

Posti Group's net sales in Q1 2017 grew by 7% mainly driven by acquisitions - operating result improved

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The Group's net sales increased by 7.2% to EUR 413.8 (386.1) million. The Group's adjusted EBITDA improved and was EUR 35.5 (29.8) million, 8.6% (7.7%). The Group's EBITDA improved to EUR 30.0 (21.2) million, 7.3% (5.5%). The adjusted operating result increased to EUR 15.5 (10.8) million, or 3.8% (2.8%) of net sales. The operating result improved and amounted to EUR 10.0 (0.6) million, or 2.4% (0.1%) of net sales.

Posti Group Corporation Interim Report Q1/2017

Financial highlights

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Operational highlights

Measured in waybills, Posti's domestic freight grew by 11%. Parcel volumes in Finland and in the Baltic countries grew by 8%. The number of addressed letters decreased in Finland by 8%.

On January 10, 2017, Posti acquired HR Hoiva Oy (currently Posti Kotipalvelut Oy), which produces home care and personal

assistance services for municipalities, joint municipal authorities and private customers.

Posti started building a freight terminal of approximately 26,000 m² on Suokalliontie in Vantaa. The construction of the terminal is a response to the growth of the freight business.

Mail items covered by the universal service obligation accounted for 4.5% (5.6%) of all of Posti's mail items.

The number of working days was 64 (61).

In line with the Board of Directors' proposal, the Annual General Meeting decided on March 27, 2017 that a dividend of 69% of the Group's adjusted net profit, EUR 25 million be distributed. In addition to that, the Annual General Meeting decided in line with the Board of Directors' proposal that an extra dividend of EUR 35 million be distributed. Dividend distribution is altogether EUR 60 million. Markku Pohjola, M.Sc. (Econ. & Bus. Adm.) was elected as the new Chairman of the Board of Directors and Eero Hautaniemi as the new Member of the Board of Directors.

Outlook

Net sales in euros for the year are further expected to increase compared to the previous year. The Group's adjusted operating result is further expected to remain on par with the previous year. The operating result for 2017 will include significant special items.

Figures in brackets refer to the comparison period, i.e. the same period last year, unless otherwise stated.

Key figures of Posti Group

	1-3/2017	1-3/2016	1-12/2016
Net sales, EUR million	413.8	386.1	1,607.6
Adjusted EBITDA, EUR million	35.5	29.8	126.7
Adjusted EBITDA, %	8.6	7.7	7.9
EBITDA, EUR million	30.0	21.2	116.0
EBITDA, %	7.3	5.5	7.2
Adjusted operating result, EUR million	15.5	10.8	47.1
Adjusted operating result, %	3.8	2.8	2.9
Operating result, EUR million	10.0	0.6	30.7
Operating result, %	2.4	0.1	1.9
Result before taxes, EUR million	9.7	-0.6	29.5
Result for the period, EUR million	5.9	0.1	23.2
Cash flow from operating activities	3.5	29.1	63.1
Return on equity (12 months), %	5.1	3.9	3.9
Return on invested capital (12 months), %	6.4	4.3	5.1
Equity ratio, %	50.1	45.4	54.9

Heikki Malinen, President and CEO

"The ongoing trend of digitization in the business environment remains strong and reflects directly on Posti, with the Group undergoing a multi-year structural transformation as communication shifts from paper to digital. However, the digitization is not only a threat, as it also offers Posti new business opportunities. Posti continues to build new cornerstones for its business in growing markets according to its strategy: the areas of future growth are in parcel and logistics services. The decline in mail volumes continued strongly and was 8%.

Net sales increased by 7.2% in the first quarter of the year. While letter product volumes continued to fall, the volumes of logistics and freight products showed favorable development in line with the improving economic climate. Logistics Services grew by 34.4% and Parcel Services by 4.2%. Net sales was impacted by currency rates and the larger amount of working days in the period. Furthermore, a significant proportion of the year-on-year growth is related to the Group's expansion through acquisitions. Digitization and the market entry of new players have had a substantial effect on the volumes of basic products, but targeted pricing changes have mitigated the financial impacts of declining mail volumes. Posti has also developed new and prominent service concepts in the area of home services, but their share of net sales remains low for the time being. Parcel point

concepts have been developed further.

Posti's adjusted EBITDA in the first quarter was 8.6% (7.7%). The higher profitability was particularly attributable to the improved results in logistics and Russian operations. The year-on-year improvement in the result was partly due to Easter falling in April this year, which affects the distribution of the result between the first and second quarter. The improved profitability of logistics services was supported by a general increase in demand as well as improved operational efficiency. Posti has continued to implement measures to improve the quality of basic services.

The reform of the Postal Act, which is still in the drafting stage, plays a key role with regard to Posti's future operating conditions.

Itella Russia's net sales in the Group's reporting currency increased by 31%. The measures taken to improve the profitability of Itella Russia's operations have produced good results.

OpusCapita's Buyer-Supplier Ecosystem business unit continued to achieve global growth, but OpusCapita's Document and Transaction Processes operations are negatively affected by the same trends that are influencing Posti's letter volumes. OpusCapita's strategy is to seek growth in the Buyer-Supplier Ecosystem business."

Source: [Posti](#)