International Post Corporation

Posti Group 1â€“6/2021: Profitability development continued positively â€“ full-year guidance improved

11-08-2021

Posti Group Corporation Half-year financial report Januaryâ€“June 2021

Unless otherwise stated, the figures in brackets refer to the corresponding period in the previous year.

April–June

Financial highlights

Net sales grew by 3.1% to EUR 404.3 (392.3) million.

Adjusted EBITDA increased to EUR 46.4 (34.5) million, or 11.5% (8.8%) of net sales.

EBITDA increased to EUR 45.2 (34.2) million, or 11.2% (8.7%) of net sales.

Adjusted operating result improved to EUR 14.7 (3.1) million, representing 3.6% (0.8%) of net sales.

Operating result improved to EUR 13.6 (0.6) million, representing 3.4% (0.2%) of net sales.

January–June

Financial highlights

Net sales grew by 3.1% to EUR 800.7 (776.5) million.

Adjusted EBITDA increased to EUR 92.3 (75.2) million, or 11.5% (9.7%) of net sales.

EBITDA increased to EUR 91.0 (74.4) million, or 11.4% (9.6%) of net sales.

Adjusted operating result improved to EUR 29.7 (15.6) million, representing 3.7% (2.0%) of net sales.

Operating result improved to EUR 28.4 (12.5) million, representing 3.5% (1.6%) of net sales.

Net debt to adjusted EBITDA was 1.2x (2.0x).

Operational highlights

Total parcel volume in Finland and the Baltic countries increased by 16% (19%), supported by the increase of online shopping.

Combined external net sales of Parcel and eCommerce as well as logistics businesses represented already 60% (55%) of the Group's net sales.

Net sales increase together with the improvements of operational efficiency positively impacted Posti's profitability.

Number of addressed letters continued to decrease and decreased by 9% (20%) in Finland.

The share of mail items covered by the universal service obligation remained at a low level and accounted for only 2.7% (2.7%) of all Posti's mail items delivered.

Updated outlook for 2021

Posti is adjusting its outlook for 2021. The net sales is expected to increase (vs. previously

communicated remain on same level). The adjusted EBITDA is expected to remain at the previous year's level (vs. previously communicated decrease from the previous year). The new outlook states:

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

The COVID-19 situation and the following economic recovery continues to make the macro-economic outlook difficult to predict and causes some uncertainty to Posti's full-year outlook.

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. The postal service volume decline is expected to continue.

Key figures of Posti Group

posti 1

Posti 2

Turkka Kuusisto, President and CEO
The first half of 2021 demonstrates that we are on the right path with our revised strategy, and I am pleased with our result. Our net sales grew to EUR 800.7 million, and the share of parcel and logistics services increased to 60% of our net sales. The second

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quarter of 2021 was especially favorable for our logistics businesses: the net sales of all Aditro Logistics, Transval, and Freight Services grew, the latter by 17.5%. Our adjusted EBITDA grew to 11.5% (9.7%) of net sales in the first half of 2021.

After a year of unexpected and significant changes in demand, the highest volume peaks seem to be smoothing down. However, the trend is still clear: parcel and logistics volumes continue to rise while demand for postal services keeps declining.

The continuing growth of online shopping and the increasing competition require us to continuously improve our customer experience. We want to offer services to consumers that make their everyday lives easier. When developing smoother eCommerce experiences, one of our key focus areas is to strengthen our parcel locker network – both in Finland and in the Baltics. A new solution for this is our outdoor parcel lockers developed in cooperation with Finnish technology partners for the North's demanding weather conditions. With the continuously growing eCommerce trend, Posti will grow its locker network to more than 200,000 individual locker doors in the next few years, and a significant share of the new lockers will be located outdoors.

With increasing freight volumes and kilometers driven, it is now even more important that we focus on sustainability in all our operations. We use route optimization, we have Finland's largest biogas truck fleet, and our e-fleet grows steadily, to name few of our actions to reduce emissions.

Our responsibility is not only towards the environment, but also towards people. The volume of addressed letters has declined since 2000 with an ever-accelerating rate. As a result of this, the amount of work in Postal Services is decreasing. At the same time, many new positions are opening in the Group thanks to the growth of our other services. In May, we announced that we will set up a Group-wide change service together with employee representatives to respond to the challenges brought about by the change. The unit will offer centralized services to those working in production in Finland. The goal of these services is to build career paths for staff with a long-term view, increase the offering of jobs to employees within the Group and find full-time jobs for part-time staff. We are investing approximately EUR 10 million in the new unit's operations in the coming years.

However, we cannot manage the effects of postal volume decline alone. Responsible and controlled management of the unavoidable change also requires updating postal regulation. Updates are imperative to meet the customer needs of an evolving market. We welcome the proposals by the Ministry of Transport and Communications on renewing the Postal Act and introducing a fixed-term State aid for newspaper delivery. These

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measures are crucial, and not the least in securing delivery in the whole country. Furthermore, the need for the reform is urgent. The updates should come into effect in 2022 at the latest.

The first half of 2021 started to show signs of the world taking steps towards a new normal. However, there are still uncertainties related to the situation and as seen situation can change quickly. I am looking forward to the work-filled autumn as we are preparing for the high season at the end of the year.

Source: Posti

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