Second quarter 2017 results

Analyst call

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Brussels – August 8, 2017

Investor presentation - Interim financial report 2Q17

Financial Calendar

More on corporate.bpost.be / investors

08.11.2017
(17:45 CET)
Quarterly results 3Q17

04.12.2017
(17:45 CET)
Interim dividend 2017 announcement

07.12.2017
Ex-dividend date (interim dividend)

11.12.2017
Payment date of the interim dividend

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

Highlights of 2Q17

Revenues up 18.2%

- Driven by acquisitions and excellent parcels growth

€ 699.6m

Underlying Domestic Mail evolution

- Transactional Mail impacted by tough comparables and e-substitution
- Strong positive advertising mail volume trend

-6.7%

Outstanding parcels performance

- Domestic: highest ever double-digit volume growth driven by e-commerce and C2C; price/mix effect of -6.6% fully mix related
- International: positive contribution from acquisitions, increase in flows from Asia and Europe

+25.5%

+ € 13.1m

Organic cost evolution on track

- Opex influenced by acquisitions (€ +107.5m)
- Increase in transport cost in line with international business evolution

+ € 107.8m

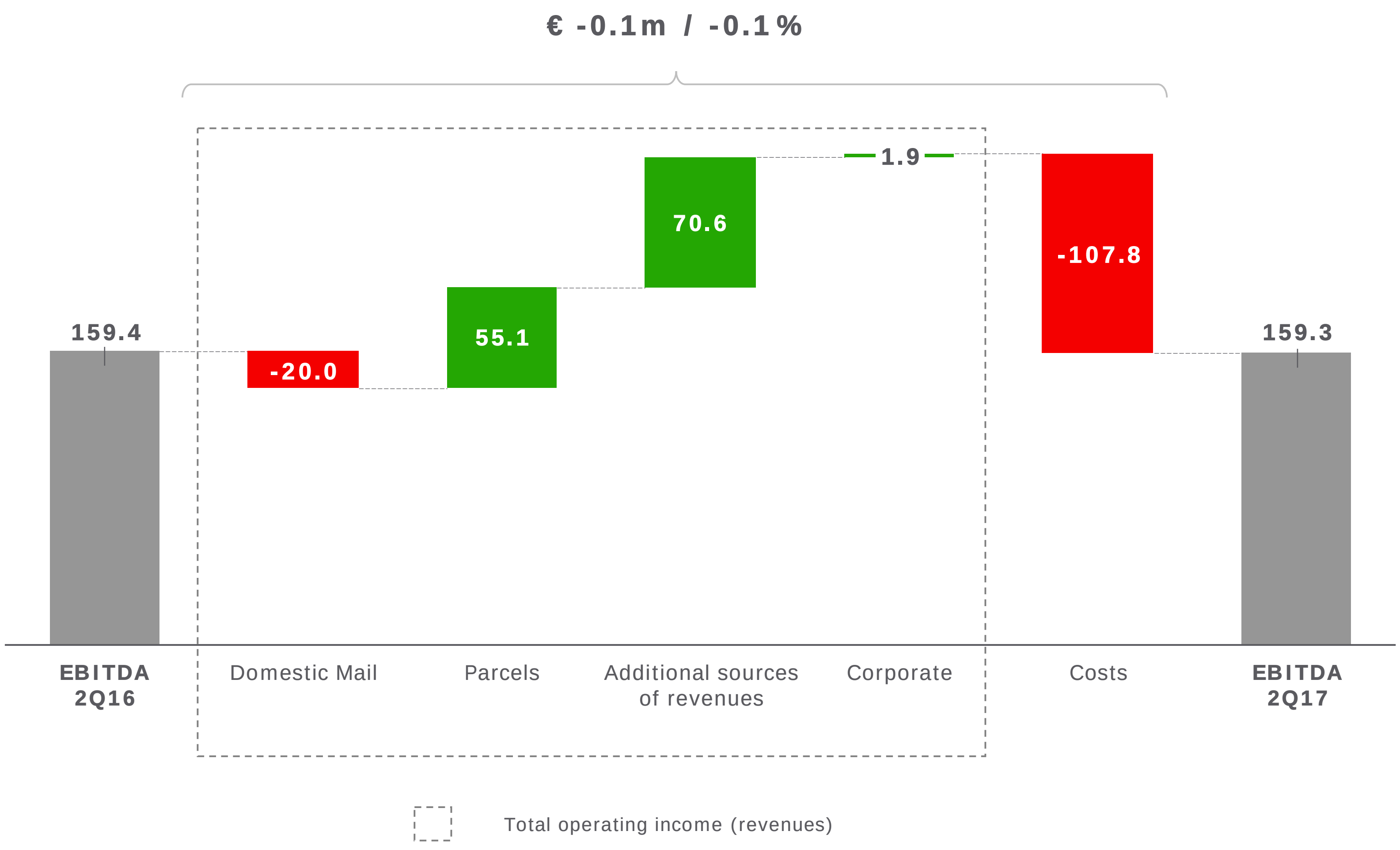
EBITDA perfectly in line with last year and guidance — **€ 159.3m**

BGAAP net profit of bpost SA/NV — **€ 76.5m**

2017 outlook maintained

EBITDA in line with guidance driven by outstanding parcels performance, acquisitions and strict organic cost control

€ million



Summary of key financials 2Q17

€ million

	2Q16	2Q17	% Δ
Total operating income (revenues)	591.9	699.6	18.2%
Operating expenses	432.5	540.3	24.9%
EBITDA	**159.4**	**159.3**	**-0.1%**
Margin (%)	*26.9%*	*22.8%*	
EBIT	**136.8**	**136.0**	**-0.5%**
Margin (%)	*23.1%*	*19.4%*	
Profit before tax	**130.2**	**140.1**	**7.6%**
Income tax expense	42.3	40.4	
Net profit	**87.9**	**99.7**	**13.5%**
FCF	**(14.6)**	**0.8**	**-**
bpost S.A./N.V. net profit (BGAAP)	**81.4**	**76.5**	**-6.0%**
Net Debt/ (Net cash), at 30 June	**(729.9)**	**(596.2)**	**-18.3%**

Total operating income (revenues)

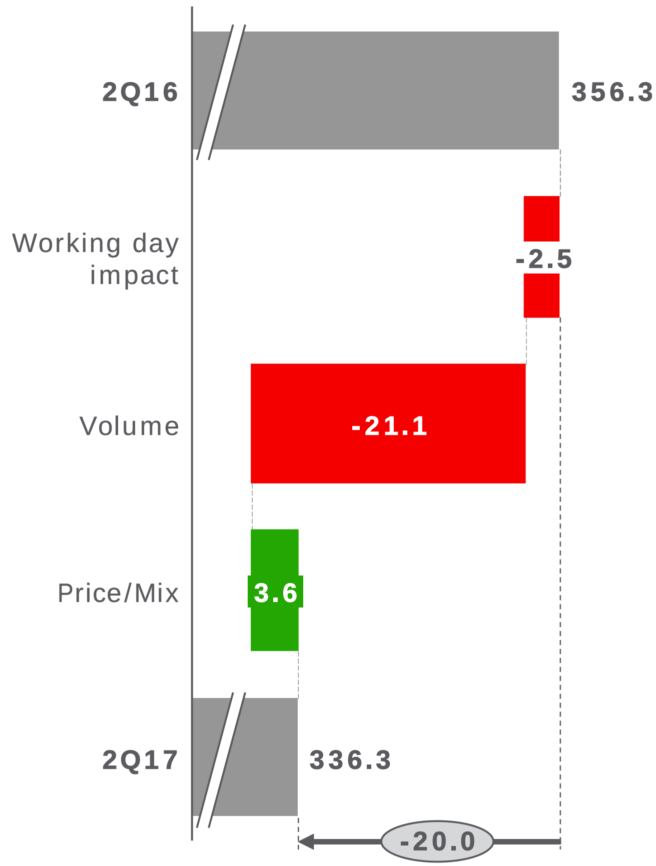
€ million

		2Q16 comparable	∆	2Q17	% ∆
Domestic mail	Transactional mail	223.9	-22.3	201.6	-9.9%
	Advertising mail	60.8	1.8	62.6	2.9%
	Press	71.6	0.5	72.1	0.7%
Parcels	Domestic parcels[1]	46.1	8.5	54.6	18.4%
	International parcels	41.5	13.1	54.5	31.5%
	Logistic solutions	2.8	33.6	36.4	-
Additional sources of revenues	International mail	39.7	0.4	40.1	1.0%
	Value added services	27.0	-2.1	24.9	-7.9%
	Banking and financial	47.8	0.0	47.8	0.0%
	Distribution	-	24.2	24.2	-
	Retail & Other	23.2	48.1	71.3	207.1%
	Corporate	7.6	1.9	9.6	25.6%
TOTAL		**591.9**	**107.6**	**699.6**	**18.2%**

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

Domestic mail underlying volume trend at -6.7% due to tough comparables and e-substitution

Total operating income (revenues), € million



- Despite a tough comparable base at -3.8% for 2Q16, 1H17 came out at -5.7% perfectly in line with guidance.
- **Transactional Mail:** shift towards cheaper products and increased e-substitution.
- **Advertising Mail:** strong performance with positive volume trend driven by focus segments and indirect channels.
- **Press:** Slightly lower volume trend mainly due to phasing.

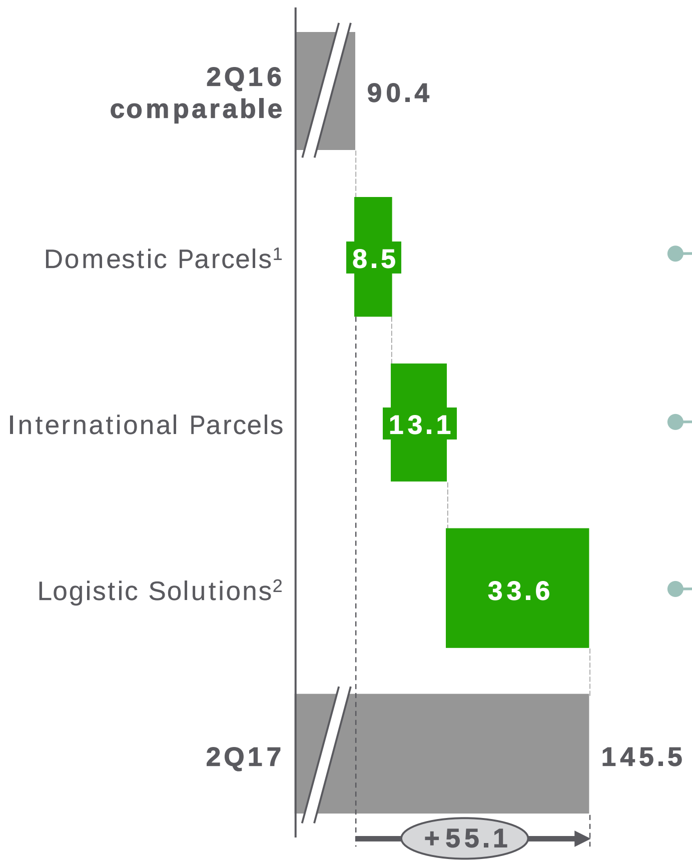
	Reported				Underlying [1]			
	FY16	**1Q17**	**2Q17**	**1H17**	**FY16**	**1Q17**	**2Q17**	**1H17**
Transactional mail	-5.9%	-6.0%	-11.0%	-8.4%	-5.9%	-7.0%	-9.9%	-8.4%
Advertising mail	-3.0%	2.7%	4.5%	3.3%	-3.0%	2.3%	4.5%	3.3%
Press	-2.8%	-3.1%	-5.0%	-4.0%	-2.8%	-3.1%	-5.0%	-4.0%
Domestic Mail	**-5.0%**	**-3.9%**	**-7.4%**	**-5.6%**	**-5.0%**	**-4.7%**	**-6.7%**	**-5.7%**

- Impacted by regulatory decision on small user basket pricing.

1 2Q17 had 2 working days less than 2Q16 for stamps and franking machines.

Outstanding parcels performance, growth in Logistic Solutions driven by DynaGroup

Total operating income (revenues), € million



- **Reported volume growth of +25.5%** driven by e-commerce, new customers and the online C2C product offering.
- **Price / mix of -6.6%:** price increase fully offset by product & client mix effect.

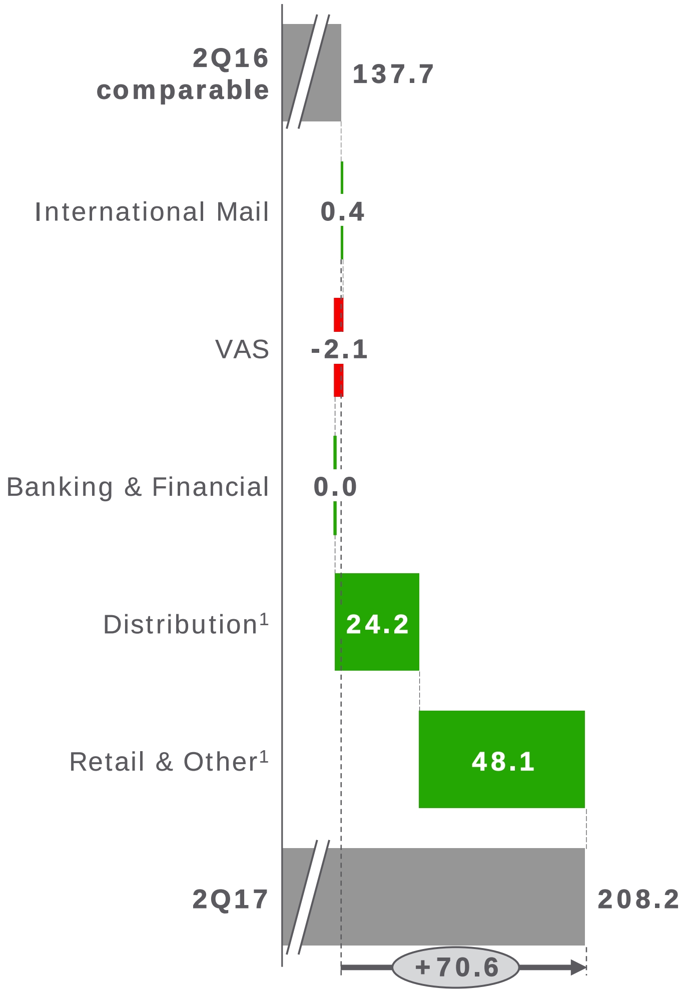
- Growth driven by positive contribution from acquisitions and increase in flows from Asia and Europe.

- Consolidation of DynaGroup as of 1 January 2017.

[1] Defined as domestic and Belgian in- and outbound
[2] New category, previously called Special Logistics

Additional sources of revenues driven by Ubiway acquisition

Total operating income (revenues), € million

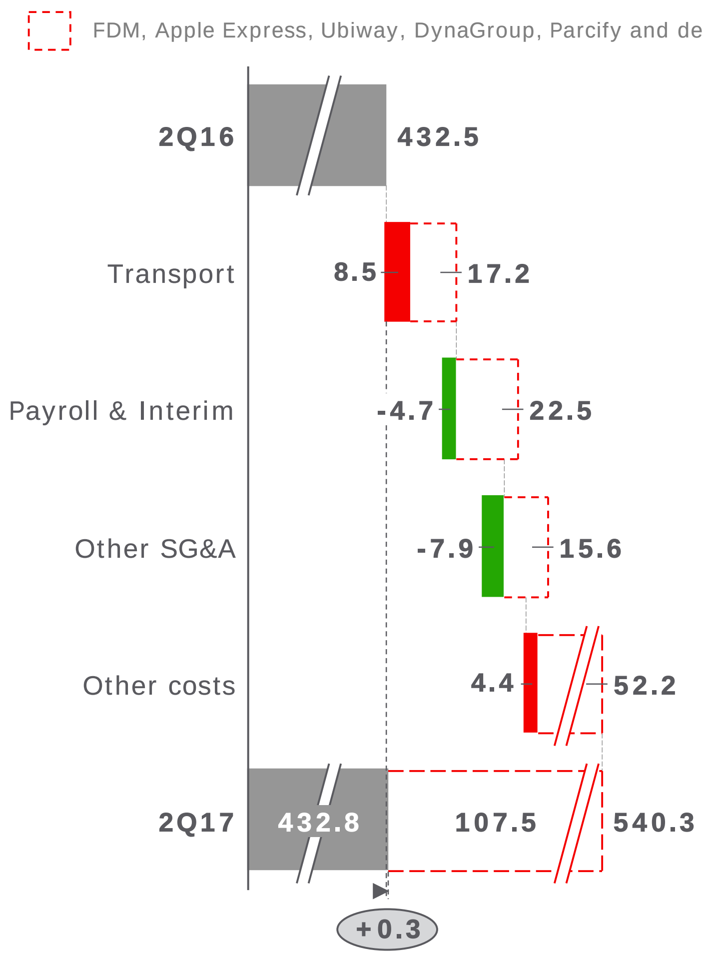


- Positive trend in Europe business mail.
- Mainly explained by lower revenues from customized solutions (decoder swap) and Data.
- Lower revenues from financial transactions managed on behalf of the Belgian State compensated by more revenues from bpost bank and ATM.
- Consists of Ubiway press distribution as well as convenience distribution through Alvadis (pre-paid services) and Burnonville (impulse products).
- Consists of Ubiway proximity and convenience retail as well as other revenues.

[1] New category

Organic cost evolution on track. Opex influenced by acquisitions (€ +107.5m). Increase in transport cost in line with positive international business evolution.

Operating expenses excl. depreciation and amortization, € million



- Excluding acquisitions, increase driven by growth in the international business.

- **Average reported FTE & interim increase** of 1,499 leading to € +21.5m additional costs and explained by the integration of new subsidiaries.
- **Favourable FTE mix** of € -3.3m driven by the recruitment of auxiliary postmen, less interims and more students.
- Price effect and others of € -0.5m mainly salary indexation, CLA, merit increases and some phasing elements compensated by tax shift and employee benefits.

- Excluding acquisitions, decrease of third party remuneration (last year strategic projects) and insurance costs, partly offset by an increase in rent and rental costs and energy costs (linked to increased fuel price).

- Excluding acquisitions, delta explained by the evolution of provisions last year.

Increase in operating FCF[1] driven by lower cash outflows for investment activities

€ million	2Q16	2Q17	Delta
Cash flow from operating activities	+12.2	+2.8	-9.4
Cash flow from investing activities	-26.8	-2.0	+24.8
Operating free cash flow	**-14.6**	**+0.8**	**+15.4**
Financing activities	-47.4	-49.4	-2.0
Net cash movement	**-62.0**	**-48.6**	**+13.4**
Capex	**-19.3**	**-18.9**	**+0.4**

Primarily working capital evolution: **€ -7.7m**, mainly explained by the increased recoverable VAT in 2016

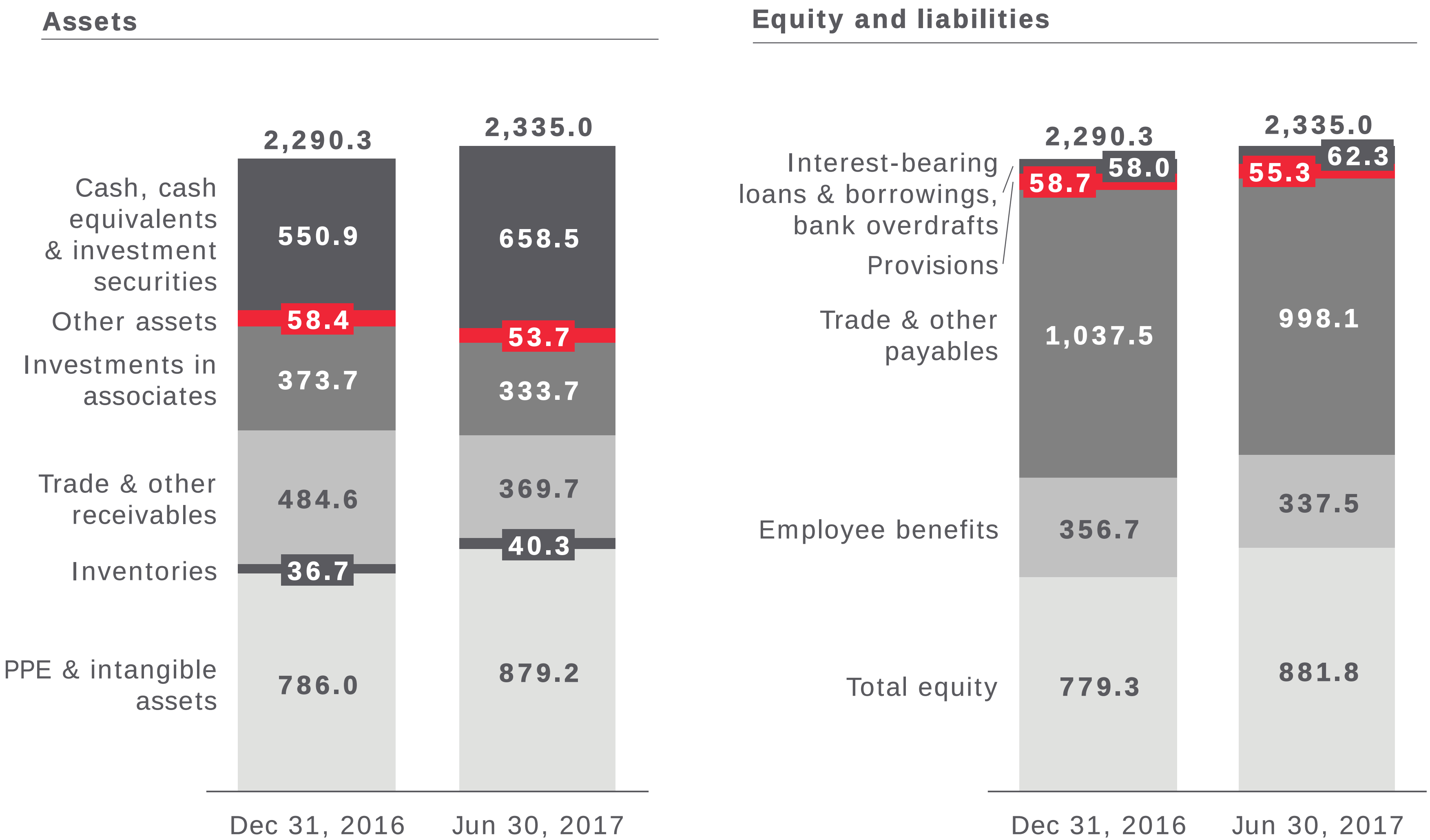
Mainly due to:
- Proceeds from sale of buildings: **€ -2.5m**
- Lower capex: **€ +0.4m**
- Price adjustment Ubiway acquisition: **€ +3.1m**
- Cash outflow Apple Express and CityDepot in 2016: resp. **€ +11.4m** and **€ +0.2m**
- Investment securities: **€ +12.0m**

- Increased final dividend in 2017: **€ -2.0m**

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

Strong balance sheet structure

€ million



Outlook for 2017 – maintained

Recurring EBITDA and dividend payment at the same level as 2016

Revenues

Increase driven by:

- Growth in **domestic parcels:** volume double digit, around -4% price/mix effect
- Continued growth in **international parcels** supported by newly acquired businesses
- Growing **Ubiway Retail** revenues
- Partly offset by decrease in **domestic mail**[1]**:** 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

[1] 3Q17 1 less on franking machines and 2 less on stamps and 4Q17 1 less on franking machines and 1 more on stamps vs. the same quarters of 2016.

Half year results 2017

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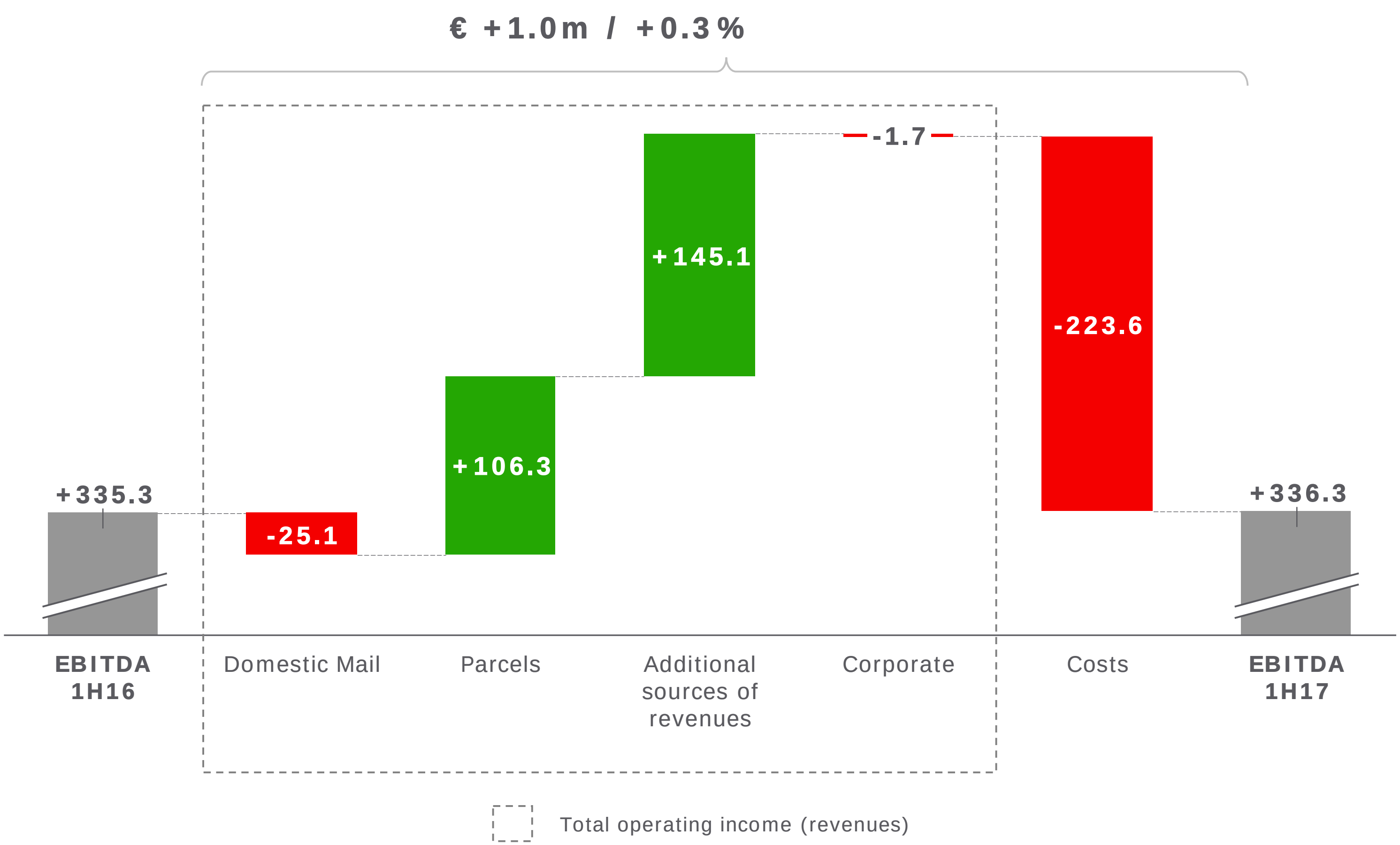
Domestic mail volume decline compensated by excellent parcels performance, acquisitions and organic cost savings

€ million



Summary of key financials 1H17

€ million

	1H16	1H17	% Δ
Total operating income (revenues)	1,196.5	1,421.1	18.8%
Operating expenses	861.2	1,084.8	26.0%
EBITDA	**335.3**	**336.3**	**0.3%**
Margin (%)	*28.0%*	*23.7%*	
EBIT	**290.7**	**290.2**	**-0.2%**
Margin (%)	*24.3%*	*20.4%*	
Profit before tax	**279.5**	**290.4**	**3.9%**
Income tax expense	95.7	94.7	
Net profit	**183.7**	**195.8**	**6.5%**
FCF	**231.3**	**167.1**	**-27.8%**
bpost S.A./N.V. net profit (BGAAP)	**171.4**	**170.8**	**-0.3%**
Net Debt/ (Net cash), at 30 June	**(729.9)**	**(596.2)**	**-18.3%**

Total operating income (revenues)

€ million

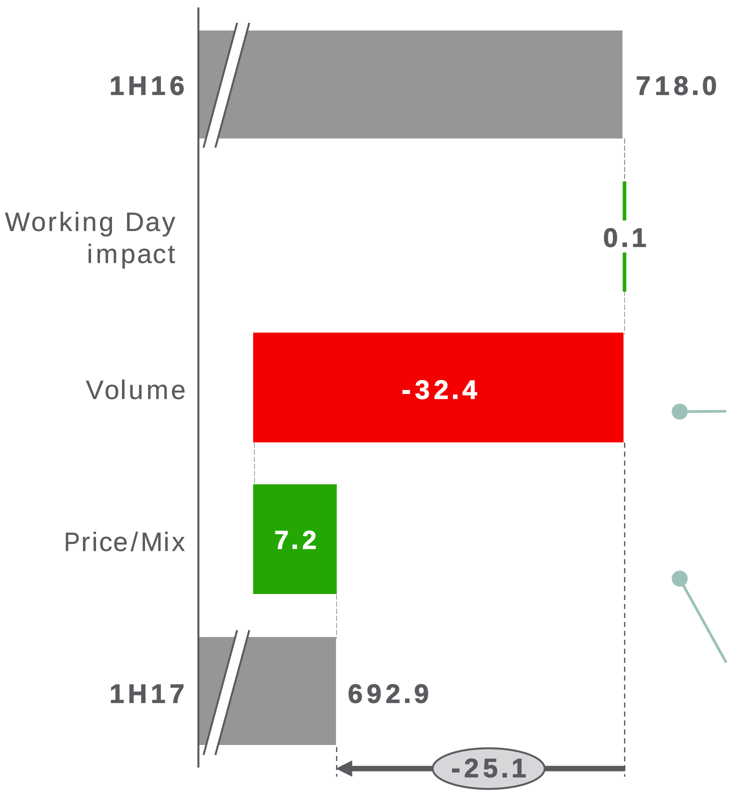
		1H16 comparable	Δ	1H17	% Δ
	Transactional mail	447.7	-31.9	415.8	-7.1%
Domestic mail	Advertising mail	125.9	4.0	130.0	3.2%
	Press	144.4	2.7	147.1	1.9%
	Domestic parcels[1]	90.0	17.0	107.0	18.8%
Parcels	International parcels	83.3	24.5	107.8	29.4%
	Logistic solutions	5.5	64.9	70.3	-
	International mail	78.8	3.3	82.2	4.2%
	Value added services	52.5	-1.6	50.9	-3.1%
Additional sources of revenues	Banking and financial	96.3	-2.0	94.4	-2.0%
	Distribution[2]	-	50.4	50.4	-
	Retail & Other	47.0	95.0	142.0	202.0%
	Corporate	25.0	-1.7	23.3	-6.8%
TOTAL		**1,196.5**	**224.6**	**1,421.1**	**18.8%**

1 Defined as domestic and Belgian in- and outbound

2 While the purchase price allocation for the Ubiway acquisition has not been finalized yet, this exercise has led to some alignments of the accounting policies of Ubiway and hence some restatements of the figures reported during 1Q17. Some revenues which had been booked in 1Q17 under the principal model have been restated to the agent model in order to be in line with the accounting policies of the bpost Group and with IAS 18 "Revenue". This also necessitates no further rework under IFRS 15 "revenue from contracts with customers" which will become applicable as of January 1st, 2018. As a consequence certain sales and cost of sales are now being presented on a net basis, this led to a decrease of revenues and materials costs of € 42.5m for 1Q17, within the MRS operating segment but didn't have an impact on the EBITDA, EBIT or net result.

Domestic mail mainly impacted by tough comparables and increased e-substitution in Transactional mail

Total operating income (revenues), € million



- Despite tough comparable base at -3.9% for 1H16, 1H17 still in line with guidance at -5.7%.
- **Transactional Mail:** shift towards cheaper products and increased e-substitution.
- **Advertising Mail:** strong performance with positive volume trend driven by focus segments and indirect channels.
- **Press:** Slightly lower volume trend mainly due to periodicals.

	Reported				Underlying [1]			
	FY16	**1Q17**	**2Q17**	**1H17**	**FY16**	**1Q17**	**2Q17**	**1H17**
Transactional mail	-5.9%	-6.0%	-11.0%	-8.4%	-5.9%	-7.0%	-9.9%	-8.4%
Advertising mail	-3.0%	2.7%	4.5%	3.3%	-3.0%	2.3%	4.5%	3.3%
Press	-2.8%	-3.1%	-5.0%	-4.0%	-2.8%	-3.1%	-5.0%	-4.0%
Domestic Mail	**-5.0%**	**-3.9%**	**-7.4%**	**-5.6%**	**-5.0%**	**-4.7%**	**-6.7%**	**-5.7%**

- Impacted by regulatory decision on small user basket pricing.

[1] 1H17 had the same number of business working days as 1H16.

Excellent performance in domestic parcels and continued growth in international

Total operating income (revenues), € million

- **Reported volume growth of +24.3%** driven by e-commerce, new customers and the online C2C product offering.
- **Price / mix of -4.4%:** price increase fully offset by product & client mix effect.

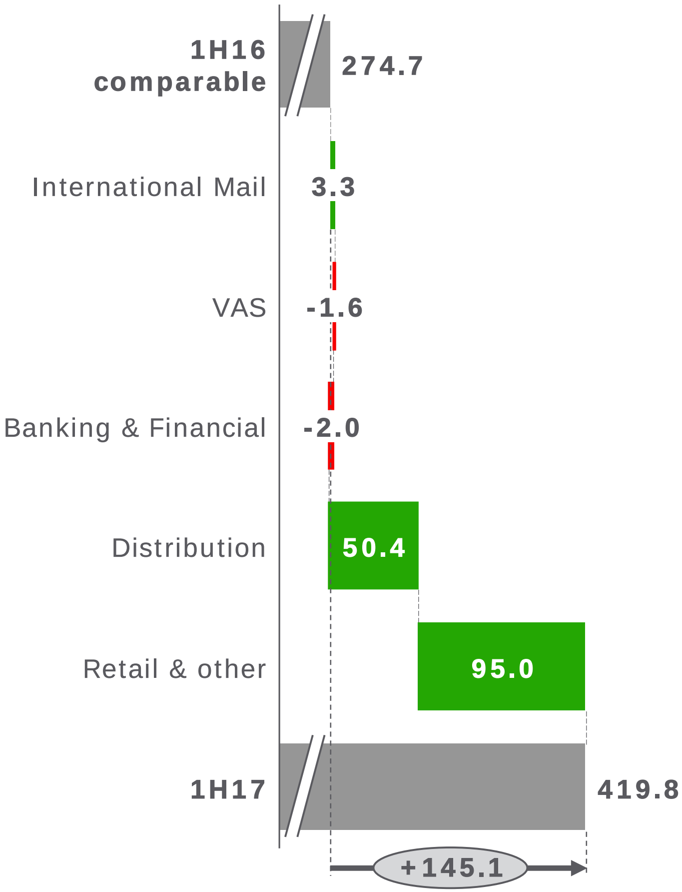
- Growth driven by positive contribution from acquisitions and increase in flows from Asia, Europe and the US.

- Consolidation of DynaGroup as of 1 January 2017.

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

Additional sources of revenues driven by Ubiway acquisition

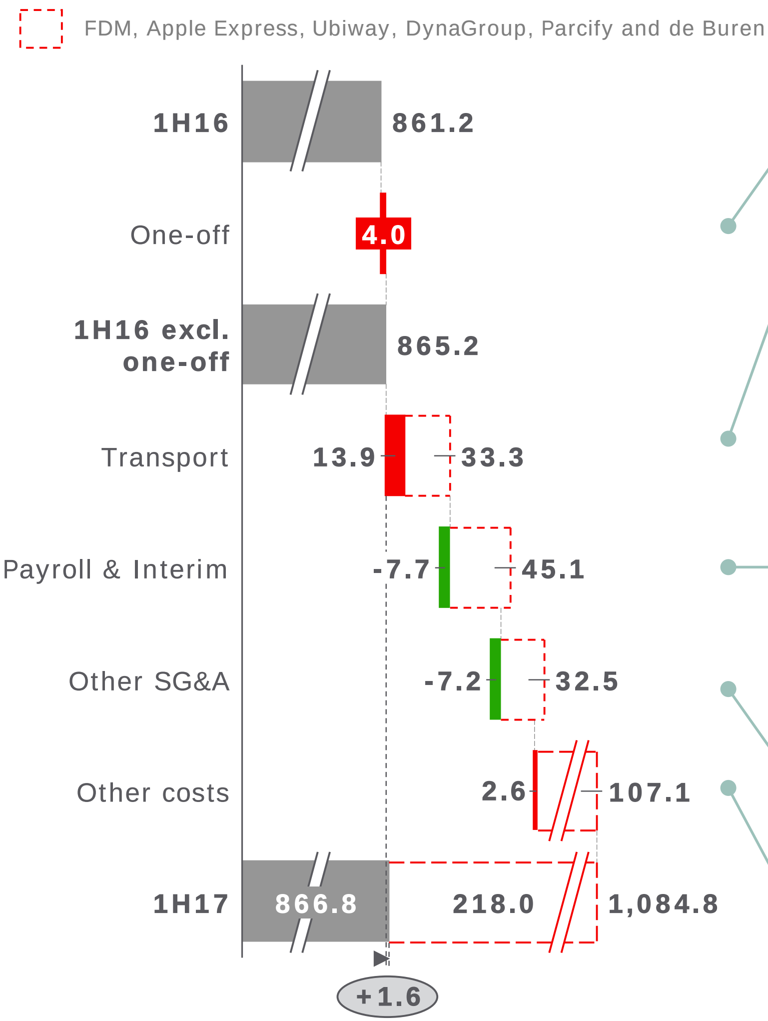
Total operating income (revenues), € million



- Positive trend in Europe business mail.
- Mainly lower revenues from customized solutions (decoder swap) and Data partly compensated by document management services (Speos).
- Mainly lower revenues from bpost bank a.o. on savings accounts due to the low interest rate environment; partly compensated by Western Union revenues.
- Consists of Ubiway press distribution as well as convenience distribution through Alvadis (pre-paid services) and Burnonville (impulse products).
- Consists of Ubiway proximity and convenience retail as well as other revenues.

Cost savings on track

Operating expenses excl. depreciation and amortization, € million



- 2016 benefited from a positive impact from the increase of the recoverable VAT from 2016 vs. 2015 (EUR +4.0m) in other costs.
- Excluding acquisitions, increase driven by growth in the international business and lower favorable settlements in previous year's terminal dues (€ 1.9m).
- **Average reported FTE & interim increase** of 1,543 leading to € +42.4m additional costs explained by the integration of FTEs from new subsidiaries.
- **Favourable FTE mix** of € -7.2m driven by the recruitment of auxiliary postmen, less interims and more students.
- **Price effect** & others of € +2.2m mainly explained by salary indexation, CLA, merit increases and some phasing elements partly compensated by tax shift and employee benefits.
- Excluding acquisitions, decrease of insurance costs and third party remuneration (last year strategic projects), partly offset by an increase in rent and rental and energy costs (linked to increased fuel price).
- Excluding acquisitions, delta explained by the evolution of provisions last year.

Decrease in operating FCF[1] mainly driven by acquisitions and phasing in working capital evolution

€ million	1H16	1H17	Delta
Cash flow from operating activities	+293.3	+258.4	-34.9
Cash flow from investing activities	-62.0	-91.4	-29.4
Operating free cash flow	**+231.3**	**+167.1**	**-64.3**
Financing activities	-49.5	-49.7	-0.2
Net cash movement	**+181.8**	**+117.3**	**-64.5**
Capex	**-31.7**	**-31.8**	**-0.1**

Mainly due to:
- Alpha pay-outs: **€ +16.1m**
- Working capital evolution : **€ -50.6m**, mainly explained by a negative phasing in suppliers, the increased recoverable VAT in 2016 and Social Security payment terms

Mainly due to:
- Proceeds from sale of buildings: **€ -3.7m**
- M&A activities: **€ -37.6m**
- Investment securities: **€ +12.0m**

- Payment of a dividend to minority interest in 2016: **€ +2.0m** compensated by higher final dividend in 2017: **€ -2.0m**

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

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