

Austrian Post - Preliminary results 2017

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- **GROUP REVENUE +2.3% AND EBIT +2.7%**
- **MAIL REVENUE -2.1%; PARCEL REVENUE +17.7%**
- **MARKET SHARE GAIN IN THE PARCEL BUSINESS**
- **POSITIVE AND NEGATIVE SPECIAL EFFECTS**
- **FOCUS ON QUALITY AND STABILITY IN 2018**

According to preliminary figures, Austrian Post generated good business results in the 2017 financial year. In line with the communicated outlook, the company generated a slight revenue increase. On balance, Group revenue rose by 2.3% to EUR 1,939m compared to EUR 1,896m in the previous year (excl. trans-o-flex). The Mail & Branch Network Division reported a 2.1% decline in revenue in 2017 (EUR 1,448m in 2017 after EUR 1,479m in 2016). This was more than compensated by a 17.7% increase in revenue in the Parcel & Logistics Division (EUR 496m in 2017 after EUR 421m in 2016, excl. trans-o-flex). The decrease in revenue in the mail business was primarily caused by the ongoing electronic substitution of letters. On the other hand, the parcel segment showed strong growth due to the e-commerce trend. During the reporting period, additional revenue was also generated by the new product structure featuring the "Packet", a special offering tailored to the requirements of online orders.

The general revenue trends in the first three quarters of the 2017 financial year continued in the fourth quarter. Mail volumes in the traditional addressed letter mail decreased by about 5% in the current period under review. A decline of this magnitude is also to be expected in the future. For this reason, it is all the more important to maintain high quality standards and continually upgrade the product offering on the basis of current customer needs. The company is continuously pressing ahead with expanding its online services as a useful addition to its physical offering in order to enable customers to enjoy the greatest possible flexibility and efficiency in their communication. At the same time, traditional letter mail products are being optimised on an ongoing basis. One example is absentee voting. Thanks to the high quality logistical handling and a focused information campaign, Austrian Post made a major contribution to the record turnout of absentee voters comprising 14% of total votes in the 2017 parliamentary elections in Austria. Direct mail volumes increased by about 4% in the reporting period, which shows that flyers and interactive dialogue marketing remain an essential part of the advertising mix used by companies.

Austrian Post succeeded in expanding its leading market position in the highly competitive Austrian parcel market. Its overall market share rose from 45% to 47% (source: Branchenradar study CEP services 2018) based on handling 97 million parcels in 2017 compared to 81 million parcels in

2016. This increase clearly shows that the performance of Austrian Post meets the highest standards with regards to quality and delivery speed. Austrian Post also achieves a top-notch performance in international comparison due to the fact that Austria ranks among the markets featuring the highest delivery quality. Whereas internationally on average 57% of customers are very satisfied with parcel delivery services, this benchmark is at an impressive 74% in Austria (source: IPC Cross Border E-Commerce Shopper Survey 2017). Also the company's parcel subsidiaries in South East and Eastern Europe delivered a record volume of 37 million parcels in 2017.

"Quality leadership comprises the basis of our market position as the number one provider in the domestic mail and parcel business. The ability to precisely meet current customer needs is the key to success. For this reason, we are going to focus our business activities even more strongly on customers, so that we will not only be the preferred partner of our customers today but maintain this position on a sustainable basis", says CEO Georg Pölzl, underlining the clear strategic direction pursued by Austrian Post.

With respect to earnings, the targeted goal of a further increase in Group EBIT was achieved. According to preliminary figures, EBIT in the 2017 financial year rose by 2.7% to EUR 208m (2016: EUR 202m). The Mail & Branch Network Division slightly improved its earnings to a level of EUR 290m in spite of a decline in revenue, whereas the Parcel & Logistics Division generated an EBIT of 43m, comprising a substantial increase year-on-year. The intensification of logistics synergies between the mail and parcel businesses positively impacted earnings during the reporting period. About 52% of all parcels were delivered by letter mail logistics in 2017, with this share being planned for a

further increase. Austrian Post already provides the most efficient network in Austria, which will be considerably expanded and modernised by targeted investments in the logistics infrastructure in the coming years. In the medium term, the company's total sorting capacity is aimed to be increased to over 100,000 parcels per hour, and with this more than doubling annual parcel delivery capacities.

In addition to the operational development of the mail and parcel businesses, earnings in 2017 were impacted by both positive and negative special effects, which, on balance, offset each other. Claims related to non-wage costs paid in previous periods had a positive effect. The net amount less any compensation payments totalled EUR 21m. This was in contrast to various impairment losses of EUR 14m as well as a rise in staff costs of EUR 9m (excl. trans-o-flex) mainly related to changes in provisions.

The preliminary Group profit for the period rose from EUR 153m in 2016 to EUR 165m in 2017, due to the fact that the financial result was positively influenced by proceeds generated through sales of securities to the amount of EUR 11m. Accordingly, earnings per share equalled EUR 2.45 in the 2017 financial year, up from EUR 2.26 in 2016.

REALIGNMENT OF THE FINANCIAL SERVICES BUSINESS

The previously mentioned changes in provisions (allocation to provisions netted against reimbursement claims) also related to the financial services business, with the aim of tailoring the offering and capacities to current customer requirements. Following the termination of the cooperation agreement by banking partner BAWAG P.S.K., Austrian Post and BAWAG P.S.K. agreed on a consensual and gradual dissolution of the partnership for

the most part by the end of 2019. Initial steps were set, and the arbitration and mediation proceedings are being suspended. A redimensioning of Austrian Post's financial advisory services is already being implemented in the course of 2018, but the offer of counter transactions will remain unchanged.

In the medium term, Austrian Post plans to continue offering financial services via its branch network, in light of the fact that this business is considered to be a meaningful addition to the offering of postal services. Talks have been held for some time with international and national partners concerning potential cooperation agreements. Specific decisions are expected to be made in the course of 2018. Preparations for realigning the financial services business have already begun. Future financial advisors are being prepared for their new responsibilities and additional locations are currently being evaluated. The close-knit network of postal service points comprises an important competitive advantage from which Austrian Post will continue to benefit in the future.

STABLE OUTLOOK CONFIRMED FOR 2018

Austrian Post confirms its previously communicated outlook for the 2018 financial year. The company forecasts an ongoing stable revenue development. The expected business development is based on various planning assumptions such as a continuation of the basic trends in both the mail and parcel business. Addressed letter mail volumes will likely continue to decline by about 5% p.a., whereas double-digit growth rates are expected in the Austrian parcel market due to the ongoing online shopping boom. This could

lead to a more intense competition, stronger price pressure or partial self-delivery by individual large-volume customers. In the mail segment, the objective of adjusting the service and product offering to current customer needs remains unchanged. In line with international trends, the company aims to expand the product portfolio and enhance the customer's freedom of choice. In accordance with legal stipulations, further products should be offered enabling customers to select the option of delivery within several working days.

FOCUS ON QUALITY LEADERSHIP AND CAPACITY EXPANSION

With respect to the earnings development, Austrian Post is pursuing the goal of generating stable operating earnings in 2018. Against the backdrop of ongoing market growth in the private customer parcel segment, measures are being taken to double sorting capacity within the next four years. Alongside ongoing investments in the core business of about EUR 60-70m annually, additional growth investments in parcel logistics are planned in the coming years. The aim is to expand existing sorting capacities as quickly as possible and to invest at least EUR 50m in the year 2018. In addition, the extension of existing properties or purchase of additional ones is also possible. As in the past, the operating cash flow generated by Austrian Post will continue to be used prudently and in a targeted manner to finance sustainable, future-oriented investments. At the same time, the attractive dividend policy with a payout ratio at least 75% of the Group net profit will be continued.

The final results for the 2017 financial year will be published on March 15, 2018.

Source: [Austrian Post](#)