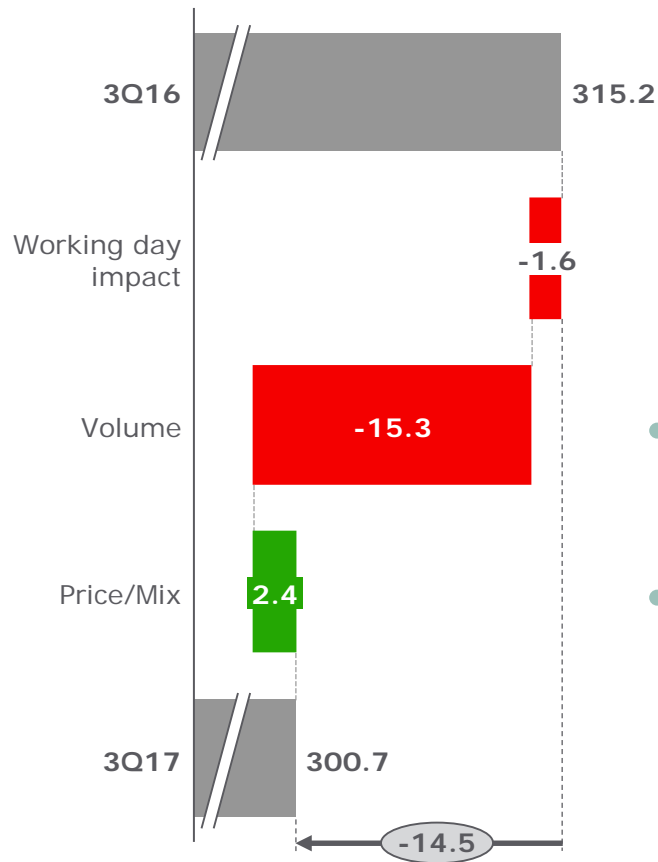
€ million

		3Q16 comparable	Δ	3Q17	% Δ
<b>Domestic mail</b>	Transactional mail	190.6	-13.3	177.4	-7.0%
	Advertising mail	55.7	-0.1	55.6	-0.2%
	Press	68.9	-1.1	67.8	-1.6%
<b>Parcels</b>	Domestic parcels <sup>1</sup>	42.4	10.1	52.5	23.7%
	International parcels	42.7	9.1	51.8	21.4%
	Logistic solutions	2.7	36.0	38.7	-
<b>Additional sources of revenues</b>	International mail	36.7	-1.5	35.3	-4.0%
	Value added services	23.8	1.4	25.2	5.9%
	Banking and financial	46.1	-1.4	44.8	-2.9%
	Distribution	-	21.9	21.9	-
	Retail & Other	23.9	46.0	69.9	192.2%
	Corporate	4.4	2.3	6.7	52.8%
<b>TOTAL</b>		<b>538.1</b>	<b>109.5</b>	<b>647.6</b>	<b>20.4%</b>

<sup>1</sup> Defined as domestic and Belgian in- and outbound

# Domestic Mail underlying volume trend at -5.3% in line with guidance

Total operating income (revenues), € million



- **Transactional Mail:** continued e-substitution.
- **Advertising Mail:** continued growth of focus segments in unaddressed, slight decrease in direct mail.
- **Press:** newspapers witness a stable trend vs. 1H17 while periodicals will benefit from volume shift towards 4Q17.

	Reported					Underlying <sup>1</sup>				
	FY16	1Q17	2Q17	3Q17	YTD17	FY16	1Q17	2Q17	3Q17	YTD17
Transactional mail	-5.9%	-6.0%	-11.0%	-7.3%	-7.9%	-5.9%	-7.0%	-9.9%	-6.5%	-7.7%
Advertising mail	-3.0%	2.7%	4.5%	-1.6%	1.8%	-3.0%	2.3%	4.5%	-1.6%	1.8%
Press	-2.8%	-3.1%	-5.0%	-4.3%	-4.1%	-2.8%	-3.1%	-5.0%	-4.3%	-4.1%
<b>Domestic Mail</b>	<b>-5.0%</b>	<b>-3.9%</b>	<b>-7.4%</b>	<b>-5.9%</b>	<b>-5.6%</b>	<b>-5.0%</b>	<b>-4.7%</b>	<b>-6.7%</b>	<b>-5.3%</b>	<b>-5.5%</b>

- Impacted by regulatory decision on small user basket pricing and shift towards cheaper products.

<sup>1</sup> 3Q17 had 1 working day less than 3Q16 for franking machines and 2 less for stamps

# Very strong parcels performance, growth in Logistic Solutions driven by DynaGroup

Total operating income (revenues), € million



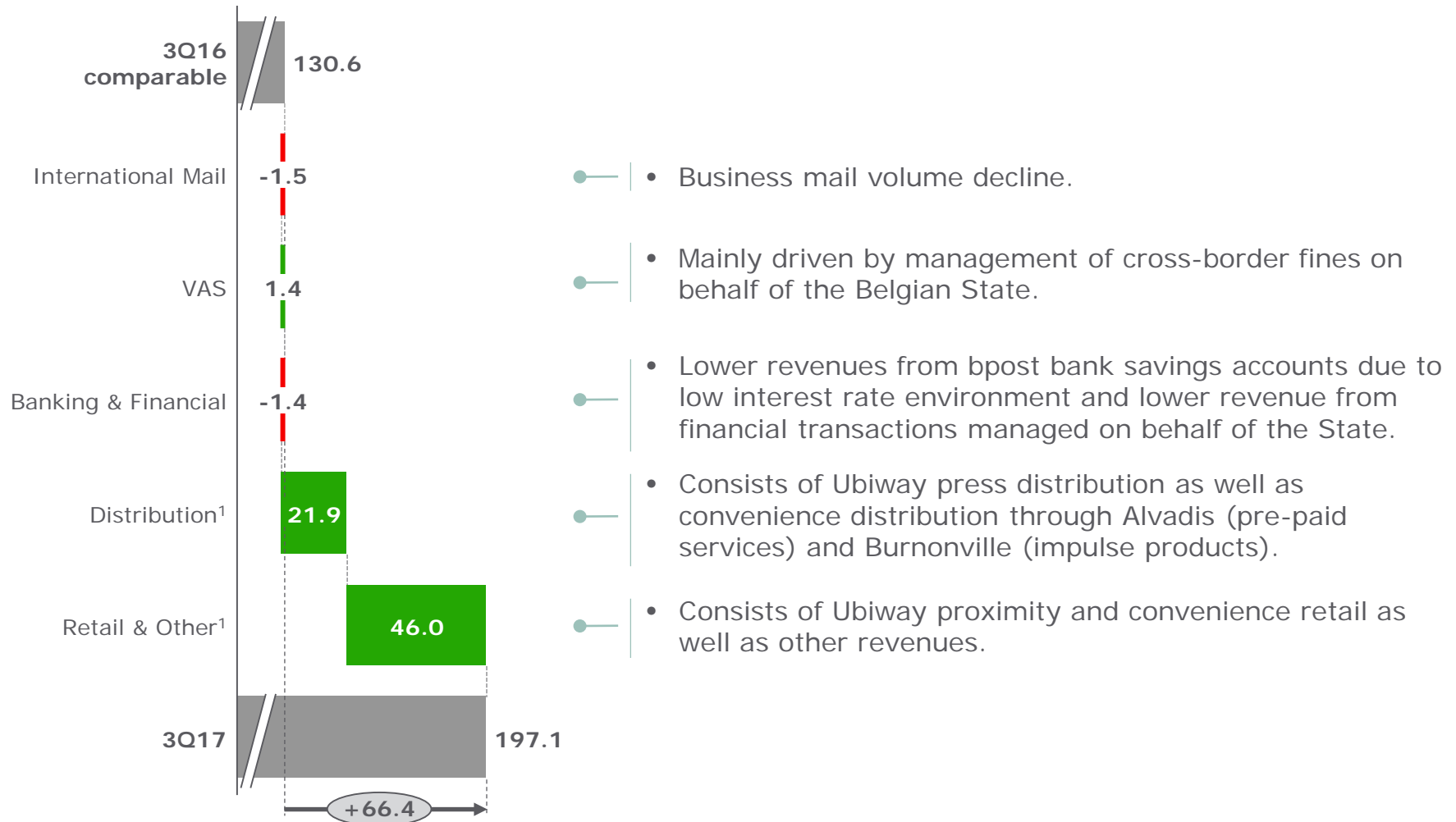
<sup>1</sup> Defined as domestic and Belgian in- and outbound

<sup>2</sup> New category, previously called Special Logistics



# Additional sources of revenues driven by the acquisition of Ubiway


Total operating income (revenues), € million

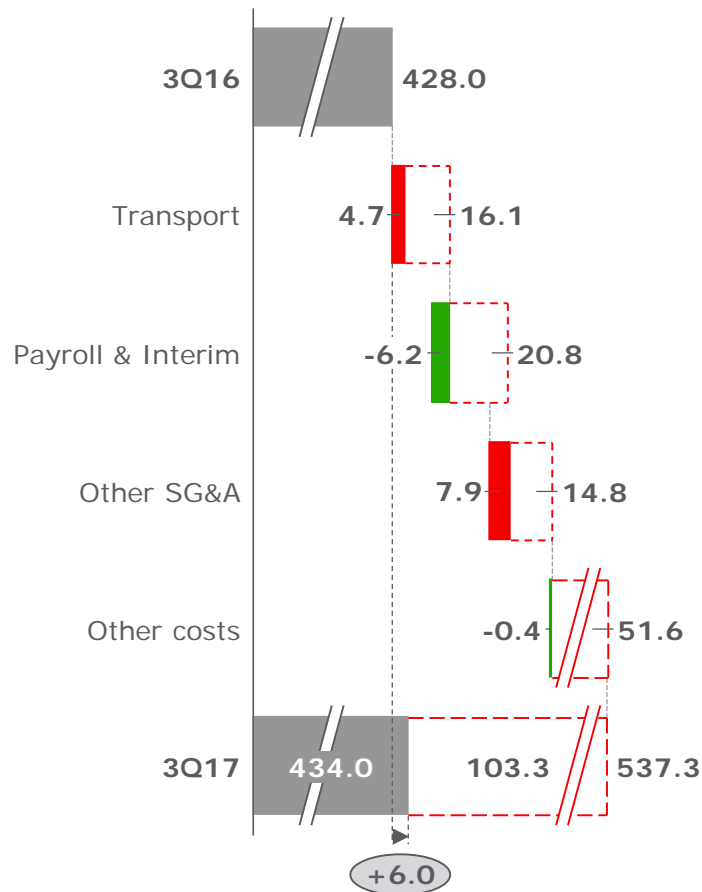


<sup>1</sup> New category

## Organic cost evolution on track. Opex influenced by acquisitions (€ +103.3m). Increase in transport cost in line with positive international business evolution.

Operating expenses excl. depreciation and amortization, € million

 FDM, Apple Express, Ubiway, DynaGroup, Parcify and de Buren



- Excluding acquisitions, increase driven by growth in the international business.
- **Average reported FTE & interim increase** of 1,488 leading to € +20.0m additional costs and explained by the integration of new subsidiaries.
- **Favourable FTE mix** of € -2.9m mainly driven by the recruitment of auxiliary postmen.
- **Price effect** & others for an impact of € -2.6m explained by salary indexation, CLA, merit increases, the evolution of provisions and phasing on CLA 2016.
- Excluding acquisitions, mainly increase of rent and rental costs (new Brussels sorting centre), M&A related costs, maintenance and repairs, energy costs and ICT outsourcing.

## Lower operating FCF<sup>1</sup> due to higher capex

€ million	3Q16	3Q17	Delta
<b>+</b> Cash flow from operating activities	-64.2	-38.9	+25.2
<b>+</b> Cash flow from investing activities	-7.8	-37.3	-29.5
<b>= Operating free cash flow</b>	<b>-71.9</b>	<b>-76.3</b>	<b>-4.3</b>
<b>+</b> Financing activities	-0.1	-0.1	+0.0
<b>= Net cash movement</b>	<b>-72.0</b>	<b>-76.3</b>	<b>-4.3</b>
<b>Capex</b>	<b>-11.3</b>	<b>-35.1</b>	<b>-23.8</b>

CF from operating activities in line with 3Q16, excluding:

- Terminal dues payment, phasing in 3Q16: € **+16.8m**
- Lower tax prepayment in 3Q17: € **+10.0m**

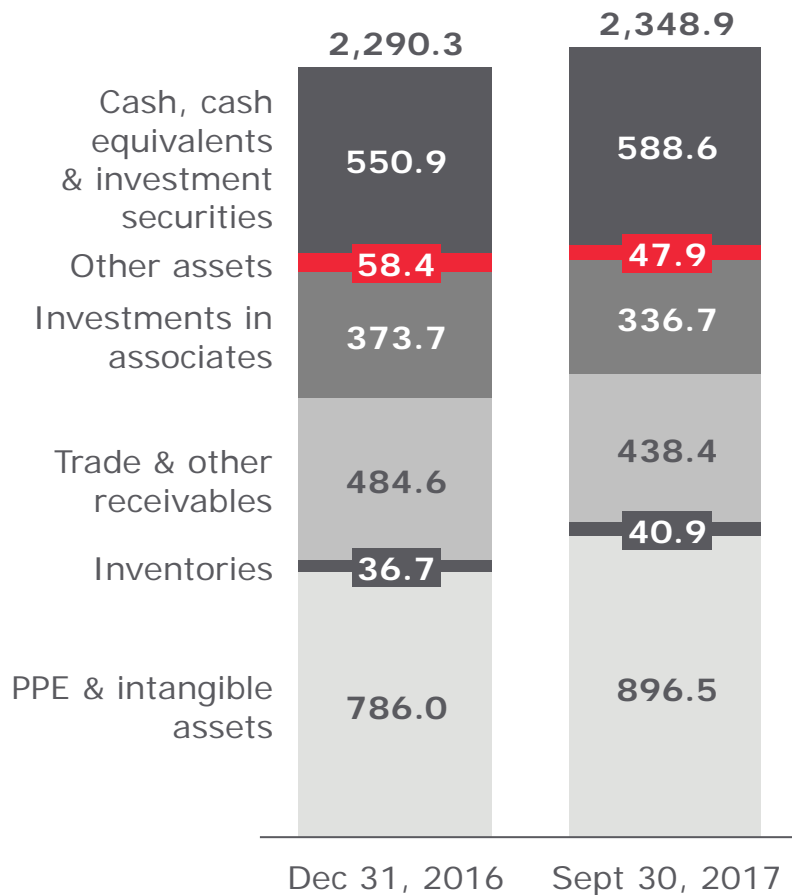
- Proceeds from sale of buildings: € **-3.0m**
- Higher capex: € **-23.8m** mainly explained by Vision 2020
- Cash outflow Apple Express in 2017: € **-2.7m**

<sup>1</sup> Operating free cash flow = cash flow from operating activities + cash flow from investing activities

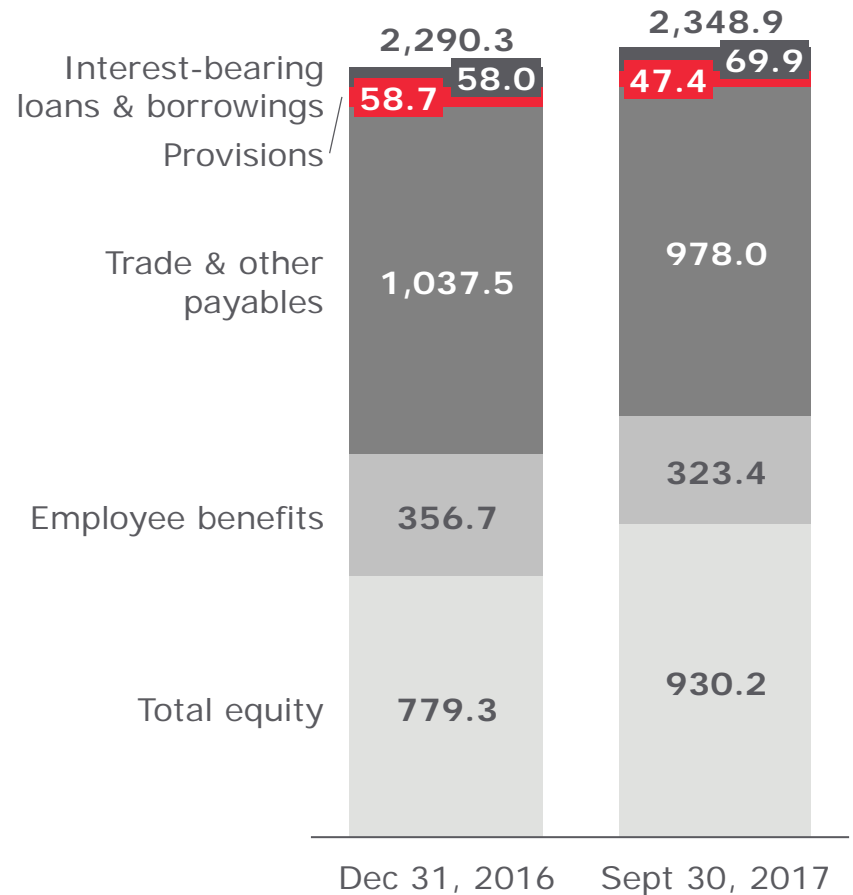
## Strong balance sheet structure

€ million

### Assets



### Equity and liabilities



## Outlook for 2017 – reconfirmed

**Recurring EBITDA and dividend payment at the same level as 2016**

### Revenues

Increase driven by:

- Growth in **domestic parcels**: volume double digit, around -5% price/mix effect
- Continued growth in **international parcels** supported by newly acquired businesses
- Growing **Ubiway Retail** revenues
- Partly offset by decrease in **domestic mail**<sup>1</sup>: volume between -5% and -6%, average domestic mail price increase of 1.5%

### Operating expenses

Increase driven by:

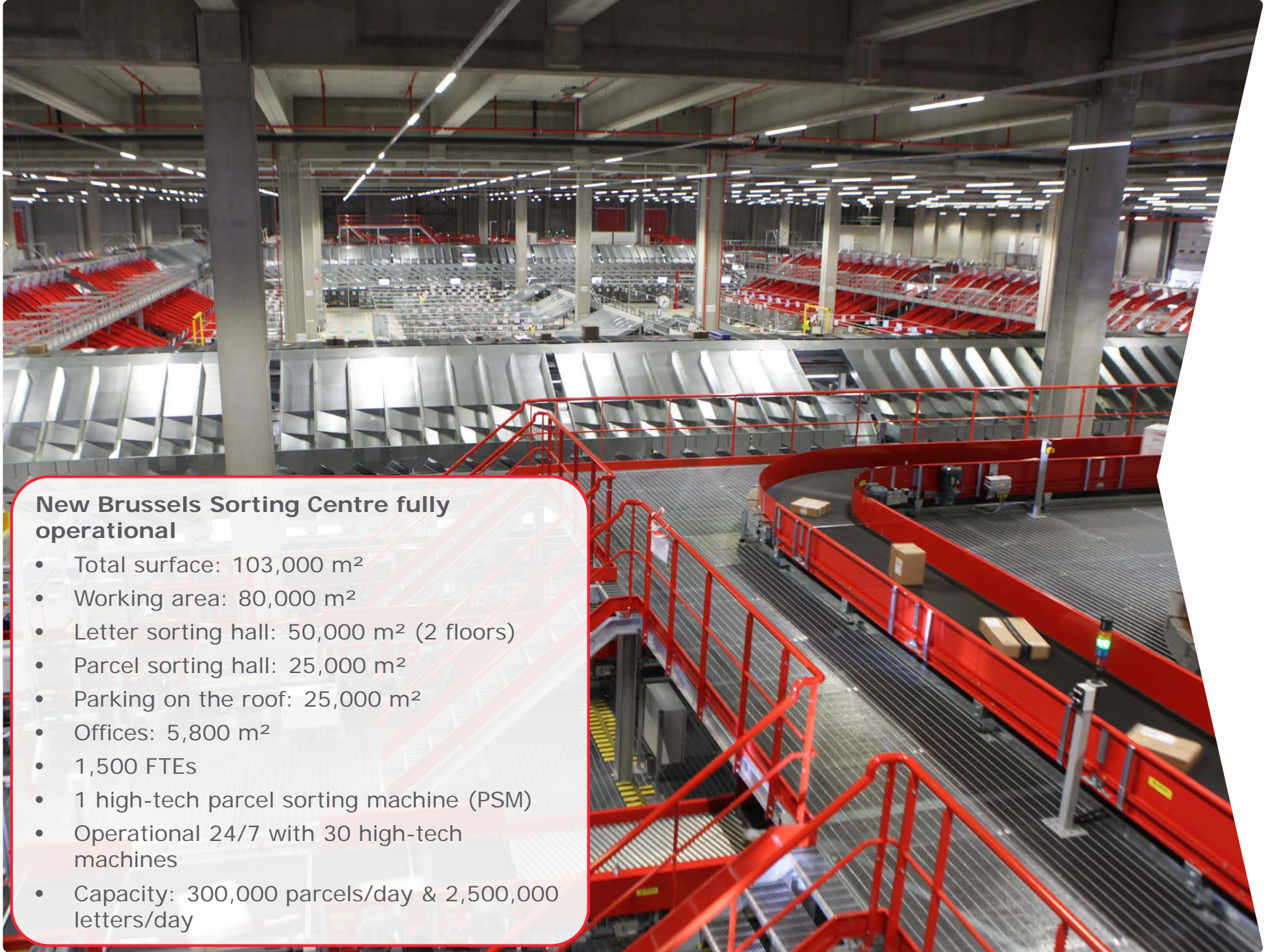
- Increase in transport cost (reflecting growth in International Parcels)
- Consolidation of acquired businesses
- Salary indexation confirmed as of July 2017
- Partly compensated by continued productivity improvements and optimized FTE mix, and
- Continued cost optimization

### Capex

- Recurring and Vision 2020 investments ~€ 90m
- Business development investments: Ubiway < € 10m

<sup>1</sup> 4Q17 1 less on franking machines and 1 more on stamps vs. the same quarters of 2016





### New Brussels Sorting Centre fully operational

- Total surface: 103,000 m<sup>2</sup>
- Working area: 80,000 m<sup>2</sup>
- Letter sorting hall: 50,000 m<sup>2</sup> (2 floors)
- Parcel sorting hall: 25,000 m<sup>2</sup>
- Parking on the roof: 25,000 m<sup>2</sup>
- Offices: 5,800 m<sup>2</sup>
- 1,500 FTEs
- 1 high-tech parcel sorting machine (PSM)
- Operational 24/7 with 30 high-tech machines
- Capacity: 300,000 parcels/day & 2,500,000 letters/day

**Appendix:**

**Additional information  
Radial**



**Brussels – November 9, 2017**



## Radial is offering integrated e-commerce logistics services



### Omnichannel technology

Optimizing efficiency of order management, ship-from-store and in-store pick up



### Payment, tax, & fraud protection services

Processing global payments, maximizing successful authorization and reconciling tax districts and global duties



### Warehouse management & fulfillment services

Adapting warehouse management and parcels preparation to e-commerce with pragmatic automation



### Transport management & last-mile delivery and returns

Managing a large network of carriers for a seamless customer experience



### Customer Care Services & Technology

Having a single view of customer's history and profile combined with leading self-service tech





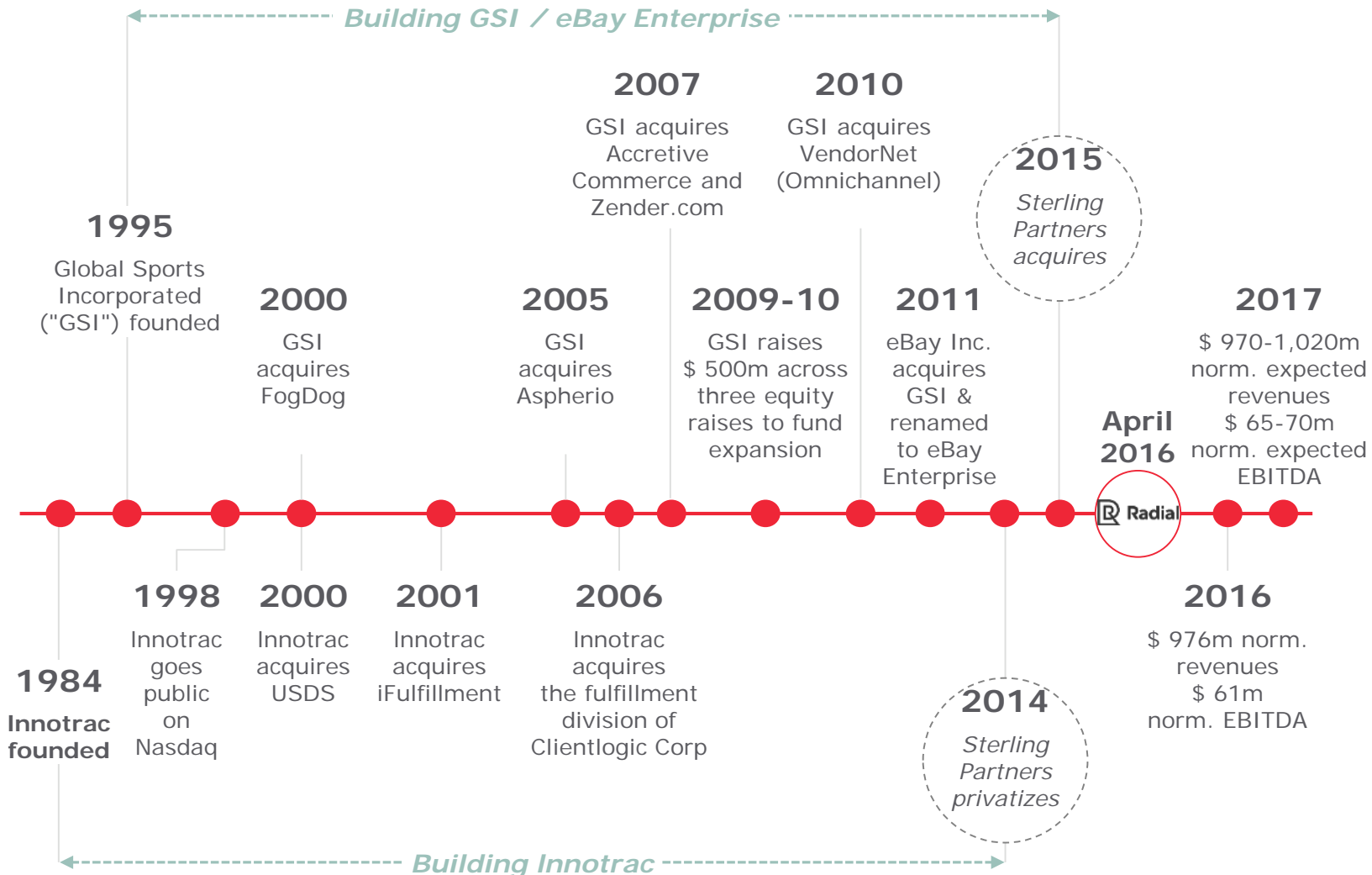
## Radial is the product of the 2016 integration of eBay Enterprise (eCommerce) and Innotrac (fulfillment)

**eBay  
enterprise**

Specializes in **creating, developing and running** online **shopping sites** for brick and mortar brands and retailers

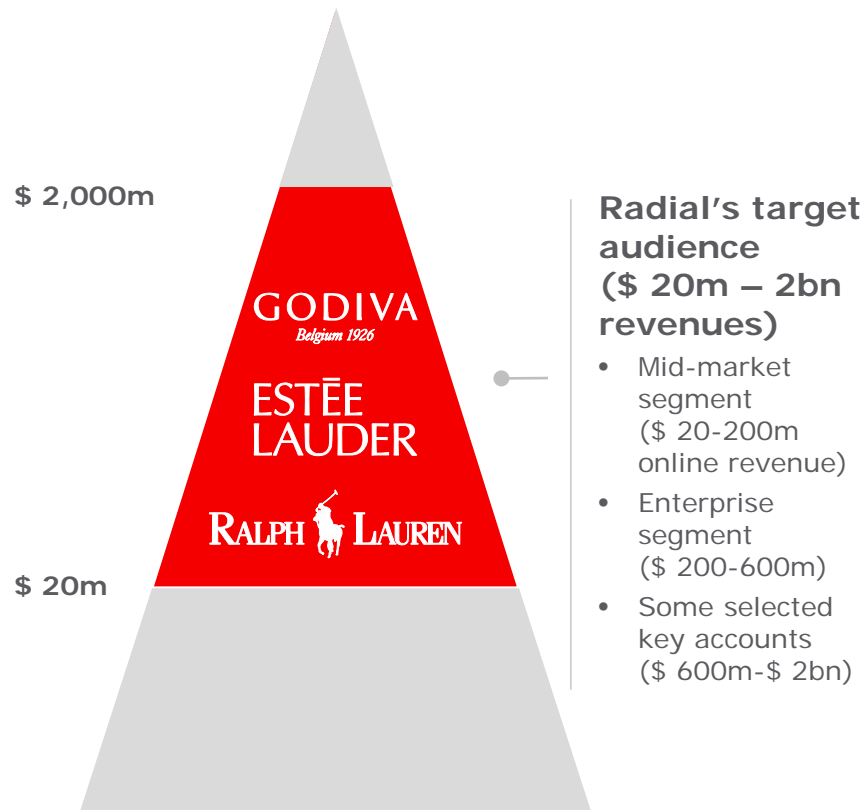
**Innotrac**

Specialized in order **processing, order fulfillment,** and customer support **contact center services**



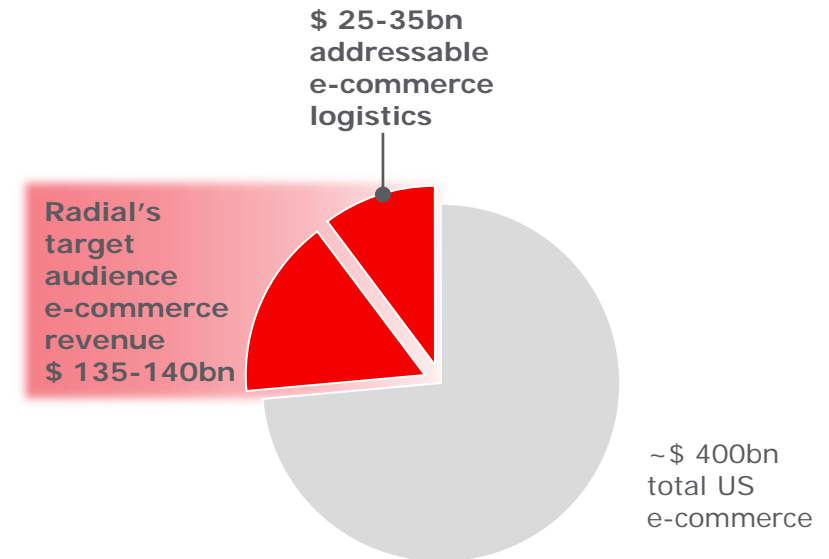
## Market dynamics in the US

### Online revenue e-tailers, US
























**\$ 400bn US online retail revenue in 2016**

### Addressable e-commerce logistics sector



- Total US e-commerce logistics sector represents around \$ 400bn
- From this, the target audience of Radial (players with revenues between \$ 20m - \$ 2bn) represents \$ 135-140bn
- As logistics accounts for ~20-25% of the revenues, addressable market represents \$ 25-35bn

## Radial's competitive landscape

Type of player	Description	Examples US not exhaustive	Examples EU not exhaustive
	Dominates e-commerce (logistics) sector across entire value chain (incl. market place)		
E2E integrated players	Offers services across the full value chain (including warehousing, fulfillment, payments, claims handling), some focus on 1 specific industry	   	   
Value chain specialists	Focuses on specific parts of the value chain (e.g. only web services & digital marketing or only logistics & customer services)		      
Insourcing	Insources (part of) e-commerce logistics		

### How does Radial differentiate itself from Amazon?

- **Product offering**  
Some brands and retailers only offer selected products on Amazon and the rest via own webstore
- **Customer relationship**  
Retailers/brands increasingly want to own the customer relationship themselves
- **Brand value**  
Some brands and retailers do not want to be compared with Amazon's suggestions for other brands
- **Fulfillment**  
Some customers want to use Amazon's marketplace but use Radial for fulfillment and warehousing

## Background information about the integration plans

Radial is the result of an integration of **Innotrac and eBay Enterprise**. Radial's management has already made significant progress, i.e.

- Operations unified and standardized, operating procedures have been put in place
- IT platforms have been or are in the process of being unified and upgraded
- Product offering and marketing refreshed and refocused
- HR processes and systems have been unified and improved
- Some strategic decisions taken in the past, requiring additional integration costs (e.g. webstore closure)

**Ongoing business integration plans will continue**, incurring an impact on reported EBIT mainly in 2018 with a tail in 2019 for an **estimated total between \$ 35m and \$ 40m** relating to:

- Elimination of remaining fixed costs and the related implementation costs for closing the webstore business which exit was announced in 2014. This process will be fully completed in 2018.
- One-off program costs to successfully roll-out strategy horizon 2021 related to:
  - Building scale in operations (e.g. scale client onboarding teams, continue technology harmonization)
  - Growing the technology business (growth will come from cross-selling and from developing products that solve certain needs of clients)
  - Enhancing the go to market strategy (strengthening of the sales force, increase focus on mid-market, increase cross-selling)

## Key contacts



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