

# PostNL results Q3 2019

## Mail in the Netherlands – continuing volume decline at Mail in the Netherlands partly offset by price increases and cost savings

Performance at Mail in the Netherlands was marked by volume decline, price increases and cost savings.

Addressed mail volumes declined by 10.6% in the quarter (YTD 9.9%). This decline was driven by substitution, particularly in single mail, but also by loss of volumes to competition around 3% this quarter, mainly to Sandd. After closing of the Sandd transaction, PostNL expects volume development to be more in line with the market decline.

Revenue fell 8% to €342 million (Q3 2018: €371 million) while underlying cash operating income improved by €1 million (Q3 2018: €(1) million). Cost savings, lower cash-out related to pensions and provisions and other factors more than compensated for the negative volume/price/mix effect and autonomous cost increases.

### €9 million in cost savings achieved in Q3 2019

PostNL achieved total cost savings of €9 million (YTD: €33 million). The cost savings plans include several initiatives, such as adjusting the sorting and delivery process, optimisation of the retail network, streamlining of staff and centralisation of locations.

### PostNL Other

Revenue at PostNL Other amounted to €19 million (Q3 2018: €17 million). Underlying cash operating income was €(2) million (Q3 2018: €(4) million).

### Pensions

Pension expense amounted to €30 million (Q3 2018: €32 million) and total cash contributions were €30 million (Q3 2018: €30 million). In Q3 2019, the net actuarial loss on pensions was €1 million. Interest rates declined again in the quarter, which resulted in higher pension liabilities, mainly related to transitional plans. Moreover, based on the current level of interest rates, an increase in pension expenses in 2020 is to be expected. The pension fund's 12 month average coverage ratio was 111.3%, well above the minimum required funding level of 104.0%. On 30 September 2019, the actual coverage ratio was 106.1%.

### Discontinued operations

Result from discontinued operations came in at €(7) million (Q3 2018: €(49) million) and is partly explained by a negative, though improving, business result at Postcon and Nexive. The sale of Postcon to Quantum Capital Partners completed at the end of October. The divestment process for Nexive is still in progress.

### Development of financial and equity position

Total equity attributable to equity holders of the parent company decreased to €(26) million as at 28 September 2019. The main drivers were net profit of €6 million, more than offset by the impact of the interim dividend pay-out over 2019. Net cash from operating and investing activities was €54 million (Q3 2018: €(42) million). This favourable development is mainly explained by lower capital expenditure, less interest paid and an improvement in working capital. The latter relates to better business performance, terminal dues, and also some phasing over the quarters. At the end of Q3 2019, the adjusted net debt position was €698 million, compared with €702 million at the end of HY 2019.

PostNL announced the successful offering of its first Green Bond in September. The company issued €300 million in fixed-rate notes with a term of seven years and a coupon of 0.625%, maturing in September 2026. The transaction highlights the company's commitment to being a sustainable e-commerce logistics provider. The net proceeds of the offering will be used to finance and/or refinance new and existing green projects.

### Outlook 2019

The e-commerce market is expected to continue its strong growth and will remain the main performance driver in Parcels. We are focusing on the growth potential of our business by improving the balance between volume, profitability and cash flow. We expect to enhance operational efficiency, partly offset by the impact from the tight labour and transport market. Taking into account the developments in 2019 so far, the outlook for Parcels has been adjusted to high single digit revenue growth at an expected FY margin of around 7%.

At Mail in the Netherlands we expect our addressed mail volumes to decline by 8% to 10% in 2019, partly offset by price increases, resulting in a high single digit decline in revenue. We expect cost savings to come in at the low end of the range of between €45 million and €65 million. Our margin guidance has been adjusted to  $\geq$  5%.