International Post Corporation

bpost first quarter 2021 results

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Strong start to the year driven by continued growth in Parcels & Logistics and lower than expected impact of mail volume decline

First quarter 2021 highlights

- Group operating income at EUR 1,019.9m, +9.1% compared to last year's pre COVID-19 first quarter, driven by Parcels BeNe and E-commerce logistics growth in both Parcels & Logistics Europe & Asia and North America.
- Group adjusted EBIT at EUR 115.5m (margin of 11.3%), up EUR 39.9m compared to prior year. Group reported EBIT at EUR 112.3m.
- Mail & Retail
  - Total operating income at EUR 506.8m (+1.4%) driven by higher volume driven intersegment income related to parcels volumes, partially compensated by lower revenues in Retail and lower than expected impact of mail volume decline supported by a positive price/mix impact.
  - Underlying mail volume decline at -7.8%.
  - Adjusted EBIT at EUR 70.6m (13.9% margin), up by +8.4%. Reported EBIT at EUR 70.2m.
- Parcels & Logistics Europe & Asia
  - Total operating income at EUR 287.8m (+34.8%) mainly driven by thriving e-commerce both domestically (Parcels BeNe +39.2%) and abroad (Cross-border +43.1%).
  - Operating income Parcels B2X increased by +51.0% driven by organic Parcels B2X volumes at +54.1% from continued momentum in e-commerce development.
  - Adjusted EBIT at EUR 37.3m (13.0% margin), up EUR 20.4m (+121.2%). Reported EBIT at EUR 36.6m. More than doubling EBIT, with margin improvement driven by elevated proportion of parcels volume handled through the integrated network.
- Parcels & Logistics North America
  - Total operating income at EUR 282.1m (+7.9%, +17.4% at constant exchange rate), driven by continued strong growth at Radial from existing customers and new business signed in 2020.
  - Adjusted EBIT at EUR 8.2m (2.9% margin), up EUR 15.7m. Reported EBIT at EUR 6.2m. EBIT improvement driven by growth in operating income and operating leverage at Radial.
- COVID-19: Effective as of March 27, the Belgian government imposed a national

lockdown (including the closure of non-essential stores, available by appointment only) to attempt to curb a spike in coronavirus cases. Stores reopened on April 26.
- Outlook for 2021 is revised upwards. In light of the strong first quarter results, and based on current assumptions of normalization for COVID-19 volumes for the rest of the year, bpost now expects the group adjusted EBIT to be above EUR 310m.

CEO quote
Dirk Tirez, Chief Executive Officer a.i. of bpost group:
"Our 36,000 employees can be proud of the group's achievements in this first quarter as bpost continues to progress at pace on its transformation journey as a sustainable postal and omni-commerce logistic company. A resilient mail market combined with a strong e-commerce activity during this first quarter allows bpost to deliver results above expectations with strong improvements compared to last year's pre-pandemic Q1. This puts the group in a position to upgrade its full year guidance which is to deliver "above EUR 310m" EBIT.

The management team focuses on clear priorities to enable high transformation momentum and deliver results. At the shareholder's meeting on May 12, the Board governance will be strengthened."

Management priorities

Preparation of the end of year (EOY) peak

Adopt measures to improve margin and capacity against last year's EOY peak performance, for instance increasing parcel capacity of the mail delivery network, combined with budgeted investments in additional capacity, all as included in our updated guidance.

Focus on cost reduction and operational efficiency in mail and retail Belgium

Given the mail volume decline, prepare structural initiatives, including the alternating distribution model and the new operating model. The alternating distribution model or ADM offers the opportunity to generate structural cost savings by better adapting our delivery model to actual client expectations. Capturing those gains will be done gradually and in the context of a constructive social dialogue leveraging the distribution office re-organization process.

The alternating distribution model will gradually evolve into a new and dynamic distribution model operational in the medium term. This model will recognize the different delivery and experience requirements of our products similarly to what has already been done in other regions. The base assumption is that we will design a model that responds more to customer needs for non-priority products, next to a very dynamic parcel delivery network that may include specific

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mail products.

Reduce overhead and headquarters costs

In the medium term, reduce overhead and HQ costs in line with the industry benchmark. It will be done through finding structural saving opportunities and embedding within our overhead functions a “lean philosophy” for simplification and elimination of waste.

Grow e-commerce logistics on both sides of the Atlantic

Through Radial Europe and Active Ants, further expand e-commerce logistics in Europe through a dedicated scale-up effort. Progress Radial US with a continued focus on operations efficiency to further improve the bottom line and also to grow the business.

Conduct active portfolio management and allocate capital to booming e-commerce business

The active portfolio management strategy is designed to divest non-core assets or non-performing assets, so as to allocate capital to the fast growing e-commerce logistics market and to invest further in the opportunity of e-commerce logistics. There is a continued evaluation to divest subsidiaries whose activities are not aligned with bpost vision in order to generate additional financial flexibility within bpost and invest in activities aligned with bpost’s ambition in omni-commerce logistics.

Outlook for 2021

In light of the quarterly results, and based on current assumptions of normalization for COVID-19 volumes for the rest of the year, bpost raises its outlook for the current year 2021.

The group total operating income for 2021 is expected to increase by a low- to mid-single-digit percentage compared to 2020, while group adjusted EBIT is now expected to be above EUR 310m.

For Mail & Retail and Parcels & Logistics Europe & Asia, the outlook is revised as follows:

Mail & Retail:

- Total operating income evolution to result from an underlying Domestic Mail volume decline expected up to -8%, an approved mail pricing of +6.0%, and an expected post COVID-19 recovery in Value added services.
- 7-9% adjusted EBIT margin.

Parcels & Logistics Europe & Asia:

- High-single-digit percentage growth in total operating income with parcels and e-commerce logistics volumes expected to normalize from elevated COVID-19 levels observed in 2020.
- Operating expenses will include investments to grow omni-commerce

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logistics in Europe.
- 9-11% adjusted EBIT margin.

For Parcels & Logistics North America, the outlook remains unchanged:

- Mid- to high-single-digit percentage growth in total operating income driven by Radial existing customers growth and new clients launches, normalized for 2020 COVID-19 spike.
- 4-5% adjusted EBIT margin.

Gross capex is still expected to be around EUR 200-220m, geared towards the strategy to grow omni-commerce logistics.

The dividend relative to the results of the year 2021 will be in the range of 30-50% of IFRS net profit, and will be payable in May 2022 after the General Shareholders' Meeting, in accordance with the new dividend policy.

Source: bpost

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