

Preliminary FY 2021 results PostNL: Strong operational performance in Q4 2021 due to well-managed execution of peak season

Share buyback programme of €250 million announced

Highlights and FY 2021 preliminary results

- Revenue expected at around €3,466 million
- Normalised EBIT expected at around €308 million (outlook of €280 million - €310 million), margin at 8.9%
 - around €80 million assumed to be non-recurring and related to Covid-19
- Free cash flow expected at around €288 million (outlook of €250 million - €280 million)
- Normalised comprehensive income expected at around €277 million
- Share buyback programme announced to neutralise assumed dilutive impact from dividends 2021-23

PostNL today released preliminary results for Q4 and FY 2021, which were positively impacted by a strong peak season, especially at Mail in the Netherlands. Total revenue is expected to amount to around €3,466 million in 2021. FY 2021 normalised EBIT is expected to come in at around €308 million, at the top end of its outlook. Cash flow performance was very strong, with free cash flow of around €288 million, outperforming the outlook and resulting in further improvement of the company's financial position. PostNL's financial strength and its capital allocation framework allow for a share buyback programme, reflecting confidence in the successful implementation of the longer-term strategy.

Herna Verhagen, CEO of PostNL, commented: "2021 again qualifies as an exceptional year, impacted by the pandemic. Thanks to our people and the resilience of our business, we show strong results driven by a solid business performance at Parcels and a strong result at Mail in the Netherlands. Our cash flow performance was very strong in 2021 and exceeded our expectations, further strengthening our financial position. In line with our capital allocation framework, we are now well positioned to launch a share buyback programme. Confidence in the successful execution of our strategy gives us comfort around our longer-term business performance and cash generation perspective. We will continue to focus on value creation for all stakeholders through growth opportunities, cost savings initiatives, accelerating digitalisation, and our environmental and social initiatives. Since the start of the pandemic, we have recognised the efforts and hard work of our people, partners and retailers. We will continue to take our responsibility as a company and deliver special moments."

Strong operational performance in Q4 2021

Total revenue in Q4 2021 is expected to come in at around €936 million (Q4 2020: €1,023 million). Normalised EBIT will be around €93 million, of which around €8 million is assumed to be non-recurring and related to Covid-19, including an additional fee of €3 million paid to retailers (Q4 2020: €140 million, of which €47 million non-recurring and related to Covid-19).

Parcels

(in € million)	FY 2020	Preliminary FY 2021
Revenue	2,052	~ 2,363
Normalised EBIT	209	~ 229
Assumed to be non-recurring and related to Covid-19	64	~ 40

PostNL delivered 384 million parcels in 2021, an increase of around 14% compared with 2020. In Q4 2021, parcel volumes declined by 5.3%; when excluding the assumed non-recurring impact related to Covid-19, volume growth was 9.1%. The recovery in international volumes has not yet materialised, for reasons including supply chain disruption issues and increased freight costs. Excluding the non-recurring impact and the international volumes impacted by the VAT regulation for small non-EU goods and other regulation in China, volumes showed solid growth in the quarter of around 14% following the continuing growth in e-commerce.

Revenue in Q4 2021 is expected to come in at around €604 million (Q4 2020: €632 million). Performance was impacted by the adverse impact from cross-border activities and some impact from inflationary pressure (for example fuel costs). Normalised EBIT for Q4 2021 is expected to amount to around €55 million, of which around €2 million non-recurring and related to Covid-19 (Q4 2020: €75 million, of which €27 million non-recurring and related to Covid-19).

The margin improved strongly to slightly above 9%, a significant step-up from 5.3% in Q3 2021. PostNL's network, combined with its excellent peak season preparation, again shows the robustness of the business model even in these challenging times.

Mail in the Netherlands

(in € million)	FY 2020	Preliminary FY 2021
Revenue	1,708	~ 1,683
Normalised EBIT	96	~ 160
Assumed to be non-recurring and related to Covid-19	15	~ 40

PostNL delivered 2,048 million mail items in 2021; a volume decline of 0.3% compared with 2020. Underlying substitution for the year was around 5% in 2021. In Q4 2021, total volume declined by 8.9%.

Revenue will amount to around €482 million in the quarter (Q4 2020: €542 million), and was also impacted by less international mail. Supported by a favourable price/mix impact and costs savings, normalised EBIT for Q4 2021 is expected to come in at around €66 million, including around €6 million impact assumed to be non-recurring and related to Covid-19 and €3 million related to an additional payment of €150 per employee (Q4 2020: €82 million, of which €20 million non-recurring and related to Covid-19).

Strong development of free cash flow in 2021 and improved financial position

Free cash flow is expected to amount to around €288 million in 2021, supported by the strong business performance, strict working capital management and further de-risking of the portfolio through the divestment of Cendris (net proceeds of €44 million). PostNL expects to report a further strengthening of the financial position with a leverage ratio at ~0.5 at year-end 2021. The company is steering for a solid balance sheet with positive consolidated equity, aiming at a leverage ratio not exceeding 2.0. ROIC is expected to be around 16%-17% for 2021.

Normalised comprehensive income for FY 2021 is expected to come in at around €277 million, which will be the base for the determination of dividend. The pay-out ratio for 2021 is assumed to be at the lower end of the around 70% - 90% range.

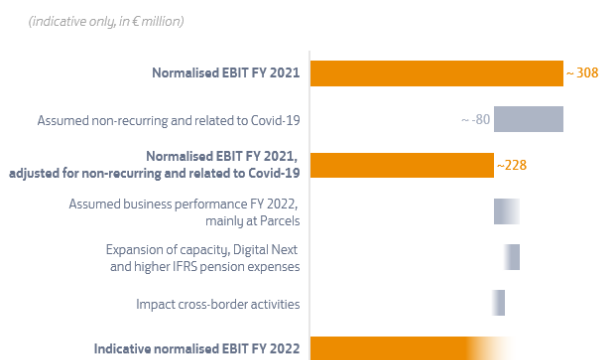
Share buyback programme of €250 million in 2022-23

The share buyback programme reinforces PostNL's disciplined capital allocation and financial strength and further optimises PostNL's capital structure. The programme will be executed using cash on the balance sheet and intends to neutralise the assumed dilutive impact from shares issued related to the dividends over the years 2021-23. The dividend will develop in line with business performance.

For full details on the share buyback programme, see today's press release.

Into 2022

Based on the preliminary results for FY 2021 and current assumptions, in 2022 PostNL expects:



- Normalised EBIT for FY 2022 to be broadly in line with normalised EBIT FY 2021 after adjusting for the assumed non-recurring impact related to Covid-19 of around €80 million:
 - Better performance at Parcels expected to be partially offset by lower result at Mail in the Netherlands
 - including additional inflationary cost pressure, for example energy and transportation costs

- limited impact of Covid-19
- Start-up costs of new facilities, acceleration of digital transformation and higher IFRS related pension expenses
- Limited recovery in cross-border activities expected in first half year versus second half year 2021, resulting in full year step-down
- Free cash flow is expected to be below FY 2021 due to lower reported EBIT, a step-up in investments, expected larger settlements of terminal dues and non-recurring cash proceeds related to divestments in 2021
- Normalised comprehensive income to develop in line with normalised EBIT

Uncertainty remains in relation to the impact of Covid-19 and developments in cross-border activities, including the expected partially temporary impact of change in VAT regulation for small non-EU goods and other regulation in China, and overall global market conditions.

Publication Q4/FY 2021 results and outlook for FY 2022

Full details will be presented on 28 February 2022. On that date, PostNL will publish its final Q4/FY 2021 results and a detailed outlook for FY 2022.

All figures in this press release are unaudited. This press release contains inside information within the meaning of article 7(1) of the EU Market Abuse Regulation.

Contact information

Published by	PostNL N.V. Waldorpstraat 3 2521 CA The Hague The Netherlands T: +31 88 86 86 161	
Investor Relations	Jochem van de Laarschot Director Communications & Investor Relations M: +31 613 86 53 58 E: jochem.van.de.laarschot@postnl.nl	Inge Laudy Manager Investor Relations M: +31 610 51 96 70 E: inge.laudy@postnl.nl
Media Relations	Dagna Hoogkamer Spokesperson M: +31 622 05 36 29 E: dagna.hoogkamer@postnl.nl	

Audio webcast and conference call

On 25 January 2021, at 11.00 am CET, a conference call for analysts will start. It can be followed live via an audio webcast at <https://www.postnl.nl/en/about-postnl/investors/>.

Additional information

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

Note that the numbers presented in this press release (tables and result explanations) may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures due to rounding.

Caution on 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 of 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 apply 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

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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 a 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 is normalised EBIT. Normalised EBIT is derived from the IFRS-based performance measure operating income adjusted for the impact of project costs and incidentals.