

Press release

The Hague, the Netherlands, 28 February 2022

PostNL reports normalised EBIT of €308 million and €288 million free cash flow for FY 2021

Financial highlights

in € million	Q4 2020	Q4 2021	FY 2020*	FY 2021
Revenue	1,023	936	3,255	3,466
Normalised EBIT	140	93	250	308
<i>assumed to be non-recurring and related to Covid-19</i>	47	9	77	82
Free cash flow	83	65	186	288
Normalised comprehensive income	104	89	200	285

Highlights

- Record 384 million parcels delivered in 2021, up 13.8% (11.7% excluding impact of Covid-19)
- Volume development at Mail in the Netherlands -0.3% in 2021, with substitution of around -5% and volumes supported by impact of Covid-19
- Impact on normalised EBIT from change in VAT regulation for small non-EU goods and other regulation in China and global supply chain disruptions of €(11) million in Q4 (FY 2021: €(17) million)
- Normalised EBIT at €308 million, at the top end of the outlook of €280 million - €310 million
- Strong cash flow performance continued in Q4, generating free cash flow of €288 million in 2021, exceeding outlook of €250 million - €280 million
- Carbon efficiency in grammes per kilometre improved by 18% compared with 2020

Dividend 2021 and share buyback programme

- Proposed 2021 dividend of €0.42 per share, pay-out ratio 75% of normalised comprehensive income
- Share buyback programme of €250 million to neutralise assumed dilutive impact from dividends 2021-23
- Dividend per share to develop in line with business development and complemented by share buyback programme in 2022-23

FY 2022 outlook

- Normalised EBIT: €210 million - €240 million (2021: €226 million excluding assumed non-recurring impact related to Covid-19)
- Free cash flow: €110 million - €140 million

CEO statement

Herna Verhagen, CEO of PostNL, said: “2021 again qualifies as an exceptional year, impacted by the pandemic. Since the start of the pandemic, we have been recognising and rewarding the efforts and hard work of our people, partners and retailers, who we supported with extra fees during the lock-down period. Thanks to them and the resilience of our business, we showed 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 and exceeded expectations, further strengthening our financial position. I’m pleased that we can propose a dividend of €0.[42] per share to our shareholders. In line with our capital allocation framework we have announced a share buyback programme, starting from 1 March 2022.

“We are satisfied with our strong operational performance in Q4 2021, thanks to the well-managed execution of our peak season. Our businesses were flexible and proved strong enough to handle and respond to the exceptional circumstances.

“The current situation in Ukraine is concerning and brings uncertainty for people and the economic environment. We continue the execution of our strategy and further build on our solid financial foundation. This gives us confidence when viewing our longer term business performance and cash generation prospects. We will continue to meet our responsibility by creating long-term value for all our stakeholders and by delivering special moments.”

* FY 2020 restated: please refer to additional information on page 6

Executing on our strategy

PostNL's strategic focus is on balancing volume and value at Parcels by expanding capacity to capture further e-commerce growth. At Mail in the Netherlands, PostNL aims for stable results by mitigating volume decline through a moderate pricing policy and cost savings initiatives. The company aims to strengthen its competitive position by building further on its platform, connecting customers, consumers and solutions through simple and smart digital journeys. The impact of its business activities on the environment and society at large are important for PostNL. Clear and ambitious ESG objectives are fully embedded in its strategy.

Good ESG progress

PostNL is implementing strategic measures to combat climate change and is working towards its long-term objective of emission-free last-mile delivery in the Benelux region by 2030. The company reduced its carbon emissions across its own operations and improved its carbon efficiency in grammes per kilometre by 18% compared with 2020, while intensifying investments in sustainability.

Scores on customer satisfaction and employee engagement remained strong in 2021, in demanding circumstances. PostNL recognises the efforts of its people and will reward them with a 2% profit sharing reward related to 2021 results, based on CLA conditions.

Since the last weeks of 2021, staff illness and absence has increased reflecting strict Covid-19-procedures, and this, together with tight local labour markets, makes it challenging to keep staffing at the desired level. PostNL puts every effort into keeping people healthy and safe, while safeguarding the on-time delivery of parcels and mail.

Acceleration of digital transformation

Overall, the acceleration of PostNL's digital transformation – aiming to strengthen its competitive position by further building on its platform and connecting customers, consumers and solutions through simple and smart digital journeys – is progressing in line with plan.

One initiative in 2021 was the product portfolio simplification at Mail in the Netherlands, aiming to reduce the number of different product codes from 2,200 to 200. The majority of customers have been transferred to the new product portfolio, with the remainder to follow at the end of 2022.

In line with its digital customer strategy, PostNL continued to grow (end) customer interaction through digital channels. Business portal accounts grew by 19% in 2021, while the number of monthly active users increased by over 5.3%. PostNL now operates APIs for sending, delivering, tracking and validation of addresses. In the Netherlands and Belgium combined, PostNL registered 1,029 million online visits in 2021 (90% via mobile), a growth of 32%.

PostNL spent €18 million on the acceleration of its digital transformation in 2021, of which €8 million was visible in normalised EBIT and €10 million in capex. The total spend on acceleration of the transformation in the 2021-24 period is still expected to be around €80 million. The programme is expected to become accretive to ROIC in 2023.

Q4 and FY 2021 business performance

in € million	Revenue		Normalised EBIT	
	Q4 2020	Q4 2021	Q4 2020	Q4 2021
Parcels	632	604	75	55
Mail in the Netherlands	542	482	82	66
PostNL Other	32	50	(17)	(29)
Intercompany	(184)	(200)		
PostNL	1,023	936	140	93

in € million	Revenue		Normalised EBIT	
	FY 2020	FY 2021	FY 2020	FY 2021
Parcels	2,052	2,361	209	230
Mail in the Netherlands	1,708	1,683	96	160
PostNL Other	108	200	(55)	(81)
Intercompany	(614)	(777)		
PostNL	3,255	3,466	250	308

Note: Normalised figures exclude one-offs in Q4 2021 (€3 million) and in Q4 2020 (€66 million); FY 2021 (€(15) million) and in FY 2020 (€(49) million).

Segment information Q4 2021

Parcels: strong operational performance due to well-managed execution of peak season

With 99 million parcels delivered (Q4 2020: 105 million), overall volume development in Q4 2021 was -5.3% (13.8% growth for FY 2021). Excluding the non-recurring parcels assumed to be related to Covid-19, volume growth in the quarter was 9.1% compared with Q4 2020 or around 21% when compared with pre-Covid-19 Q4 2019. When also excluding international volumes, growth was solid at around 14% (around 29% compared with pre-Covid-19 Q4 2019) on the back of the continuing expansion in e-commerce. The expected partial recovery in cross-border activities did not yet occur, mainly due to global supply chain disruptions and increasing freight costs.

Revenue amounted to €604 million (Q4 2020: €632 million), driven by higher domestic volumes that were more than offset by lower international volumes, mainly related to volumes from Asia into Europe. A positive price effect was only partly offset by a less favourable mix.

Normalised EBIT came in at €55 million, including €2 million assumed to be related to Covid-19 (Q4 2020: €75 million, including €27 million assumed to be related to Covid-19). Excluding the non-recurring Covid-19 impact, normalised EBIT increased by €5 million compared with Q4 2020.

Normalised EBIT in the quarter reflected a negative volume/price/mix effect of €19 million partly offset by lower volume-dependent costs of €13 million. Organic costs rose €9 million. Other costs improved by €5 million. Finally, other results, which include Spring and Logistics, were down €10 million, explained by a slightly lower performance at Logistics combined with a declining result at Spring.

Mail in the Netherlands: strong result, impacted by lower volumes, partly related to Covid-19

Mail volumes declined by 8.9% in the quarter. The volume decline was driven by the combined effect from ongoing substitution and fewer working days, and the impact from non-recurring items related to Covid-19, each accounting for around half of the decline. Although the mail volumes included invitations for the vaccination programme, the total number of mail items related to Covid-19 was significantly lower than last year. Also, Q4 2021 had three fewer working days compared with the last quarter of 2020.

Revenue was down to €482 million (Q4 2020: €542 million). This was the result of a volume/price/mix impact of €(13) million, reflecting PostNL's moderate pricing policy, a favourable overall mix impact and lower import volumes. Other revenue declined by €47 million, mainly explained by the sale of Cendris in early 2021 and less export mail.

Normalised EBIT came in at €66 million (Q4 2020: €82 million). In Q4 2021, the assumed non-recurring impact related to Covid-19 was €7 million (Q4 2020: €20 million). Excluding the non-recurring Covid-19 impact, normalised EBIT declined by €3 million (from €62 million in Q4 2020 to €59 million in Q4 2021).

Performance reflected the volume and price/mix impact (a combined €(13) million), offset by a €1 million drop in volume-related costs. Organic costs rose by €3 million. Other costs improved by €9 million, mainly driven by cost savings and a fall in other costs, partly offset by a €3 million additional payment for employees. Other results were down €10 million, mainly due to a lower result for international mail.

PostNL Other

Revenue at PostNL Other amounted to €50 million (Q4 2020: €32 million). Normalised EBIT was down to €(29) million (Q4 2020: €(17) million) as a result of higher non-cash pension expense and the phasing of some other costs.

Pensions

Pension expense amounted to €40 million (Q4 2020: €36 million) and total regular cash contributions were €25 million (Q4 2020: €32 million). On 31 December 2021, the pension fund's actual coverage ratio was 126.2%. The fund's 12-month average coverage ratio was 121.4%, well above the minimum required funding level of 104.0%.

Reported metrics (income statement) and adjusted net debt

in € million	Q4 2020	Q4 2021	FY 2020	FY 2021
Revenue	1,023	936	3,255	3,466
Operating income	206	90	298	324
Profit for the period	161	68	216	258
Profit from continuing operations	153	61	213	228
Total comprehensive income	162	94	240	325
Free cash flow	83	65	186	288
			31 December 2020	31 December 2021
Adjusted net debt			407	203

Development of financial and equity position in Q4 2021

Total equity attributable to equity holders of the parent company grew to €426 million as at 31 December 2021 (end of Q3 2021: €332 million), with the increase comprised of net profit of €68 million and €26 million in other comprehensive income mainly related to pensions. Total comprehensive income in Q4 2021 came in at €94 million.

Free cash flow declined to €65 million (Q4 2020: €83 million). The decline in operational result, higher capex and tax paid, partly offset by a favourable development in working capital, were the main drivers of this development.

At the end of 2021, the adjusted net debt position was €203 million, compared with €266 million at the end of Q3 2021. The leverage ratio came in at 0.4 (2020: 1.0). Return on invested capital (ROIC) was 16.4% for 2021 (2020: 17.6%), with invested capital of €1,480 million (2020: €1,271 million) and net operating profit less adjusted tax (NOPLAT) of €243 million (2020: €224 million).

FY 2022 Outlook

Based on current assumptions, in 2022 PostNL expects:

in € million	2021	2021 adjusted for assumed non-recurring impact Covid-19	2022 outlook	remarks
Outlook				
Normalised EBIT	308	226	210 - 240	including ~(20) for expansion of capacity, digital NEXT and increase in non-cash IFRS pension expenses
Free cash flow*	288		110 - 140	
Other main financial indicators			2022 indicative	
Normalised comprehensive income	285		~200	to develop in line with normalised EBIT

* Cash flow before dividend, acquisitions, redemption of bonds/other financing activities; after payment of leases

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 €82 million:

- Better performance at Parcels, expected to be partially offset by lower result at Mail in the Netherlands
 - Volume growth Parcels of 3%-5% based on reported volumes
 - Volume decline Mail in the Netherlands of 8%-10% based on reported volumes
 - Organic cost development including additional inflationary cost pressure, for example energy and transport costs
 - Start-up costs of new facilities, acceleration of digital transformation and higher IFRS related pension expenses
 - Cross-border activities expected to show limited recovery in first half of 2022 versus second half of 2021, resulting in full year step-down
 - lower volumes and less efficient infrastructure utilisation
 - impact of global supply chain disruptions and increasing freight costs

Free cash flow is expected to be below FY 2021 due to among others lower reported EBIT, a step-up in investments and higher investments in working capital.

PostNL operates in dynamic markets and that brings opportunities and risks. Global economic developments and an increase in absenteeism, combined with tightening local labour markets, are putting pressure on cost development and are anticipated to impact performance in 2022. Uncertainty remains in relation to the impact of Covid-19 and the expected recovery in cross-border activities.

Dividend

PostNL proposes to the Annual General Meeting of Shareholders (AGM), to be held on 19 April 2022, a dividend of €0.42 per ordinary share for 2021 (2020: €0.28). This represents a pay-out ratio of 75% of normalised comprehensive income, which amounted to €285 million in 2021. €0.10 per share was paid as an interim dividend in August 2021.

After approval by the AGM, the final dividend of €0.32 per share will be paid, at the shareholder's election, either in cash (default) or in ordinary shares. The dividend in shares will be paid out of additional paid in capital as part of the distributable reserves, free of withholding tax in the Netherlands.

The ex-dividend date will be 21 April 2022, the record date is 22 April 2022. The election period will start on 25 April 2022 and end on 10 May 2022 at 3.00 pm CET. The conversion ratio will be based on the volume-weighted average share price (VWAP) for all PostNL shares traded on Euronext Amsterdam over the three trading day period from 8 May up to and including 10 May 2022. The value of the stock dividend, based on this VWAP, will, subject to rounding, be targeted at but not be lower than the cash dividend. There will be no trading in stock dividend rights. The dividend will be payable as of 12 May 2022.

Share buyback programme of €250 million in 2022-23

The share buyback programme announced on 25 January 2022 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 in relation to the dividends over the years 2021-23.

The execution of the first tranche of the programme, of between €160 million and €170 million, will start as from 1 March 2022 and is expected to be completed in October 2022. The second tranche will be executed in 2023.

For full details of the share buyback programme see the 25 January 2022 press release and PostNL's website.

Working days by quarter

	Q1	Q2	Q3	Q4	Total
2021	65	61	65	65	256
2022	65	61	65	64	255

Financial calendar

19 April 2022	Annual General Meeting of Shareholders
9 May 2022	Publication of Q1 2022 results
8 August 2022	Publication of Q2 & HY 2022 results
7 November 2022	Publication of Q3 2022 results

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Audio webcast and conference call on Q4 2021 results

On 28 February 2022, at 11.00 am CET, the conference call for analysts and investors will start. It can be followed live via an audio webcast at www.postnl.nl/en/about-postnl/investors/results-reports-trading-updates/.

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.

Please note that FY 2020 numbers in this press release have been restated due to a change in accounting policy related to IAS 38 (Configuration or customisation costs in a cloud computing arrangement), refer to Annual Report 2021 for further details.

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 that 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 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 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.

Please refer to our Annual Report 2021 for more information on our financial statements, including disclosure notes

PostNL Consolidated income statement in € million

	Q4 2020 restated	Q4 2021	FY 2020 restated	FY 2021
Revenue from contracts with customers	1,019	934	3,239	3,447
Other operating revenue	5	3	16	19
Total operating revenue	1,023	936	3,255	3,466
Other income	64	1	66	25
Cost of materials	(19)	(21)	(63)	(69)
Work contracted out and other external expenses	(470)	(456)	(1,519)	(1,708)
Salaries, pensions and social security contributions	(316)	(291)	(1,159)	(1,129)
Depreciation, amortisation and impairments	(39)	(41)	(164)	(149)
Other operating expenses	(37)	(39)	(119)	(113)
Total operating expenses	(882)	(848)	(3,023)	(3,168)
Operating income	206	90	298	324
Interest and similar income	1	0	2	1
Interest and similar expenses	(5)	(7)	(18)	(22)
Net financial expenses	(5)	(6)	(16)	(21)
Results from investments in JVs/associates	0	(0)	0	(0)
Profit/(loss) before income taxes	202	84	282	302
Income taxes	(49)	(23)	(69)	(74)
Profit/(loss) from continuing operations	153	61	213	228
Profit/(loss) from discontinued operations	8	7	4	29
Profit for the period	161	68	216	258
Attributable to:				
Non-controlling interests	(0)	0	(0)	1
Equity holders of the parent	161	68	217	257
Earnings per ordinary share (in € cents) ¹	32.5	13.2	43.8	50.9
Earnings per diluted ordinary share (in € cents) ²	32.4	13.1	43.7	50.8
Earnings from continuing operations per ordinary share (in € cents) ¹	30.8	11.8	43.0	45.1
Earnings from continuing operations per diluted ordinary share (in € cents) ²	30.8	11.7	43.0	45.0
Earnings from discontinued operations per ordinary share (in € cents) ¹	1.6	1.4	0.7	5.8
Earnings from discontinued operations per diluted ordinary share (in € cents) ²	1.6	1.3	0.7	5.8

¹ Based on an average of 505,163,452 outstanding ordinary shares (2020: 494,633,768).

² Based on an average of 505,981,123 outstanding diluted ordinary shares (2020: 495,627,753).

PostNL Consolidated statement of comprehensive income in € million

	Q4 2020 restated	Q4 2021	FY 2020 restated	FY 2021
Profit for the period	161	68	216	258
Impact pensions, net of tax	2	14	25	54
Change in value of financial assets at fair value through OCI	0	11	(0)	12
Other comprehensive income that will not be reclassified to the income statement	2	25	25	67
Currency translation adjustment, net of tax	(0)	0	(1)	1
Gains/(losses) on cashflow hedges, net of tax	(1)	0	(0)	0
Other comprehensive income that may be reclassified to the income statement	(1)	1	(1)	1
Total other comprehensive income for the period	1	26	24	68
Total comprehensive income for the period	162	94	240	325
Attributable to:				
Non-controlling interests	(0)	0	(0)	1
Equity holders of the parent	162	94	240	325
Total comprehensive income attributable to the equity holders of the parent arising from:				
Continuing operations	154	87	237	296
Discontinued operations	8	7	4	29

PostNL Consolidated statement of cash flows in €million

	Q4 2020 restated	Q4 2021	FY 2020 restated	FY 2021
Profit/(loss) before income taxes	202	84	282	302
Adjustments for:				
Depreciation, amortisation and impairments	39	41	164	149
Share-based payments	1	1	3	3
(Profit)/loss on disposal of assets	(62)	(1)	(63)	(4)
(Profit)/loss on sale of Group companies	(3)		(3)	(16)
Interest and similar income	(1)	(0)	(2)	(1)
Interest and similar expenses	5	7	18	22
Results from investments in JVs/associates	(0)	0	(0)	0
Investment income	(61)	5	(50)	2
Pension liabilities	(196)	15	(166)	53
Other provisions	6	3	(29)	(2)
Changes in provisions	(190)	18	(195)	51
Inventory	1	3	1	(2)
Trade accounts receivable	(74)	(38)	(78)	(23)
Other accounts receivable	4	1	20	5
Other current assets excluding taxes	(31)	(23)	(9)	11
Trade accounts payable	20	19	(54)	26
Other current liabilities excluding short-term financing and taxes	98	98	123	25
Changes in working capital	18	59	4	41
Cash generated from operations	9	207	208	547
Interest paid	(8)	(9)	(15)	(21)
Income taxes received/(paid)	(2)	(58)	(12)	(76)
Net cash (used in)/from operating activities	(0)	140	181	450
Interest received	1	0	2	1
Disposal of subsidiaries	7		13	44
Investments in JVs/associates	(1)	(2)	(1)	(3)
Capital expenditure on intangible assets	(17)	(16)	(37)	(56)
Capital expenditure on property, plant and equipment	(24)	(34)	(40)	(85)
Proceeds from sale of property, plant and equipment	155	2	158	10
Changes in other loans receivable	(9)	(1)	(9)	(3)
Other changes in (financial) fixed assets	(1)	(0)	(0)	(1)
Net cash (used in)/from investing activities	111	(51)	85	(92)
Dividends paid	0	(0)	0	(113)
Changes related to non-controlling interests	(0)	0	(1)	0
Proceeds from short-term borrowings	1	(1)	1	0
Repayments of short-term borrowings	(0)	(4)	(1)	(5)
Repayments of lease liabilities/incentives	(27)	(23)	(79)	(69)
Net cash (used in)/from financing activities	(27)	(28)	(80)	(186)
Total change in cash from continuing operations	84	62	186	172
Cash at the beginning of the period	569	786	480	651
Cash transfers related to discontinued operations	(2)	0	(15)	25
Exchange rate differences				
Total change in cash from continuing operations	84	62	186	172
Total change in cash from discontinued operations				
Cash at the end of the period	651	848	651	848
Total change in cash from discontinued operations	0		(11)	

	31 December 2020 restated	31 December 2021
Assets		
Goodwill	208	207
Other intangible assets	132	147
Intangible fixed assets	339	354
Land and buildings	210	254
Plant and equipment	106	141
Other equipment	10	13
Construction in progress	44	25
Property, plant and equipment	370	433
Right-of-use assets	243	289
Investments in joint ventures/associates	3	6
Loans receivable	27	20
Deferred tax assets	10	11
Financial assets at fair value through OCI	15	28
Financial fixed assets	54	65
Total non-current assets	1,007	1,141
Inventory	3	5
Trade accounts receivable	336	353
Accounts receivable	18	11
Income tax receivable	31	25
Prepayments and accrued income	100	90
Cash and cash equivalents	651	848
Total current assets	1,140	1,332
Assets classified as held for sale	55	11
Total assets	2,201	2,484
Equity and liabilities		
Equity attributable to the equity holders of the parent	211	426
Non-controlling interests	2	3
Total equity	213	429
Deferred tax liabilities	23	37
Provisions for pension liabilities	86	67
Other provisions	30	29
Long-term debt	696	697
Long-term lease liabilities	231	269
Other long-term liabilities	0	31
Total non-current liabilities	1,065	1,129
Trade accounts payable	141	168
Other provisions	21	21
Short-term debt	12	4
Short-term lease liabilities	63	65
Other current liabilities	145	111
Income tax payable	2	1
Contract liabilities	69	70
Accrued current liabilities	445	487
Total current liabilities	898	927
Liabilities related to assets classified as held for sale	25	0
Total equity and liabilities	2,201	2,484