



PostNL provides update on its performance

21-10-2022

Since the publication of PostNL's Q2 2022 results on 8 August, the global macroeconomic environment has further deteriorated, impacting many industries. Inflation has increased, with The Netherlands reaching a record-high level of almost 15% in September, while consumer confidence has dropped to an all-time low. This is negatively impacting consumer spending and is expected to continue in the quarters to come.

Slower volume development at Parcels

These unprecedented circumstances are translating into slower volume development of the parcel market than had been earlier anticipated, while PostNL's market share remains stable. The expected return to volume growth in volumes at Parcels did not materialise in Q3 and PostNL expects volumes in Q4 2022 to be in line with 2021.

Nonetheless, Q4 will be the strongest quarter of the year and the main driver for full year performance. On peak days, twice as many parcels will be delivered than on an average day.

Rising costs

Ongoing inflationary pressure results in rising fuel, labour and other costs. In light of the current CLA negotiations, labour costs will increase more than earlier anticipated. Overall, costs are increasingly high relative to volumes. PostNL is adjusting its network capacity with volumes within the limits of a tight labour market. The necessary flexibility

for peak season will be maintained to safeguard customer and consumer service levels.

Mitigating actions

PostNL is taking all necessary initiatives to mitigate the impact from cost increases and a softer than anticipated volume development. The company is accelerating and intensifying its adaptive measures to improve efficiency and productivity. These include:

Active yield management and price adjustments

Reduction of indirect costs at Parcels

Consolidation of collection routes and routes between sorting locations

Adjusting investments (capex and leases) to align with volumes and strict working capital management

Tight control of overhead costs: limiting and postponing project costs and a prudent approach to filling staff vacancies

The benefits of these measures are lagging given the speed at which the operating



environment is changing, putting pressure on margins.

Preliminary Q3 results

As a result of the headwinds, Q3 performance, predominantly at Parcels, is below PostNL's expectations:

Revenue expected to come in at €709 million (Q3 2021: €729 million)

Normalised EBIT expected to come in at €(20)million (Q3 2021: €23 million, of which €5 million assumed to be related to Covid-19)

Free cash flow at €(49) million (Q3 2021: €10 million) reflecting the step-down in normalised EBIT and phasing in working capital

Parcels

Volumes were down 1.1% in Q3 2022.

Revenue is expected to come in at €506 million (Q3 2021: €505 million) with normalised EBIT at €(1) million (Q3 2021: €27 million).

Mail in the Netherlands

Volumes were down 9.3% in Q3 2022.

Revenue is expected to come in at €328 million (Q3 2021: €345 million) with normalised EBIT at €(1) million (Q3 2021: €12 million, of which €5 million assumed to be Covid-19 related).

Outlook FY 2022

As a consequence of the further deteriorating macroeconomic environment and prolonged uncertainty, it is no longer realistic to assume that the current FY 2022 outlook for normalised EBIT and free cash flow will materialise. PostNL is taking all necessary initiatives to safeguard its service level and the robustness of its financial position.

The Q3 2022 results will be published as scheduled on 7 November 2022.

Source: [PostNL](#)