International Post Corporation

Posti Group 1-9/2022: Net sales increased across all segments. Group profitability in third quarter improved from last year.

27-10-2022

The potentially continuing inflation and the increase in interest rates may impact consumer demand. The changes in consumer behavior affect Posti's business and could impact actual results.

Operational highlights in Q3

Despite the very challenging operating environment net sales grew across all segments. Growth was organic but supported by acquisitions and price increases. Also, the Group's profitability increased.
eCommerce and Delivery Services profitability increased significantly, albeit total parcel volumes decreased by 6% (increased by 13%) in Finland and the Baltic countries.
Fulfillment and Logistics Services net sales increased by 10.3% and were mainly driven by the acquisition of Veddestagruppen.
The combined external net sales of eCommerce and Delivery Services, and Fulfillment and Logistics Services represented 64.6% (64.2%) of the Group's net sales.
The addressed letters volume in general continued to decrease. However, Posti's addressed mail volumes increased exceptionally by 5% (decreased 8%) due to new volumes from the acquired Keskisuomalainen Oyj early-morning delivery operations.
The share of mail items covered by the universal service obligation accounted for 2.3% (2.0%) of all Posti's mail items delivered.
Posti decided on a new green technology vehicle 2030 roadmap, which includes a plan over two thousand new electric, biogas, and hydrogen vehicles. New vehicles will be gradually replacing the current fleet during the next eight years.

Changes in reporting

On January 1, 2022, Posti changed its segment reporting to align with the company strategy, organizational structure, and to improve visibility on performance and results. Posti now has three reportable segments: eCommerce and Delivery Services, Fulfillment and Logistics Services, and Postal Services. Comparison period 2021 has been restated accordingly.

Turkka Kuusisto, President and CEO

I am delighted that our growth continued in January-September: our net sales grew by 4.1% to EUR 1,198.0 (1,150.8) million. Despite the very challenging operating environment, net sales increased across all business groups. In the third quarter solid work paid off as our group net sales grew by 5.6% to EUR 395.6 (374.8) million resulting in improved profitability. Third quarter group adjusted EBITDA increased to EUR 44.3 (42.6) million.

Our adjusted EBITDA decreased to EUR 120.3 (131.3) million in January-September but increased in the third quarter. eCommerce and Delivery Services improved its profitability significantly during the quarter, which impacted the Group's profitability positively. The increase can be attributed to improved net sales as well as cost and operational efficiency.

Our business groups reported strong results in the third quarter. eCommerce and Delivery Services net sales and profitability increased, which was a great achievement, especially when considering the consumers' weakened confidence in economy, impacting parcel volumes negatively. Also, Fulfillment and Logistics Services net sales and profitability increased, driven by Veddestagruppen. Postal Services net sales increased with the help of Mediatalo Keskisuomalainen Oyj early-morning delivery operations acquisition, whereas profitability declined. In general, the addressed mail volumes continued to decrease, but the share of addressed mail in Mediatalo Keskisuomalainen Oyj early-morning delivery operations exceptionally increased our mail volumes in the third quarter.

The energy crisis and the increasing costs of living have lowered consumers' confidence in the economy. We have worked tirelessly to mitigate the effect of these factors on our operations, and we have succeeded very well. The preventive measures taken early in the year are now paying off, making this a very good quarter result and a true victory.

E-commerce continues to grow after the COVID-19 pandemic. Posti's Grand eCom Survey 2022 published in August shows that 44% of online stores get 70% of their revenue online. These results support our strategy to seek growth from eCommerce. Also, nearly 40% of buyers consider sustainability when selecting a delivery option. It was fantastic to see that Posti got most mentions in this area, and that our sustainability efforts have been recognized by our customers.

I am very excited about the new green technology vehicle 2030 roadmap, that we announced today. The new roadmap includes a plan for over two thousand new electric, biogas, and hydrogen vehicles to gradually replace the current fleet in the next eight years. We already have about 200 electric vans and our fleet of 29 biogas trucks by the end of this year will be the largest fleet in Finland. This is a big and concrete step

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towards reaching our goal to transport fossil free by 2030. And as we have communicated earlier, the Science Based Targets initiative (SBTi), a global body enabling businesses to set ambitious emissions reduction targets in line with the latest climate science, approved Posti's science-based net zero target in May. We are proud to have achieved this as the first Finnish company and as the first company in our industry globally.

We are now approaching the busiest and also most rewarding season of Posti's year. We are committed to making this year's peak season a success and I want to thank every Christmas maker already now for making this happen.

Source: Posti

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