International Post Corporation

# Compared to Q2 2020 COVID-19 lockdown, bpost delivers a strong second quarter driven by mail revenues and sustained e-commerce in Europe

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Second quarter 2021 highlights

- Group operating income at EUR 1,037.9m, -1.4% compared with the same period last year and driven by mail revenues and sustained e-commerce in Europe. As anticipated, accelerating contribution of new customers at Radial NA did not yet compensate the non-recurring COVID-19 lockdown growth of the second quarter 2020.

- Group reported EBIT at EUR 103.4m. Group adjusted EBIT at EUR 106.6m (margin of 10.3%) increased by EUR +31.6m compared to prior year.
- Mail & Retail
    - Total operating income at EUR 508.1m (+8.5%) driven by volume rebound supported by one-off COVID-19 communication, positive mail price impact, Value added services & Retail profiting from soft comps of last year.
    - Reported EBIT at EUR 71.3m. Adjusted EBIT at EUR 71.7m (14.1% margin) up by EUR +35.7m doubling year-over-year.
    - Underlying mail volume growth of +1.4%.
- Parcels & Logistics Europe & Asia
    - Total operating income at EUR 283.4m (-3.9%) against high comparable base in the second quarter 2020.
    - Reported EBIT at EUR 34.0m. Adjusted EBIT at EUR 34.7m (12.2% margin), up EUR 2.3m (+7.1%) with margin improvement supported by benefits of operating leverage in the integrated network.
    - Despite volume growth of +2.9% from sustained online sales, operating income Parcels B2X decreased by -4.0% due to the negative price/mix of -6.9%, of which price impact of -2.8% from COVID-19 surcharges to customers in April and May 2020.
- Parcels & Logistics North America
    - Total operating income at EUR 309.8m (-12.5%, or -4.6% at constant exchange rate), reflecting Radial's non-recurring extra volumes of last year's pandemic lockdown where closures of customer's physical shops and temporarily soaring sales of sanitizers and related products increased volumes, slightly offset by new customers' contribution that started to accelerate in June.
    - Reported EBIT at EUR 8.7m. Adjusted EBIT at EUR 10.8m (3.5% margin), down by EUR -6.8m driven by lower operating income at Radial and wage pressure in the U.S.

Outlook update for 2021 is revised upwards.

In light of the strong second quarter results, and based on current assumptions of mail volume trend and normalization for COVID-19 e-commerce activities for the rest of the year, bpost now expects the group adjusted EBIT to be above EUR 340m.

Dirk Tirez, CEO of bpost group: “Thanks to its 36,000 employees, bpost can deliver solid financials while developing the ambition to be one of the most sustainable postal and logistics operators in Europe from an economic, ecologic and social perspective. Compared to 2Q20 COVID lockdown, bpost delivers a strong quarter driven by mail revenues and sustained e-commerce in Europe. North America saw strong growth in new business partially offsetting the impact of non-recurring COVID lockdown same stores sales volume from 2Q20. The good results put bpost group in a position to upgrade its full year guidance which is to deliver “above EUR 340m” EBIT.
The bpost management team embraces the continuity in governance to further execute on the management priorities, with the preparation of the end of year peak as absolute priority.”

**Management priorities**
Progress in line with plan

The 2021 priorities as announced in 1Q21 have all progressed:

- Preparation of the end of year peak
- Cost reduction and operational efficiency in Mail & Retail Belgium
- Reduction in overhead and headquarters costs
- e-commerce logistics on both sides of the Atlantic
- Active portfolio management and capital allocation to booming e-commerce business

These initiatives are the focus of the CEO and executive team for the coming months. They aim at improving performance and predictability of bpost group.

**bpost entrusted again by the Belgian Government**

On July 23, 2021 the Belgian government approved a 7th management contract with bpost. The new management contract provides for a compensation for Services of General Economic Interest in the range of EUR 125-130m on an annual basis, subject to inflation. The services covered include:

In line with 6th Management contract: retail network, distribution of pensions, election materials, etc.
New services: digital public services to close the digital gap
After submission to and validation by the European Commission, the new contract will be effective for the 5-years period from January 1, 2022 to December 31, 2026. The new management contract is the result of several months of intense and fruitful collaboration with all stakeholders, and is evidence of the alignment of interests of the key bpost stakeholders.

**Preparation of the end of year (EOY) peak**

Several measures have so far been taken to improve the preparation of the end of year peak: secured distribution and sorting capacity to capture growth vs. 2020 peak (including through temporary parcel sorting machinery in 2 sites)
>50% increase from Dec ’20 to Dec ’21 of parcels absorption in regular mail rounds to reduce outsourcing to sub-contractors and increase operational leverage
Fleet optimization measures including replacement of 1,000 short-term leases by long-term leases
Ongoing optimization of 2nd distribution wave

compared to Q4, 2020

**Cost reduction and operational efficiency in Mail & Retail Belgium**

Ongoing capture of benefits of the Alternating Distribution Model (ADM)
Productivity gains realized through restored reorganizations of mail offices (77 reorganizations in 2020, more than double planned in 2021)

**Active portfolio management**

Transfer of The Mail Group to Architect Equity was signed and closed on August 5, 2021. The active portfolio management team continues to look for opportunities to optimize the existing bpost portfolio.

**Parcel operating model optimization**

Launch of operational benchmarking and process optimization against best-in-class operators to further improve our operating model. Objective to translate parcels growth into best-in-class satisfaction and operating performance for profit growth. Appointment of Gerrit Mastenbroek as special advisor to the CEO to support operating model optimisation.

**bpost ESG-Committee and sustainability commitments**

bpost set up an ESG Committee with development of a bpost group ESG roadmap by year-end.

Ambition for bpost to become one of the greenest postal operators in Europe by 2030. Investments to accelerate this transition are captured within the capex envelope.

**Outlook for 2021**

In light of the second quarter results, and based on current assumptions of mail volume trend and normalization for COVID-19 e-commerce activities for the rest of the year, bpost raises its updated outlook for the current year 2021.

The group's 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 340m.

For **Mail & Retail**, the outlook is revised as follows:
Total operating income evolution to result from an underlying Domestic Mail volume decline expected up to -8%, an approved mail pricing of +6.0% expected to result in a price and mix impact of c. +7.0%, and an expected post COVID-19 recovery in Value added services.
8-10% adjusted EBIT margin.

For **Parcels & Logistics Europe & Asia**, the outlook remains unchanged:
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 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.**