bpost
takes care of it

First quarter 2018 results

Analyst call

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Henri de Romrée, CFO

Brussels – May 3, 2018

Investor presentation - Interim financial report 1Q18

Financial Calendar

More on corporate.bpost.be/investors

09.05.2018
Ordinary General Meeting of Shareholders

15.05.2018
Ex-dividend date

17.05.2018
Payment date of the dividend

21.06.2018
Capital Markets Day (Brussels)

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

06.12.2018
Ex-dividend date

10.12.2018
Dividend payment date

Disclaimer

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[1] as defined among others under the U.S. Private Securities Litigation Reform Act of 1995

Highlights of 1Q18

Revenues up 27.0% — **€ 916.2m**

- Driven by acquisitions and continued strong parcels growth, partly offset by declining Domestic Mail revenues

Underlying Domestic Mail evolution — **-6.6%**

- -6.6% vs. the best quarter of 2017 at -4.7%
- Transactional Mail at -6.7% improved vs. FY17 at -8.1%
- Advertising Mail impacted by phasing towards 2Q18 and one-off campaigns last year

Outstanding parcels performance

- Domestic: continued double-digit volume growth driven by thriving e-commerce and C2C; price/mix effect of -6.1% fully mix related — **+28.3%**
- Logistic Solutions: mainly driven by Radial acquisition (€ +193.4m) — **+ € 198.0m**

Organic costs impacted by higher parcels volumes, wage drift & absenteeism — **+ € 231.5m**

- Opex influenced by acquisitions (€ +212.5m)
- Organic cost increase mainly in payroll & interim, transport, rent & project related costs

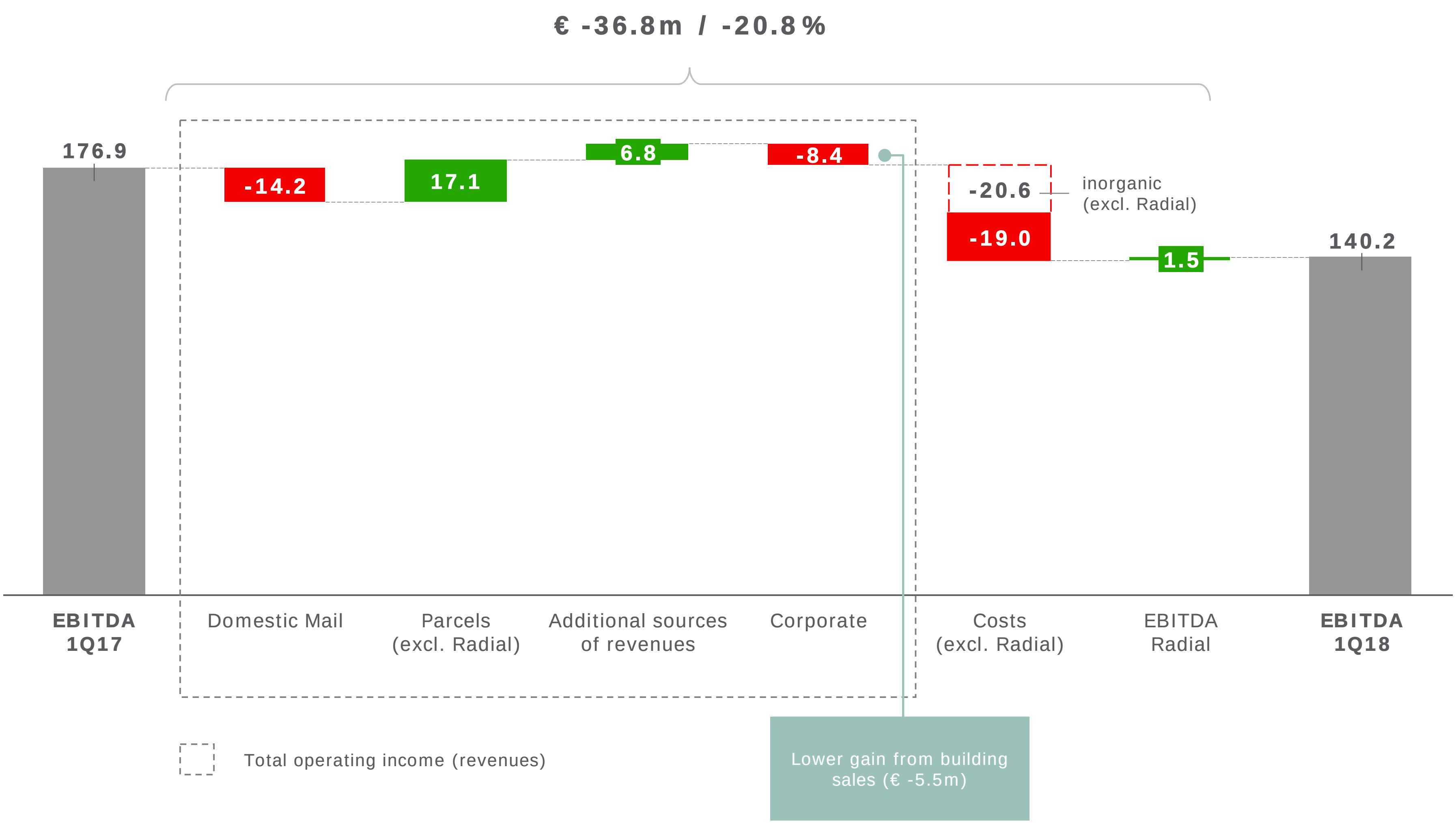
EBITDA below last year, in line with guidance — **€ 140.2m**

BGAAP net profit of bpost SA/NV — **€ 72.3m**

2018 outlook: normalized EBITDA at the low end of the range due to mail volume decline, absenteeism and productivity in parcel sorting; dividend at least € 1.31

EBITDA impacted by anticipated mail volume decline, lower gain on building sales and organic cost increase

€ million



Radial diagnostic & action plan

Diagnostic

- Radial has a strong value proposition in a growing industry and the required operations to deliver that proposition.
- Phase-out of webstore business, decided in 2014, will impact financial performance in 2018 & 2019 as expected for an amount of $ 35m to $ 40m compared to 2017.
- Commercial function requires an improvement to address a number of critical points:
  - Customer churn is higher than expected due to: insourcing, bankruptcies, acquisitions and insufficient focus on customer satisfaction
  - Total Contract Value ("TCV") of new contracts signed in 2017 was below target. 1Q18 is also showing a slow start reflecting an insufficient pipeline. Lead time in fulfillment and transport between customer decision and top line impact could be around ~9 to 18 months
- Radial's international activities are considered as a strategic asset for bpost's future and will be integrated with other European fulfillment facilities under bpost leadership

Action plan

- Commercial initiatives defined and being implemented to grow the top line including:
  - Robust lead generation to improve pipeline management and increase TCV realization
  - Hire top Chief Revenue Officer
- Initiatives taken to improve customer satisfaction
- Initiatives taken to keep costs under control

Radial’s performance in 1Q18 was slightly better than expected

- 1Q18 revenues slightly below last year driven by Fulfilment & Transport revenues +7.5% YoY offset by webstore phase-out and decrease in customer care revenues
- 1Q18 EBITDA slightly better than expected in a highly seasonal business due to higher volume from existing clients, better than budgeted productivity and cost control but below LY as a result of:
  - Phase-out of (high margin) webstore business
  - Increase in charge backs resulting from increased fraud activity

€ m	Reported **1Q18**
Total operating income (revenues)	193.4
Operating expenses	191.9
Transport (c. 30%)	
Payroll & interim (c. 40%)	
Other SG&A (c. 15%)	
Other costs (c. 15%)	
EBITDA	**1.5**
Margin (%)	*0.8%*

Summary of key financials 1Q18

€ million

	Reported		Normalized[1]		
	1Q17	**1Q18**	**1Q17**	**1Q18**	**% Δ**
Total operating income (revenues)	721.5	916.2	721.5	916.2	27.0%
Operating expenses	544.5	776.1	544.5	776.1	42.5%
EBITDA	**176.9**	**140.2**	**176.9**	**140.2**	**-20.8%**
Margin (%)	*24.5%*	*15.3%*	*24.5%*	*15.3%*	
EBIT	**154.2**	**104.8**	**154.2**	**106.8**	**-30.7%**
Margin (%)	*21.4%*	*11.4%*	*21.4%*	*11.7%*	
Profit before tax	**150.3**	**98.1**	**150.3**	**100.1**	**-33.4%**
Income tax expense	54.2	35.6	54.2	36.1	
Net profit	**96.1**	**62.5**	**96.1**	**64.0**	**-33.3%**
FCF	**166.2**	**151.3**	**166.2**	**151.3**	**-9.0%**
bpost S.A./N.V. net profit (BGAAP)	**94.3**	**72.3**	**94.3**	**72.3**	**-23.4%**
Net Debt/ (Net cash), at 31 March	**(659.1)**	**145.7**	**(659.1)**	**145.7**	

€ 2.0m linked to amortization on intangible assets (purchase price allocation "PPA" Ubiway, Dynagroup & de Buren)

Tax impact of PPA on amortization of € 0.5m

[1] Normalized figures are not audited

Total operating income (revenues)

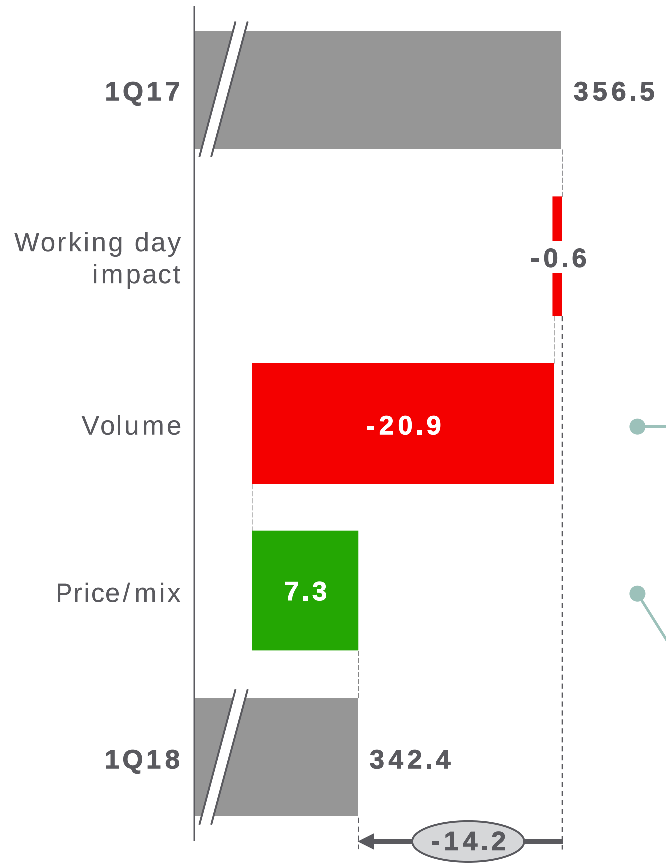
€ million

		1Q17	Δ	1Q18	% Δ
Domestic mail	Transactional mail	214.2	-7.9	206.2	-3.7%
	Advertising mail	67.4	-3.9	63.4	-5.8%
	Press	75.0	-2.3	72.7	-3.1%
Parcels	Domestic parcels[1]	52.4	10.9	63.3	20.8%
	International parcels	53.3	1.5	54.8	2.9%
	Logistic solutions	34.0	198.0	232.0	-
Additional sources of revenues	International mail	42.1	13.9	56.0	32.9%
	Value added services	26.0	0.8	26.9	3.3%
	Banking and financial	46.6	-2.9	43.7	-6.2%
	Distribution	26.1	-2.6	23.5	-10.0%
	Retail & Other	70.7	-2.4	68.4	-3.4%
	Corporate	13.7	-8.4	5.3	-61.4%
TOTAL		**721.5**	**194.8**	**916.2**	**27.0%**

[1] Defined as domestic and Belgian in- and outbound

Domestic mail underlying volume trend at -6.6% driven by weak advertising mail & continued e-substitution

Total operating income (revenues), € million



- Tough comparable base at -4.7% for 1Q17 (best quarter of 2017).
- **Transactional Mail:** continued e-substitution (banking/insurance, telco & utilities) and rationalization (banking/insurance & public sector).
- **Advertising Mail:** mainly impacted by phasing towards 2Q18 and one-off campaigns last year.
- **Press:** in line with LY at -3.1%.

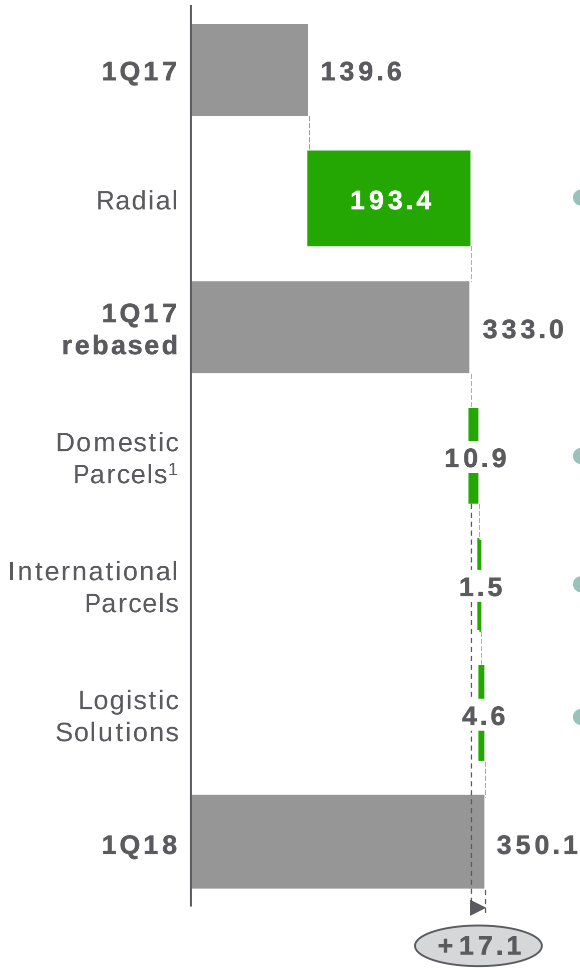
	Reported		Underlying [1]	
	FY17	**1Q18**	**FY17**	**1Q18**
Transactional mail	-8.3%	-7.0%	-8.1%	-6.7%
Advertising mail	1.5%	-7.6%	1.5%	-7.6%
Press	-3.7%	-3.3%	-3.7%	-3.3%
Domestic Mail	**-5.9%**	**-6.8%**	**-5.8%**	**-6.6%**

- Price increase on non-regulated items as of 1 January and SUB as of 1 March partly offset by shift towards cheaper products.

[1] 1Q18 had 1 working day less on franking machines vs. 1Q17

Continued outstanding domestic parcels performance, growth in Logistic Solutions driven by Radial

Total operating income (revenues), € million



- Consolidation of Radial as of 16 November 2017 (revenues are reported under Logistic Solutions), revenues slightly below last year.

- **Reported volume growth of +28.3%** driven by thriving e-commerce and the online C2C product offering.
- **Price / mix of -6.1%:** price increase fully offset by product & client mix effect.

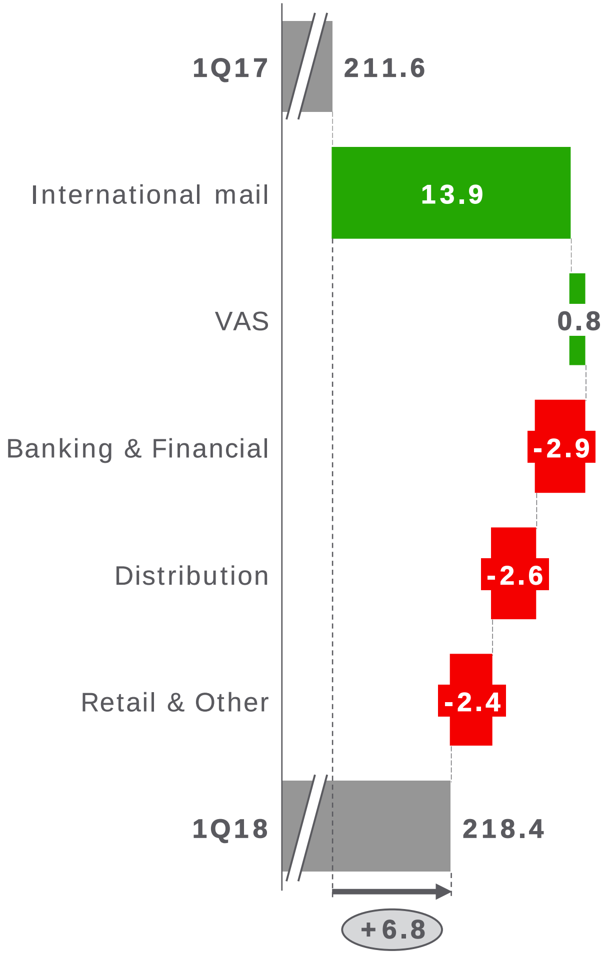
- Growth driven by higher revenues from Europe and US (despite negative FX impact), slight decrease in revenues from Asia.

- Mainly Leen Menken consolidated as of January 2018.

[1] Defined as domestic and Belgian in- and outbound

Additional sources of revenues driven by acquisitions

Total operating income (revenues), € million

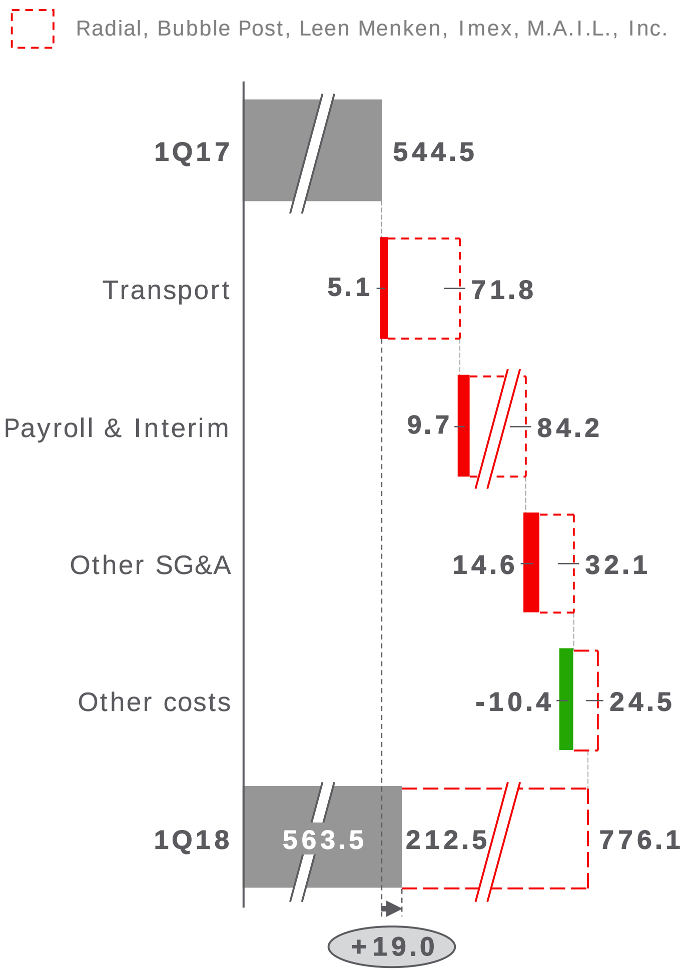


- Driven by consolidation of Imex & M.A.I.L., Inc.[1] as of January 2018.
- Driven by management of cross-border fines on behalf of the Belgian State.
- Lower revenues from bpost bank savings accounts due to low interest rate environment; lower revenue from financial transactions managed on behalf of the State.
- Mainly decline of Alvadis due to legislative change on pre-paid mobile phone cards (June 2017), decline of press volumes partly compensated by price increases and launch of the Panini stickers for the world cup 2018.
- Higher sales Ubiway Retail offset by lower sales bpost retail products.

[1] M.A. I.L., Inc. 1Q18 contains January & February 2018. Consolidation of March figures deferred to a later quarter.

Opex influenced by acquisitions (€ +212.5m), payroll & interim impacted by higher parcels volumes, wage drift & absenteeism

Operating expenses excl. depreciation and amortization, € million



- Excluding scope change, driven by evolution of the international activities.

- **Average reported FTE & interim increase** of 7,022 leading to € +91.0m additional costs and explained by the integration of FTE & interims from new subsidiaries, higher parcels volumes and absenteeism.
- **Favourable FTE mix** of € -3.1m driven by the recruitment of auxiliary postmen.
- **Price effect** of € +6.0m mainly explained by salary indexation, CLA and merit increases only partially compensated by the impact of the tax shift.

- Excluding scope change, increase in rent and rental costs (mainly new Brussels sorting centre) and project related costs.

- Excluding scope change, decrease driven by higher recoverable VAT and lower material costs.

Lower operating FCF[1] mainly due to decreased operating results

€ million	1Q17	1Q18	Delta
Cash flow from operating activities	+255.6	+229.9	-25.7
Cash flow from investing activities	-89.3	-78.6	+10.8
Operating free cash flow	**+166.2**	**+151.3**	**-14.9**
Financing activities	-0.3	-3.9	-3.6
Net cash movement	**+165.9**	**+147.4**	**-18.6**
Capex	**-13.0**	**-14.4**	**-1.5**

- Operating results: **€ -23.6m**
- Changes in working capital: **€ -2.1m**

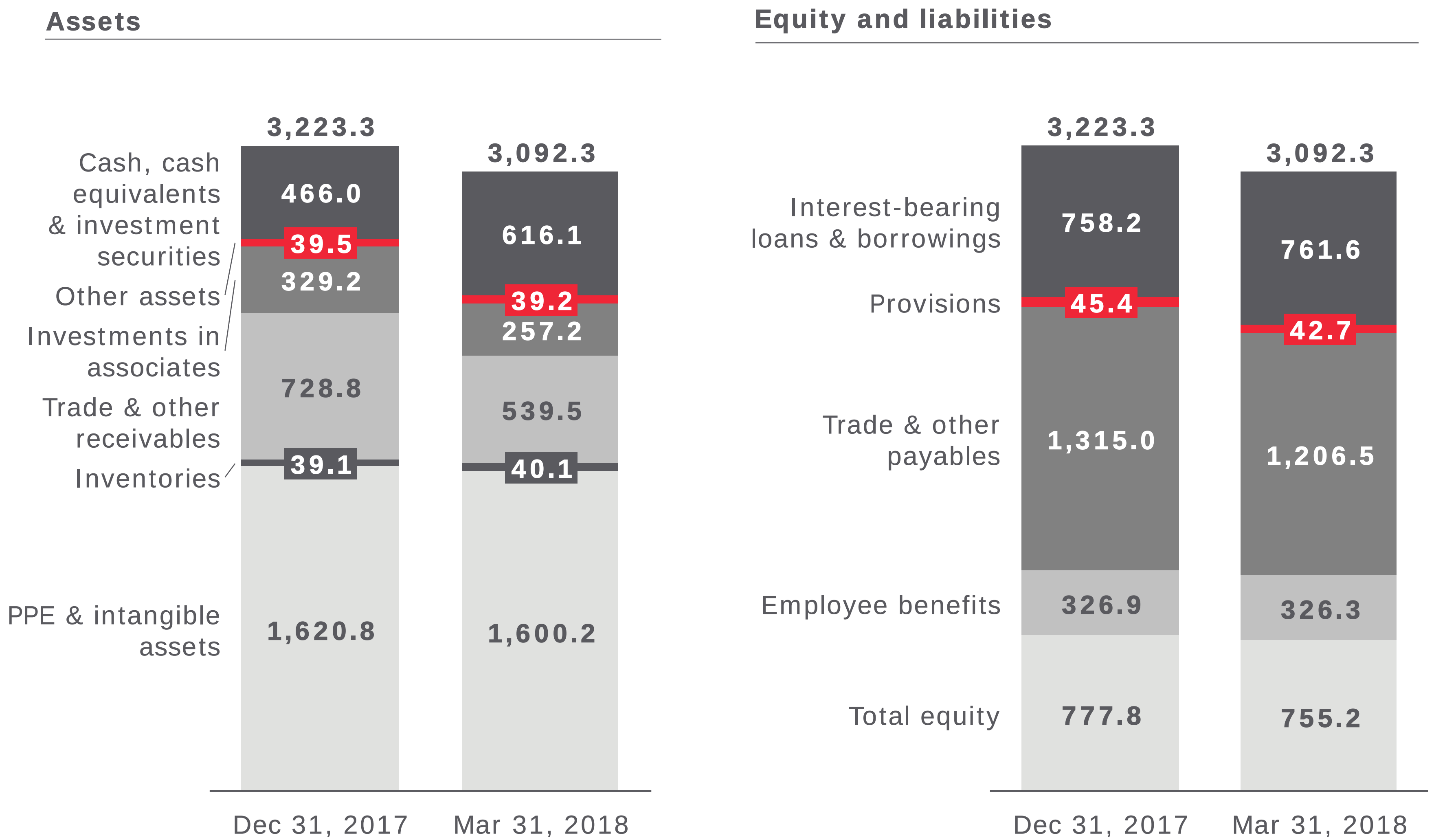
- Proceeds from sale of buildings: **€ -8.7m**
- Higher capex: **€ -1.5m**
- Cash outflows related to acquisitions: **€ +21.0m**, mainly
  - DynaGroup acquisition cash outflow in 1Q17 vs. contingent consideration in 1Q18: **€ +8.2m**
  - LGI shares in 1Q17: **€ +31.7m**
  - New acquisitions: **€ -19.1m**

- Transactions with minorities: **€ -0.3m**
- Payments related to borrowings and leasing liabilities: **€ -3.3m**

[1] Operating free cash flow = cash flow from operating activities + cash flow from investing activities

Strong balance sheet structure

€ million



Outlook for 2018[1]

Normalized EBITDA at the low end of the € 560 to 600m range
Dividend payment at least at the same level as 2017

Revenues

Increase driven by:

- Growth in **domestic parcels:** volume double digit, price/mix effect between -3% and -6%
- Continued growth in **international parcels** supported by newly acquired businesses
- Stable **Radial** revenues
- Partly offset by volume decline in **domestic mail**[2] up to -7%, average domestic mail price/mix effect of +4%
- Continued decline in **Banking & Financial** revenue

Operating expenses

Increase driven by:

- Increase in **transport cost** (reflecting growth in International Parcels & Mail)
- Consolidation of **acquired businesses**
- **Salary indexation** expected as of November 2018
- **Radial costs** impacted by **phase out webstore business** and **higher than expected opex** (medical benefits & inflation) not fully compensated by productivity improvements
- Partly compensated by continued **productivity improvements** and **optimized FTE mix** and
- Continued **cost optimization**

Capex

- Recurring & Vision 2020 investments and business development investments for new subsidiaries (Radial, Ubiway and Dynagroup) for an estimated total amount of ~ € 140m

1 Outlook for 2018 includes the acquisitions of Radial, Bubble Post, Leen Menken, Imex, M.A.I.L., Inc. and Active Ants
2 2Q18 will count 1 working day less on stamps, 3Q18 will count 1 working day more on franking machines and 2 more on stamps and 4Q18 will count 2 working days more on franking machines vs. the same quarters of 2017.

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