International Post Corporation

Preliminary results: PostNL significantly outperforms earnings and cash flow guidance

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PostNL today released preliminary results, which were positively impacted by the lockdown in the Netherlands starting mid-December. As a result, operational performance accelerated further. PostNL has delivered a record level of 337 million parcels in 2020, of which around 25 million are estimated to be non-recurring and related to Covid-19. At the same time, Mail in the Netherlands realised an exceptional performance in the last weeks of the year as more greeting cards and single items were sent during the lockdown. Total revenue is expected to amount to around â‚¬3,250 million in 2020. FY 2020 normalised EBIT is expected to come in at around â‚¬240 million, strongly outperforming previous guidance, with a very strong free cash flow of around â‚¬185 million.

Herna Verhagen, CEO of PostNL, commented: "For society at large and PostNL, 2020 qualifies as an exceptional year in unprecedented circumstances. Thanks to the hard work of our people and the resilience of our business, we were able to play a vital role in society. At all times, we put health and safety for our people and consumers first. Our results were driven by a very strong business performance both at Parcels and at Mail in the Netherlands. These are exceptional results, which deserve an exceptional recognition. Following the strong Q4 results, we will increase the performance-related compensation to reward our people for all their efforts. We will also reward the people working for our sorting and delivery partners of Parcels in the Netherlands with an extra payment. Our improved and strong financial position also allows us to re-instate dividend for 2020, as previously announced."

Strong operational performance boosted in last weeks of 2020

At Parcels, volume growth in Q4 2020 amounted to 29.6% (FY 2020: 19.2%). PostNL delivered 337 million parcels in 2020, of which around 25 million parcels are estimated to be non-recurring as they are related to Covid-19. The favourable price/mix developments continued in the fourth quarter are coupled with positive impacts from yield measures. Its flexible infrastructure, combined with more equally spread flow, shows the robustness of the business model in this exceptional situation. Good performance at both Spring and Logistics continued. Normalised EBIT for Q4 2020 is expected to amount to €75 million, up €35 million compared with Q4

2019 (FY 2020: €209 million, of which around €40 million qualifies as exceptional driven by Covid-19).

At Mail in the Netherlands, volume decline in Q4 was 0.2% (FY 2020: 9.6%). Normal substitution was almost fully offset by a recovery in direct mail and more greeting cards. The latter resulted in a more favourable price/mix development that is not expected to recur. The consolidation of Sandd contributed positively to the result. As no further integration costs occurred in Q4 2020, the effect of synergies is now fully visible. Normalised EBIT for Q4 2020 is expected to come in at around €82 million, up €67 million compared with Q4 2019 (FY 2020: €96 million, of which around €15 million is qualified as exceptional driven by Covid-19).

Strong development of free cash flow in 2020 and improved financial position
Free cash flow amounted to around €185 million in 2020. This was supported by the extraordinary business performance and by strict capital allocation actions, such as the pension agreement, strict working capital management, the sale-and-lease back transaction and further de-risking of PostNL's portfolio through the divestures of Nexive, PCS, Spotta and Adeptiv. Excluding the payment on transitional pension obligations (€200 million) as well as the proceeds of the sale-and-lease back transaction (€146 million), free cash flow would be around €240 million.

The improved financial position allows PostNL to re-instate dividend for 2020, to be proposed to shareholders at the AGM 2021. The basis for dividend, i.e. normalised comprehensive income, is expected to come in at around €195 million for 2020.

Into 2021
Due to the continued unprecedented circumstances, visibility going forward remains limited. While the lockdown continues into the beginning of 2021, leading to ongoing strong parcel volumes but also additional costs, among others to keep retail points open. PostNL assumes that the impact of Covid-19 will gradually fade out in 2021. Based on the preliminary results for 2020 and current assumptions, PostNL expects:

Normalised EBIT for 2021 to be higher than normalised EBIT 2020 corrected for the exceptional Covid-19 impact of around €55 million
improvement of business performance, mainly at Parcels
higher pension expenses (around €20 million non-cash, mainly explained by a lower discount rate) and start-up costs of new facilities (around €10 million)
Free cash flow is expected to increase further
Normalised comprehensive income to be comparable to the level of 2020
PostNL will continue to invest in its network to be able to accommodate future e-commerce growth. In addition, PostNL will accelerate the

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digitalisation of its activities.

Publication Q4/FY 2020 results and outlook 2021
More details of the Digital Next program will be presented on 1 March 2021. On that date, PostNL will publish its Q4/FY 2020 results with an outlook for 2021, including the financial implications of Digital Next. All figures mentioned in this press release are unaudited.

This press release contains inside information within the meaning of article 7(1) of the EU Market Abuse Regulation.

Source: PostNL

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