

Strong e-commerce growth continues, accelerated impact earlier ACM measures

07-08-2017

Herna Verhagen, CEO of PostNL: “Our Q2 results are in line with last year. In Mail in the Netherlands, the faster than anticipated impact of earlier Authority Consumer and Market (ACM) measures have compounded the downward pressure on results, as we see other postal operators collecting more mail items, supported by these measures. This effect will also impact our FY 2017 results to a greater degree than expected. We continued to be able to implement our planned cost savings measures. Performance in Parcels was strong, with volumes continuing to grow in line with the e-commerce trend. The result in International continued to show improvement versus the comparable period last year. However, the progress in the performance improvement is slightly lagging our expectations.

Financial highlights Q2 2017

- Revenue increased to €836 million (Q2 2016: €824 million)
- % Revenue related to e-commerce YTD increased to 36% (YTD 2016: 32%)
- Underlying cash operating income stable at €46 million (Q2 2016: €47 million)
- Normalised profit for the period at €29 million (Q2 2016: €21 million)
- Normalised net cash from operating and investing activities at €(68) million (Q2 2016: €25 million), due to acquisitions and capex
- Consolidated equity position improved to €(17) million (Q1 2017: €(32) million)
- Interim dividend set at €0.06 per share

Operational highlights Q2 2017

- Addressed mail volume declined by 8.8% (adjusted for working days: 8.0%)
- €16 million cost savings realised

- Parcels volumes increased by 17%, evidencing our accelerating transformation

Regulation

- Financial impact earlier ACM measures - supporting other postal operators - more front-end loaded than anticipated
- Decision significant market power (SMP): expected financial impact still between €30 million and €50 million, more towards upper part of range, fully visible in 2019; subject to final implementation of SMP decision

Outlook 2017 and Ambition 2020

- Full year underlying cash operating income of between €220 million and €260 million
- Considering faster than anticipated impact from earlier ACM measures and developments in International, we expect to end towards lower end of guidance range

- Ambition for underlying cash operating income in 2020 unchanged at between €310 million and €380 million
- Expectations and ambitions are subject to final implementation of SMP decision
- Aim for progressive dividend

CEO statement

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In the first half of 2017, already some 36% of our revenues are deriving from the growth trend of e-commerce, compared to 32% for the comparable period last year. As we continue to make progress and invest in this area as part of our accelerating transformation strategy, we estimate that by 2020 around 45% of our revenue will be e-commerce related.

Recently, ACM published its decision on significant market power (SMP), effective 1 August 2017. ACM requires PostNL to grant

postal operators in the 24-hours bulk mail segment access to its network and stipulates the requirements for network access, tariffs and transparency. By 1 November 2017, PostNL must publish its proposed tariffs and related conditions for postal operators using its network, which tariffs will be subject to ACM approval. Subject to the final implementation of the SMP decision, we still expect the financial impact for PostNL to be between €30 million and €50 million on an annual basis, more towards the upper part of the range. The full effect is expected to be visible in FY 2019.

The recent analysis of the future of the Dutch postal market of the Ministry of Economic Affairs rightly demonstrates that the postal market has changed fundamentally. The SMP decision is therefore based on legislation which is not aligned with the realities of today's postal market in decline. Ultimately, we expect this decision to harm the sustainability of the Dutch postal network and result in competition at the expense of labour conditions. Action from politicians and the new minister is required to prevent this.

Given the faster than anticipated development of the impact of earlier ACM measures and the developments in International in the first half year, we expect to report full year underlying cash operating income towards the lower end of our previously stated outlook range of €220 million - €260 million. For 2020, our ambition for underlying cash operating income is between €310 million - €380 million, which is underpinned by the progress we are making with our accelerating transformation. As also indicated above, these expectations and ambitions are subject to the final

implementation of the SMP decision.

Despite the headwinds we are facing from regulatory measures, we aim to pay progressive dividend. This is supported by the progress we are making in implementing

our strategy and the positive development of our consolidated equity. In line with our dividend policy, we announce an interim 2017 dividend of €0.06 per share.”

Source: [PostNL](#)

