



## Interim financial report first quarter 2015

## Investor presentation

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Brussels – May, 7<sup>th</sup> 2015

# Investor presentation - Interim financial report 1Q15

## Financial Calendar

More on [www.bpost.be/ir](http://www.bpost.be/ir)

**13.05.2015**

Ordinary General Meeting of Shareholders

**18.05.2015**

Ex-dividend date

**20.05.2015**

Payment date of the dividend

**06.08.2015**

(17:45 CET)

Quarterly results 2Q15

**05.11.2015**

(17:45 CET)

Quarterly results 3Q15

**03.12.2015**

(17:45 CET)

Results first 10 months 2015

**08.12.2015**

Ex-dividend date (interim dividend)

**10.12.2015**

Payment date of the interim dividend

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## Disclaimer

This presentation is based on information published by bpost in its First Quarter 2015 Interim Financial Report, made available on May 6<sup>th</sup> at 5.45pm CET on [www.bpost.be/ir](http://www.bpost.be/ir). 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.

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

## Highlights of 1Q15



### Revenues down 1.6%

- strong parcels performance offset by softness in mail and lower SGEI compensation

€ 616.6m



### Sharper volume decline of domestic mail

- weakness in advertising mail sales and ongoing e-substitution

-5.3%



### Strong growth in parcels

- solid domestic parcels volume growth supported by e-tailers and C2C growth; negative price mix effect of -3.7%
- solid international parcels growth from core business (from US and China), decline in shipments to China

+10.2%

+ € 10.2m



### Cost savings continued to deliver strongly

- costs (excl. transport) down
- average FTE reduction of 681 for the quarter

- € 11.9m



EBITDA stable despite reduction in SGEI compensation

€ 172.7m

BGAAP net profit of bpost SA/NV stable

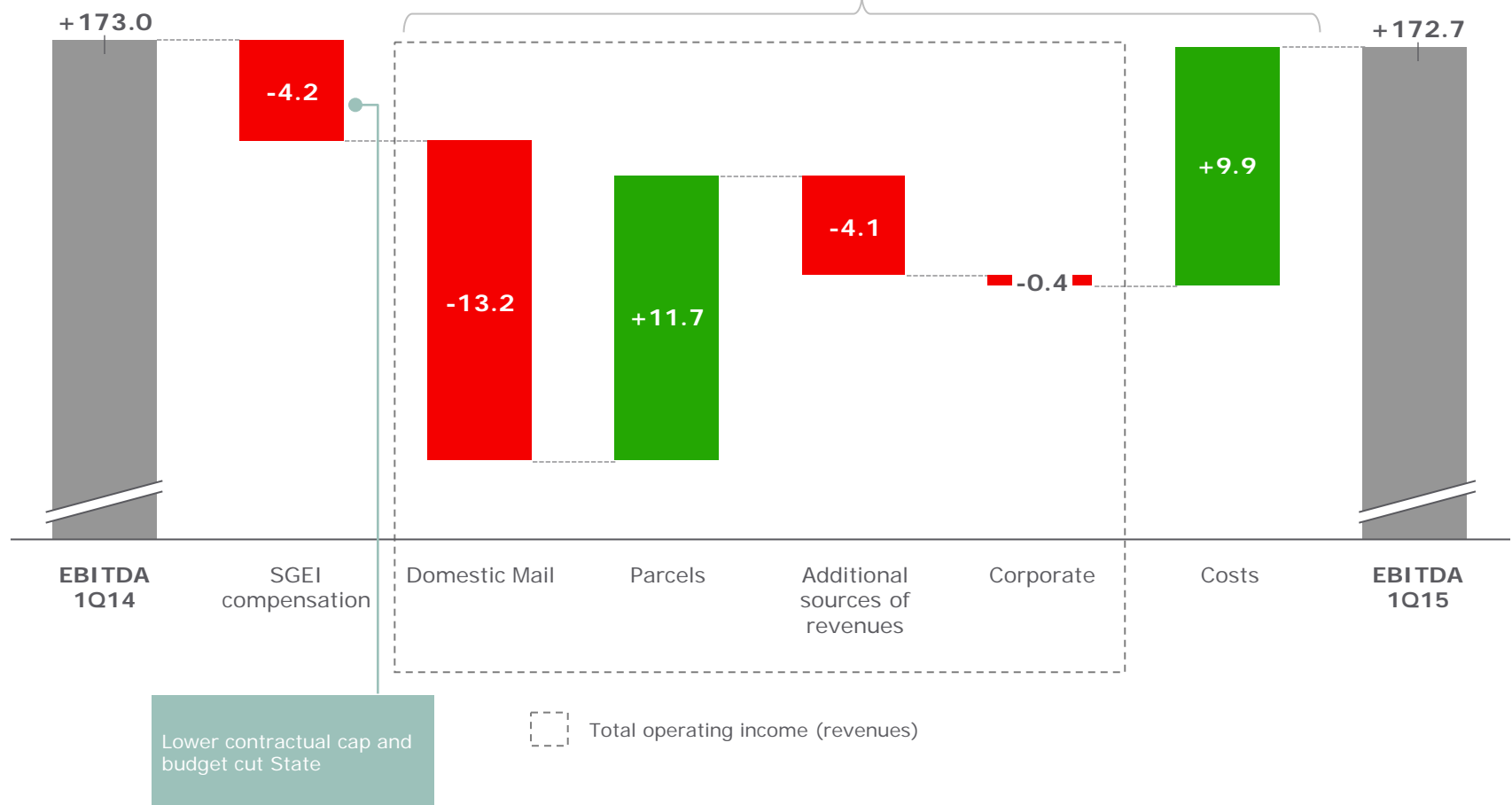
€ 87.3m

Outlook maintained

## Growth in parcels and further cost control resulted in stable EBITDA despite a soft start in mail and the reduction of SGEI compensation

€ million

€ +4.0m / +2.3%



## Summary of key financials

€ million

	Reported		
	1Q14	1Q15	% Δ
Total operating income (revenues)	626.7	616.6	-1.6%
Operating expenses	453.7	443.9	-2.2%
<b>EBITDA</b>	<b>173.0</b>	<b>172.7</b>	<b>-0.2%</b>
<i>Margin (%)</i>	<i>27.6%</i>	<i>28.0%</i>	
<b>EBIT</b>	<b>152.0</b>	<b>151.6</b>	<b>-0.3%</b>
<i>Margin (%)</i>	<i>24.3%</i>	<i>24.6%</i>	
<b>Profit before tax</b>	<b>153.6</b>	<b>149.0</b>	<b>-3.0%</b>
Income tax expense	54.7	52.4	
<b>Net profit</b>	<b>98.9</b>	<b>96.6</b>	<b>-2.4%</b>
<b>FCF</b>	<b>367.4</b>	<b>298.1</b>	<b>-18.9%</b>
<b>bpost S.A./N.V. net profit (BGAAP)</b>	<b>87.3</b>	<b>87.3</b>	<b>0.1%</b>
<b>Net Debt/ (Net cash), at 31 March</b>	<b>(728.1)</b>	<b>(785.1)</b>	<b>7.3%</b>

# Total operating income (revenues) lower by € 6.0m on an organic basis

€ million

		1Q14 reported	Reclassifi- cations <sup>2</sup>	1Q14 comparable	SGEI	Organic	1Q15	% Org
<b>Domestic mail</b>	Transactional mail	238.9	0.9	239.7	-	-7.1	232.6	-3.0%
	Advertising mail	70.2	-0.2	70.0	-	-5.3	64.7	-7.5%
	Press	77.7	-	77.7	-3.0	-0.7	74.0	-0.9%
<b>Parcels</b>	Domestic parcels <sup>1</sup>	38.2	-1.0	37.2	-	2.3	39.5	6.1%
	International parcels	31.5	-0.5	31.0	-	10.2	41.2	33.1%
	Special logistics	3.7	-0.3	3.4	-	-0.8	2.6	-24.8%
<b>Additional sources of revenues</b>	International mail	50.2	-0.9	49.4	-	-4.1	45.3	-8.3%
	Value added services	24.6	-0.9	23.8	-	0.6	24.3	2.4%
	Banking and financial	52.4	-0.1	52.3	-0.1	-0.5	51.7	-1.0%
	Other	27.4	3.0	30.4	-1.0	-0.1	29.4	-0.2%
	Corporate	11.8	-	11.8	-	-0.4	11.4	-3.1%
<b>TOTAL</b>		<b>626.7</b>	<b>-</b>	<b>626.7</b>	<b>-4.2</b>	<b>-6.0</b>	<b>616.6</b>	<b>-1.0%</b>

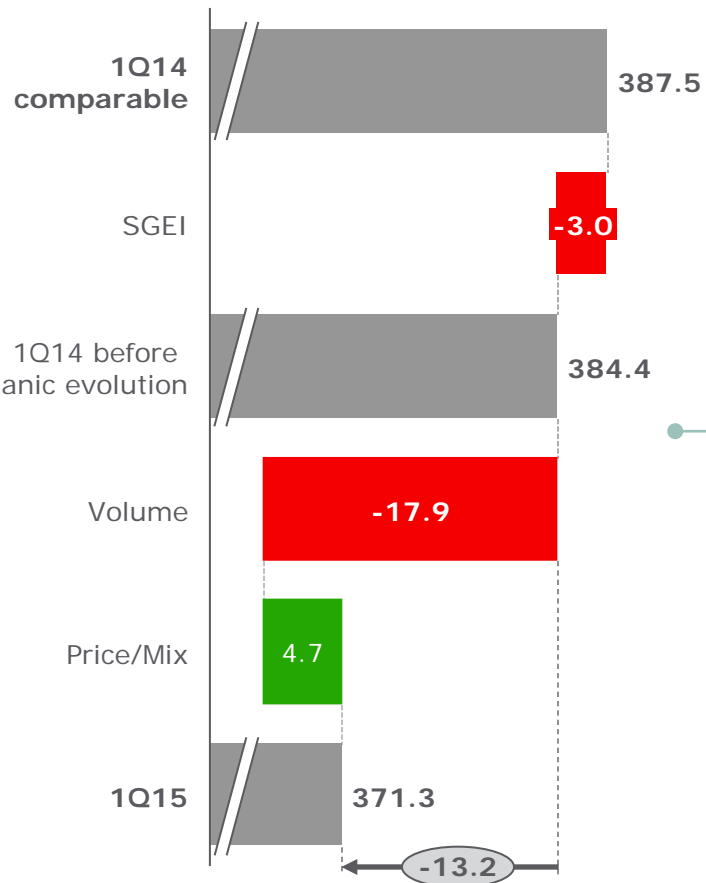
<sup>1</sup> Defined as domestic and Belgian in- and outbound

<sup>2</sup> Some intercompany eliminations mainly related to international activities previously reported in Other revenues are now being reported under their corresponding product lines.

Following a correction of the allocation of cash sales (stamps and franking machines) to products as of January 1, 2015 some revenues are shifting from Domestic parcels to Transactional mail.

## Domestic mail volume decrease of -5.3% due to weak advertising mail sales and continued e-substitution

Total operating income (revenues), € million



- **Underlying volume decline at -5.3%**
- **Transactional mail:** continuing trends of e-substitution and reduction of postal spend by customers.
- **Advertising mail:** showed a weak performance in DM mainly due to catalogue sellers and customers in the banking and telecom sectors.
- **Press** volume decline in line with previous quarters.
- **Price increases** in line with announced policy

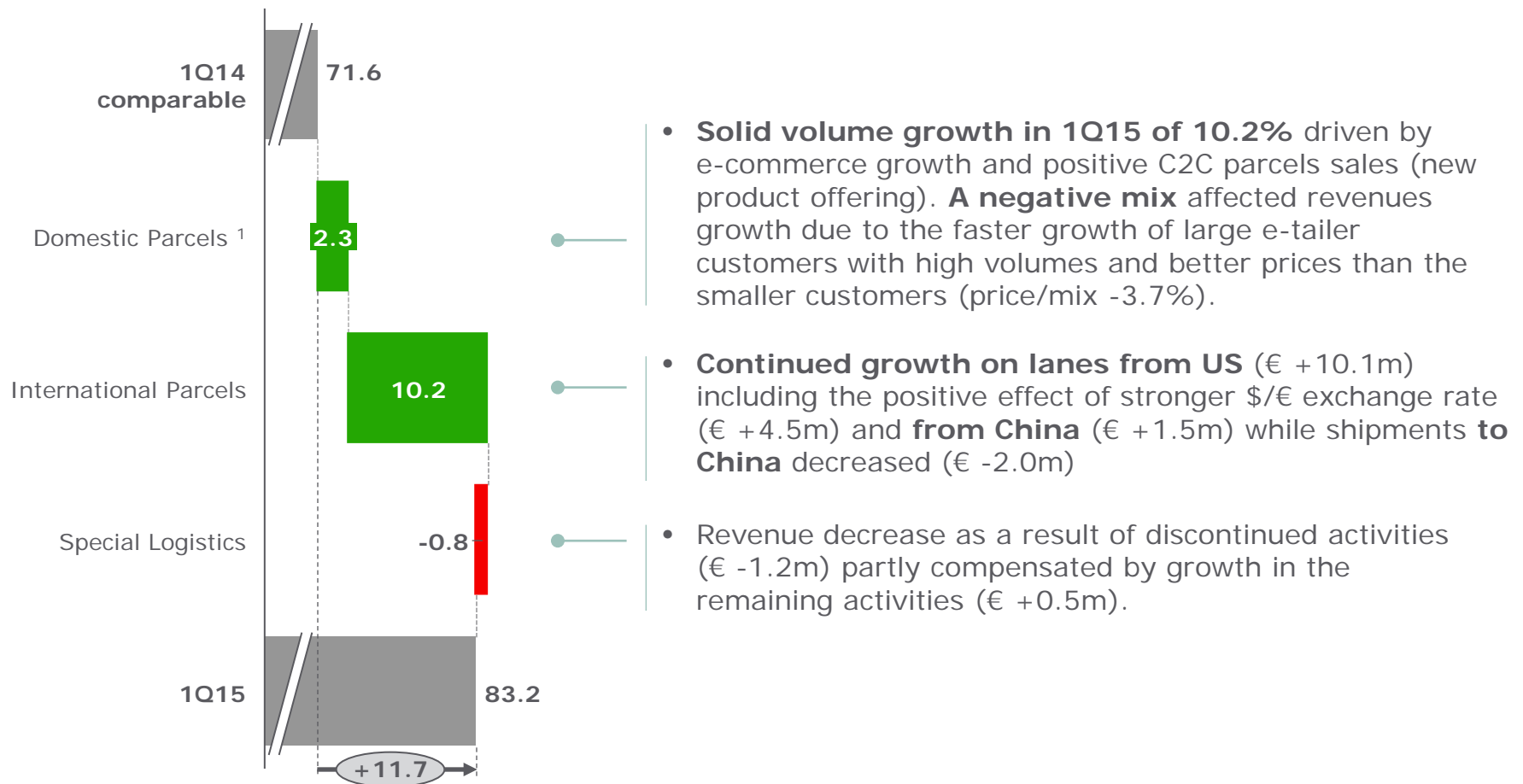
	Reported		Underlying <sup>1,2</sup>	
	FY14	1Q15	FY14	1Q15
Transactional mail	-4.7%	-5.0%	-5.0%	-5.3%
Advertising mail	-1.9%	-6.9%	-3.0%	-5.9%
Press	-2.8%	-3.1%	-2.8%	-3.1%
<b>Domestic Mail</b>	<b>-3.9%</b>	<b>-5.3%</b>	<b>-4.4%</b>	<b>-5.3%</b>

<sup>1</sup> 2014 was impacted by elections. In terms of working days for 2015, 1Q15, 2Q15 and 4Q15 are equal to same quarters of 2014. 3Q15 has 1 business working day more.

<sup>2</sup> Requalification of advertising mail to administrative mail

## Continued growth of international parcels, solid volume performance in domestic parcels

Total operating income (revenues), € million

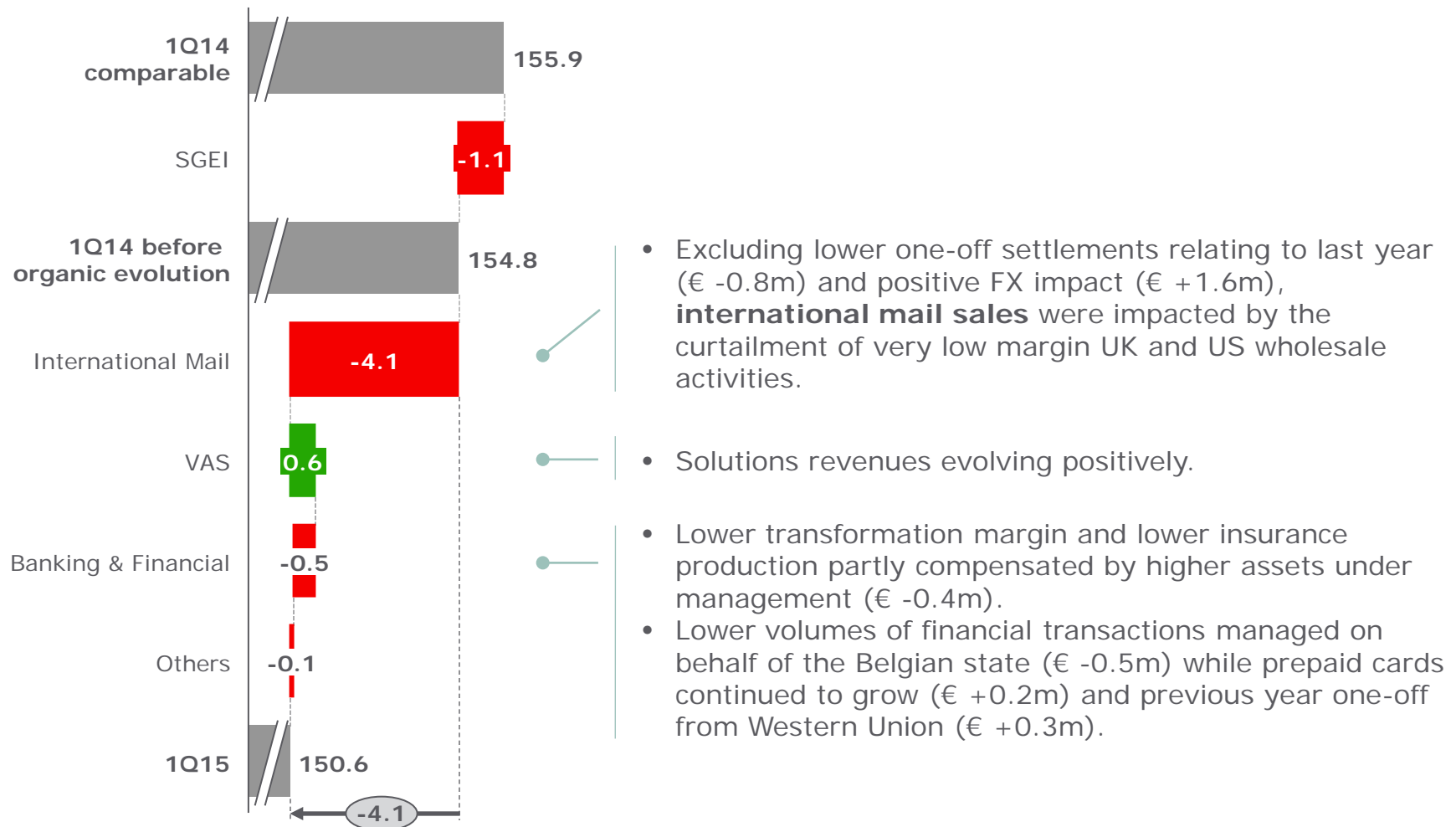


<sup>1</sup> Defined as domestic and Belgian in- and outbound



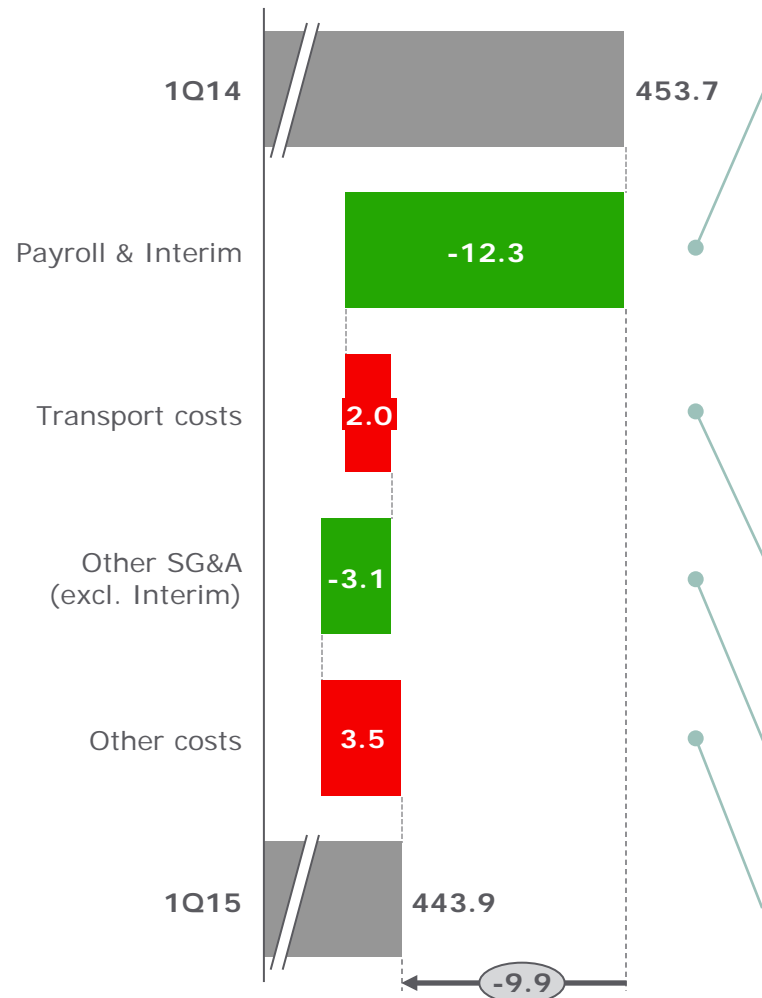
## Additional sources of revenue mainly affected by the curtailment of very low margin wholesale international mail activities

Total operating income (revenues), € million



## Costs remained well under control and were down € 9.9m

Operating expenses excl. depreciation and amortization, € million



- **Total FTE reduction of 681 FTE** (€ -7.9m)
- **Positive mix impact** of € -2.9m mainly thanks to the recruitment of auxiliary postmen (€ -1.8m), reinforced by a smaller number of managers due to the Alpha project and the related hiring freeze (€ -1.1m).
- **Negative price effect** of € +1.1m due to the impact of merit increases, the impact of the CLA signed in 2Q14 and higher restructuring one-offs charges, in part compensated by a lower price for interims.
- Other effects relating mainly to the evolution of the employee benefits (€ -1.6m).
- **FX** (€ +4.2m), as well as **terminal dues** (€ +0.5m) both impacting transport costs.
- Excluding these elements, the **decrease in transport costs** is related to the evolution of the international activities (costs related to the increase in international parcels offset by the decline of the low margin UK and US wholesale business).
- Decrease in rental costs, insurance costs, publicity costs, other goods and energy delivery in part offset by the increase in 3<sup>rd</sup> party costs (temporary resources for projects).
- Increase in provisions and other operating charges (lower increase of the recoverable VAT; percentage of recoverable VAT increased from 11% in 2013 to 13% in 2014 and 14% in 2015)

## Operating free cash flow<sup>1</sup> of € 298.1 in 1Q15

€ million

€ million	1Q14	1Q15	Delta
<b>+</b> Cash flow from operating activities	+384.6	+306.6	-78.0
<b>+</b> Cash flow from investing activities	-17.3	-8.5	+8.8
<b>= Operating free cash flow<sup>1</sup></b>	<b>+367.4</b>	<b>+298.1</b>	<b>-69.3</b>
<b>+</b> Financing activities	-0.6	-0.2	+0.4
<b>= Net cash movement</b>	<b>+366.7</b>	<b>+297.9</b>	<b>-68.9</b>
<b>Capex</b>	<b>+11.2</b>	<b>+11.4</b>	<b>+0.2</b>

- Results of operating activities are in line with last year
- Income taxes paid on 2013 results (€ -42.0m)
- Negative evolution of the working capital vs. 1Q14 (€ -36.2m). Working capital was negative influenced by terminal dues due to the earlier settlement LY with 2 postal operators (€-25.1m) and a lower SGEI compensation received in the first quarter 2015 (€-9.5m)

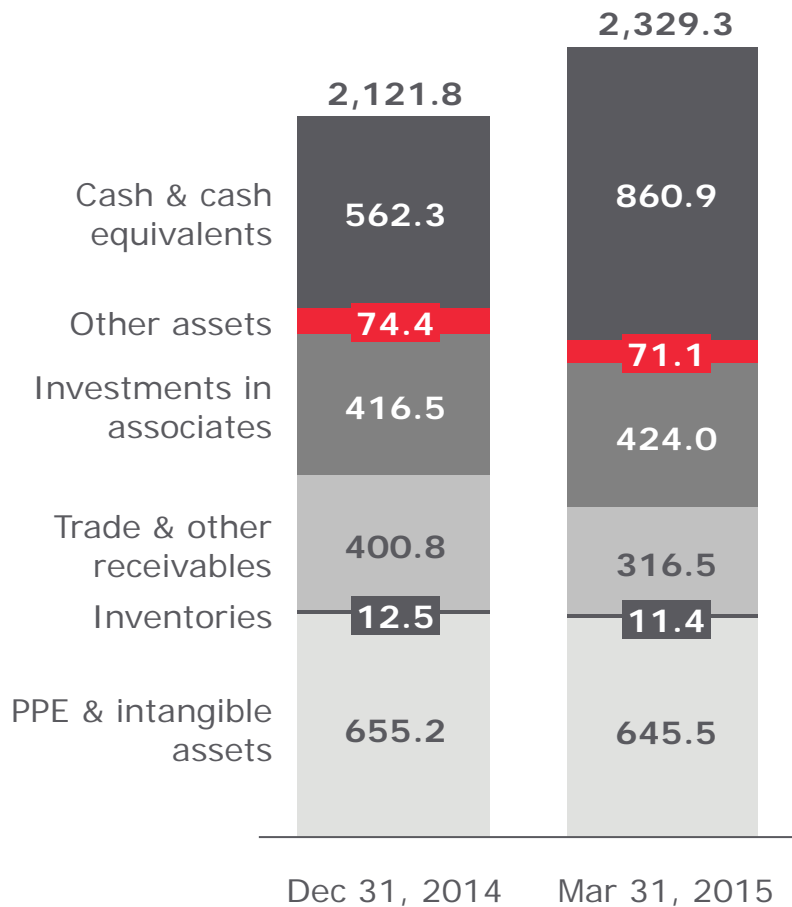
- Improvement mainly due to subsidiaries acquired last year (€ +8.7m)
- Higher capital expenditure (€ -0.2m) and higher proceeds sale of buildings (€ +0.2m) in 1Q15

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

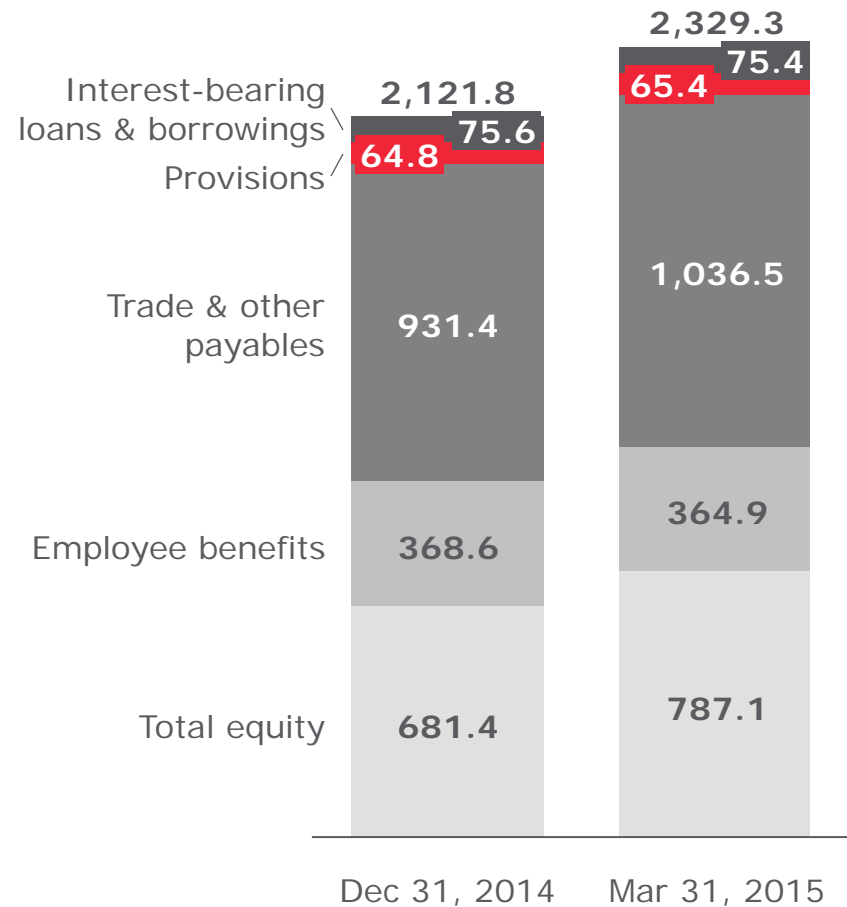
## Strong balance sheet structure

€ million

### Assets



### Equity and liabilities



## Outlook for 2015

- After a very strong 2014 which allowed us to report historically high numbers, we will be facing some headwind in 2015:
  - We expect **mail volumes** to remain under substantial pressure from e-substitution. As a consequence we plan for mail a volume decline of over -5%. This has been confirmed by a relatively soft start of the year in mail.
  - The **compensation for the SGEI's** (management contract) will be **€ 16.5m lower** than in 2014 as the government has decided to reduce the compensation above and beyond the already lower contractual cap.
  - Parcels to China (milk powder) are **no longer growing** and **could be declining**.
  - The planned **productivity improvements** as per the Vision 2020 planning are at the very low end of our 800 to 1,200 FTE/year range.
- On the positive side, we still expect mid single digit growth in domestic parcels in spite of the intensification of competition. We also expect **continued growth in the US and Asia** parcels segment.
- On balance, our ambition is to **hold our recurring EBIT(DA)** at the high level achieved in 2014 thanks to the partial effects of the Alpha plan and a continued focus on costs. Reported EBIT will be affected by the **Alpha restructuring cost**. Our ambition is to achieve the same level of dividend payment.
- Cash generation should follow normal seasonality and **net capex** is expected at around € 90m. Working capital will be negatively affected by the favorable phasing on terminal dues payment in 2014 and tax payments relating to 2013.

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