Posti Group 1â€“12/2020: Adjusted operating result improved significantly, driven by rapid and flexible scaling of operations

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Posti Group Corporation Financial Statements Bulletin 2020

October–December

Financial highlights

- Net sales grew by 16.0% to EUR 455.9 (392.9) million.
- Adjusted EBITDA was EUR 64.1 (34.0) million, or 14.1% (8.7%) of net sales.
- EBITDA increased to EUR 56.0 (32.8) million, or 12.3% (8.4%) of net sales.
- The adjusted operating result improved to EUR 33.5 (4.4) million, representing 7.3% (1.1%) of net sales.
- The operating result improved to EUR 25.4 (-2.8) million, representing 5.6% (-0.7%) of net sales.

January–December

Financial highlights

- Net sales grew by 3.1% to EUR 1,613.6 (1,564.6) million.
- Adjusted EBITDA was EUR 186.5 (152.3) million, or 11.6% (9.7%) of net sales.
- EBITDA increased to EUR 177.6 (140.6) million, or 11.0% (9.0%) of net sales.
- The adjusted operating result improved to EUR 66.1 (36.2) million, representing 4.1% (2.3%) of net sales.
- The operating result improved to EUR 55.0 (18.5) million, representing 3.4% (1.2%) of net sales.
- Net debt to adjusted EBITDA was 1.2x (1.1x).
- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 31.3 million, i.e. EUR 0.78 per share, will be distributed for the financial year 2020.

Operational highlights

- The global COVID-19 pandemic had a significant impact on Posti's operations in 2020. Posti's Parcel and eCommerce business group clearly benefitted from the boom of online shopping. At the same time, the rapid decline of mail volumes was further accelerated by the pandemic. Also Posti's logistics services were negatively impacted by the pandemic.
- The execution of Posti's transformation continued:
    - The number of addressed letters decreased by 16% (16%) in Finland.
        - The share of mail items covered by the universal

service obligation continued to decrease and accounted for only 3.4% (4.0%) of all Posti's mail items delivered.
- The total parcel volume in Finland and the Baltic countries increased by 27% (7%).
- The combined net sales of Parcel and eCommerce as well as logistics businesses represented already 57% (52%) of the Group's net sales.
- Posti's transformation continued when it acquired Aditro Logistics and KV Turva and divested Posti Kotipalvelut Oy as well as Posti Messaging AB in Sweden and Posti Messaging AS in Norway.
- Posti changed its operating model to accelerate the renewal of its business operations, improve customer experience as well as increase agility and productivity.
- Posti renewed its strategy. According to its strategy, Posti's strategic goal is to become a modern delivery and fulfillment company with progressive profitability. The core of Posti's growth is in parcels and contract logistics in Finland, Sweden and the Baltics, along the entire delivery and fulfillment value chain.

The figures in 10-12/2020 and 10-12/2019 as well as 1-12/2020 and 1-12/2019 are not fully comparable because the operations of Aditro Logistics have been included in Posti's financials as of April 2020, but they are not part of the financials of the comparable period in 2019.

Outlook for 2021

The COVID-19 situation continues to make the macro economic outlook difficult to predict. Because of these exceptional circumstances, Posti's full-year outlook includes a significant level of uncertainty.

Posti is replacing adjusted operating result with adjusted EBITDA as one of its long-term financial targets. Due to this change, Posti will also give a short-term outlook for the development of its adjusted EBITDA, in addition to net sales.

In 2021, Posti is expecting its net sales to remain at the previous year's level, excluding possible new acquisitions and divestments. The Group's adjusted EBITDA in 2021 is expected to decrease from the previous year. In 2020, Posti's net sales were EUR 1,613.6 million and adjusted EBITDA was EUR 186.5 million.

The Group's business is characterized by seasonality. Net sales and operating result in the segments are not accrued evenly over the year. In Postal Services and consumer parcels, the first and fourth quarters are typically strong, while the second and third quarters are weaker.

Key figures of Posti group

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Turkka Kuusisto, President and CEO

I am very pleased with our fourth quarter and full year 2020 result. In the fourth quarter, our net sales grew by 16% to EUR 456 (393) million and adjusted operating result improved to EUR 33.5 (4.4) million, representing 7.3% (1.1%) of net sales. I want to express my sincere thanks to every employee at Posti and our partners.

Our ambitious goal is to push our own emissions to zero by 2030. We are well on our way in reaching this goal. Last year, our own emissions already fell by 14%. The use of renewable fuels increased to 10% at the end of the year, and in total, we drove more than four million kilometers with electricity, renewable diesel, and gas. In 2020, we also committed to the Science Based Targets initiative and we are in process of submitting our targets to the SBTi for their approval.

During the last quarter, the strong customer demand of our Parcel and eCommerce services continued. The peak season starting from Black Friday and ending to Christmas was very strong for us. During this period, the Parcel and eCommerce business group broke all previous records and delivered approximately 7.7 million parcels. Overall, our parcel volumes in Finland and the Baltics grew by 47% in the fourth quarter. For our postal services, the peak season turned out to be even busier than expected. There were almost 18 million Christmas cards sent, an increase of almost 20% compared to last year. However, the overall volume of addressed letters decreased by 3% in the fourth quarter compared to the same period last year. So, despite the stronger than expected demand of season greetings, the rapid transformation of postal services continued. Regarding both the parcel and mail volumes, the comparability to the fourth quarter was influenced by the postal strike in the latter half of 2019.

Transval's net sales grew and the business group continued to work on its efficiency during the fourth quarter. The COVID-19 pandemic impacted the operations of Aditro Logistics and the company continued to focus on improving its efficiency, especially related to its new Arlanda site. Our Freight Services grew their net sales and their turnaround program continued to deliver a significant profitability improvement. Under difficult

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market circumstances and due to a strong comparison period, Itella Russia's profitability decreased in the fourth quarter.

The full year 2020 result was very strong for us, as well, thanks to the successful and flexible development of our operations, restructuring activities and cost efficiency measures. Especially the successful turnaround program in Freight Services, the fast and agile scaling of operations and the excellent performance of our Parcel and eCommerce business group were the main drivers behind this.

I want to sincerely thank our employees for their incredibly hard work and flexibility in making this happen. This was an excellent performance, especially considering the extremely high volumes during the peak season and the demanding COVID-19 circumstances. We rewarded our personnel for their outstanding work by paying some EUR 3 million in Spot bonuses, directed in particular to those employees working in our operations.

The health and safety of our employees is our key priority. We are happy to see that our work safety is developing favorably. In 2020, our LTA1 indicator (occupational accidents per million working hours) reduced to 37 (44) for the Finnish operations and 34 (39) for the whole Group. It was also a pleasure to notice that according to our surveys, Posti's employees feel the work they are doing for our customers and partners is meaningful and motivates them.

We continued to transform and streamline our business portfolio in 2020. In spring, we acquired Aditro Logistics, one of the leading contract logistics companies in the Nordics. In autumn, we divested Posti Kotipalvelut Oy and Posti Messaging Scandinavia companies. These transactions were in line with our strategy to continue our renewal and focus on our core businesses. The divestments and our strong 2020 result give us the possibility to invest in future growth. During the coming years, our plan is to invest EUR 100 million into growth and developing our eCommerce as well as delivery and fulfillment capabilities.

We are now at an inflection point. The last year showed the strength and future potential of our Parcel and eCommerce operations as well as logistics services. However, we must prepare for the possibility that the growth of online shopping will not continue at such a fast pace in 2021 than it did in 2020. It is imperative that we continue to improve our customer experience, develop the quality of our services and maintain a competitive and flexible cost structure. Our new operating model that was taken into use at the beginning of November 2020 will enable us to achieve these goals.

Today, we announced our revised group strategy. Tomorrow's Posti is a modern delivery and fulfillment company with

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progressive profitability. The core of our growth is in parcels and contract logistics in Finland, Sweden and the Baltics, along the entire delivery and fulfillment value chain. In a rapidly changing operating environment, a success requires industry-leading operational efficiency, ongoing reassessment of our business portfolio and integrated value chain that covers both logistics outsourcing and eCommerce.

The market transformation during the last decade has been drastic and it has challenged us in many ways. While building future growth, we need to manage the unavoidable changes to our organization and businesses in a controlled and responsible way. I am confident that our revised strategy brings us clarity, and by working together in a systematic and persistent way, we have all the prerequisites to succeed.

Board of Directors' proposal for the distribution of profit

In the financial statements, the parent company's distributable funds total EUR 314,440,729.67, of which the profit for the financial year 2020 is EUR 20,054,744.38.

No material changes have taken place in the Group's financial standing since the end of the financial period, nor does the solvency test, as referred to in Section 2 of Chapter 13 of the Limited Liability Companies Act, affect the proposed distributable profit.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 31.3 million, or a dividend of EUR 0.78 per share will be distributed for the financial year 2020.

Source: Posti

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