

Accelerating transformation

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PostNL FY 2017 underlying cash operating income of €225m - proposed dividend 2017 €0.23 per share

Strong growth in e-commerce - business trends continue in Q4 2017

Financial highlights Q4/FY 2017

- Revenue at €980 million (Q4 2016: €955 million); FY 2017 at €3,495 million (FY 2016: €3,413 million)
- Revenue contribution from e-commerce related activities increased to 38% (2016: 33%)
- Underlying cash operating income at €98 million (Q4 2016: €110 million); FY 2017 at €225 million (FY 2016: €245 million)
- Normalised profit for the period of €59 million (Q4 2016: €84 million); FY 2017 at €148 million (FY 2016: €135 million)
- Normalised net cash from operating and investing activities of €84 million in Q4 (Q4 2016: €116 million) and €22 million FY 2017 (FY 2016: €10 million)
- Positive consolidated equity position of €34 million (2016: €79 million)

Operational highlights Q4 2017

- Addressed mail volume declined 10.8% (FY 2017: 9.9%); adjusted volume decline 10.1% (FY 2017: 9.7%)
- Delivery quality 2017 at 95.4%, above minimum statutory level
- €9 million cost savings realised (FY 2017: €56 million)
- Parcels volumes grew by 20% (FY 2017: 17%)

Dividend 2017

- Proposed dividend 2017 of €0.23 per share, subject to approval by AGM on 17 April 2018

Accelerating transformation: outlook 2018 and adjusted ambition 2020

- Reconfirm strategy to unlock value through accelerated transformation
- €40 million additional cost savings in medium term to mitigate stronger volume decline Mail in the Netherlands
- Expected financial impact ACM measures increased to €50 million - €70 million, fully visible in 2020
- Outlook underlying cash operating income 2018: €160 million - €200 million reflecting higher impact regulation, stronger mail volume decline not fully compensated by cost savings, additional and faster investments in Parcels' infrastructure and delay recovery International
- Ambition underlying cash operating income 2020 adjusted to €230 million - €300 million
- To facilitate orderly and rational adjustment of Dutch postal market to reality of declining volumes regulation must be amended as soon as possible and consolidation is inevitable
- Expectations and ambitions are subject to final implementation of SMP decision
- Reconfirm commitment to progressive dividend

CEO statement

Herna Verhagen, CEO of PostNL: “The primary business trends we’ve seen in the first three quarters of 2017 were also visible in the final quarter. The performance in Parcels was again robust, with record-breaking volumes during peak season, and reflects the impact of organising extra capacity. In Mail in the Netherlands volume decline was high due to intensifying competition, which is being supported by regulation. Cost savings, price increases, and some positive incidentals were insufficient to offset the effect from the declining volumes. In International, we continued to see a delay in recovery, particularly because of fierce competition.

This resulted in underlying cash operating income of €225 million in 2017, in line with our expectations. Driven by our performance we ended the year with a positive equity position of €34 million, another milestone that proves our solid financial position.

We will propose our shareholders to approve a dividend of €0.23 per share over 2017. We reconfirm our strategy to unlock value through accelerating our transformation. That already 38% of our revenue is related to e-commerce per year-end 2017, exemplifies that our transformation is accelerating fast. This comes with challenges and opportunities.

The continuously fast-growing e-commerce market requires us to speed up and increase our investments in the capacity of our Parcels’ infrastructure, both in the Netherlands and in Belgium. To solidify our position as the leading e-commerce logistics company in the Benelux, we will also further develop our service propositions, for example in growth markets like food and health. These additional investments will flatten our short term results, but are expected to contribute to further profitable growth thereafter.

At International, our focus is on improvement of our cash profitability by capturing new business created by global e-commerce growth by using our cross-border activities. In Italy, our focus remains on the further roll-out of Nexive’s parcel activities and strengthening our position in mail. The aim of Postcon is to strengthen its position by adding more volumes while at the same time improving performance by the implementation of several business improvement initiatives.

We remain focussed on delivering a sustainable cash flow in Mail in the Netherlands by continuing our strategy of compensating volume decline with cost savings and targeted price increases. However, the regulatory developments are increasingly impacting Mail in the Netherlands both operationally and financially. The new access regulation enables postal operators to make use of the PostNL network at regulated tariffs and conditions that are not available to customers. Upon experiencing the first months of the significant market power (SMP) decision in practice, we must conclude that the expected impact of the ACM measures is even higher than originally estimated: between €50 million and €70 million, fully visible in 2020. This is particularly caused by a larger than expected volume loss to other postal operators. As a result of this effect of regulation, we expect the decline of our addressed mail volumes to increase to between 10% to 12% in 2018. To absorb the impact from volume decline partly, we have identified €40 million of additional cost savings, particularly in overhead. We expect these savings to become visible towards 2021.

The combination of the fundamentally changing and shrinking Dutch postal market and the regulatory environment will ultimately harm the sustainability of postal

delivery and the service, reliability and accessibility of the postal network in the Netherlands. To facilitate an orderly and rational adjustment to declining volumes regulation must be amended as soon as possible and consolidation of postal market players is inevitable.

The above requires us to adjust our UCOI ambition for 2020 to between €230 million and €300 million. For 2018, the UCOI outlook is between €160 million and €200 million.

Our aim to pay progressive dividend remains unchanged.

I am confident that we will continue to find a good balance between adjusting our mail operations in the challenging Dutch postal market and expanding our footprint as an e-commerce solutions provider, creating long-term value for all our stakeholders, including our shareholders.”

Source: [PostNL](#)