

# Interim financial report second quarter 2015

## Investor presentation

Koen Van Gerven, CEO



Brussels – August, 7 2015

# Investor presentation - Interim financial report 2Q15

## Financial Calendar

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

**05.11.2015**

**(17:45 CET)**

Quarterly results 3Q15

**08.12.2015**

Ex-dividend date  
(interim dividend)

**03.12.2015**

**(17:45 CET)**

Results first 10 months 2015

**10.12.2015**

Payment date of  
the interim dividend

## Disclaimer

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

## Highlights of 2Q15



### Revenues down 2.6%

- due to 2014 elections, lower SGEI compensation, management decision to curtail some International Mail activities but also a bad performance in Advertising Mail. However, very strong parcels growth

€ 597.6m



### Underlying Domestic Mail volume decline

- due to Advertising Mail

-6.1%



### Strong growth in Parcels

- domestic: driven by strong e-commerce growth and continued positive trend in C2C. Negative price/mix effect of -3% but to a lesser extent than 1Q15
- international: driven by organic growth from US, positive FX contribution and good milk powder volumes to China

+12.6%



### Cost control and strong productivity improvement

- costs (excl. one-offs and transport) down, with average FTE reduction of 829

€ +9.3m

€ -14.0m

### EBITDA down € 3.8m

- of which € -4.6m from elections in 2014 and € -4.2m SGEI compensation, while our operating model continues to work

€ 159.8m

### BGAAP net profit of bpost SA/NV down by only € 0.4m

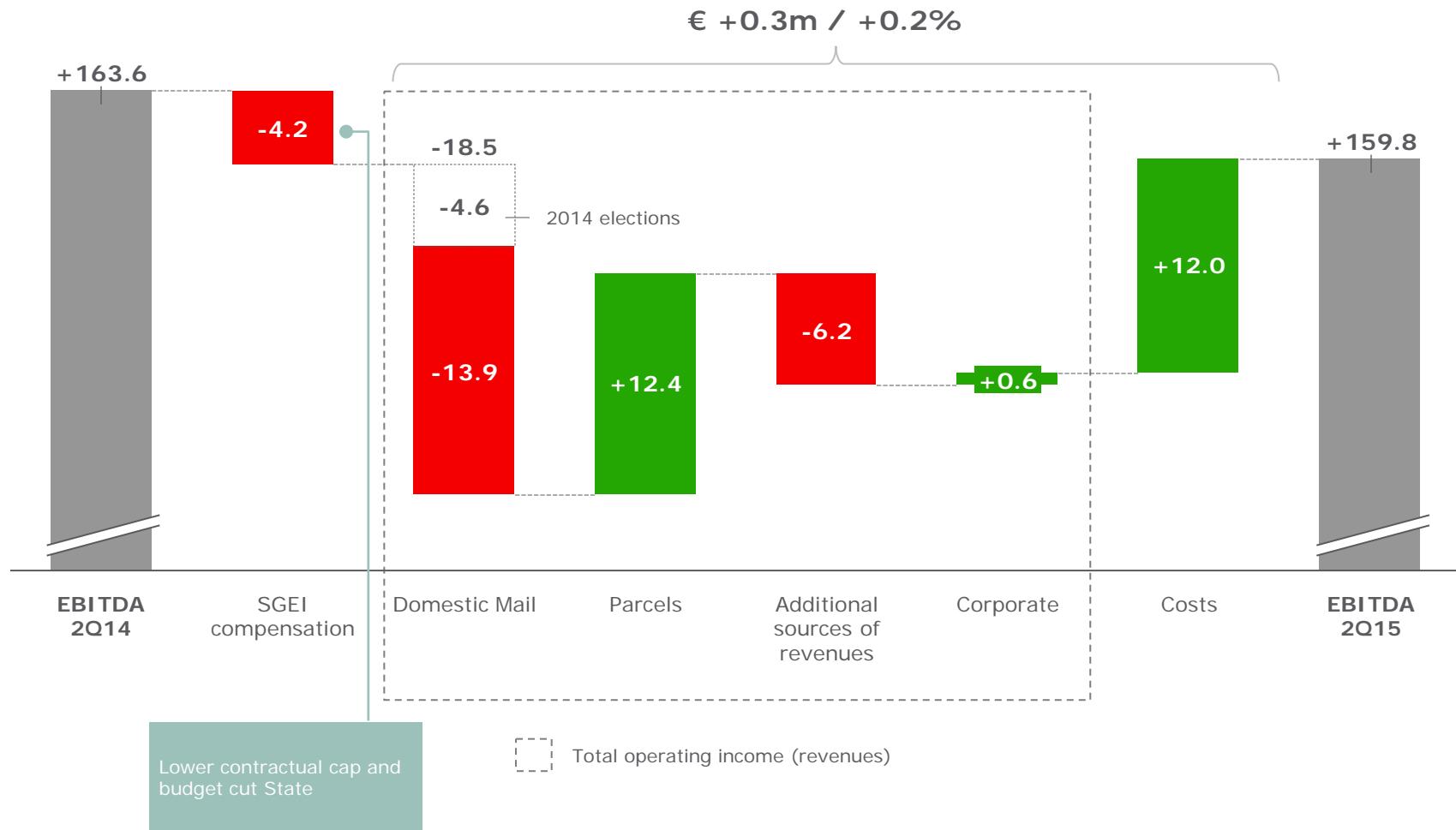
### Outlook

- ambition confirmed to maintain stable recurring EBIT(DA) and dividend versus high level of 2014

€ 83.8m

## Strong parcels growth & cost control compensated weak domestic mail

€ million



## Summary of key financials

€ million

	Reported/Normalized		
	2Q14	2Q15	% Δ
Total operating income (revenues)	613.5	597.6	-2.6%
Operating expenses	449.9	437.9	-2.7%
<b>EBITDA</b>	<b>163.6</b>	<b>159.8</b>	<b>-2.3%</b>
<i>Margin (%)</i>	26.7%	26.7%	
<b>EBIT</b>	<b>142.3</b>	<b>138.3</b>	<b>-2.9%</b>
<i>Margin (%)</i>	23.2%	23.1%	
<b>Profit before tax</b>	<b>135.5</b>	<b>139.2</b>	<b>2.8%</b>
Income tax expense	42.3	48.1	
<b>Net profit</b>	<b>93.2</b>	<b>91.2</b>	<b>-2.1%</b>
<b>FCF</b>	<b>(4.0)</b>	<b>(21.3)</b>	<b>-</b>
<b>bpost S.A./N.V. net profit (BGAAP)</b>	<b>84.2</b>	<b>83.8</b>	<b>-0.4%</b>
<b>Net Debt/ (Net cash), at 30 June</b>	<b>(684.3)</b>	<b>(720.3)</b>	<b>5.3%</b>

## Total operating income (revenues) lower by € 11.7m on an organic basis

€ million

		2Q14 reported	Reclassifi-cations <sup>2</sup>	2Q14 comparable	SGEI	Organic	2Q15	% Org
Domestic mail	Transactional mail	235.8	0.6	236.5	-	-7.6	228.8	-3.2%
	Advertising mail	71.4	-0.2	71.2	-	-9.8	61.4	-13.7%
	Press	77.9	-	77.9	-3.0	-1.1	73.8	-1.4%
Parcels	Domestic parcels <sup>1</sup>	37.0	-0.9	36.1	-	3.3	39.4	9.3%
	International parcels	30.8	-0.7	30.0	-	9.3	39.4	31.0%
	Special logistics	3.1	-0.3	2.8	-	-0.3	2.5	-11.6%
Additional sources of revenues	International mail	49.6	-1.2	48.4	-	-6.4	42.1	-13.1%
	Value added services	24.1	-0.9	23.2	-	0.2	23.4	0.9%
	Banking and financial	52.0	-0.0	51.9	-0.1	-0.1	51.7	-0.2%
	Other	25.6	3.6	29.2	-1.0	0.0	28.2	0.1%
	Corporate	6.3	-	6.3	-	0.6	6.9	10.2%
	<b>TOTAL</b>	<b>613.5</b>	<b>0.0</b>	<b>613.5</b>	<b>-4.2</b>	<b>-11.7</b>	<b>597.6</b>	<b>-1.9%</b>

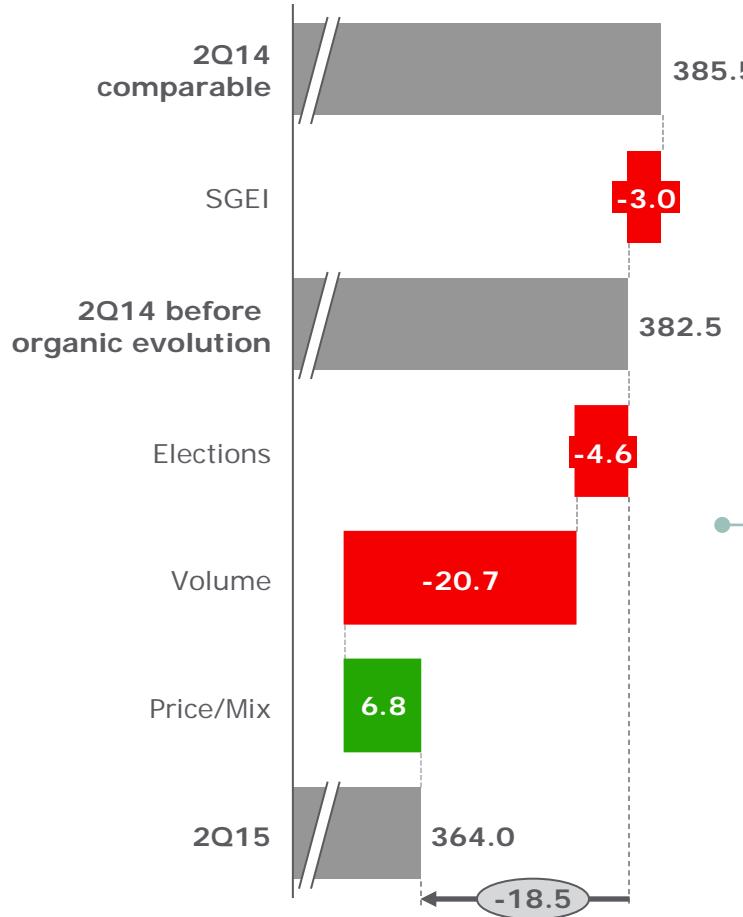
<sup>1</sup> Defined as domestic and Belgian in- and outbound

<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.

## Excluding elections, domestic mail volume decreased by -6.1% driven by bad performance in advertising mail

Total operating income (revenues), € million



- **Underlying volume decline at -6.1%**
- Negative impact of **elections** € -4.6m
- **Transactional mail:** no worsening trend in e-substitution, evolution in line with 1Q15
- **Advertising mail:** bad performance partially due to a sluggish advertising market
- **Press:** slightly higher volume decline mostly due to tough environment for periodicals

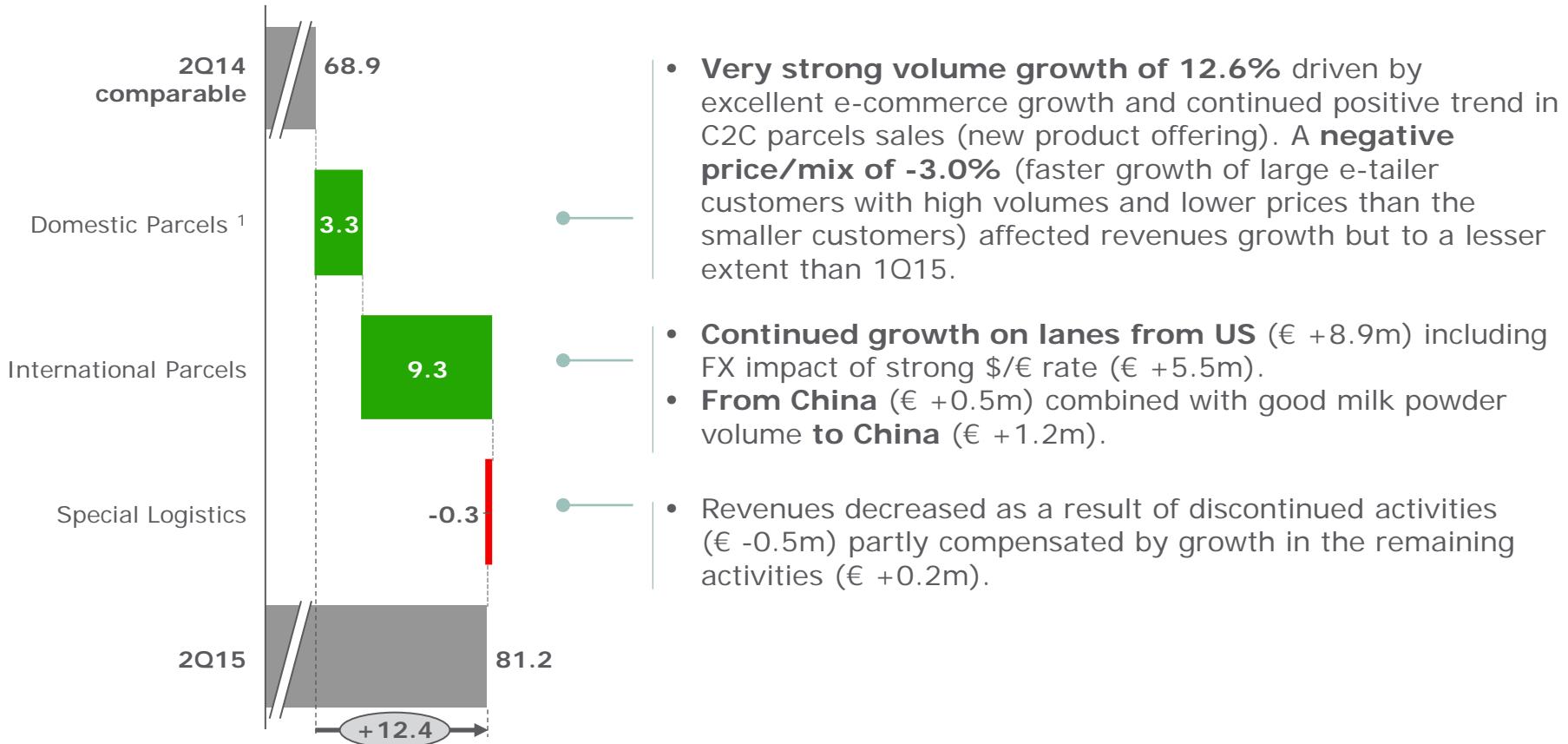
	Reported				Underlying <sup>1,2</sup>			
	FY14	1Q15	2Q15	1H15	FY14	1Q15	2Q15	1H15
Transactional mail	-4.7%	-5.0%	-5.8%	-5.4%	-5.0%	-5.3%	-5.3%	-5.3%
Advertising mail	-1.9%	-6.9%	-15.4%	-11.2%	-3.0%	-5.9%	-9.9%	-7.9%
Press	-2.8%	-3.1%	-4.0%	-3.5%	-2.8%	-3.1%	-4.0%	-3.5%
<b>Domestic Mail</b>	<b>-3.9%</b>	<b>-5.3%</b>	<b>-7.6%</b>	<b>-6.5%</b>	<b>-4.4%</b>	<b>-5.3%</b>	<b>-6.1%</b>	<b>-5.7%</b>

<sup>1</sup> In terms of working days for 2015, 1Q15, 2Q15 and 4Q15 will be equal to same quarters of 2014. In 3Q15 will have 1 business working day more.

<sup>2</sup> Corrected for elections, requalification of advertising mail to administrative mail.

## Strong growth in domestic parcels and continued growth of international parcels

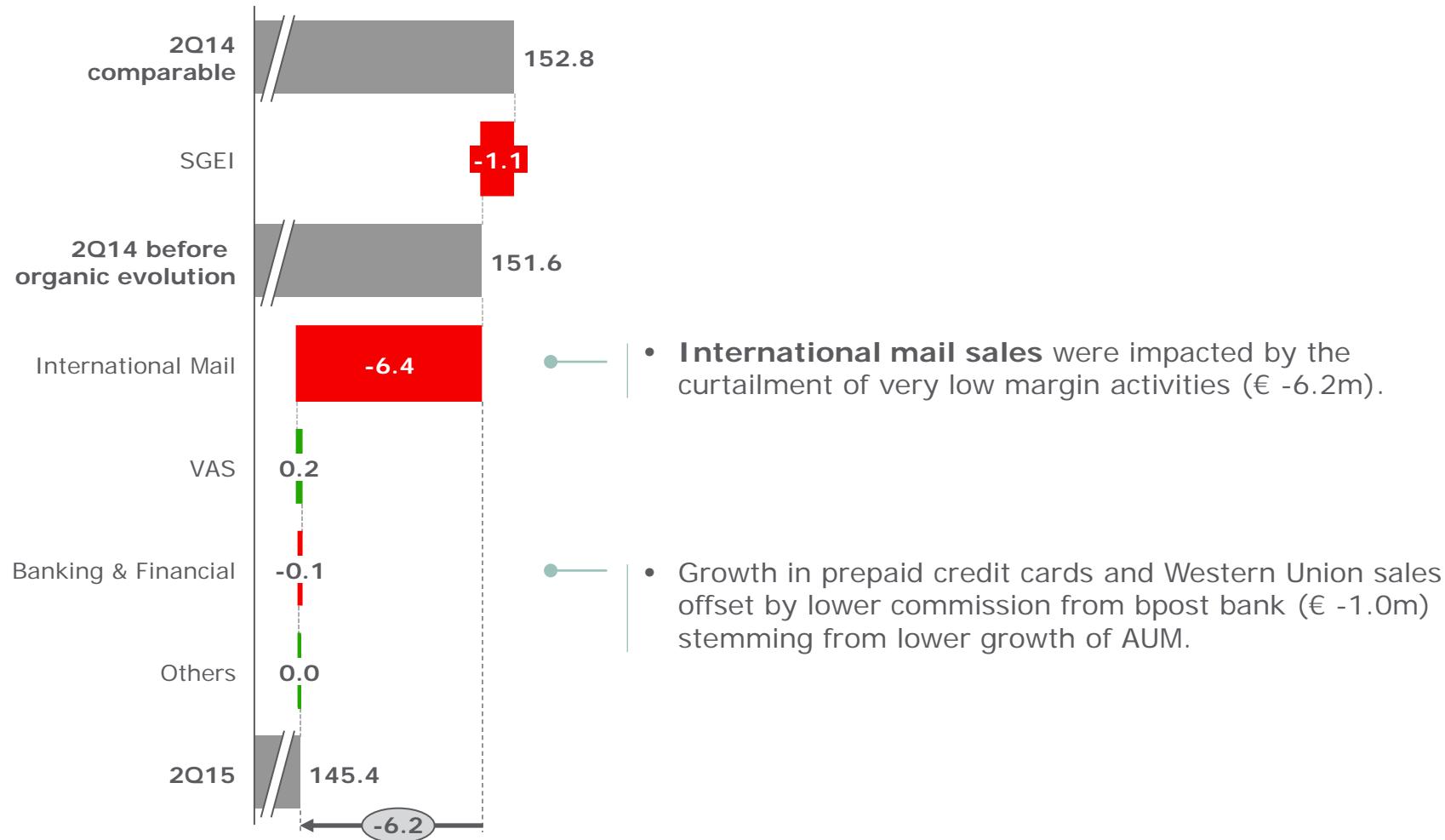
Total operating income (revenues), € million



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

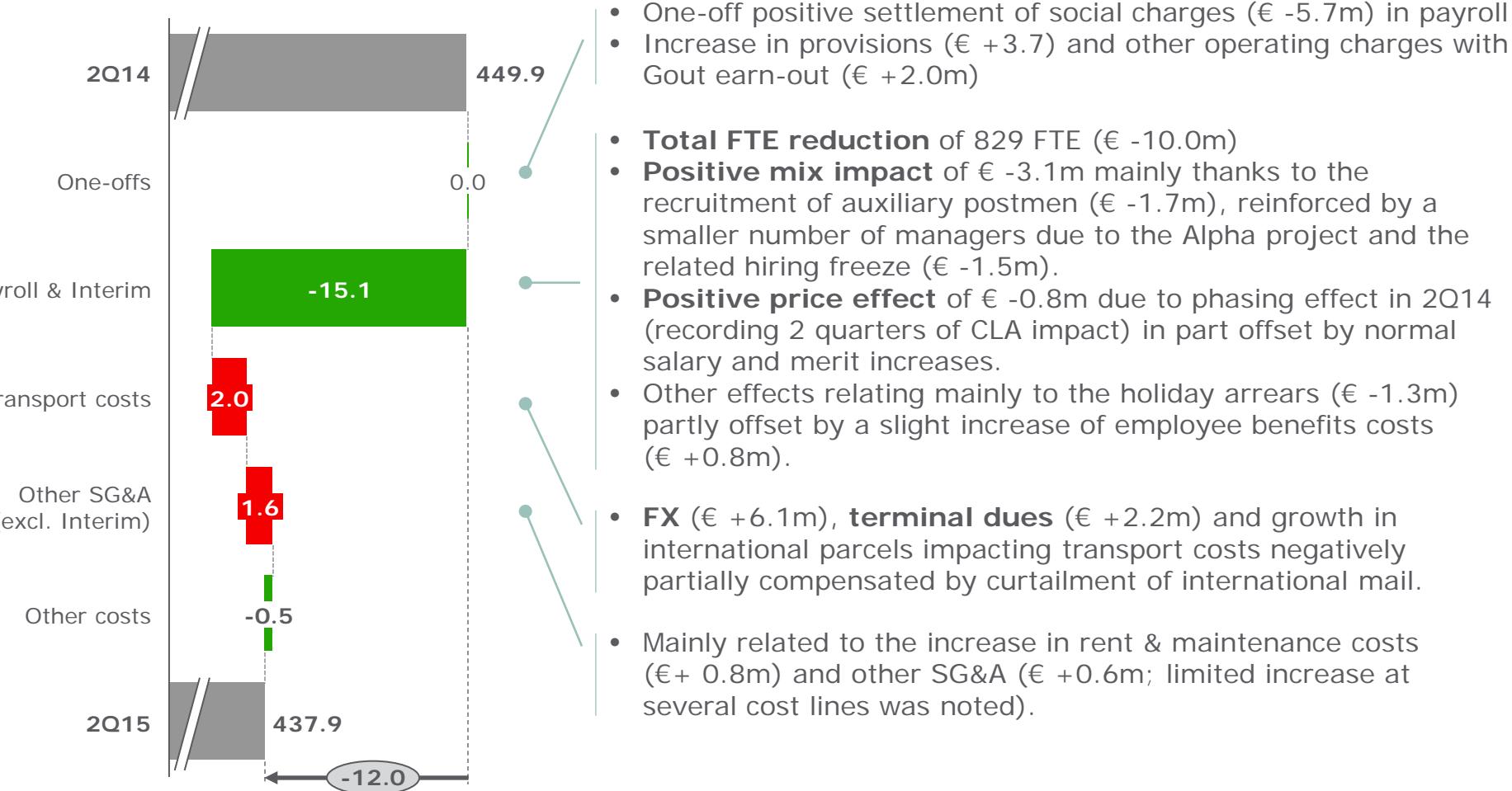
**Additional sources of revenue in line with LY, except for the curtailment of low margin international mail activities**

### Total operating income (revenues), € million



# Costs remain perfectly under control with strong productivity improvement

Operating expenses excl. depreciation and amortization, € million



## Operating free cash flow<sup>1</sup> of € -21.3m in 2Q15

€ million

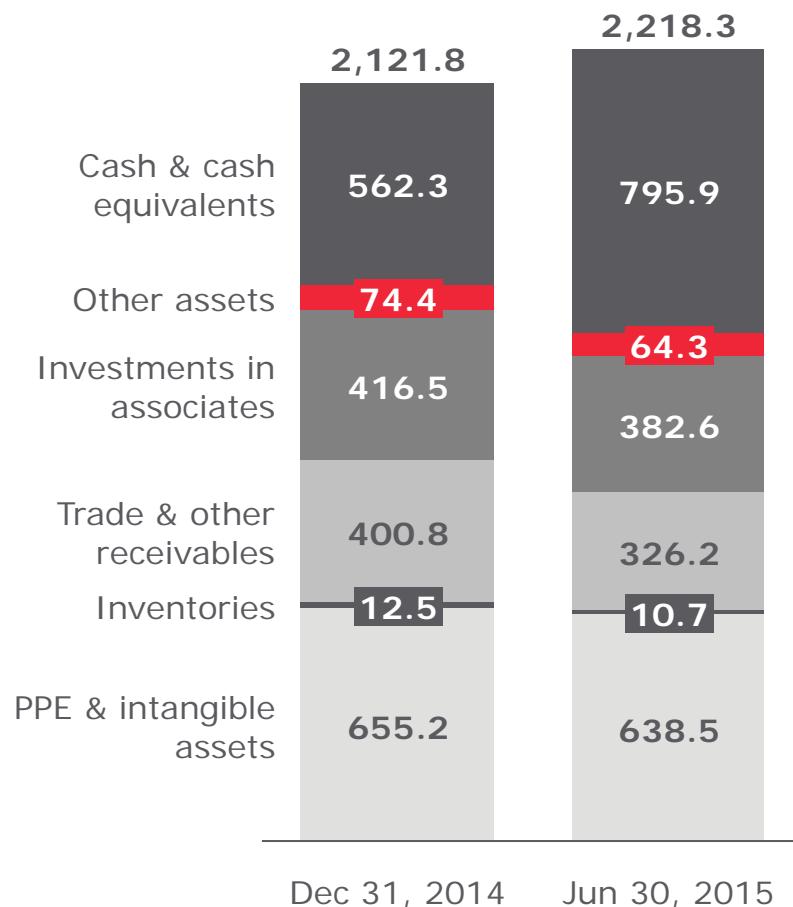
€ million	2Q14	2Q15	Delta
⊕ Cash flow from operating activities	+11.8	-3.3	-15.2
⊕ Cash flow from investing activities	-15.8	-17.9	-2.1
<b>≡ Operating free cash flow<sup>1</sup></b>	<b>-4.0</b>	<b>-21.3</b>	<b>-17.3</b>
⊕ Financing activities	-40.5	-44.2	-3.7
<b>≡ Net cash movement</b>	<b>-44.5</b>	<b>-65.5</b>	<b>-20.9</b>
<b>Capex</b>	<b>+18.9</b>	<b>+12.3</b>	<b>-6.5</b>
<ul style="list-style-type: none"> <li>Lower results from operating activities (€ -3.1m)</li> <li>Negative evolution of the working capital vs. 2Q14 (€ -12.1m) influenced by a change in the payment terms for social security charges for statutory personnel (€ -8.6m – phasing element) and a deterioration in payments of State entities (€ -4.2m)</li> </ul>			
<ul style="list-style-type: none"> <li>Deterioration mainly due to Landmark and Gout earn outs paid in 2Q15 (€ -10.9m) partially compensated by less capital expenditure (€ +6.5m) and higher proceeds sale of buildings (€ +2.3m) in 2Q15</li> </ul>			
<ul style="list-style-type: none"> <li>Higher dividends paid (€ -4.0m)</li> </ul>			

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

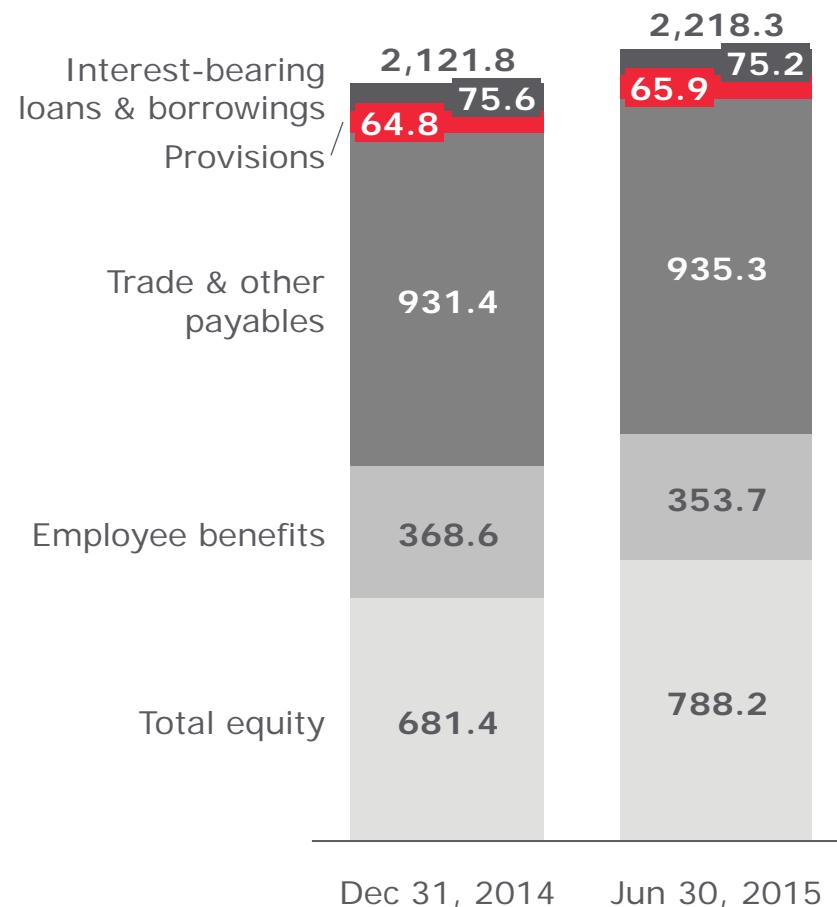
## Strong balance sheet structure

€ million

### Assets



### Equity and liabilities



## Outlook for 2015

We expect **mail volumes to remain under substantial pressure**. As a consequence we plan for an underlying Domestic Mail volume decline of **around -6%**.

The **compensation for the SGEI** (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.

We now expect **high 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.

**Productivity improvements are on track and will deliver as expected** at the low end of our 800 to 1,200 FTE/year range.

In spite of the lower Domestic Mail volume guidance, we will **maintain 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. **Alpha restructuring cost** should be recorded in 3Q15.

We confirm our ambition to achieve the **same level of dividend payment**.

Cash generation should follow normal seasonality and **net capex** is expected at around € 90m. Working capital evolution will be negatively affected by the favorable phasing on terminal dues payment in 2014 and tax payments relating to 2013.

# Interim financial report Half year 2015

## Investor presentation

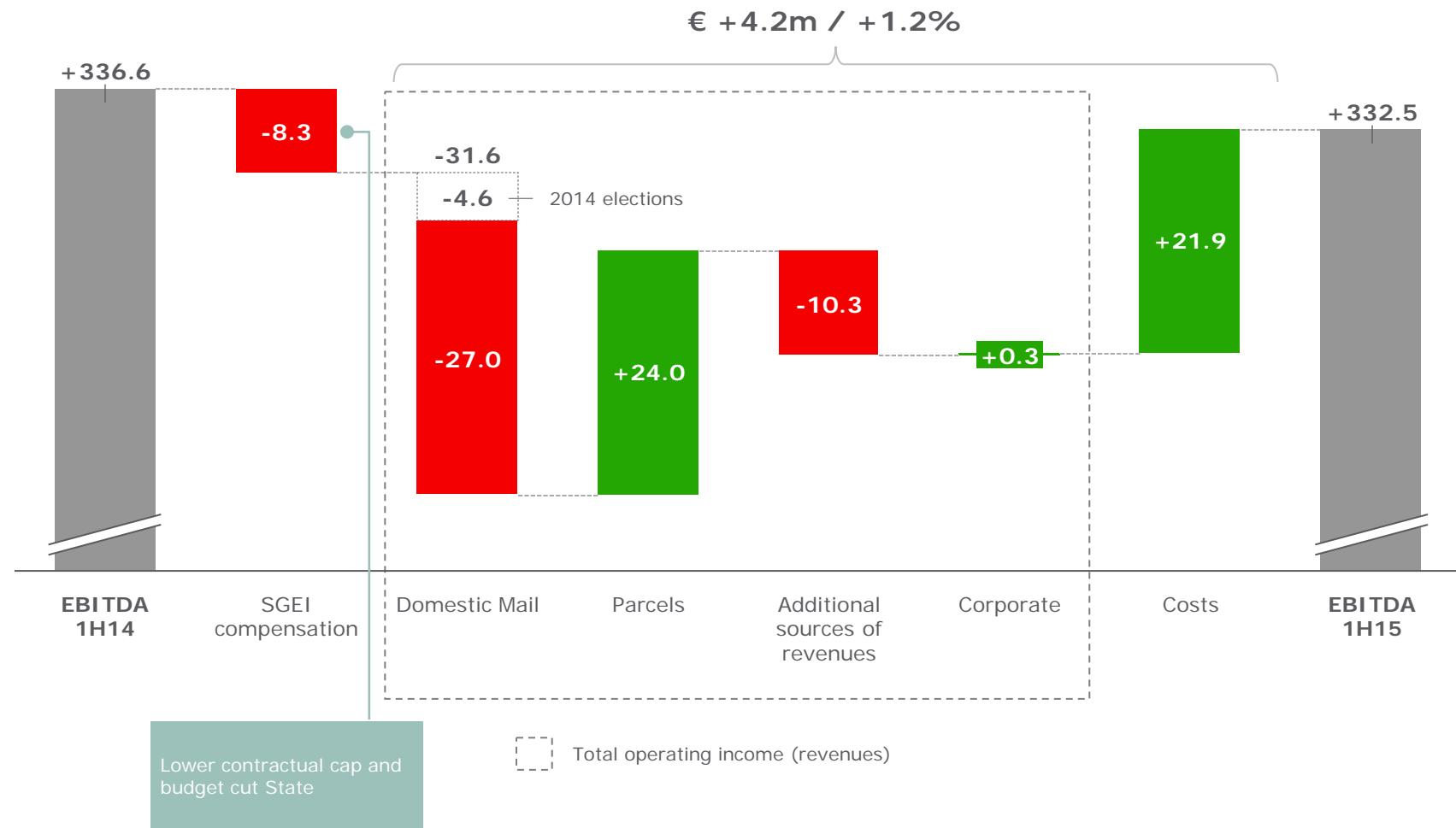
Koen Van Gerven, CEO



Brussels – August, 7 2015

**Organic EBITDA increased with € 4.2m thanks to increase in parcels and further cost control, despite the negative impact of 2014 elections. Total EBITDA down € 4.1m due to SGEI reduction**

€ million



## Summary of key financials

€ million

	Reported/Normalized		
	1H14	1H15	% Δ
Total operating income (revenues)	1,240.2	1,214.2	-2.1%
Operating expenses	903.6	881.7	-2.4%
<b>EBITDA</b>	<b>336.6</b>	<b>332.5</b>	-1.2%
<i>Margin (%)</i>	27.1%	27.4%	
<b>EBIT</b>	<b>294.4</b>	<b>289.8</b>	<b>-1.5%</b>
<i>Margin (%)</i>	23.7%	23.9%	
<b>Profit before tax</b>	<b>289.0</b>	<b>288.2</b>	<b>-0.3%</b>
Income tax expense	97.0	100.5	
<b>Net profit</b>	<b>192.1</b>	<b>187.7</b>	<b>-2.3%</b>
<b>FCF<sup>1</sup></b>	<b>363.4</b>	<b>276.8</b>	<b>-23.9%</b>
<b>bpost S.A./N.V. net profit (BGAAP)</b>	<b>171.5</b>	<b>171.1</b>	<b>-0.2%</b>
<b>Net Debt/ (Net cash), at 30 June</b>	<b>(684.3)</b>	<b>(720.3)</b>	<b>5.3%</b>

<sup>1</sup> In 2014 normalized FCF amounted to € 363.6m

## Total operating income (revenues) lower by € 17.7m on an organic basis

€ million

		1H14 reported	Reclassifi-cations <sup>2</sup>	1H14 comparable	SGEI	Organic	1H15	% Org
Domestic mail	Transactional mail	474.7	1.5	476.2	-	-14.8	461.4	-3.1%
	Advertising mail	141.6	-0.4	141.2	-	-15.1	126.1	-10.7%
	Press	155.6	-	155.6	-6.1	-1.8	147.7	-1.2%
Parcels	Domestic parcels <sup>1</sup>	75.2	-1.9	73.3	-	5.6	78.9	7.6%
	International parcels	62.2	-1.2	61.0	-	19.6	80.6	32.1%
	Special logistics	6.8	-0.6	6.2	-	-1.2	5.0	-18.8%
Additional sources of revenues	International mail	99.9	-2.1	97.8	-	-10.5	87.3	-10.7%
	Value added services	48.7	-1.8	47.0	-	0.8	47.7	1.6%
	Banking and financial	104.4	-0.1	104.3	-0.2	-0.6	103.4	-0.6%
	Other	53.1	6.6	59.6	-2.0	-0.0	57.6	-0.0%
Corporate		18.1	-	18.1	-	0.3	18.3	1.5%
<b>TOTAL</b>		<b>1,240.2</b>	-	<b>1,240.2</b>	<b>-8.3</b>	<b>-17.7</b>	<b>1,214.2</b>	<b>-1.4%</b>

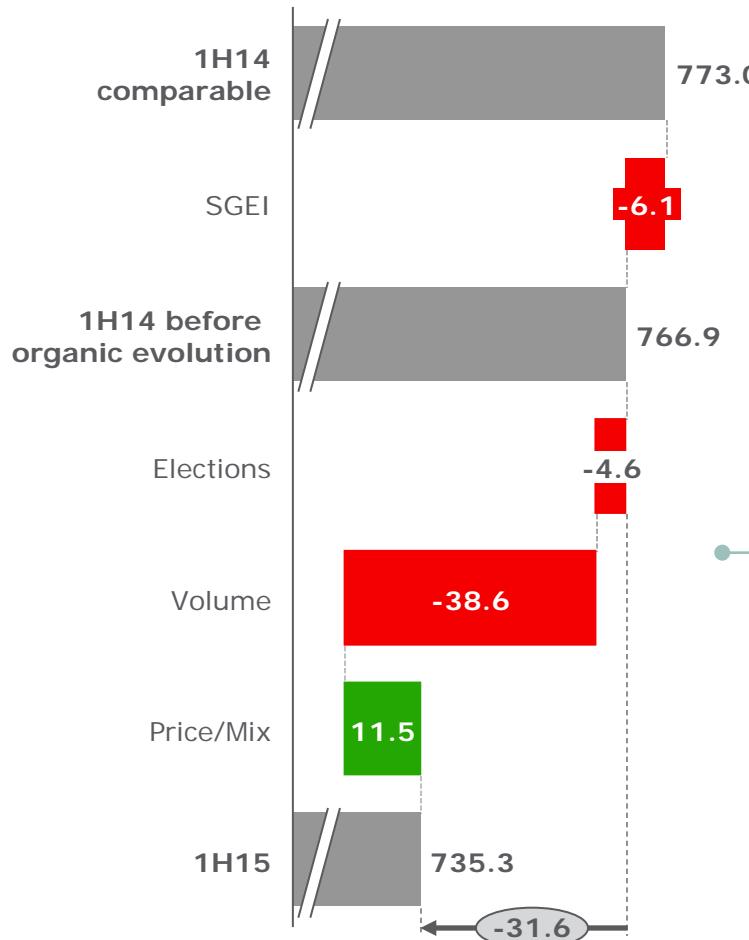
<sup>1</sup> Defined as domestic and Belgian in- and outbound

<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.

## Underlying domestic mail volume down 5.7% driven by bad advertising mail performance

Total operating income (revenues), € million



- Underlying volume decline at -5.7%
- Negative impact of elections € -4.6m
- **Transactional mail:** no worsening trend in e-substitution observed since 2 quarters
- **Advertising mail:** bad performance mainly from catalogue sellers and banking sector and partially due to a sluggish advertising market
- **Press:** e-substitution and tough environment for periodical

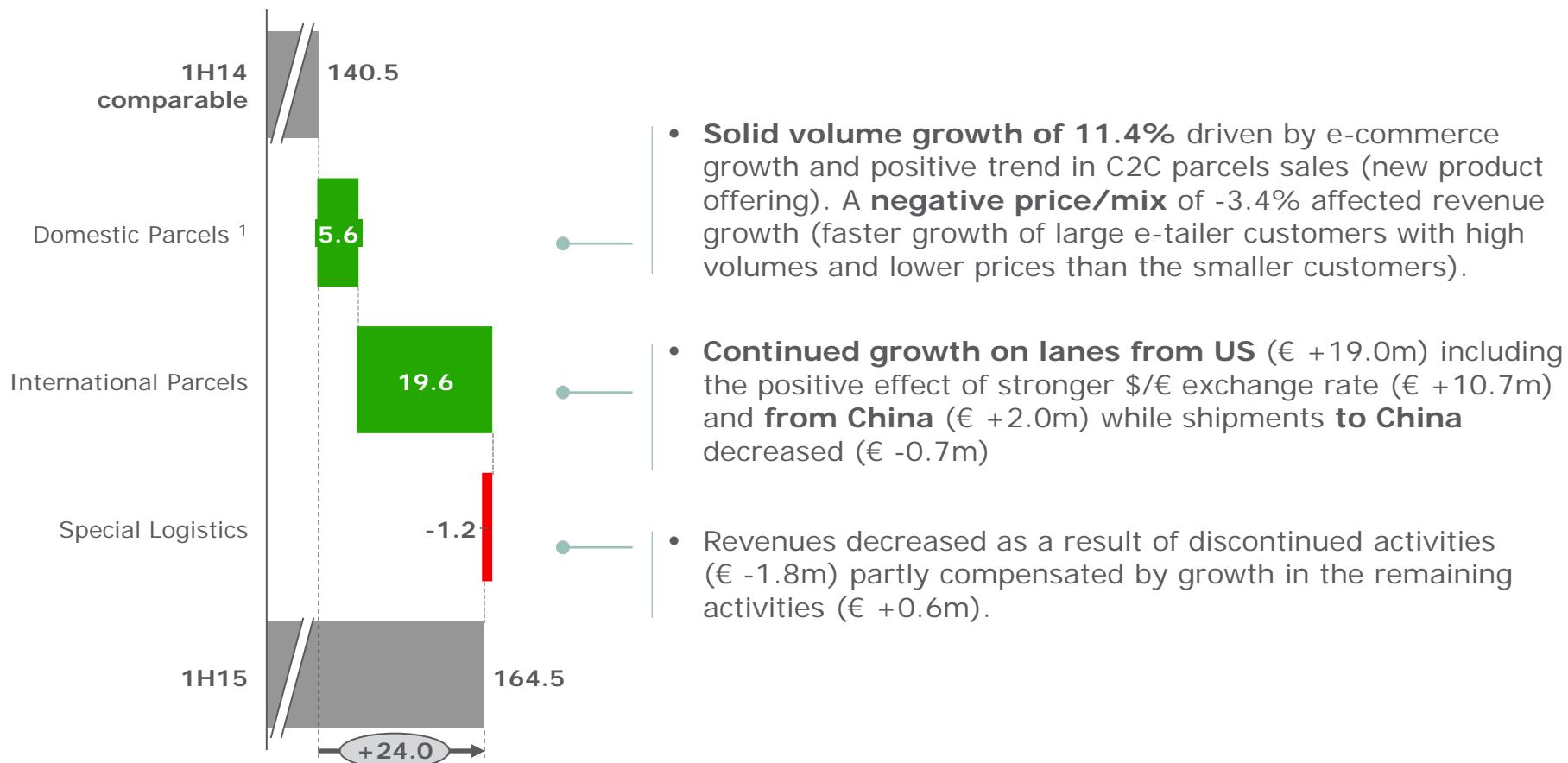
	Reported				Underlying <sup>1,2</sup>			
	FY14	1Q15	2Q15	1H15	FY14	1Q15	2Q15	1H15
Transactional mail	-4.7%	-5.0%	-5.8%	-5.4%	-5.0%	-5.3%	-5.3%	-5.3%
Advertising mail	-1.9%	-6.9%	-15.4%	-11.2%	-3.0%	-5.9%	-9.9%	-7.9%
Press	-2.8%	-3.1%	-4.0%	-3.5%	-2.8%	-3.1%	-4.0%	-3.5%
<b>Domestic Mail</b>	<b>-3.9%</b>	<b>-5.3%</b>	<b>-7.6%</b>	<b>-6.5%</b>	<b>-4.4%</b>	<b>-5.3%</b>	<b>-6.1%</b>	<b>-5.7%</b>

<sup>1</sup> In terms of working days for 2015, 1Q15, 2Q15 and 4Q15 will be equal to same quarters of 2014. In 3Q15 will have 1 business working day more.

<sup>2</sup> Corrected for Elections, Requalification of advertising mail to administrative mail

## Solid volume growth in domestic parcels and strong development in international parcels

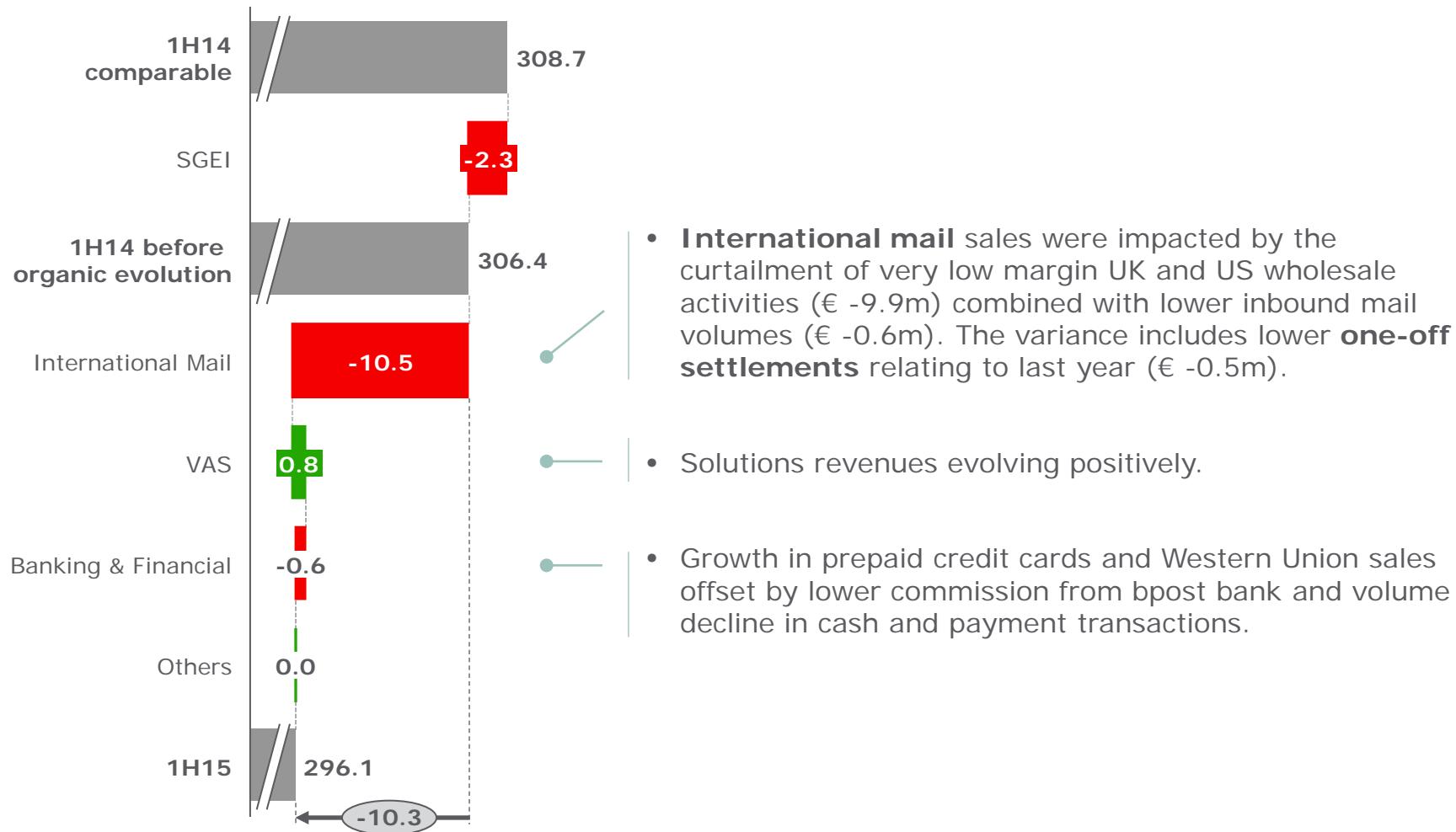
## Total operating income (revenues), € million



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

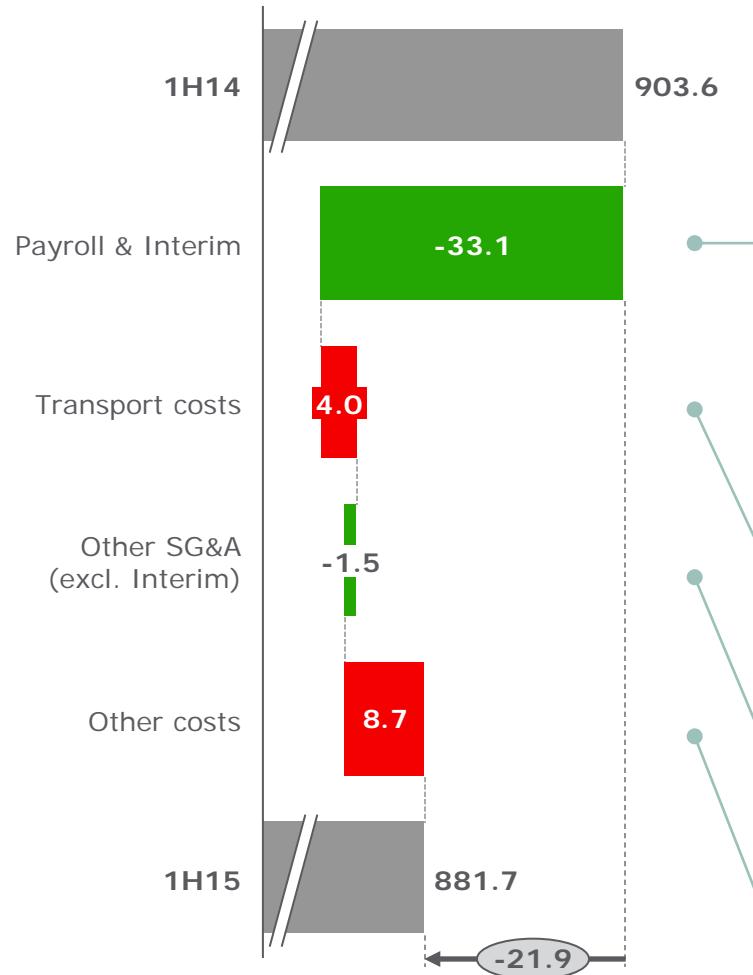
## Additional sources of revenue mainly affected by the curtailment of very low margin wholesale international mail activities

Total operating income (revenues), € million



## Cost savings thanks to payroll & interim in part offset by the increase in transport costs and other costs

Operating expenses excl. depreciation and amortization, € million



- **Total FTE reduction** of 755 FTE (€ -17.9m)
- **Positive mix** impact of € -6.0m mainly thanks to the recruitment of auxiliary postmen (€ -3.5m), reinforced by a smaller number of managers due to the Alpha project and the related hiring freeze.
- **Negative price effect** of € +0.3m.
- **Other effects** relating mainly to the holiday arrears (€ -1.3m), a one-off positive settlement of social charges (€ -5.7m) and a slight decrease of the costs of the employee benefits (€ -0.8m).
- **FX** (€ +12.0m), **terminal dues** (€ +2.6m) and growth in international parcels impacting transport costs negatively partially compensated by the curtailment of international mail.
- Decrease in rental costs, publicity costs, insurance costs, other goods, consultancy costs and energy delivery in part offset by the increase in other services and 3rd party costs.
- Increase in provisions (€ +6.0m) and other operating charges (e.g. lower increase of the recoverable VAT, the impact of the Gout earn-out) in part compensated by the decrease in bad debt and material costs.

## Operating free cash flow<sup>1</sup> of € 276.8m in 1H15

€ million

€ million	1H14	1H15	Delta
+ Cash flow from operating activities	+396.4	+303.2	-93.2
+ Cash flow from investing activities	-33.1	-26.4	+6.6
= <b>Operating free cash flow<sup>1</sup></b>	<b>+363.4</b>	<b>+276.8</b>	<b>-86.5</b>
+ Financing activities	-41.2	-44.4	-3.3
= <b>Net cash movement</b>	<b>+322.2</b>	<b>+232.4</b>	<b>-89.8</b>
<b>Capex</b>	<b>+30.1</b>	<b>+23.7</b>	<b>-6.4</b>
<ul style="list-style-type: none"> <li>Lower results from operating activities (€ -3.2m)</li> <li>Income taxes paid on 2013 results (€ -42.0m)</li> <li>Negative evolution of the working capital vs. 1H14 (€ -48.2m) influenced by terminal dues due to the earlier settlement LY with 2 postal operators (€ -24.8m), due to a change in the payment terms for social security charges for statutory personnel (€ -8.6m – phasing element), due to a lower SGEI compensation (€ -5.4m) and due to a negative phasing impact VAT (€ -4.1m)</li> </ul>			
<ul style="list-style-type: none"> <li>Paid earn outs in 1H15 (€ -10.9m) were partially counterbalanced by LY acquired subsidiaries (€ +8.7m)</li> <li>Lower capital expenditure (€ +6.4m) and higher proceeds from sale of buildings (€ +2.5m) in 1H15</li> </ul>			
<ul style="list-style-type: none"> <li>Higher dividends paid (€ -4.0m)</li> </ul>			

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

## Key contacts



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