

bpost to become an international e-commerce logistics player

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As the environment and customer needs are changing rapidly, bpost's traditional business in Belgium is under pressure with mail volume decline accelerating (up to -7% expected in 2018). Therefore bpost has to capture the growth of parcels (double digit volume growth expected in 2018) and logistic activities related to e-commerce in the Belgium-Netherlands (Be-Ne) region, Europe, North America, and Asia. bpost's Capital Markets Day is an opportunity to update the markets on its long-term trajectory that should allow management to deliver earnings and be in a position to sustain dividends.

"Our 2022 vision is to be, beyond mail, an efficient global e-commerce logistics player anchored in Belgium", explains Koen Van Gerven, Group CEO. "Our transformation will thus continue in order to adapt to evolving customer needs in our fast-paced environment and extended Be-Ne home region, and to ensure a sustainable future for our company."

bpost will focus on three strategic priorities to succeed:

1. Remain an efficient provider of mail, retail and public services

bpost is committed to providing a reliable universal postal service for all customers while safeguarding sustainable cash flow from this activity. "Expected mail volume decline is progressing towards -9% by 2022. This decrease will be increasingly balanced by price revisions and additional productivity improvements resulting from our cost savings options", states Kurt Pierloot, CEO Mail & Retail. Among other initiatives, bpost will propose a differentiated mail product offering to accommodate changing customer needs. The successful renegotiation of the management contract and press concessions, due at the end 2020, will be key to allow the continued efficient provision of these services.

2. Grow profitably in Parcels & Logistics business in Europe and Asia

"bpost's vision is to continue to capture parcel growth in its extended Be-Ne home region for last mile parcel delivery", summarizes Luc Cloet, CEO Parcels & Logistics Europe and Asia. bpost has embarked on a series of initiatives including: an integrated Be-Ne parcel offering, raising

its DHL partnership to a new level, a differentiated pricing policy, and partnerships with key e-tailers. These activities will be supported by a continuously optimized parcels operating model with increased sorting capacity and dedicated infrastructure, while leveraging cost synergies with mail rounds. bpost aims to selectively expand into e-commerce logistics solutions in Europe to capture profitable volume growth (+10% per year) by building on its Be-Ne position and Radial's know-how.

3. Deliver on the Radial investment thesis in North America

“bpost has defined its roadmap to turn Radial into a leading player in the promising US e-commerce logistics segment in order to reach an EBITDA contribution of \$100m-120m by 2022”, declares Pierre Winand, CEO Parcels & Logistics North America. The main focus areas to restore top line growth are making the client the center of attention, reducing customer churn, increasing new business and cross-sales. Additionally this ambition will be supported by productivity improvement programs as well as identified cost saving opportunities in support functions.

These strategic priorities translate into revised medium-term financial objectives for bpost Group on an organic basis. Key elements include:

Normalized EBIT 2018: Guidance of low end of €560-600m normalized EBITDA equivalent to normalized EBIT of €400-440m.

Normalized EBIT 2019-2022: Ambition to achieve organic normalized EBIT in the

range of €390m to €440m, with 2019 expected to be the low end of the range, based on:

Mail volume decline progressively reaching -9% by 2022, partly compensated by higher price/mix effect (c. 50% of the volume decline) and productivity improvements from cost savings options

Be-Ne parcels double digit volume growth partly offset by price mix ranging from -3% to -6%

~10% organic revenue growth in European e-commerce logistics

Radial annual revenue growth of +7-9% between 2019 and 2022, and an EBITDA contribution in the range of \$ 100m-120m by 2022.

Management is committed to delivering earnings to be in a position to sustain the dividend. The payout policy is unchanged with at least 85% pay-out of BGAAP net profit.

On 20th of June 2018, Standard & Poor's has publicly assigned to bpost a long term and short-term issuer credit rating at A and A-1 respectively. This credit opinion reflects the expectations that bpost's vision and strategy will generate a solid financial profile. This strong credit opinion will should allow bpost to refinance, in the best conditions, Radial's acquisition on the Debt Capital Markets with a-bond issuance as currently contemplated.

“bpost can rely on a strong track record of successful transformation experience. Furthermore, operational excellence is embedded throughout our company and has been developed over more than a decade with all stakeholders”, concludes Koen Van Gerven. “I am confident and delighted that we will successfully conduct the next phase

of our transformation as we have a strong management team with well-defined agenda in each business yet to successfully conduct the next phase of our transformation and a

clear and, shared 2022 vision for our Group”.

Source: [bpost](#)

