



# Capital Markets Day



JUNE 21, 2018

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<sup>1</sup> As defined among others under the U.S. Private Securities Litigation Reform Act of 1995



# Agenda

	Timing	Topic	Presenter
○	13:00-13:25	Introduction	Koen Van Gerven
○	13:25-14:10	<b>Mail &amp; Retail</b>	Kurt Pierloot
○	14:10-14:50	<b>Parcels &amp; Logistics Europe and Asia</b>	Luc Cloet
○	14:50-15:10	Q&A	
	15:10-15:35	<i>Break</i>	
○	15:35-16:15	<b>Parcels &amp; Logistics North America</b>	Pierre Winand
○	16:15-16:45	<b>Finance</b>	Henri de Romrée
○	16:45-17:30	Closing + Q&A	Koen Van Gerven
	17:30-19:00	<i>Drinks &amp; Dinner</i>	
○	19:00-21:00	<b>Visit of new Brussels X sorting center</b>	

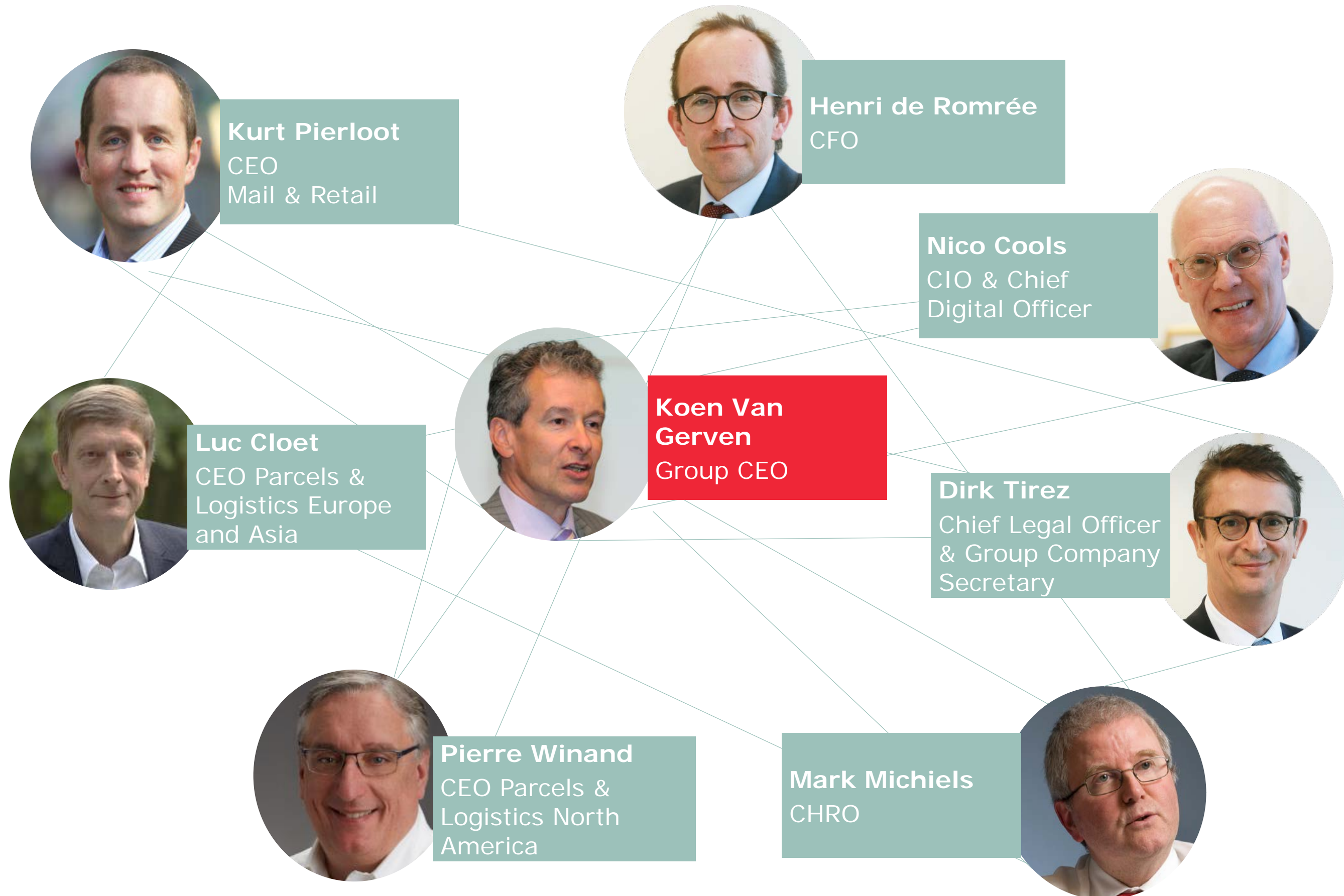


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**Koen Van Gerven**  
Group Chief Executive  
Officer



# Today you will meet the executive board



## A number of dimensions were more challenging than anticipated

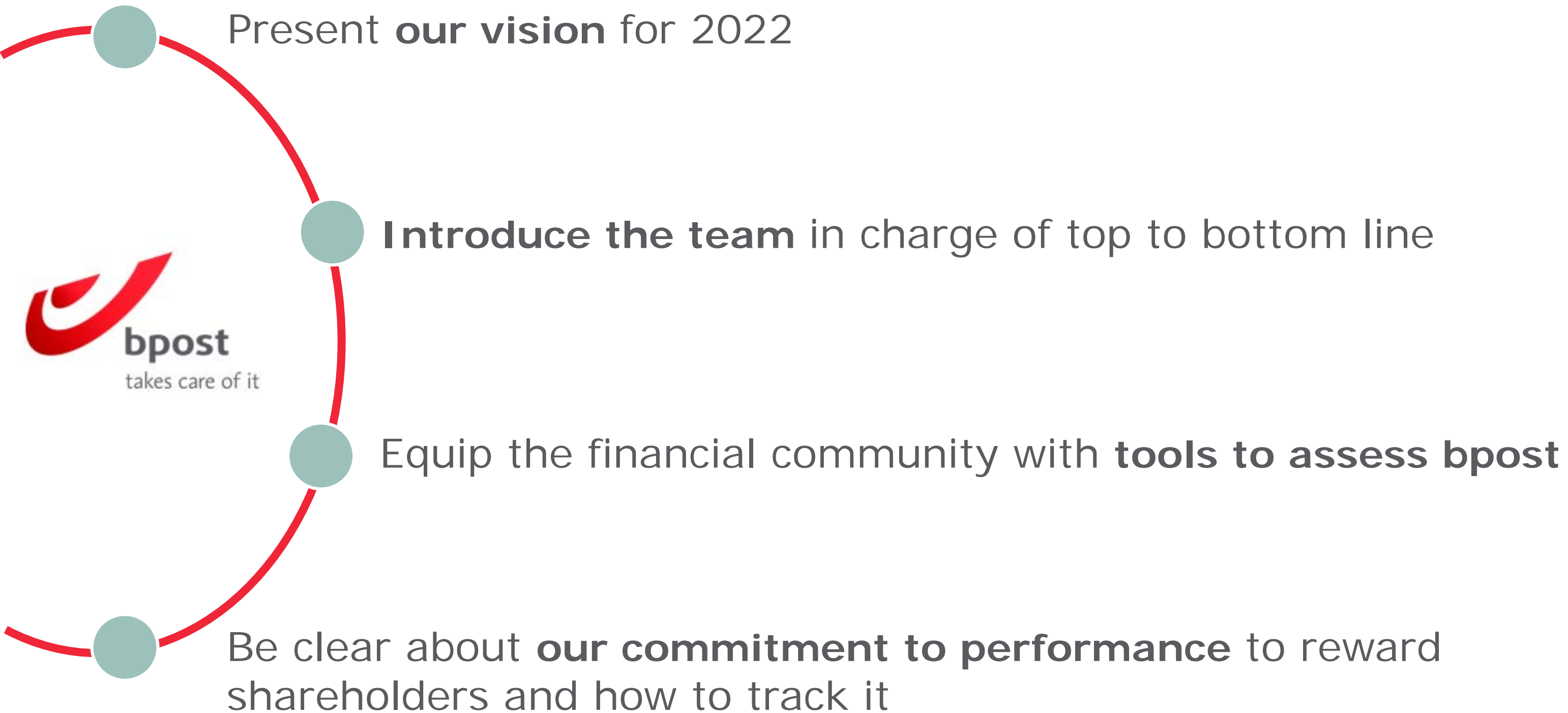
- **Mail volume decline** exceeding expectations
- **Rejection of proposed 2017 price increase** by regulator
- 1-2 year **delay on Radial**
- Declining **banking revenue** a.o. due to low interest rates
- **Productivity improvement** offset by
  - Volume dynamics in parcels (including peak management)
  - Tight labor market and absenteeism
  - Challenging launch of Parcel Sorting Machine (PSM)
- **EBITDA trajectory** not in line with previous Capital Markets Day (CMD) guidance and market expectations

## At the same time, bpost has progressed on multiple fronts

- **Overall top-line growth** driven by growth in EU parcels & logistics and Radial acquisition
- **Expansion in e-commerce**, through **acquisitions** (a.o. Radial, Dyna) and **strategic partnerships** (e.g., DHL in Belgium, then overall BeNe)
- **Opening of New BX sorting center** increasing parcels sorting capacity to deliver on growth ambitions
- **New postal law**, allowing for dynamic pricing and securing transparent & predictable regulatory framework
- **New focused organization and committed management team** with knowledge of the company, track record, and who know each other well
- **Dividend delivery**



## Objectives of the day





## Vision for 2022



Beyond mail, be an efficient global e-commerce logistics player anchored in Belgium"



**Share of revenues  
generated in  
parcels & logistics**

~ 60%



**EBIT**

Progressive profit  
generation



**Efficient provider**

of mail universal, retail  
& public services

# bpost will deliver on 3 strategic aspirations

# 1

**Mail services** to citizens and State remain core and **will continue to generate profit** with a more **adapted distribution model**



# 2

Drive profitable growth in **parcels in BeNe** and **e-commerce logistics** in Europe



# 3

Optimize **Radial** to deliver on the investment thesis in the promising **North American e-commerce** market



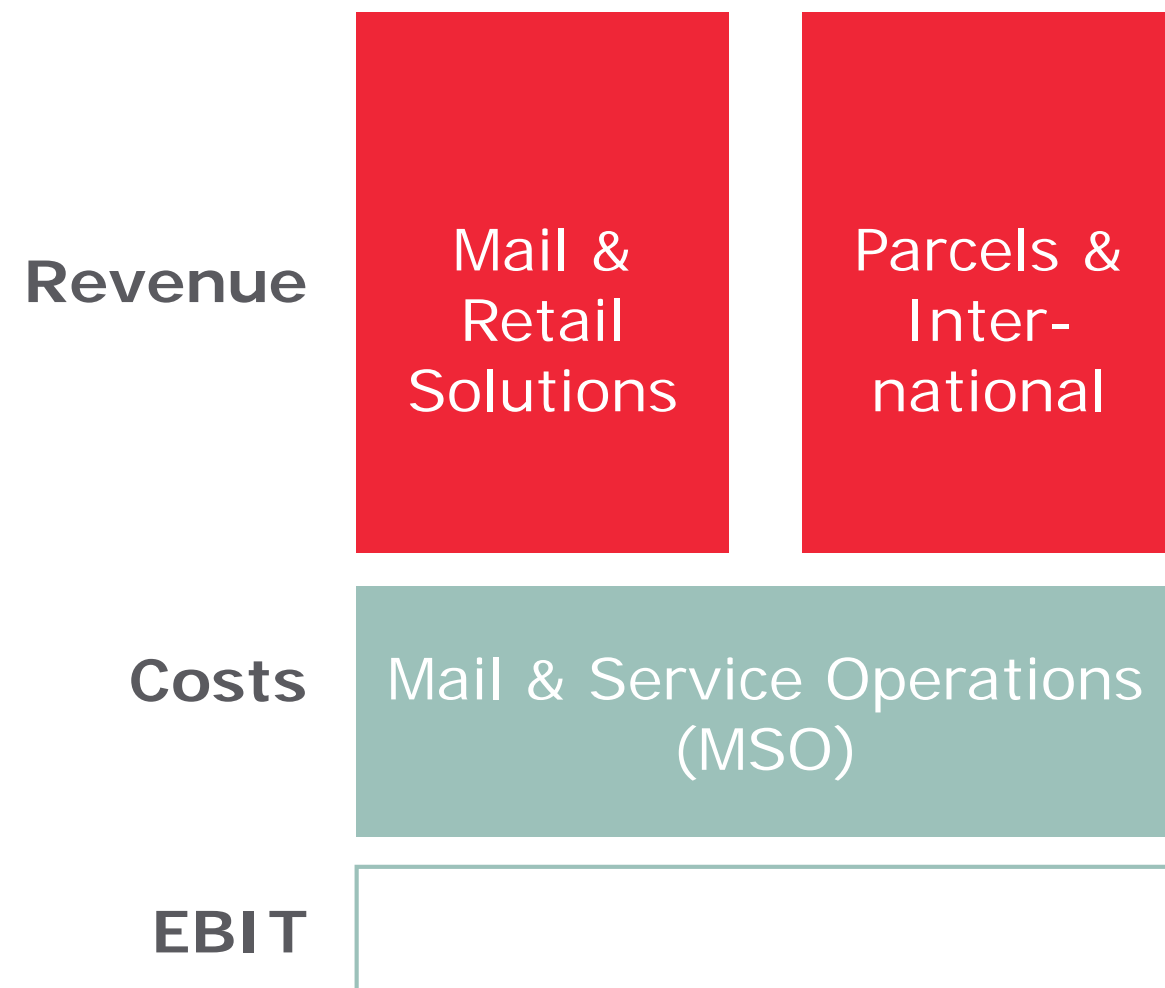
**CASH GENERATION  
& DIVIDENDS**

# bpost will align responsibilities to the bottom line

From ...

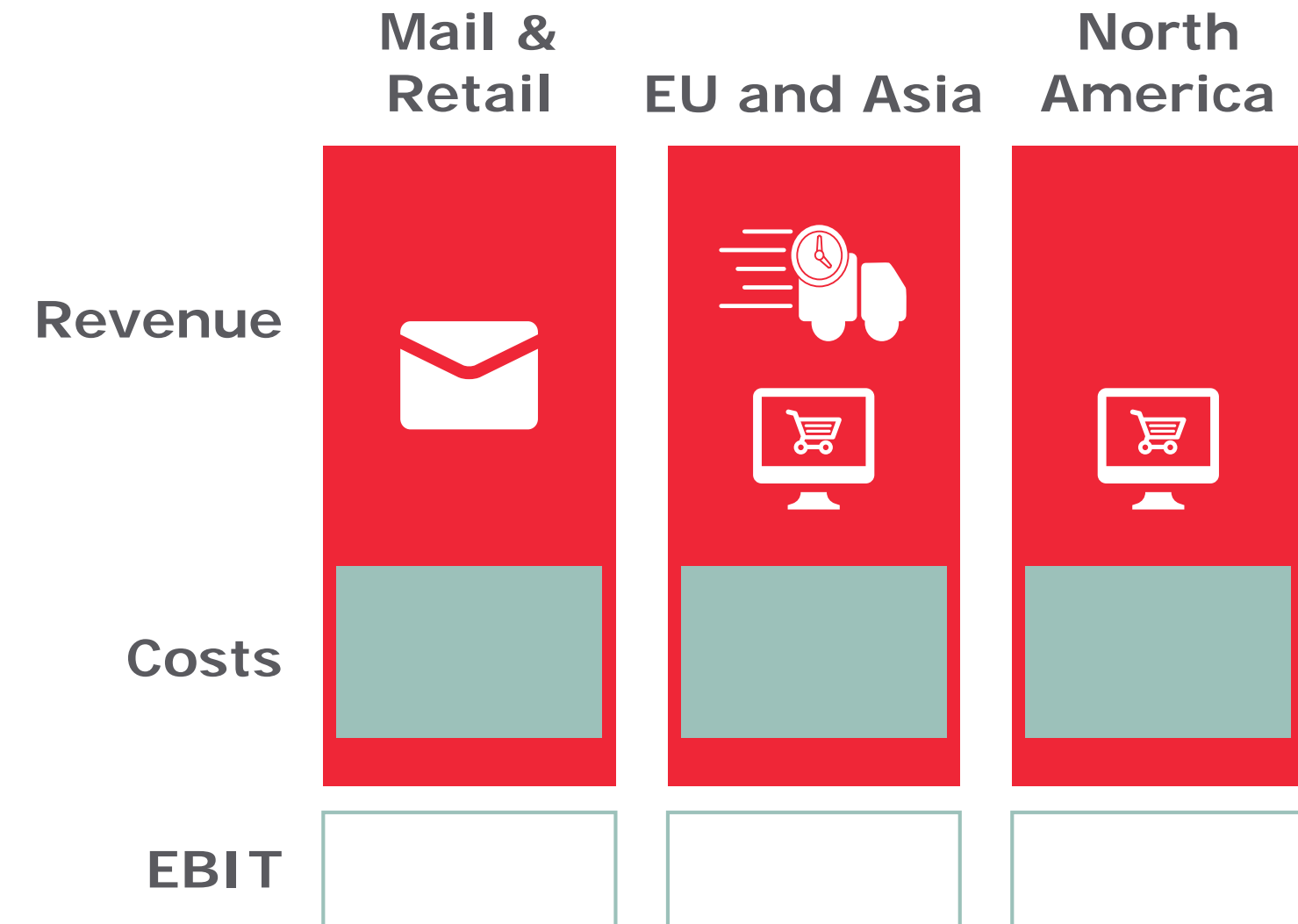


To ...



- “Revenue centers” in Mail & Retail Solutions and Parcels & International
- Mail & Service Operations as “cost center”
- Parcels & International have achieved scale

## Parcels & Logistics



- Focus & accountability with 3 distinct agendas
  - Implement revenue & cost levers in Mail & Retail
  - Capture profitable growth in EU
  - Optimize Radial to deliver on the investment thesis

# New responsibilities from top to bottom line

## Segment

## Sub-segments

## 2017 pro forma revenue<sup>1</sup>

### Mail & Retail



- Transactional mail
- Advertising mail
- Press
- Proximity and convenience retail network
- Value added services



**~ € 2.0bn**  
(~54% of total)

### Parcels & Logistics EU and Asia



- Parcels BeNe (last-mile)
- E-commerce logistics
- Cross-border (incl. mail & parcels)

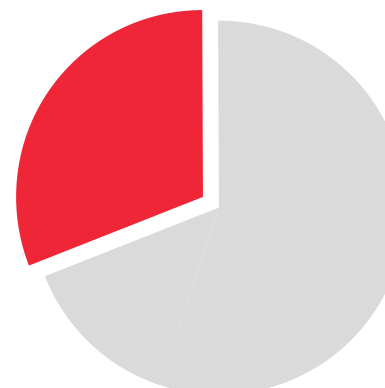


**~ € 0.6bn**  
(~16% of total)

### Parcels & Logistics North America



- E-commerce logistics
- International mail



**~ € 1.1bn**  
(~30% of total)

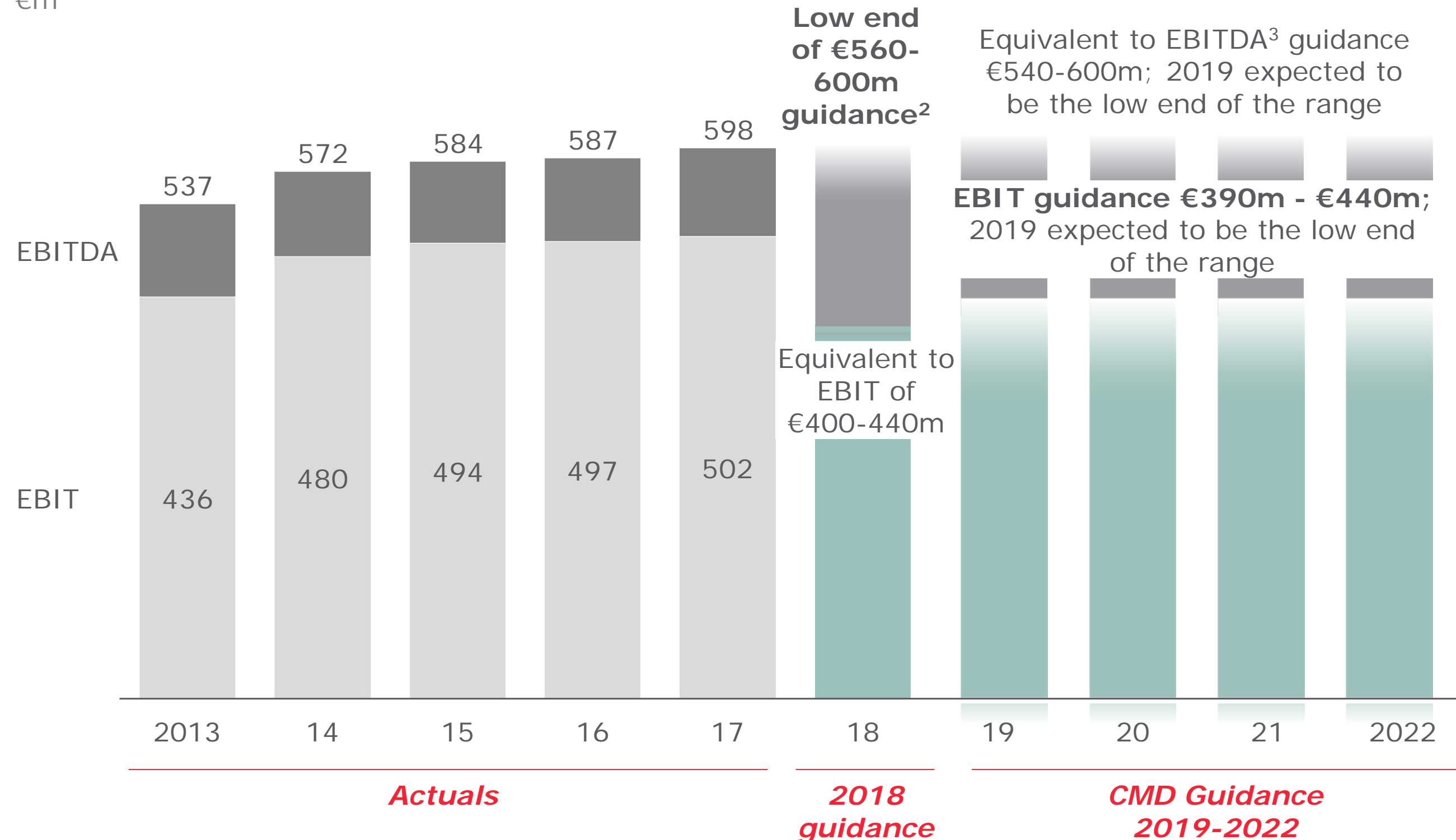
<sup>1</sup> 2017 revenue pro forma for the full year effect of the acquisitions (Radial, IMEX, Mail inc. and Leen Menken)



# Updated outlook: management to deliver earnings ...

## Normalized<sup>1</sup> EBIT and EBITDA

€m



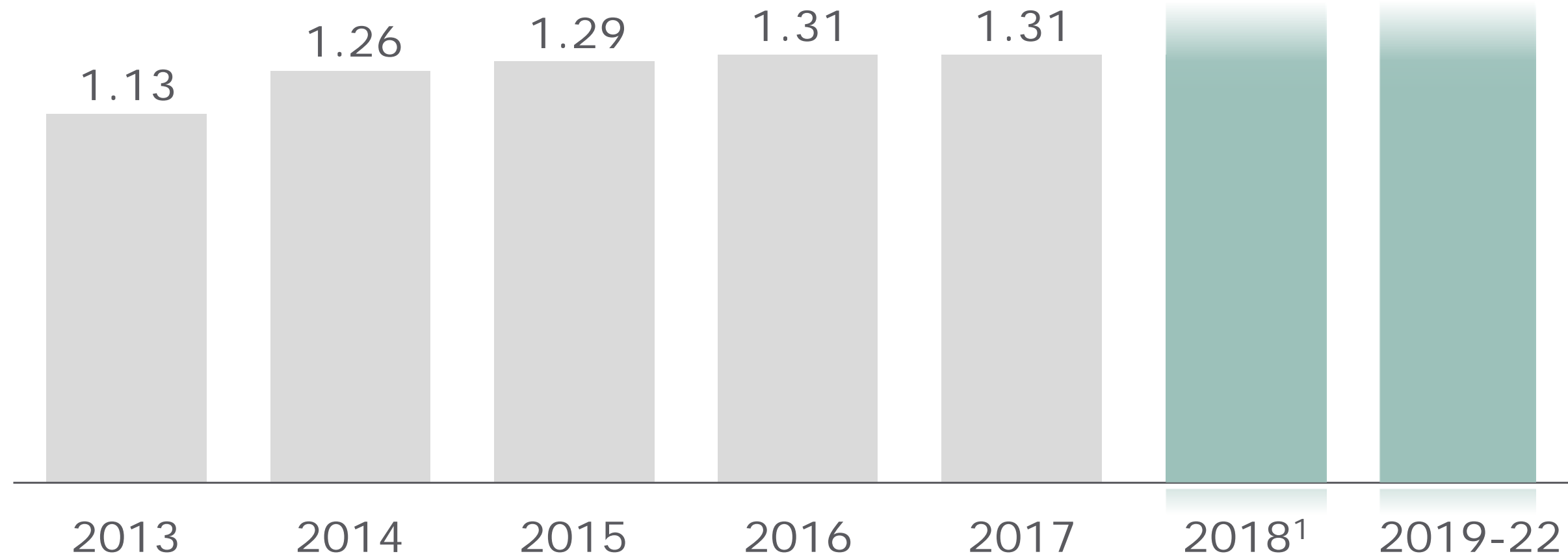
<sup>1</sup> Normalized EBIT(DA) definition unchanged and excludes non-recurring items of €20m or more, all profits or losses on disposal of activities whatever the amount, non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, reversals of provisions whose addition had been normalized from income (regardless of the amount they represent)

<sup>2</sup> As per 1Q18 guidance on 2 May 2018

<sup>3</sup> Excluding impact of IFRS16 as of January 2019

## ... to keep rewarding shareholders

### Gross dividend €/share



### bpost dividend policy "at least 85% of BGAAP net income"



<sup>1</sup> As per 1Q18 guidance on May 2, 2018

# How to get there

## Segment/priorities



### Mail & Retail

## Main topics

### Profit generation in a declining industry

- **Decline in mail volume** & ability to **compensate through price**, taking account of **new postal law**
- Renegotiate / retender **6<sup>th</sup> Management Contract** and **press concessions**
- New product offering and alternative **operating model**



### Parcels & Logistics Europe and Asia



### Parcels & Logistics North America

### Profit growth

- **Integrated BeNe offering**
- **Pricing optimization**
- Continuous **optimization of operating model**
- Leverage **capabilities Radial** and **presence in Europe**

- **Make Radial growth engine** and **key profit contributor**



### Financials

- **Disciplined execution** of the new long-term plan
- Tight **performance management**
- **New segment reporting** down to EBIT
- **Alignment between internal and external** performance reporting
- **Strong balance sheet** with effective capital allocation

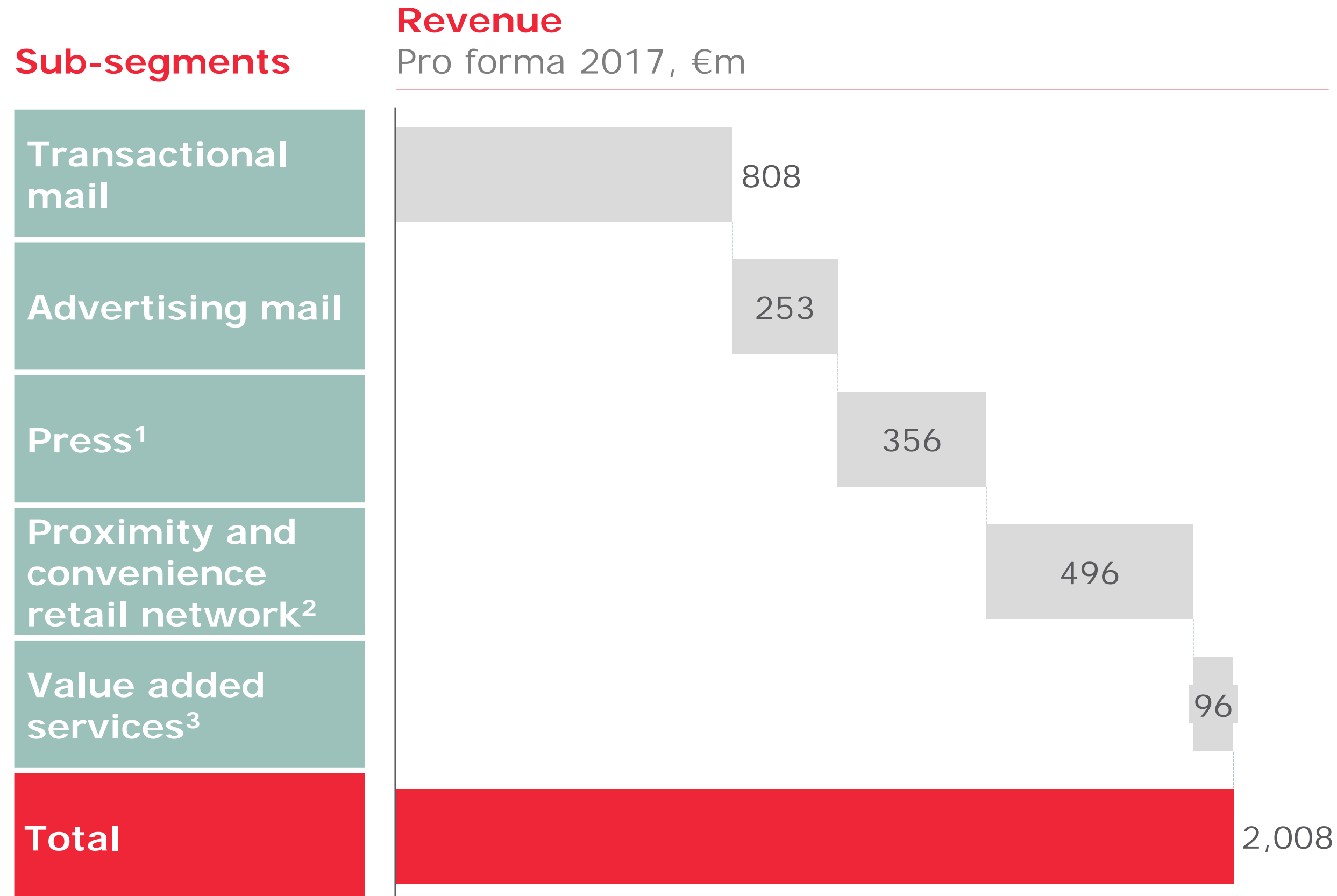


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**Kurt Pierloot**  
CEO Mail & Retail



# Mail & Retail at a glance



1 Includes Ubiway press distribution revenue (AMP)

2 Includes Banking & Financial, Retail and other MRS, and Ubiway Convenience distribution

3 VAS MRS

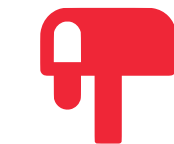
## Key facts & figures



~8.1m letters handled daily



~18.6k operational FTEs



Servicing 5.6m letter boxes



~10k distribution rounds per day



5 industrial sorting centers



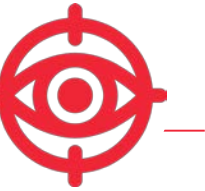
~2.5k points of presence in Belgium (excl. stamp shops)

# Key value drivers for the Mail & Retail business

## Key value drivers

## From

## To



Speed of domestic mail **volume decline**

-5.8% in 2017

Up to ~-9%<sup>1</sup> by 2022



Share of mail volume decline compensated through **price increase**

~20% in 2017<sup>2</sup>

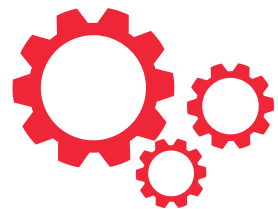
>50% over 2018-22



Renegotiation / retendering of future **6<sup>th</sup> Management contract and press concessions**

Three contracts until end 2020; compensation contractually set

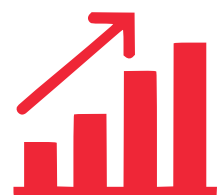
Successful extension / renewal



Evolution of **operating model** (mail collect and distribution)

Fixed D+1 based model (everywhere, everyday)

Flexible, differentiated offering (D+1 vs. D+3)



**Reduction in operational FTEs<sup>3</sup> allocated to mail<sup>4</sup>**

-3.5% p.a. over 2013-17

~-5% p.a. over 2017-22

<sup>1</sup> At comparable scope with regard to 2017, i.e., excluding Ubiway press distribution revenue that will be integrated within Press sub-segment as of 1Q19 in line with the new segment reporting

<sup>2</sup> Proposed price increase rejected by regulator for small user basket only, not for commercial products

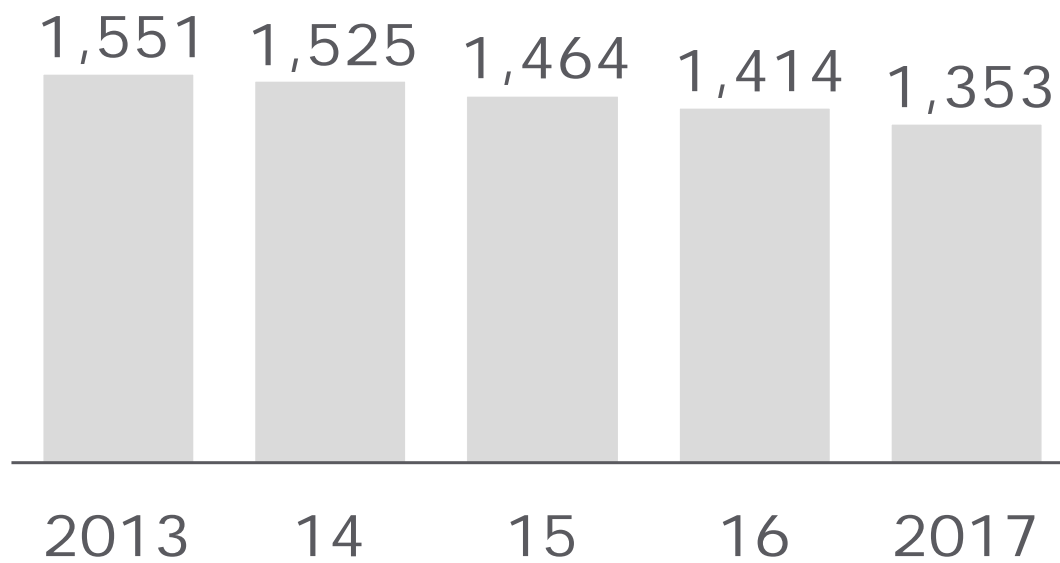
<sup>3</sup> FTEs active in collect, transport, sorting, distribution

<sup>4</sup> Excluding retail network and acquisitions

# Decline in revenue from domestic mail driven by transactional mail

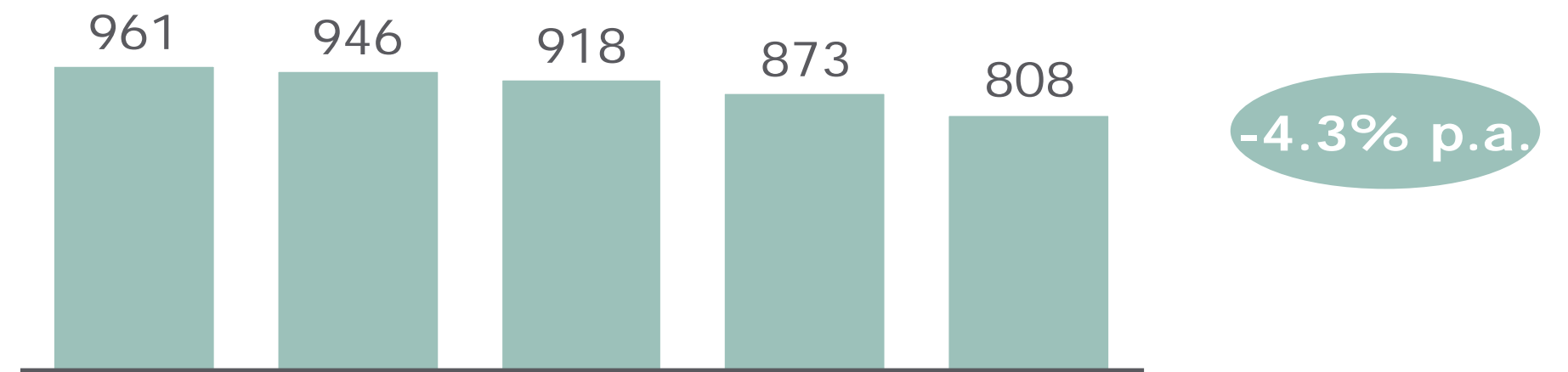
Revenue, €m

## Domestic mail

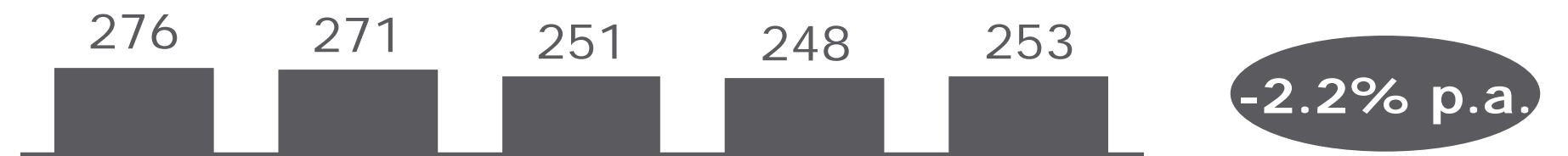


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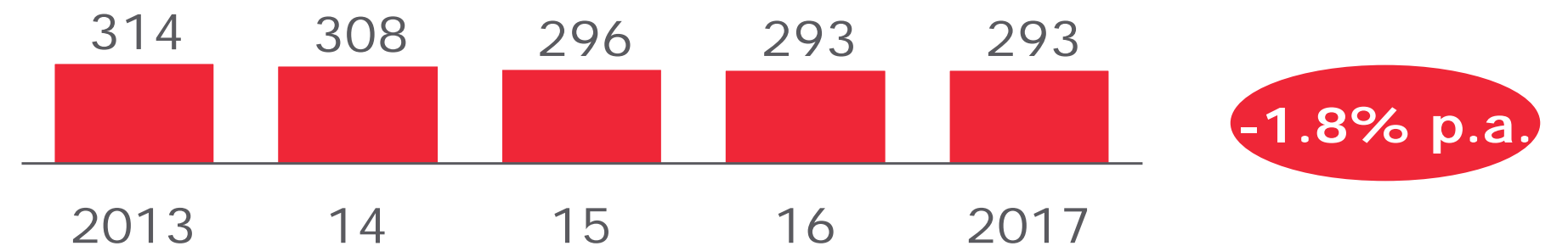
## Transactional mail



## Advertising mail

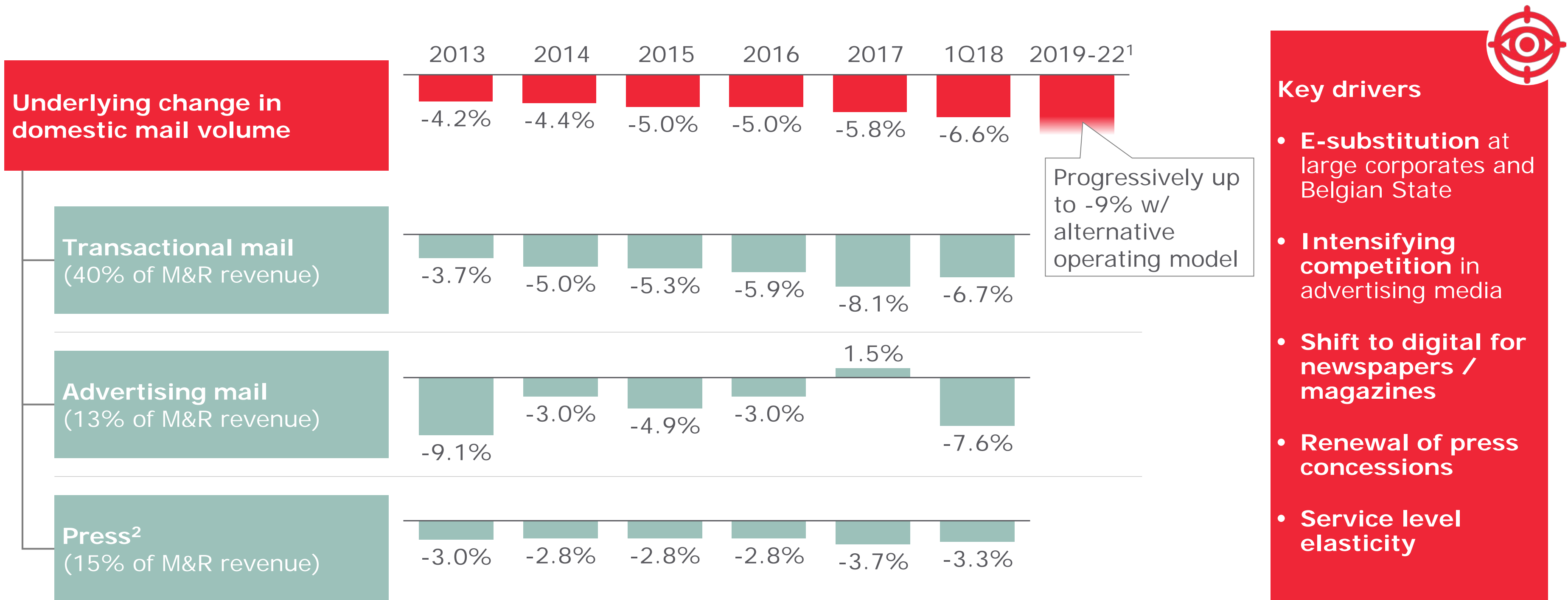


## Press<sup>1</sup>



<sup>1</sup> Excludes Ubiway press distribution revenue (AMP) that will be integrated within Press sub-segment as of 1Q19 in line with the new segment reporting

# Domestic mail volume decline expected to progressively accelerate from -5.8% in 2017 up to ~-9% in 2022



<sup>1</sup> At comparable scope with regard to 2017 segment reporting, i.e., excluding Ubiway press distribution revenue (AMP) that will be integrated within Press sub-segment as of 1Q19 in line with the new segment reporting

<sup>2</sup> Excludes Ubiway volume and revenues from press distribution (AMP) that will be integrated within press sub-segment as of 1Q19 in line with the new segment reporting

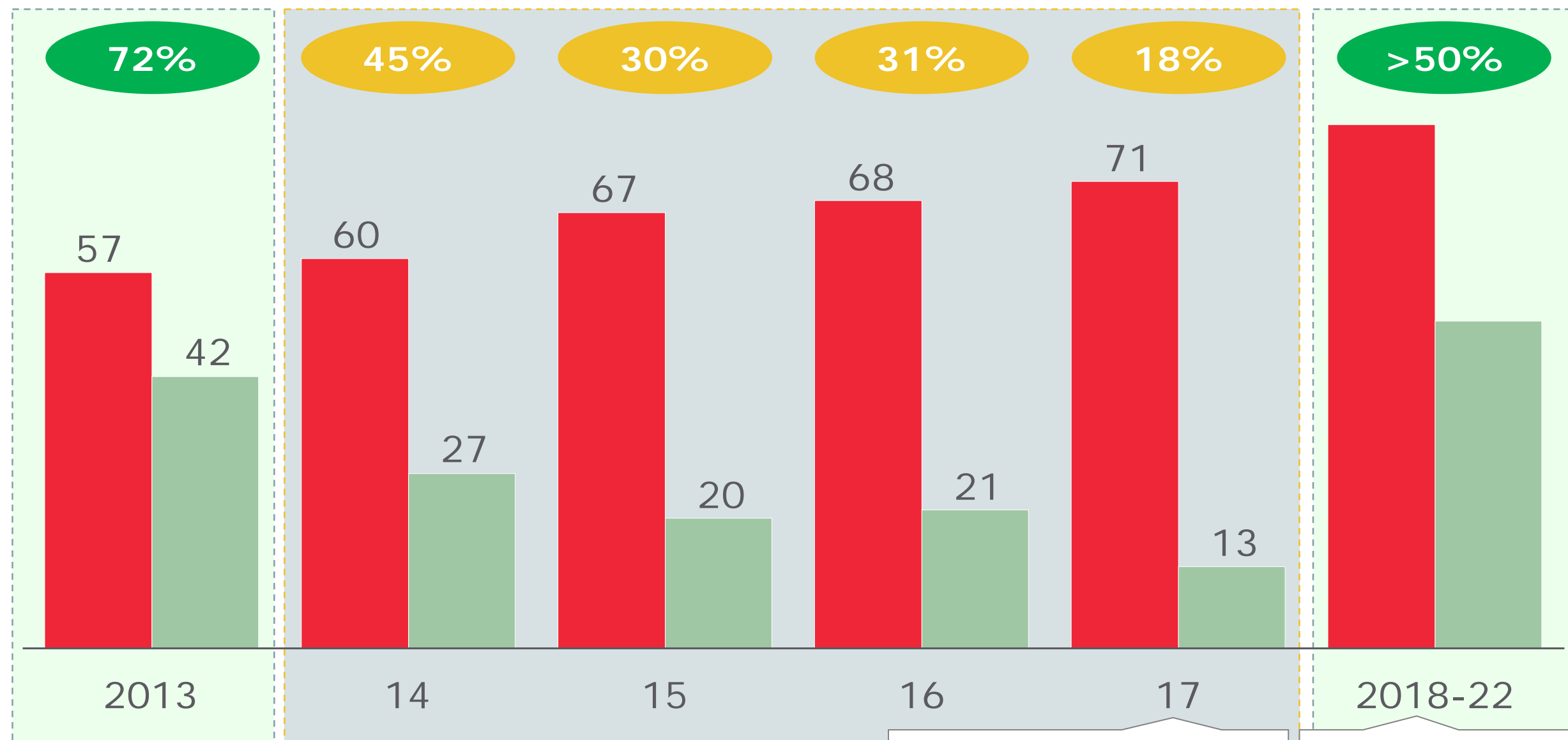


# Price increase and mix effects expected to compensate >50% of mail volume decline over 2018-22

## Volume and price/mix impact on revenue

€m

■ Domestic mail volume ■ Domestic mail price/mix x% Share of volume effect compensated by price/mix



Price increase on small user basket rejected by regulator

Building on the New Postal Law for price regulated products

### Key drivers

- Accelerating **domestic mail volume decline** up to -9%<sup>1</sup> by 2022
- **New price cap mechanism** of Postal Law defining max price increase for small user basket, and guiding price increase for non-price capped products
- Price increase partly offset by **shift to less expensive mail products**

<sup>1</sup> At comparable scope with regard to 2017 segment reporting, i.e., excluding Ubiway press distribution revenue (AMP) that will be integrated within Press sub-segment as of 1Q19 in line with the new segment

# New Postal Law provides stable and predictable regulatory framework to increase prices in context of accelerating mail volume decline

Effective as of February 10, 2018

## Drivers of the price cap formula

	Inflation	Volume decline	Efficiency gains
Description	Compensation for inflation	Compensation for mail volume decline	Mechanism to share 1/3 of the efficiency gains target with consumers
Correlation to price cap	Higher inflation results in larger allowed price increase	Larger mail volume decline results in larger allowed price increase	Constant and fixed by law
Calculation logic	Ratio of the health index as measured in April of the n-1 and n-2 years	$[V/(V+1)]$ with V as the expected negative volume trend on the Small User Basket	Fixed by the law at 0.9% (i.e., 1/3 of 2.8% efficiency gains target)

**Illustrative example** assuming 2% inflation and -6% average volume decline:

Price cap<sup>1</sup>: 7.6%  102%  [ 106.4%  0.9% ]

1 Detailed formula: Price cap = (1 + inflation) \* ( 1 - [V/(V+1)] - 0.9% ) - 1 , giving for the above example the following calculation (1+2%) \* (1 - [-6%/(-6%+1)] - 0.9%) - 1 = 7.6%

# Products not subject to price cap follow commercial logic

## Domestic mail subject to USO

### Small user basket<sup>1</sup>

~40% of 2017  
domestic mail  
revenues

## Products included

Single piece Daily &  
Registered Mail (domestic  
and outbound international)

- Stamps
- Franking machine sales
- Daily PP / UVRD / VAS

### Other USO Domestic Mail

- Admin / Clean mail
- Direct mail

## Pricing mechanism for USO products not subject to price cap

- Pricing for USO products not subject to price cap follows **commercial logic**, anchored on the price cap mechanism
- Volume and operational **discounts allowed**
- **Potential ex-post verification** by regulator
- **Systematic process** to optimize pricing by building on professional account management approach



<sup>1</sup> Subject to price cap

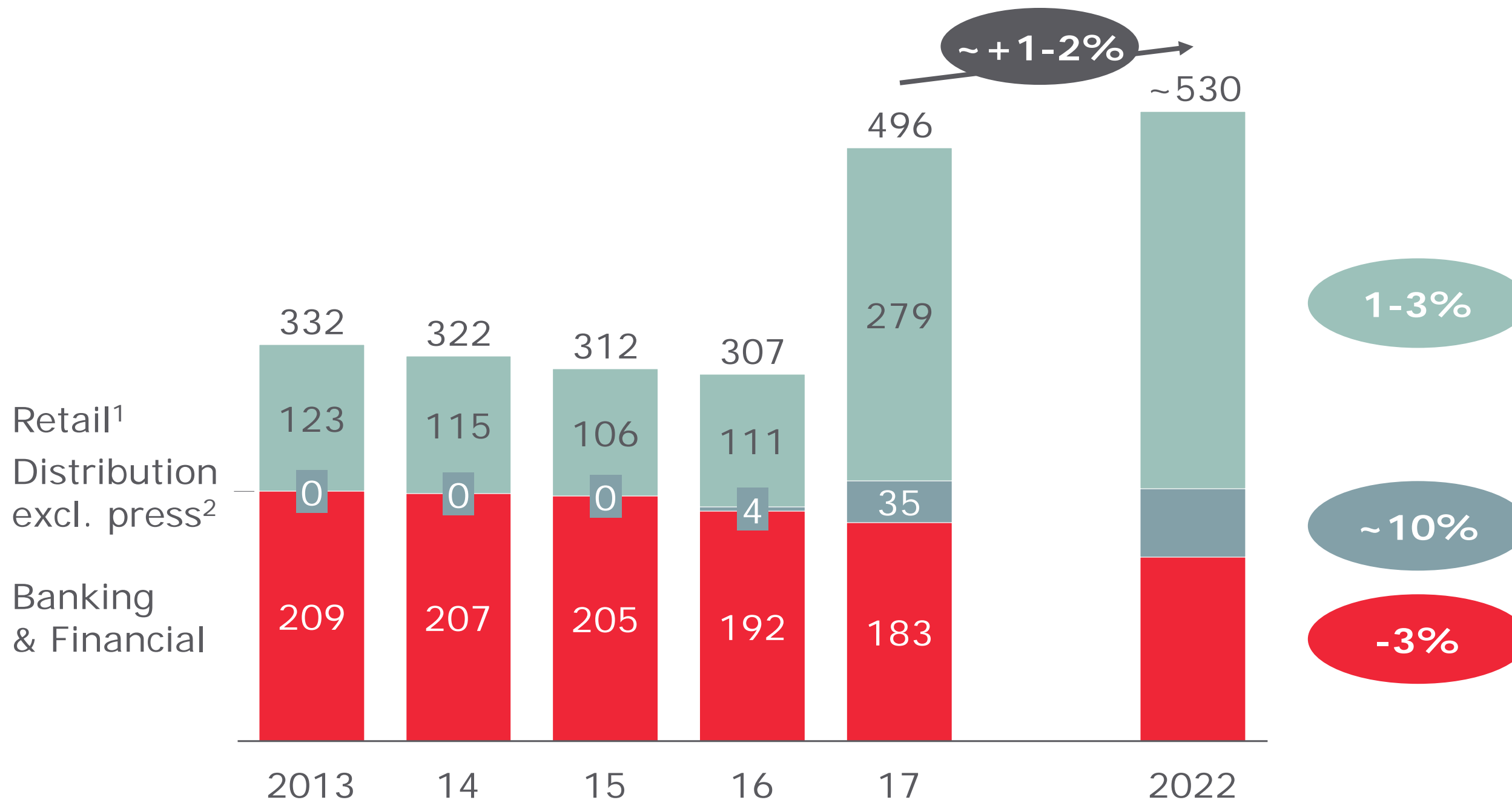
# Proximity and convenience retail network revenue is expected to grow at ~1-2% p.a. between 2017-2022

## Revenue evolution

€m

## CAGR 2017-22

%



## Key drivers

### Retail and Distribution

- Growing proximity and convenience retail (e.g., roll-out of new store concept, broadening of product offering, etc.)

### Banking & Financial

- Growth in total Belgian savings deposits (~3% p.a.)
- Interest rates affecting demand for savings vs. investments
- Changing customer needs, incl. "Millennials" and mobile banking
- Renegotiation of current agreement with BNPP Fortis coming due end of 2022

1 Includes retail network SGEI and Ubiway Retail

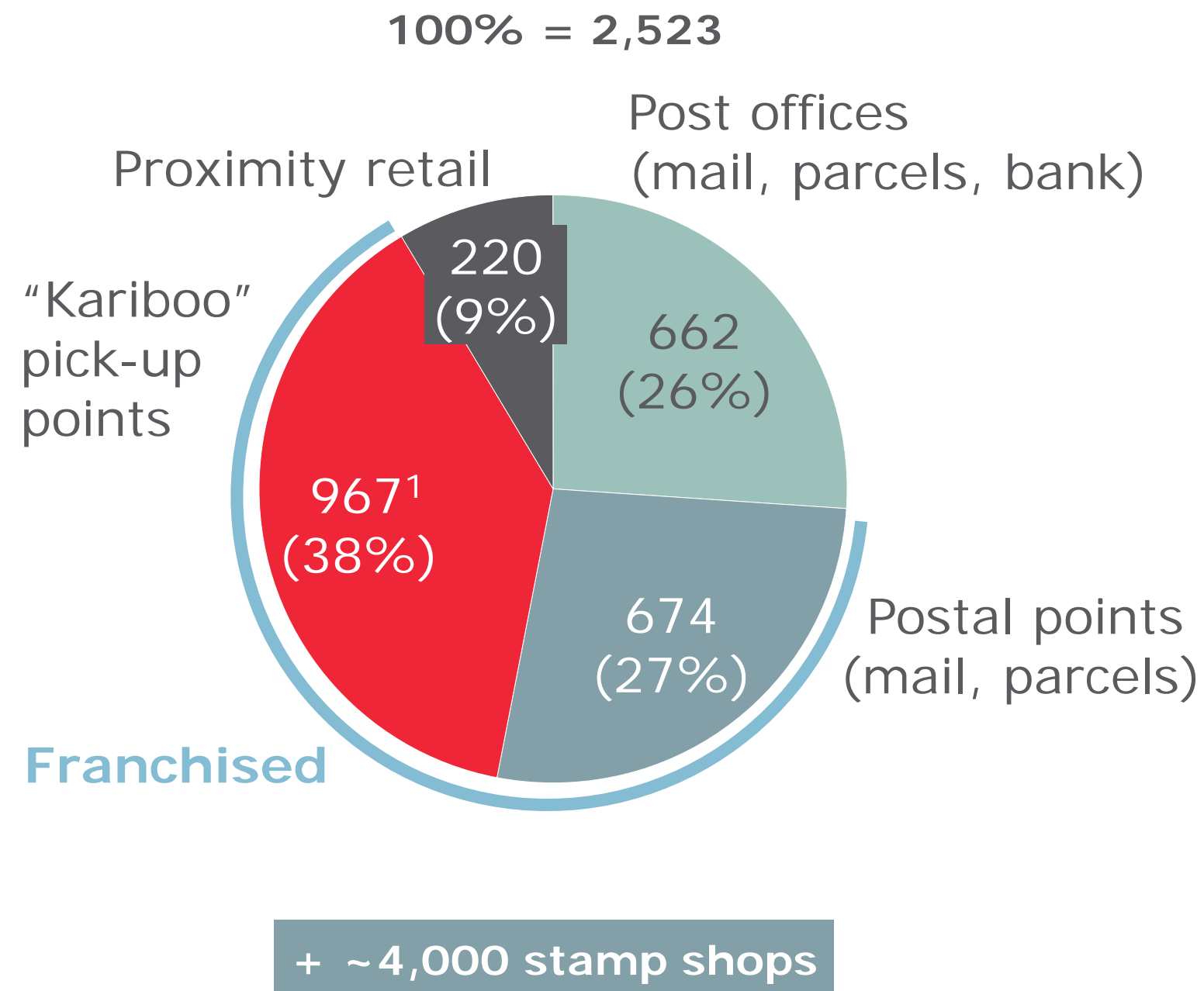
2 Ubiway Distribution revenue excluding press-related revenues that have been incorporated in the "Press" segment



# bpost's retail network in Belgium is evolving towards an integrated proximity network

## Composition of retail network in Belgium

# point of presence, %



## Geographical footprint of retail network

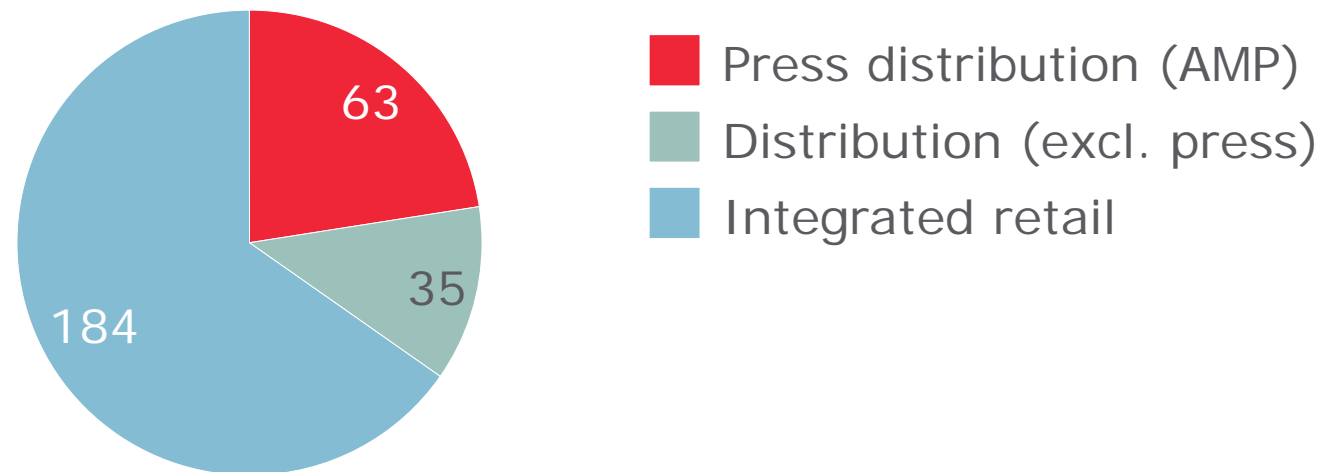


<sup>1</sup> Excluding 11 PUDO points in Luxembourg

# Ubiway progressing towards acquisition rationale

## Sales split by activity (2017)

€m



## Key figures for 2017

Sales €m	282	Distribution to # PoS	5,622
# FTE	645	# Integrated Retail stores	220

## Acquisition rationale

1



**Diversify** into the **growing proximity** and **convenience** distribution by building on Ubiway's network of stores, portfolio of concepts (e.g., Press Shop, Relay) and expertise

2



**Invest in the future of Belgian press** by offering PoS press delivery to **increase the flexibility & synergies** in delivery options for both publishers and newspapers readers

## Progress on objectives

- **New store concept** identified and tested; **roll-out ongoing** with 10 stores implemented
- Building capabilities (marketing, supply chain) to **re-activate network**
- **Won SNCB / NMBS tender** (end of 2017) for 30 Relay and 18 Hubiz for 8-14 years
- ~€3-4m press synergies already identified and execution ongoing (~€2m to be realized in 2019)
- Agreement with editors on **price increase for newspaper distribution**

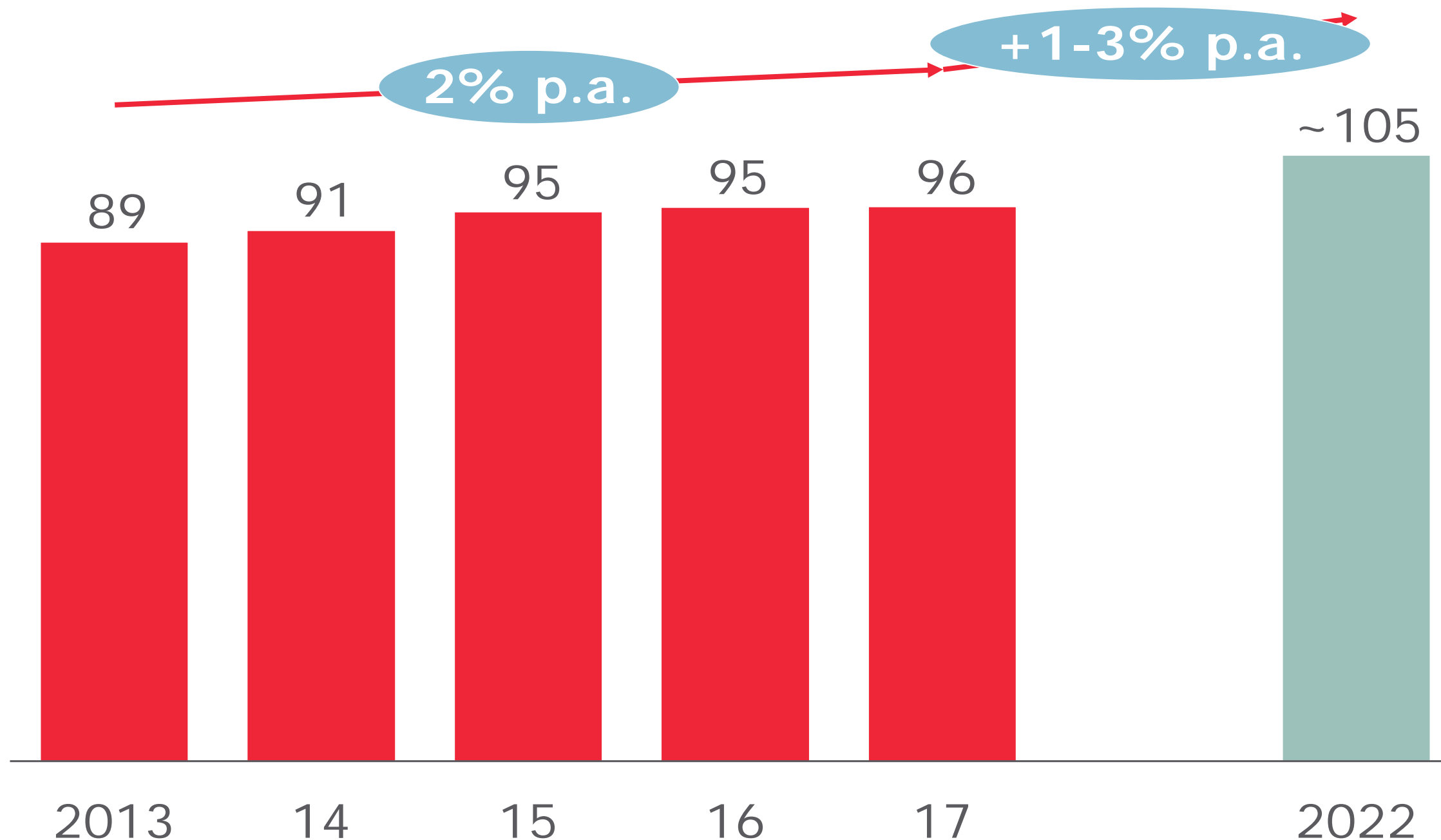
## Transversal initiatives

- New **governance** model with more centralization, stricter processes with an increased focus on performance management
- New **CEO** and changes at **N-1 level**
- **Integration** of subsidiaries in distribution to realize synergies on support functions

## Revenue from Value Added Services (VAS) expected to grow at 1-3% p.a. between 2017-2022

### Revenue evolution

€m



### Key drivers

- Growth of existing solutions (e.g., Fines) and development of new ones
- Certipost revenue fading
- Stable data and document management services

# Management contracts and press concessions will be (re)negotiated in the timing of the plan

## Scope



### Universal Service Obligation (USO)

- **Collect, sort, transport, & distribute** letter mail up to 2kg, parcels up to 10kg, and parcels up to 20kg from other EU member states
- **1 access point per municipality**
- Collect and deliver **5x/week**
- **Full territory** of Belgium
- **USO pricing constraints**
- **Provide adequate information** on USO products and services
- **Quality control obligation** (95% of prior mail/parcels D+1, 97% D+2)

### 6<sup>th</sup> Management Contract

Services not typically associated with mail operators (SGEI), e.g.,

- **Retail network**
- **Cash at Counter**
- **Election mail** (distribution)
- **Cash payment of pensions** at home

### Press concessions

- Also part of SGEIs
- **Newspaper early delivery 6x/week**
- **Periodical delivery 5x/week**
- **Quality control obligation** of max 7 complaints per 10k deliveries
- **~ 3,000 FTEs**

## Timing



- **End of 2023, renewable by consecutive terms of 5 years**
- Complementary management contract being negotiated with State

*State compensation possible in case of USO being financial burden*

- **End of 2020**
- Notified and validated by European Commission under State Aid rules

*€270m<sup>1</sup> state compensation in 2017*

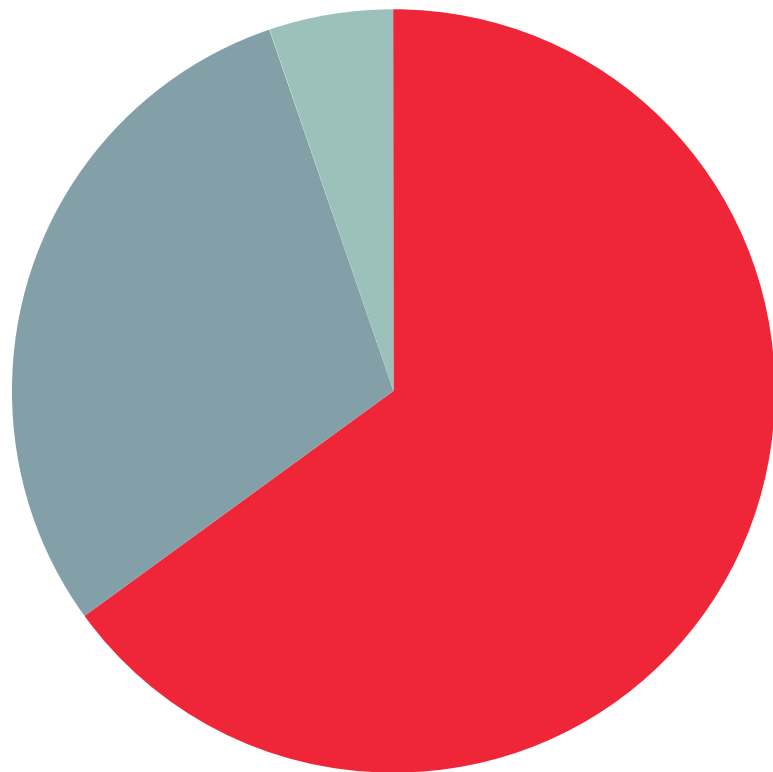
- **End of 2020**
- Notified and validated by European Commission under State Aid rules

<sup>1</sup> Amount including inflation, volume variance and sharing of efficiency gains

# Overall State compensation to evolve in line with contractual amounts, volume and inflation

## Indicative breakdown for 2017

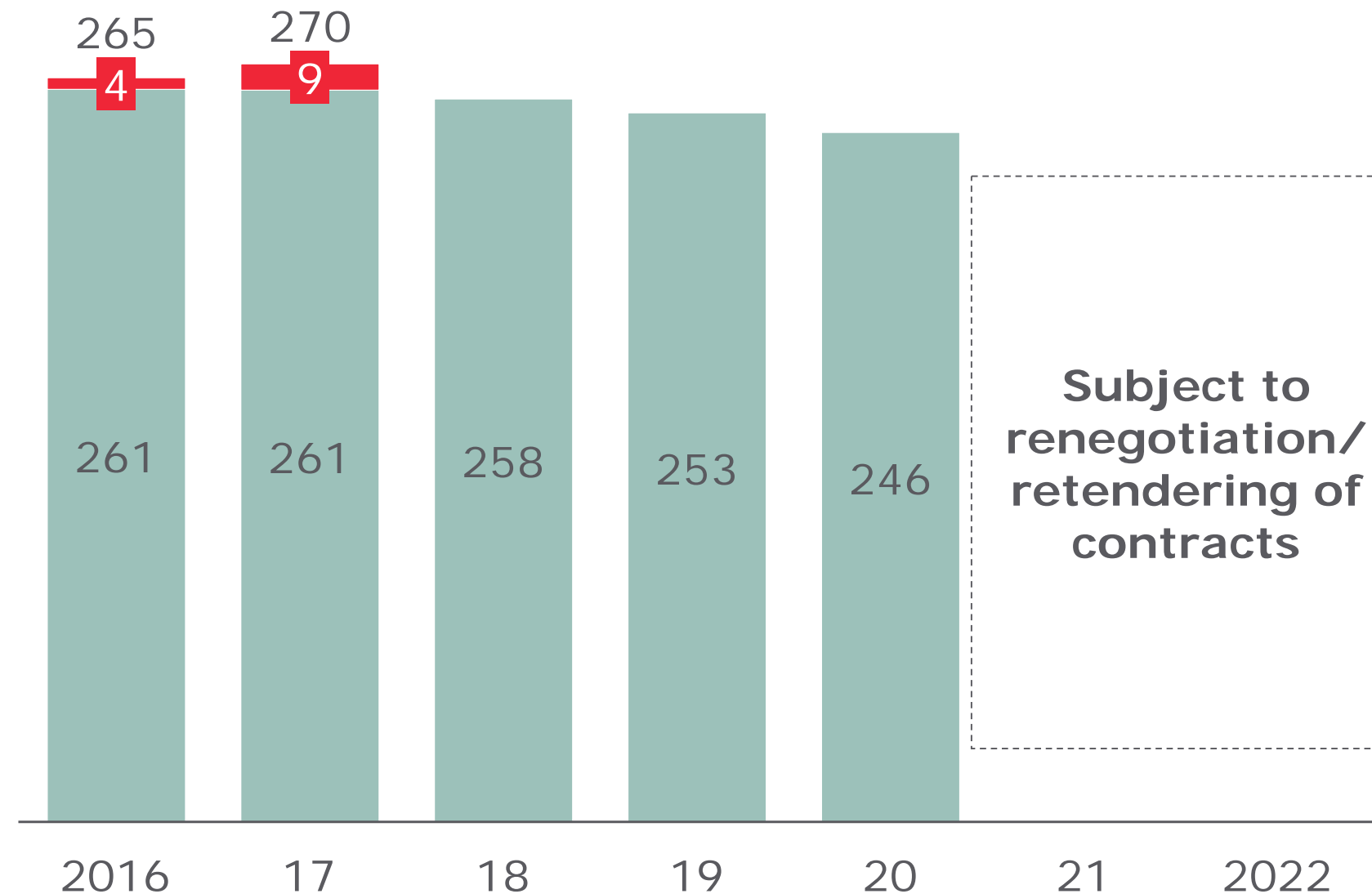
■ Press ■ Financial services  
■ Retail



## Total compensation from the State

€m

■ Effect of inflation, volume variance & sharing of efficiency gains  
■ Contractual amount



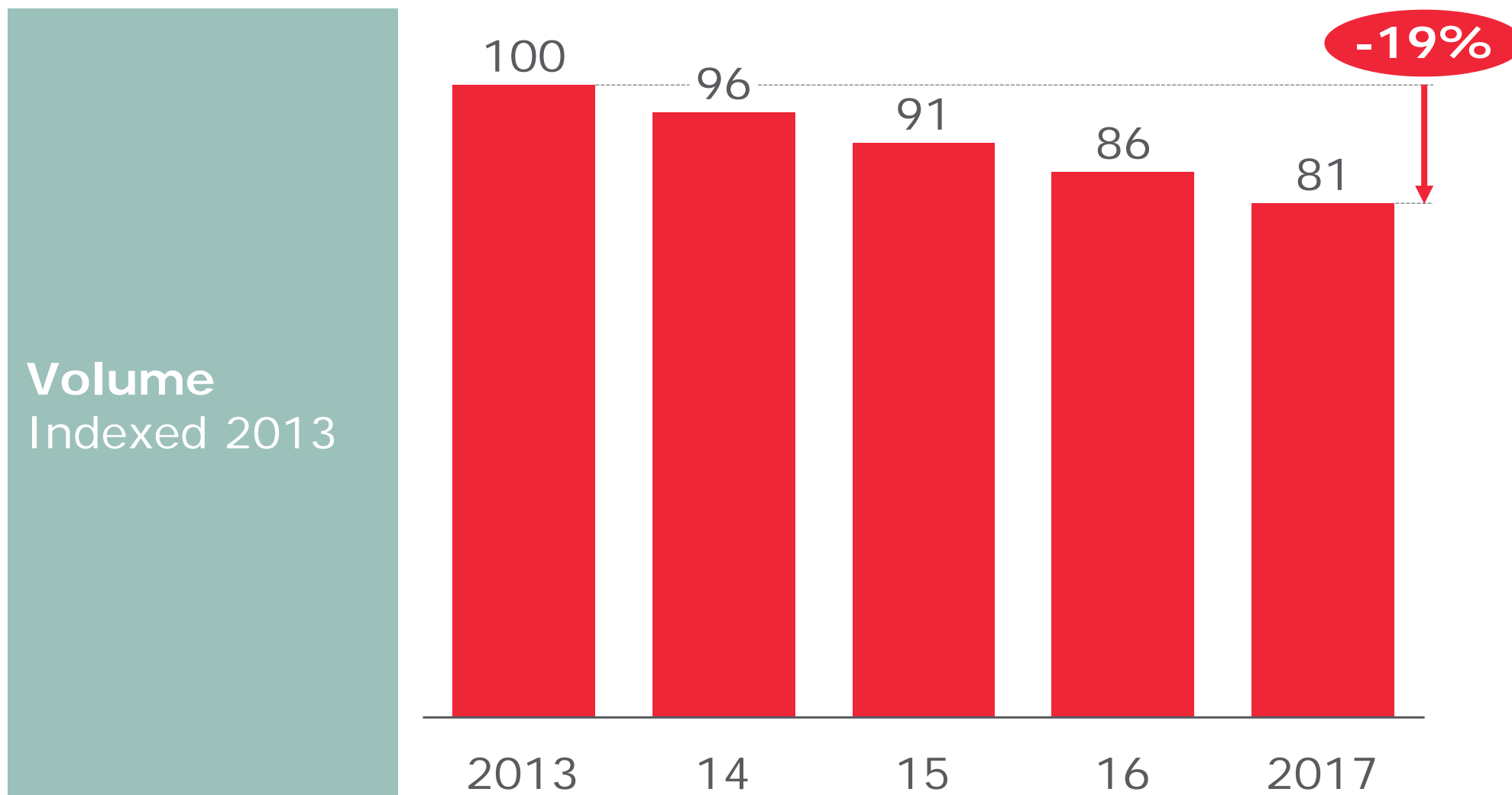
## Key drivers

- **Contract renewals or extensions** (scope, duration, conditions)
- **Reset of efficiency gains sharing** upon new management contract, as of 2021



# Opposing volume dynamics mail (-€266m) and parcels (+€109m)

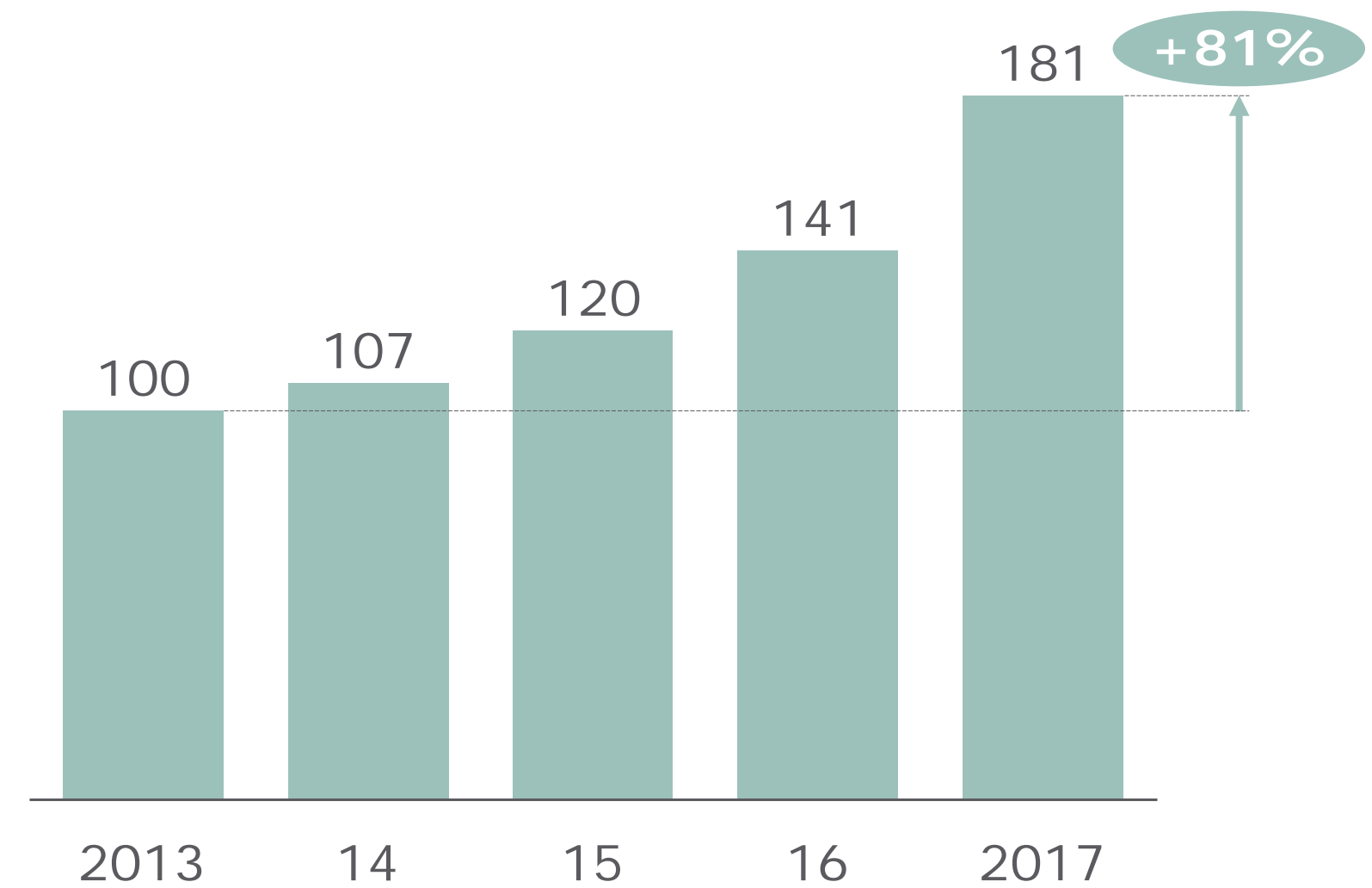
## Domestic mail



**Revenue impact**  
2013-17, excl.  
price/mix effect

**-€266m**

## Domestic parcels

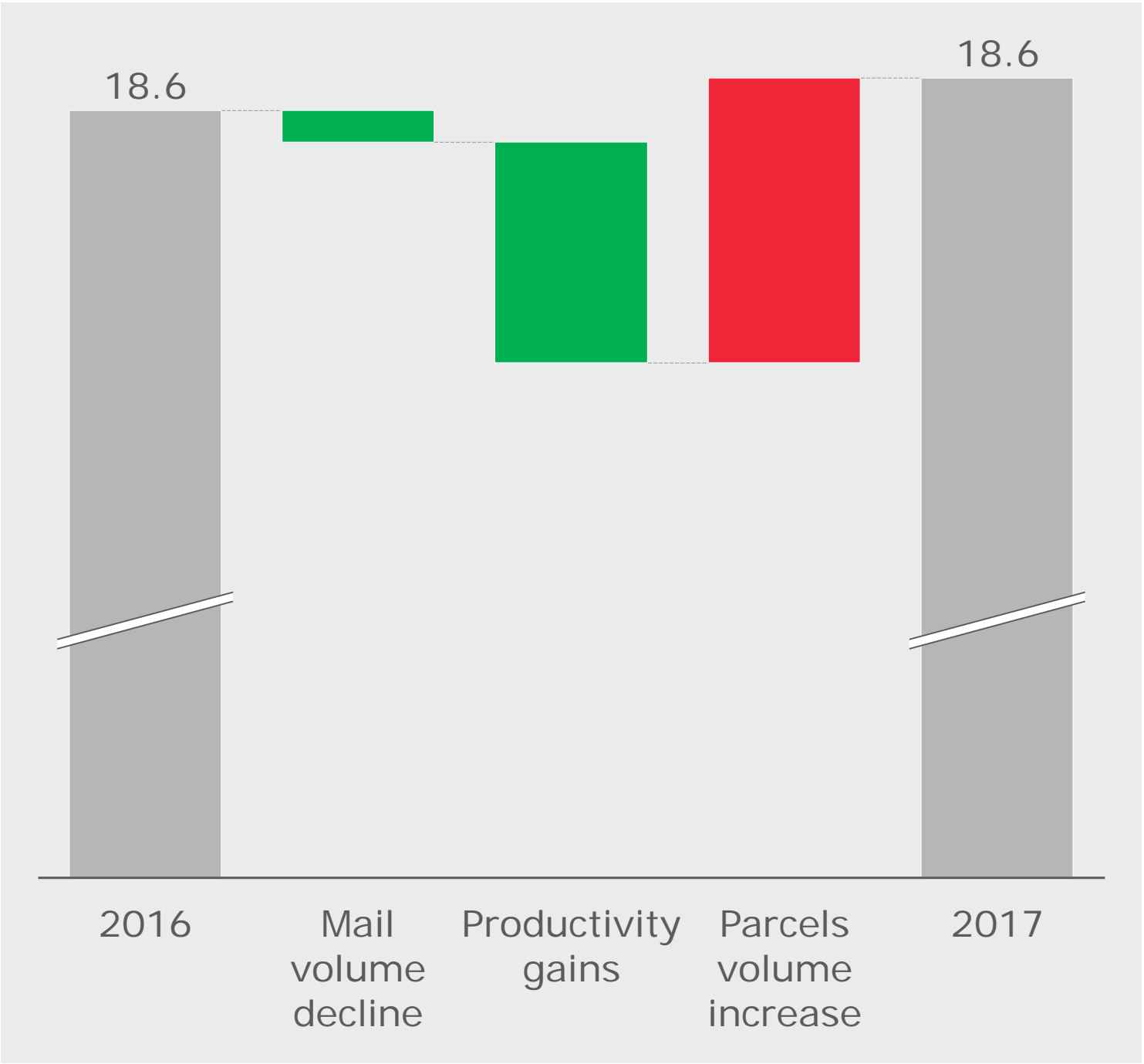
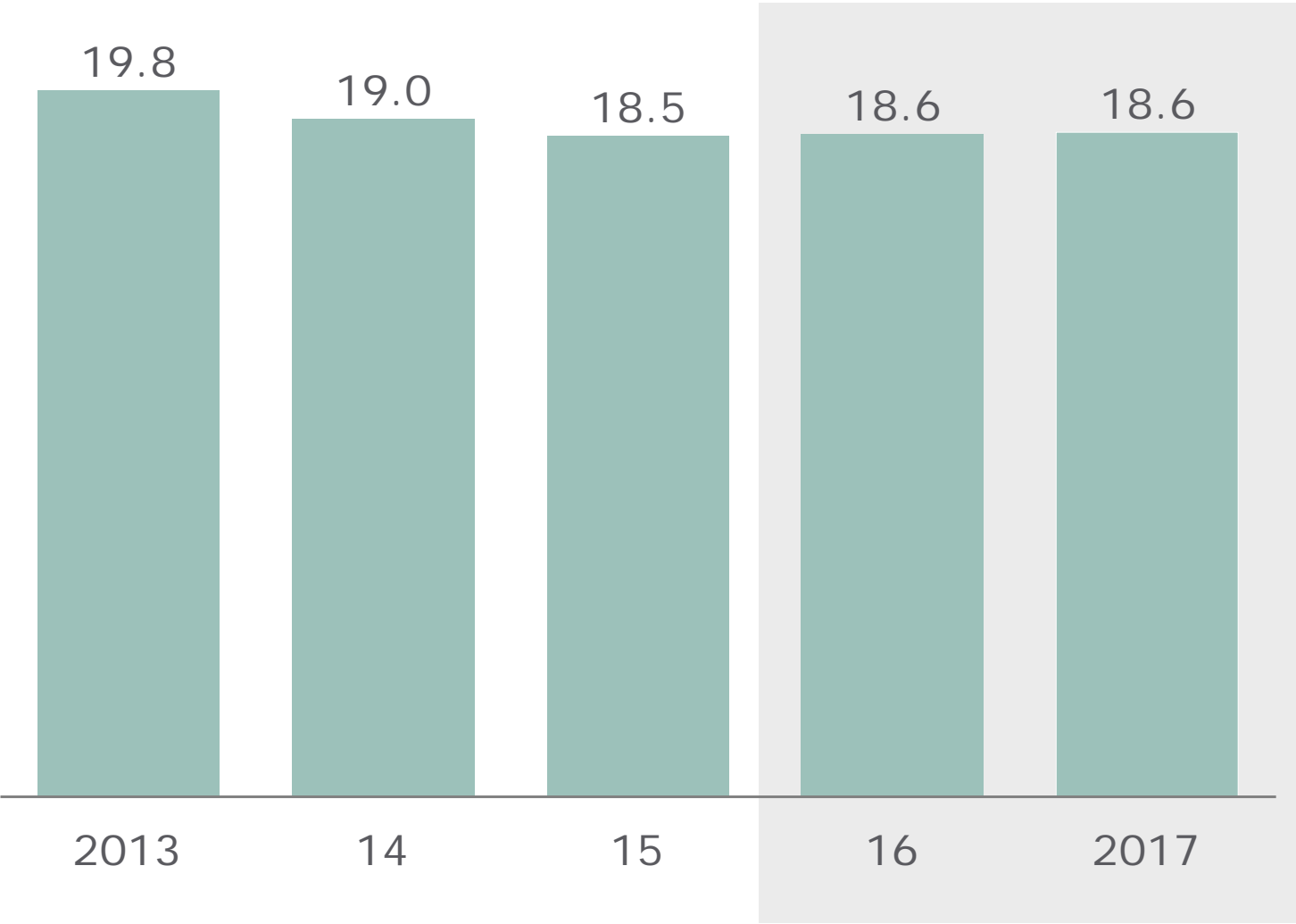


**+€109m**

# In recent years, parcels growth has masked FTE savings in mail

## Operational FTE evolution<sup>1</sup> (mail and parcels)

Average FTEs and interims, '000



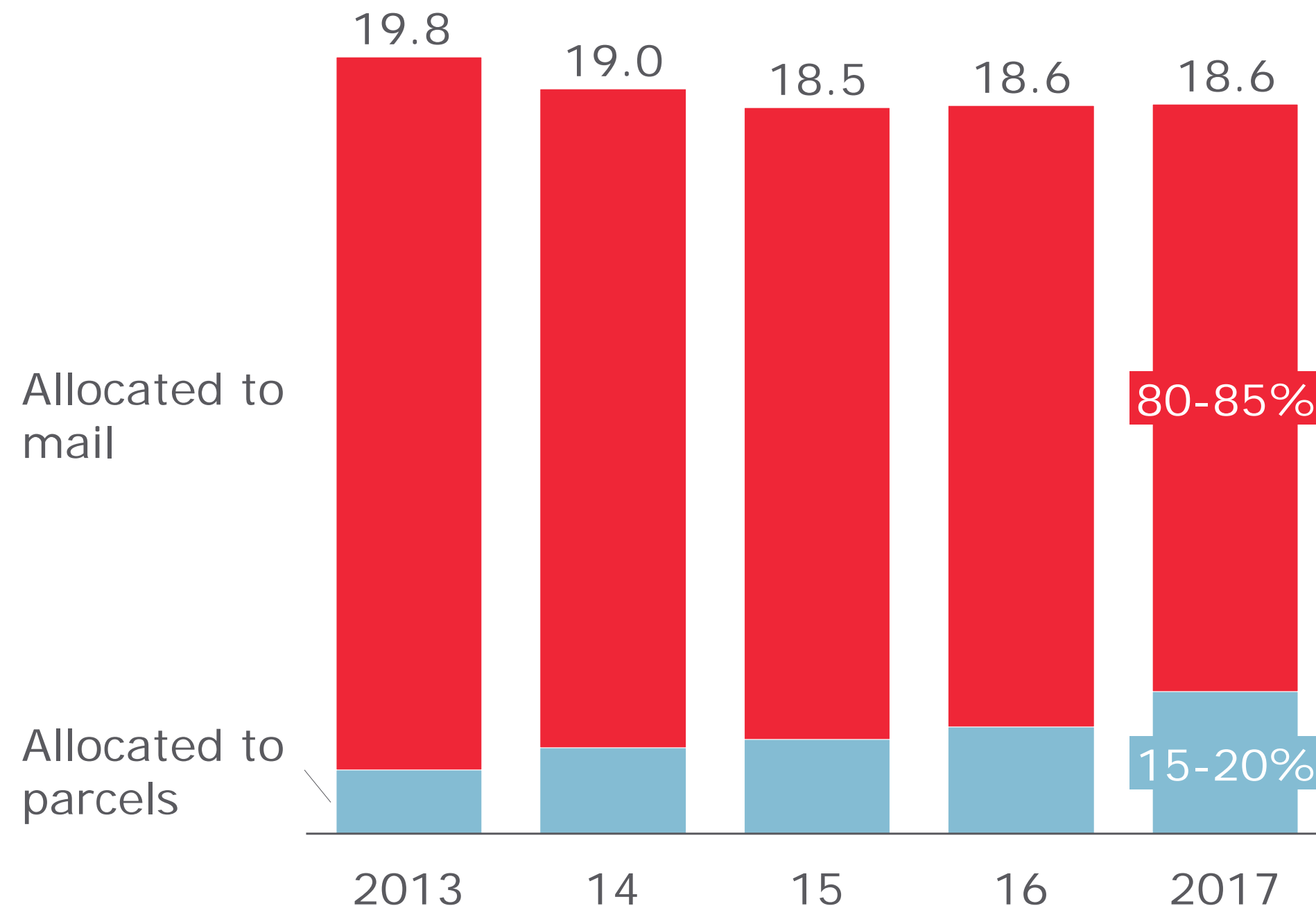
YoY underlying mail volume decline, %	-4.2%	-4.4%	-5.0%	-5.0%	-5.8%
YoY dom. parcel volume increase, %	7.1%	7.0%	12.6%	17.1%	28.2%

<sup>1</sup> bpost SA/NV scope, excluding retail network

# Mail vs. parcels volume dynamics have affected operational FTE evolution

## Operational FTE evolution<sup>1</sup>

Average FTEs and interims, '000



### Future evolution driven by:

- Continued decline in **mail volume**
- **Cost control options**, including amongst others alternative operating model, optimization of sorting center footprint, next generation Georoute

### Future evolution driven by:

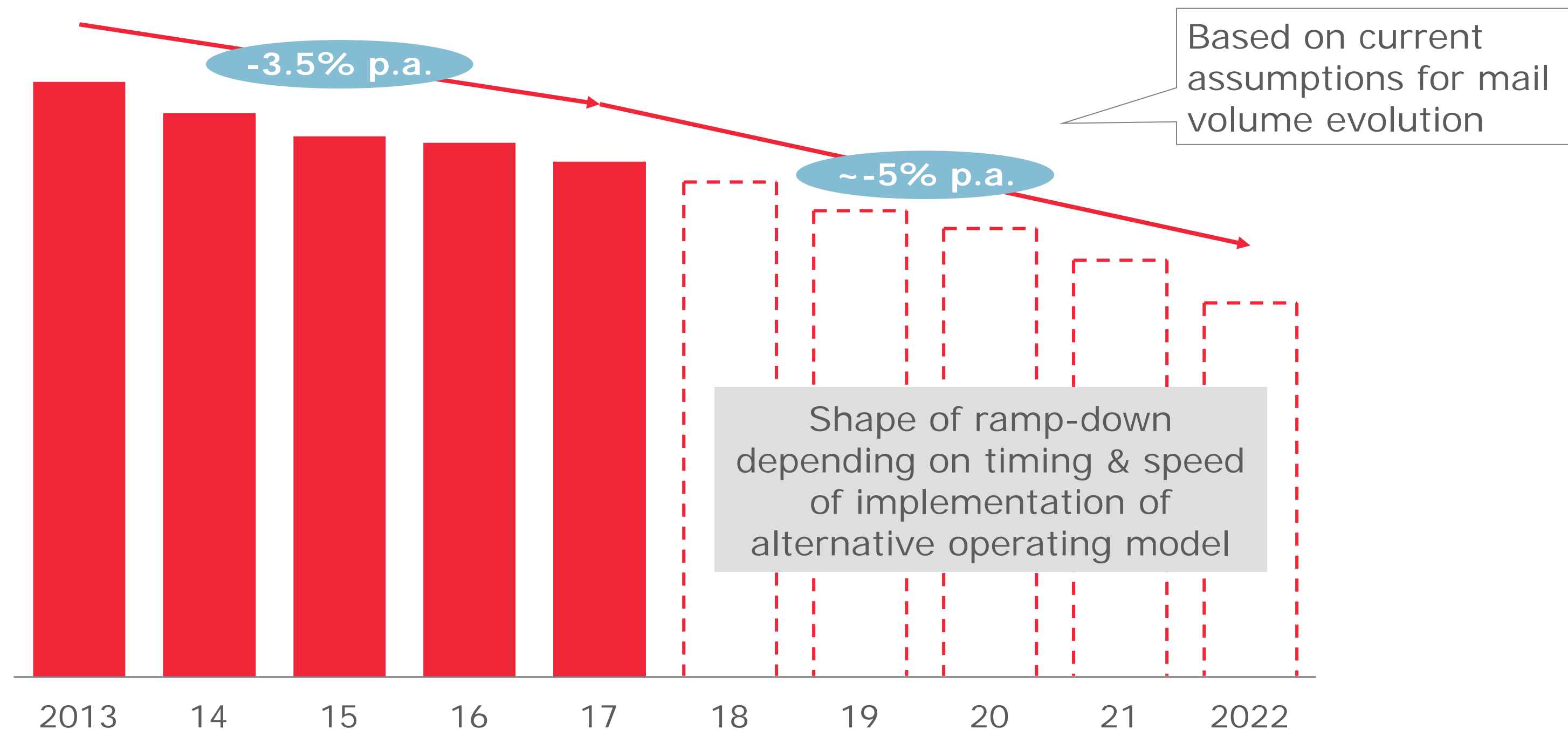
- Growing **domestic parcel volumes**
- Evolution of **product mix** (e.g., letterbox sized / non-letterbox sized parcels, weight, size, etc.) **and delivery requirements**
- Continuous **optimization of operating model**, e.g. closing the gap with workforce targets for NBX, maximizing parcels in mail rounds

<sup>1</sup> bpost SA/NV scope, excluding retail network

# Operational mail related FTEs will continue to decrease in the coming years

## Evolution of operational FTEs allocated to mail<sup>1</sup>

Average FTEs and interims, '000



<sup>1</sup> bpost SA/NV scope, excluding retail network

# Management has developed an extended set of cost control options

## Examples of cost control options

### Operating model

- Evolve towards a differentiated offering and alternative operating model
- Take measures to address absenteeism

### Industrial Mail Centers

- Optimize mail sorting centers footprint
- Pursue continuous improvement

### Collect & Transport

- Align number of Red boxes to mail volume decline
- Stop collect on Saturday and increase flexibility of pick-up, delivery and dispatch timing constraints

### Distribution

- Introduce new generation of Georoute and time potential management
- Simplify process for selected transactions
- Enhance customer experience and productivity through digital (e.g., consumer preferences)

### FTE Unit cost

- Revise CLA<sup>1</sup> evolution
- Optimize further FTE mix

<sup>1</sup> Collective Labor Agreement



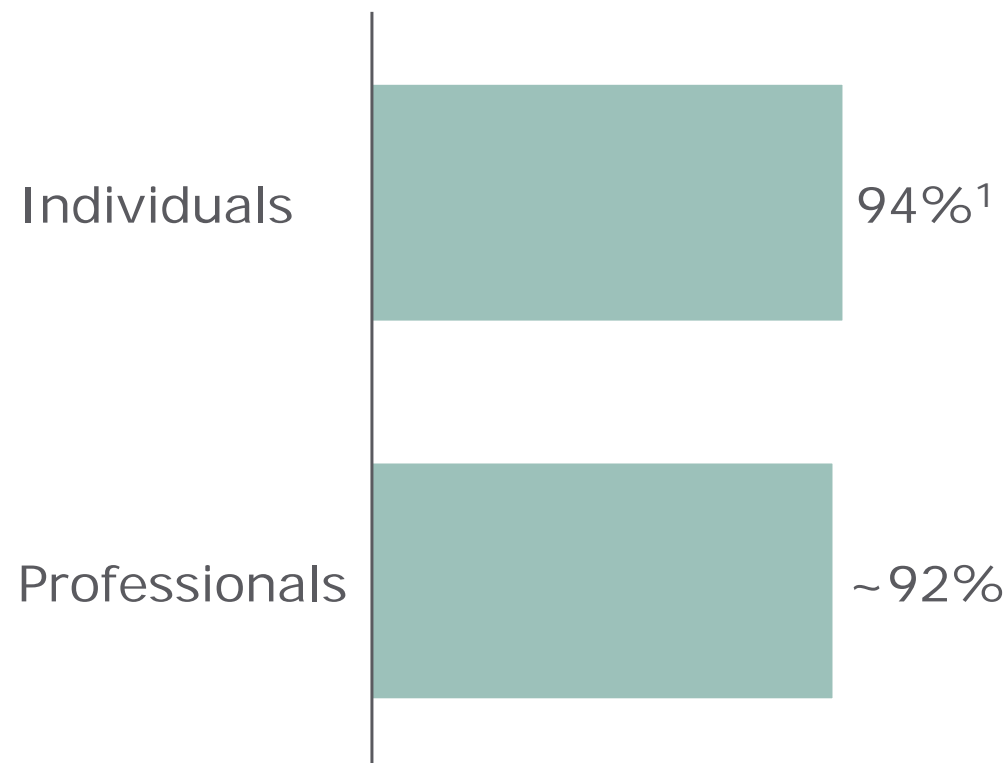
# bpost will evolve towards a differentiated offering to accommodate changing customer needs

## Evolving customer needs

“A lower frequency of delivery for regular letter post is acceptable to most respondents as long as this is associated with the option of a D+1 premium service”

– BIPT

## Acceptance for D+3-4<sup>1</sup>



## Operating model evolution



### Mail

- **Adjusted “day certain” distribution frequency:** in a given street, mail will be distributed on selective days of the week
- **D+1 delivery will remain available** as a separate product



### Parcels

- D+1 offering



### Newspapers

- Same day delivery

Unchanged



## Differentiated offering

### D+1

Available to consumers who need D+1 delivery

### Within D+3

Service level agreement (SLA) “within 3 days”

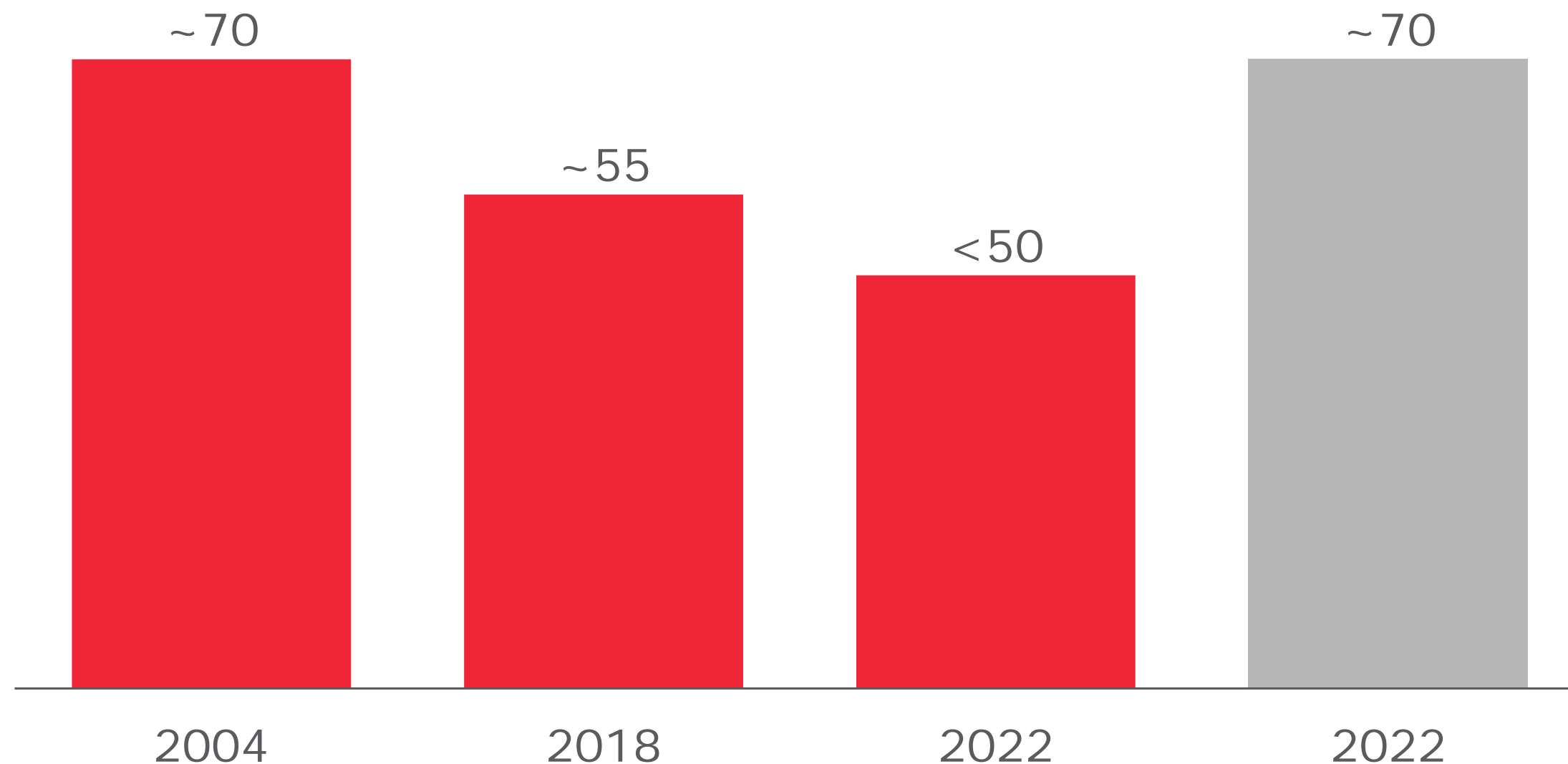
<sup>1</sup> Based on a bpost study with 1,000 households & 500 businesses (<200 FTE) interviewed in February 2015

# The alternative operating model will optimize drop density

Share of mailboxes receiving mail on any given day  
%

**Current model:** Everywhere, everyday

**Alternative:** D+3  
combined with  
D+1 offering

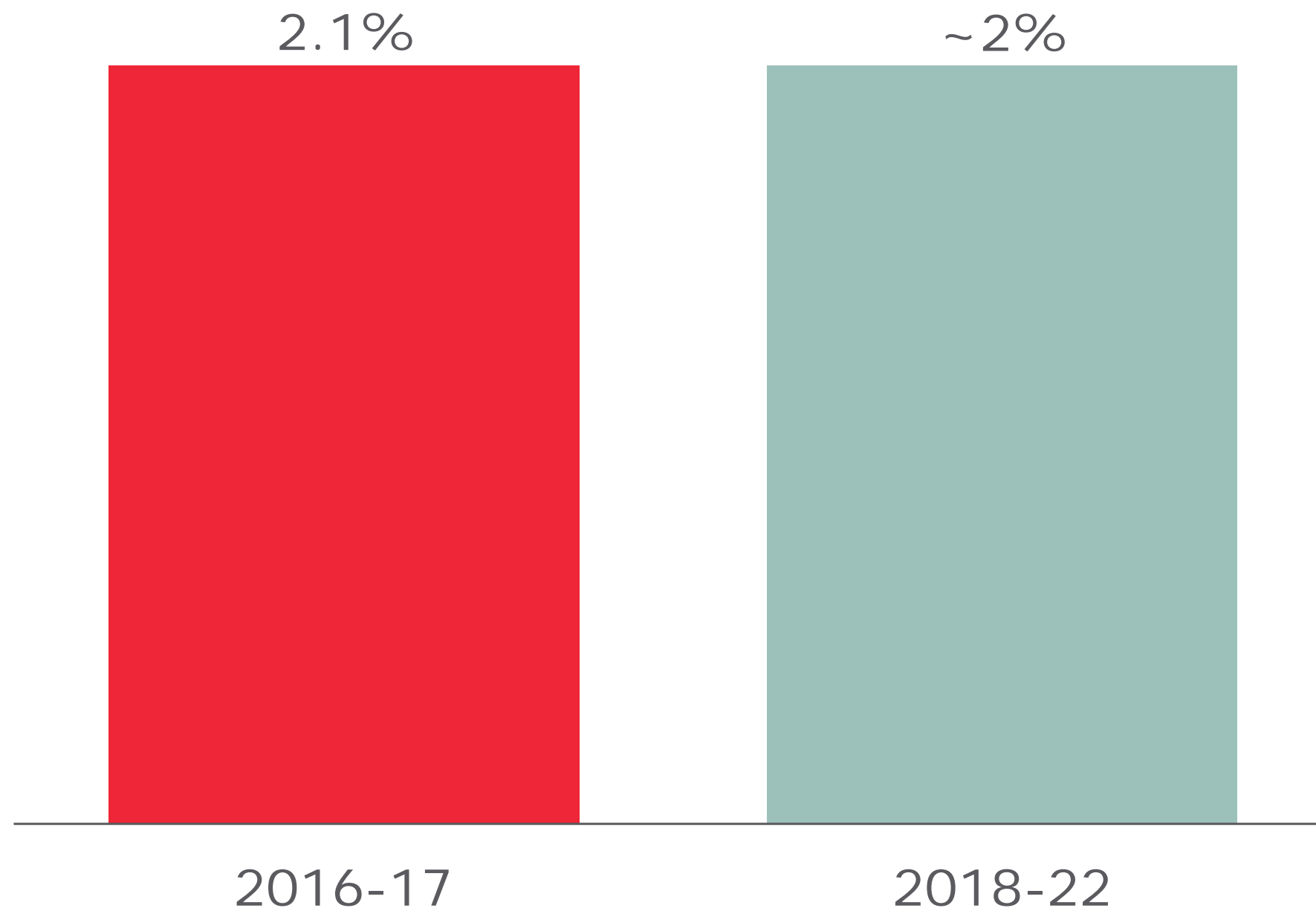


**Alternative operating model has benefits along the value chain**

- Reduced **collection frequency** and **transportation costs** (optimized truckload)
- Higher **sorting efficiency** (longer time periods, less peaks, day vs. night work)
- More **efficient classification** and **less space needed** in mail centers
- Higher **drop density** and **reduced transportation** in last mile (vehicles, fuel, postmen)

# Average salary expected to evolve in line with recent years

**Wage drift as share of payroll and interim cost<sup>1</sup>**  
%, including merit and seniority increase,  
indexation, CLA; excluding FTE mix evolution



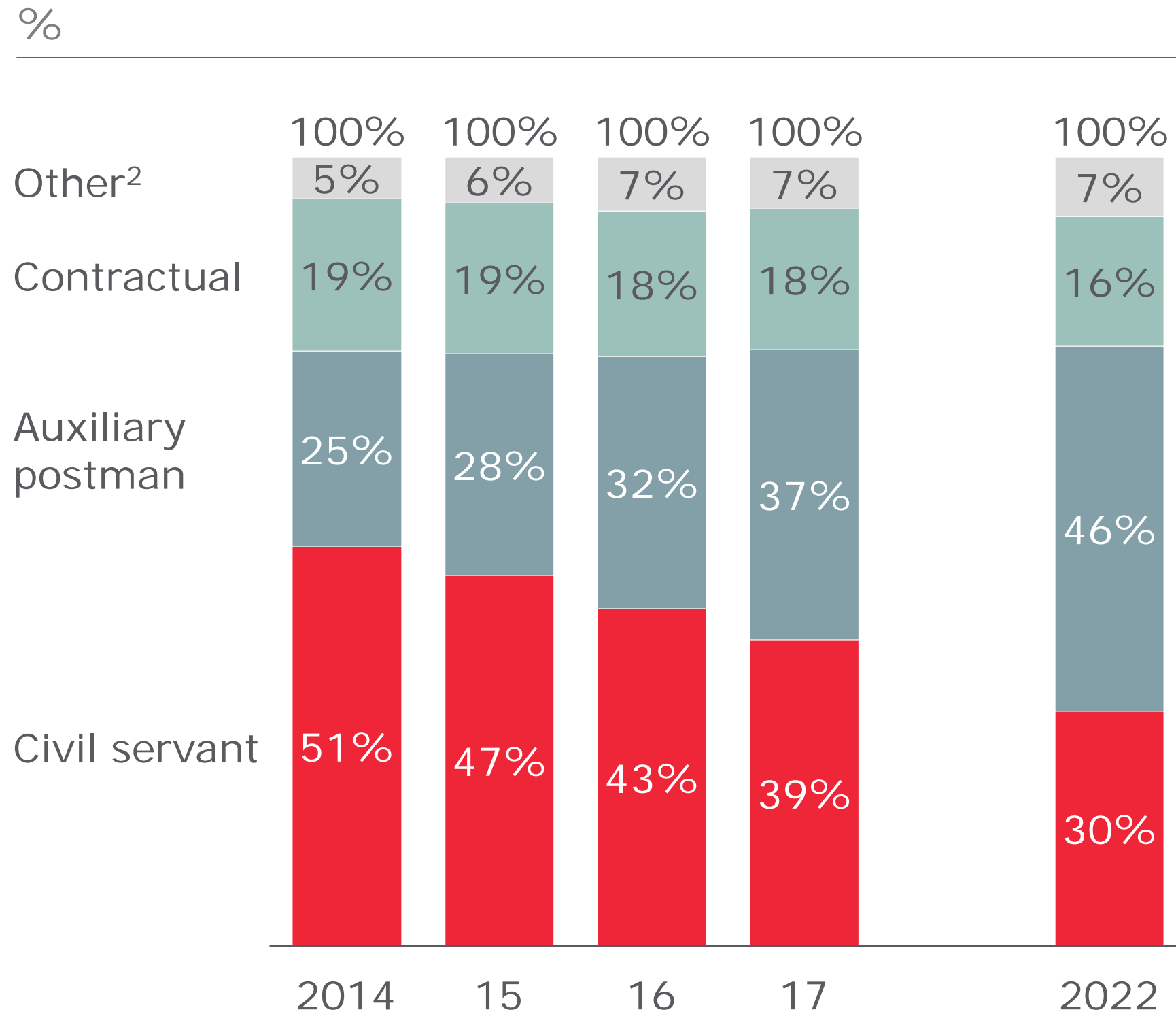
## Key drivers

- Collective Labor Agreement (bi-) annual negotiations
- Inflation and resulting automatic indexation
- Merit and seniority increase

<sup>1</sup> Numbers reflect bpost SA/NV, wage drift for operational FTEs (dedicated mail, shared, dedicated parcels)

# Further optimization of employee mix contributes to labor cost control

## Operational FTE mix evolution<sup>1</sup>

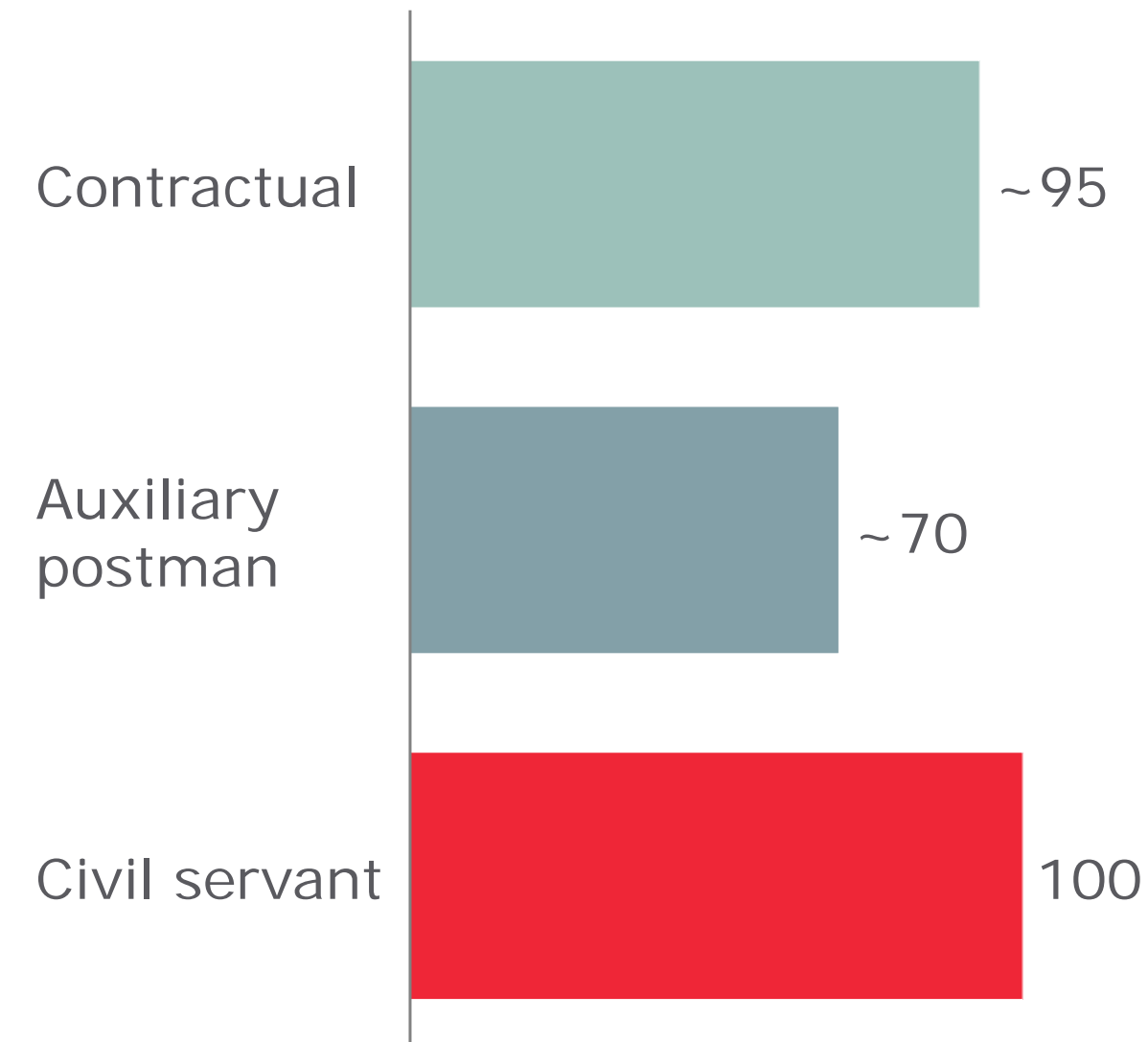


<sup>1</sup> bpost SA/NV scope, excluding retail network

<sup>2</sup> Includes students, interims, managers

## Average cost per contract type

Indexed



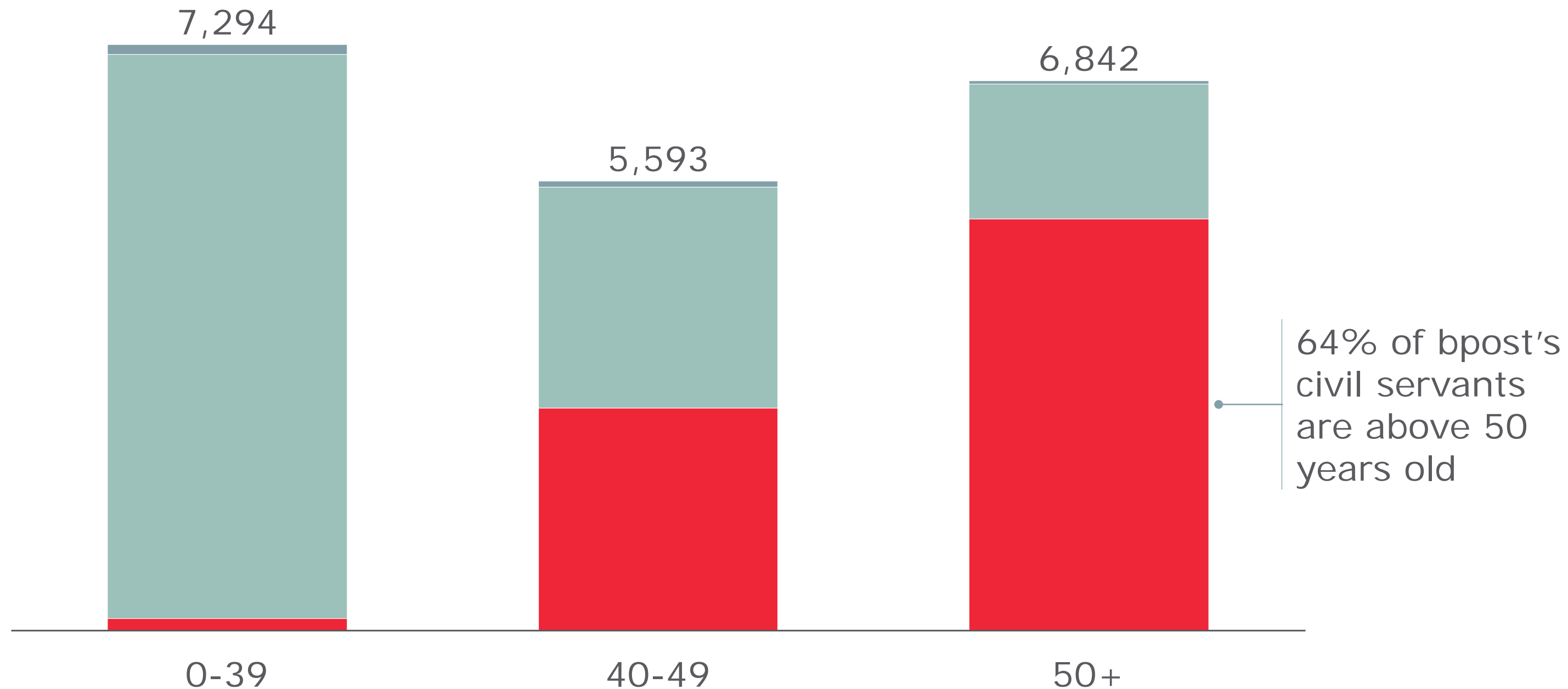
**FTE Mix evolution could mitigate up to 1/3 of wage drift**

# Workforce reduction will be supported by natural attrition

## Age pyramid<sup>1</sup>

Operational headcount per age, 31.12.2017

■ Non pay-scale contractuels ■ Pay-scale contractuels ■ Civil servants



## Natural attrition

Average natural attrition is expected to range from 1,200 to 1,300 FTEs/year over 2019-22



## My priorities

- 1** Actively manage mail revenue through mail defense and pricing levers, compensating >50% of mail volume decline
- 2** Reduce costs on an ongoing basis to maximize profitability through a set of measures including evolution of our operating model
- 3** Renegotiate/retender key contracts with the State (Management Contract & press concessions)
- 4** Optimize Ubiway and bpost bank



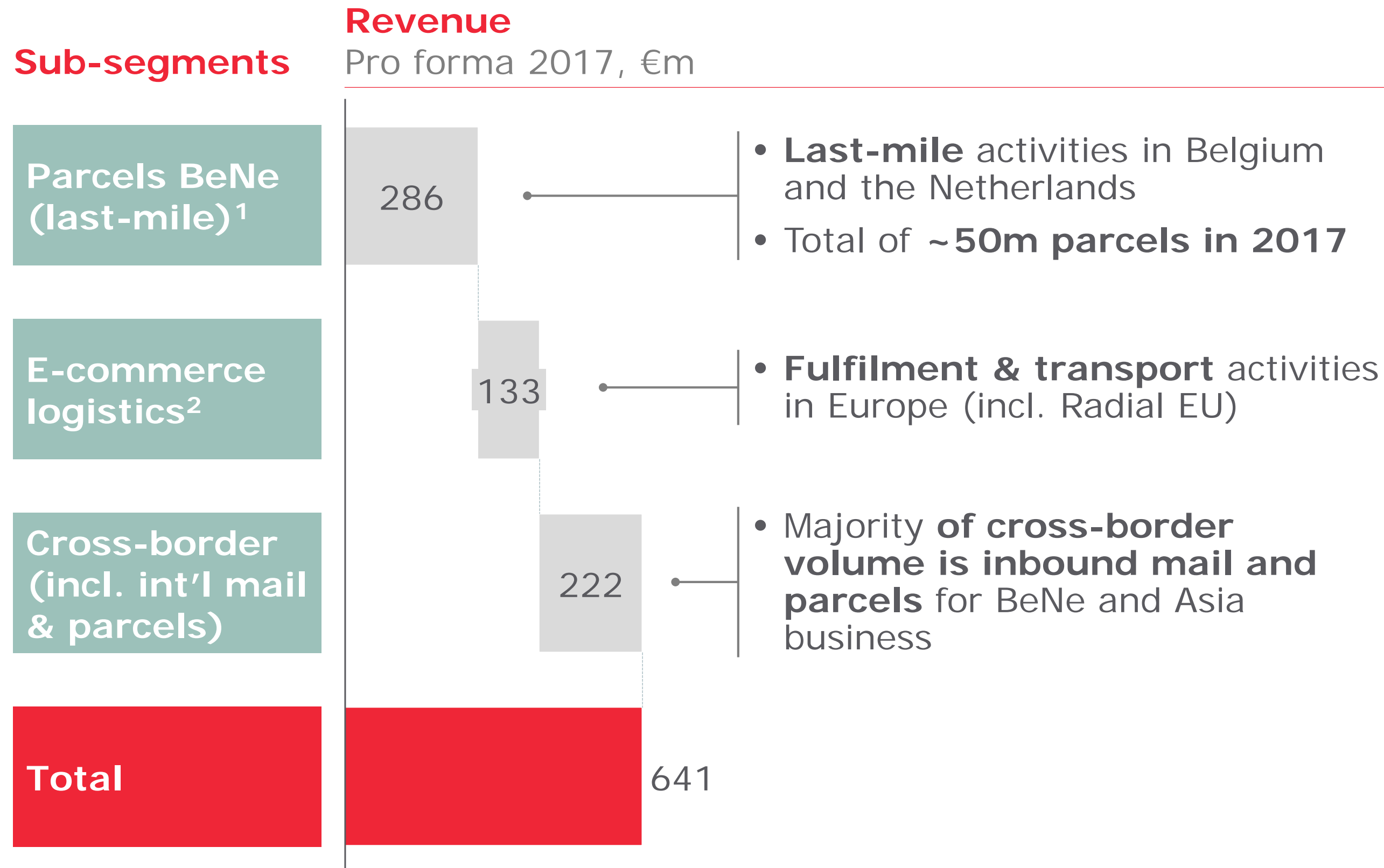


**Luc Cloet**

CEO Parcels & Logistics  
Europe and Asia



# Parcels & Logistics Europe and Asia at a glance



## Key facts & figures



**+370k parcels per peak day** in BeNe



**~1,500 dedicated parcel rounds**



**4 Parcel hubs** with dedicated parcel rounds in BE



**1 sorting location** (New Brussels X) + Dyna hubs

<sup>1</sup> Includes a.o. domestic parcels at the exception of inbound flow, DynaLogic, DynaSure, Citydepot, Eurosprinters, De Buren and Parcify

<sup>2</sup> Includes a.o. Radial Europe (pro forma FY 2017), Dynafix, NL & PL fulfilment, Leen Menken (pro forma FY 2017) and Bubble post

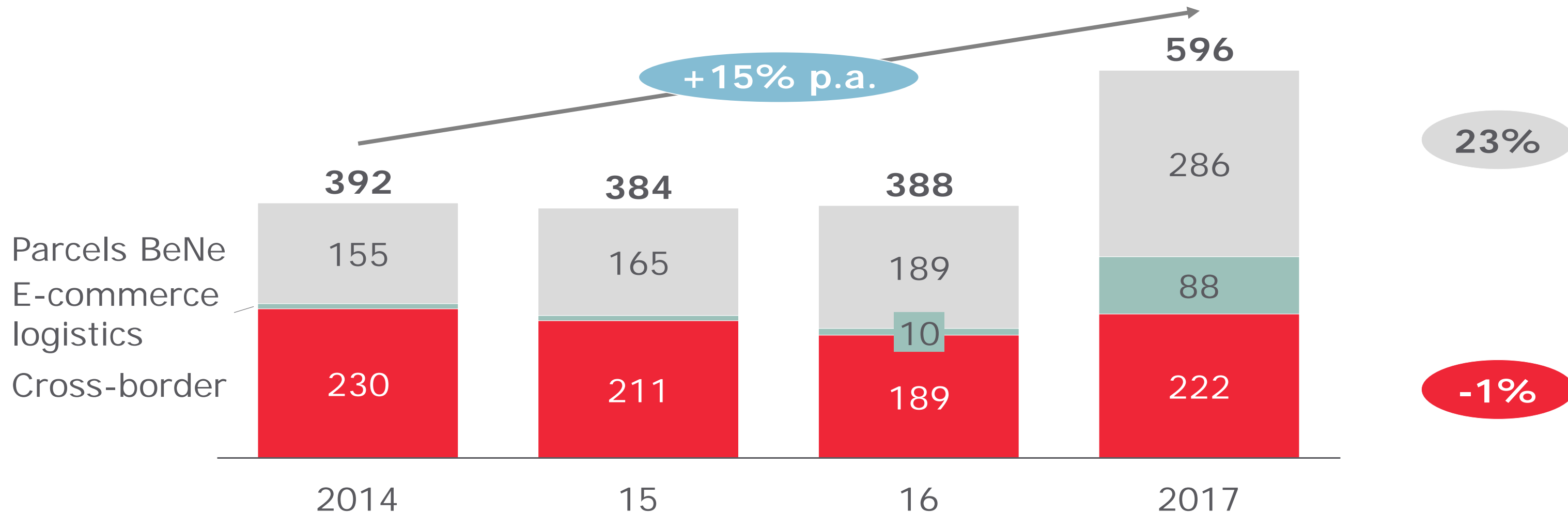
# Parcels & Logistics Europe and Asia has grown to ~€0.6bn over the last 3 years

## Revenue

€m, 2017 reported

## CAGR

%



De Buren acquisition  
(Network of parcel lockers)

Deals with  
3 of top-5 BeNe  
e-tailers



Dyna acquisition,  
(€132.2m revenue in 2017)



Launch of NBX  
in Brussels



Partnership  
with DHL in BE  
for B2C last mile



# Key value drivers for the Parcels & Logistics Europe and Asia business

Sub-segments	Key value drivers	From	To
Parcels BeNe (last-mile)	<ul style="list-style-type: none"> <li>Ability to <b>capture profitable growth</b> in a competitive environment</li> </ul>	Volume growth rate of 20-30% with price/mix effect up to -6% over 2016-2017	Double-digit growth rate with price/mix effect of ~-3% to -6%
	<ul style="list-style-type: none"> <li><b>BeNe-wide offering</b> addressing customer requirements</li> </ul>	Focus on Belgium (sales force, contracts, DHL partnership)	BeNe-wide approach
	<ul style="list-style-type: none"> <li><b>Optimized last-mile operations</b> based on parcels characteristics (e.g., size) and in line with delivery requirements</li> </ul>	4 parcel hubs in 2017 in BE	>15 parcel hubs in 2022
E-commerce logistics	<ul style="list-style-type: none"> <li>Ability to <b>organically capture market growth</b> of ~10% p.a. (vs. insourcing, pan-European players)</li> </ul>	E-commerce logistics in PL, NL & BE and "DynaFix"	Higher scale & skills, ability to leverage Radial capabilities
Cross-border	<ul style="list-style-type: none"> <li><b>Develop international cross-border parcels</b>, also across continents</li> <li>Ability to <b>maintain international mail volume</b></li> </ul>	Natural business evolution	Developing international parcel flows driven by e-commerce activity



# Dynamics in parcels last-mile in BeNe

## Purchasing behavior

- **NL** is the **most important import country** to BE (~25% of import flows)
- **BE consumers mainly buy from NL players** such as Bol.com (7%) and Coolblue (6% of BE online sales)



## Large NL-based e-commerce players

- Looking for a **BeNe wide offering** with regards to last mile
- **Benchmarking prices** on a BeNe level

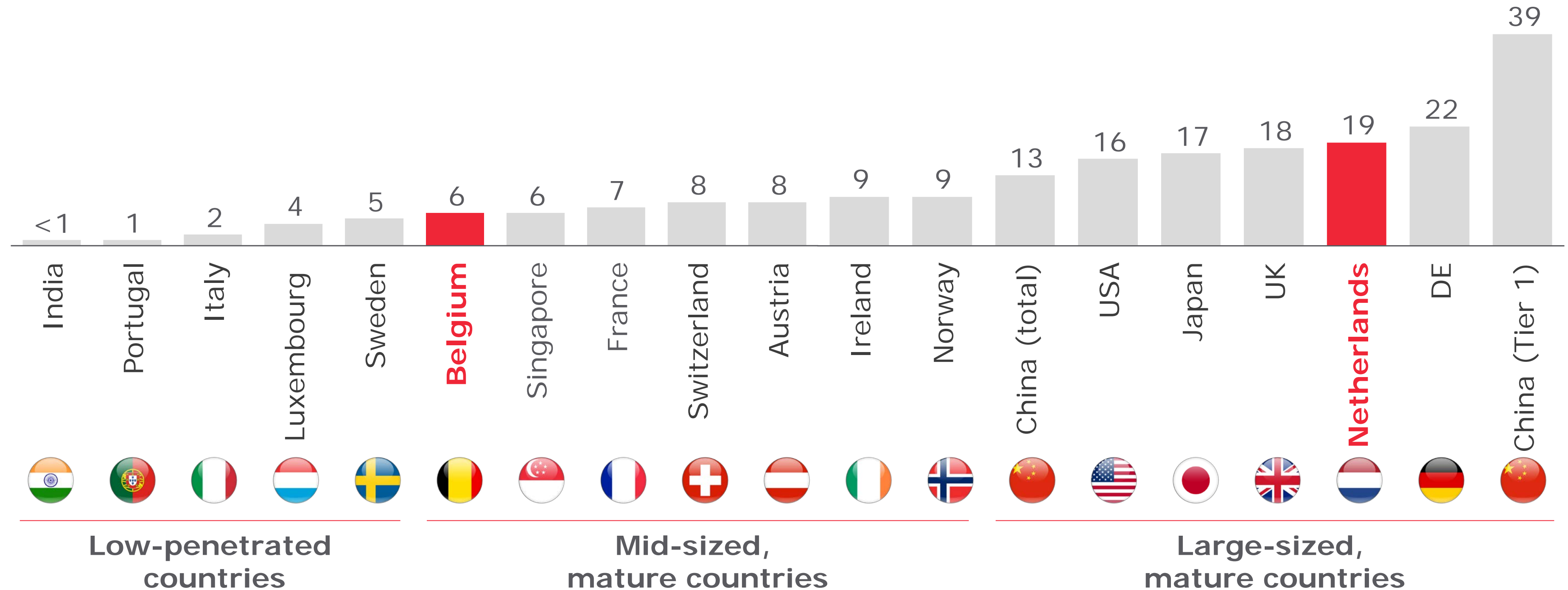
## Competitive offering

- Very **competitive & dynamic** region with many large players such as PostNL, DHL, DPD, FedEx

# Belgium has further room for e-commerce development

## E-commerce relevant parcel<sup>1</sup> penetration

Parcels per capita, 2016

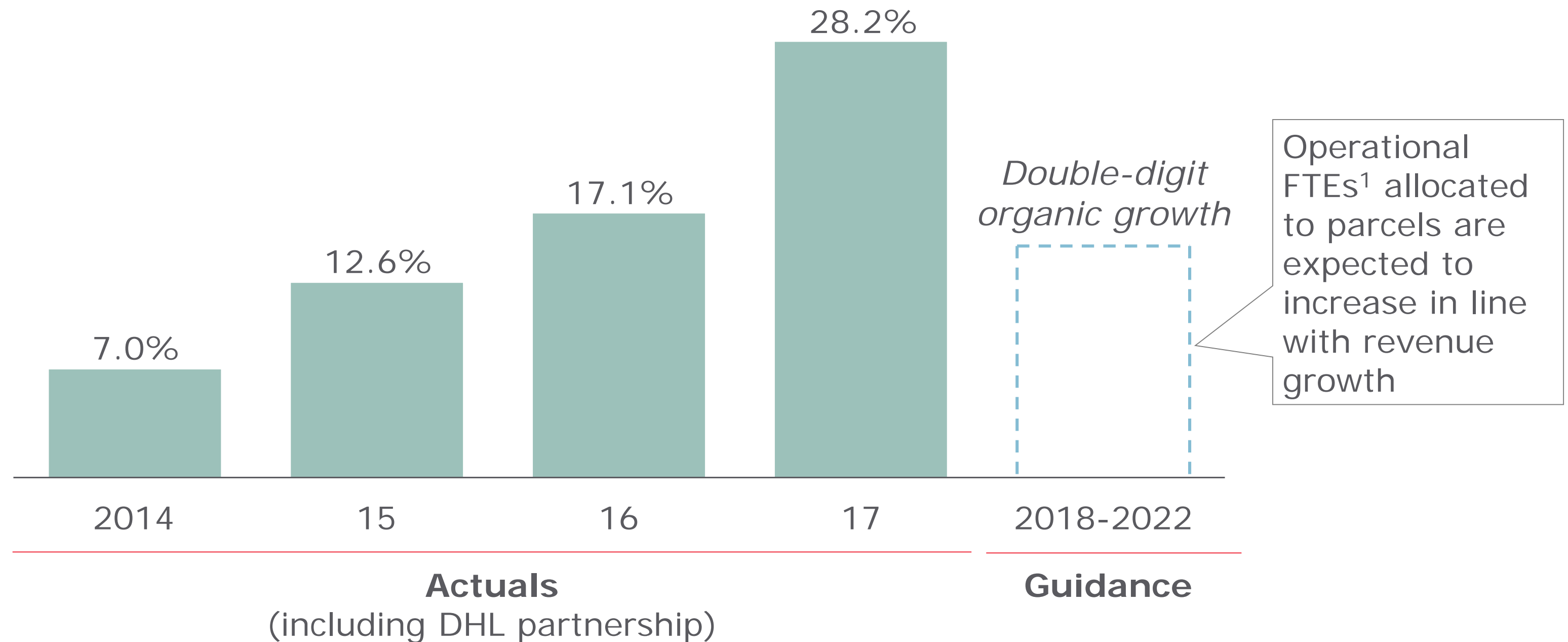


<sup>1</sup> E-commerce relevant is defined as domestic B2C parcels, with speed typical for e-commerce shipments in the given country

# Domestic parcels are expected to continue to grow at a double-digit organic profitable growth rate

## Domestic parcels growth rate

Volume, percent growth p.a.

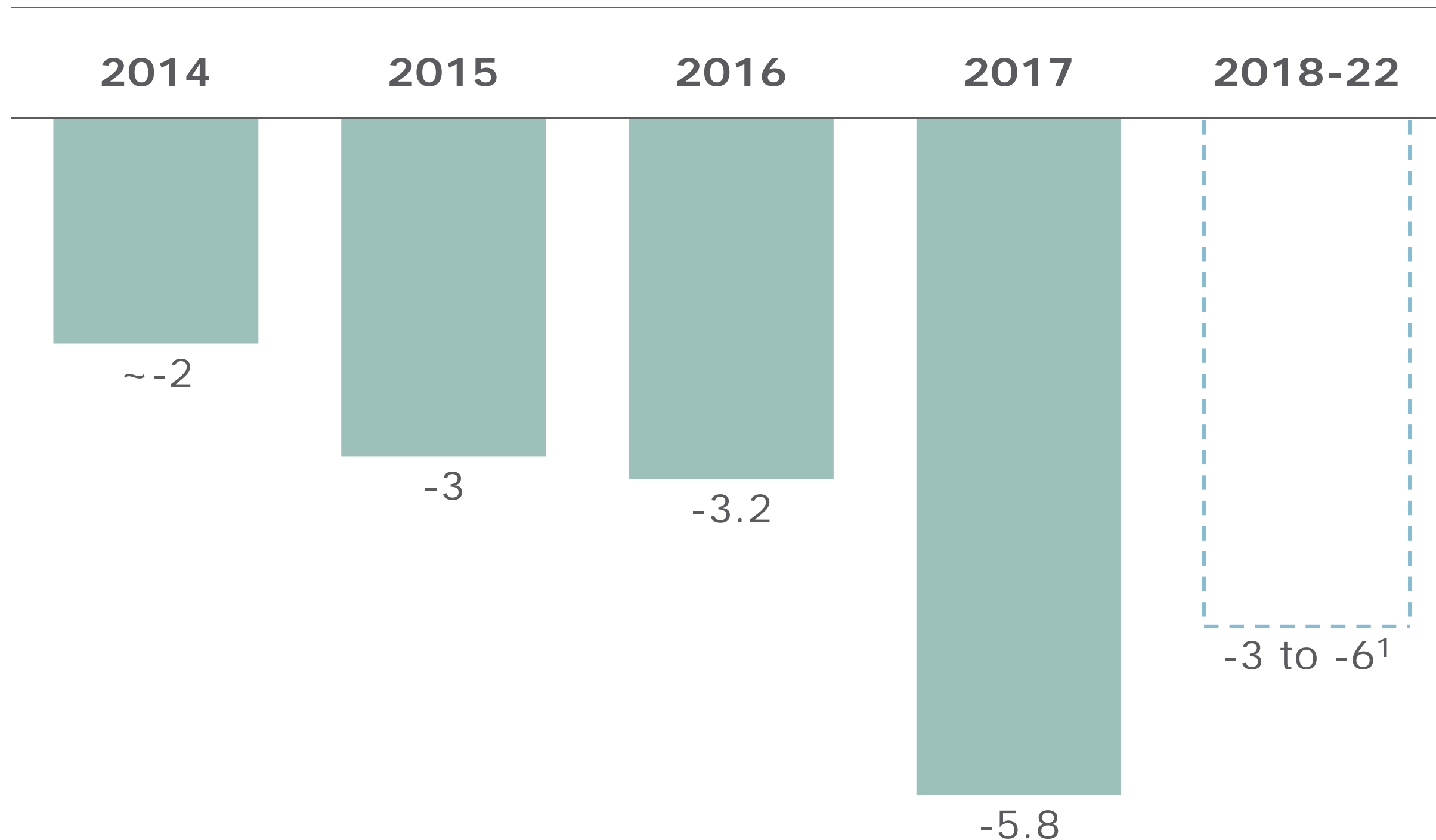


<sup>1</sup> bpost SA/NV scope, excluding retail network

## The expected domestic price/mix effect is between -3 to -6%

### Impact on revenue

%

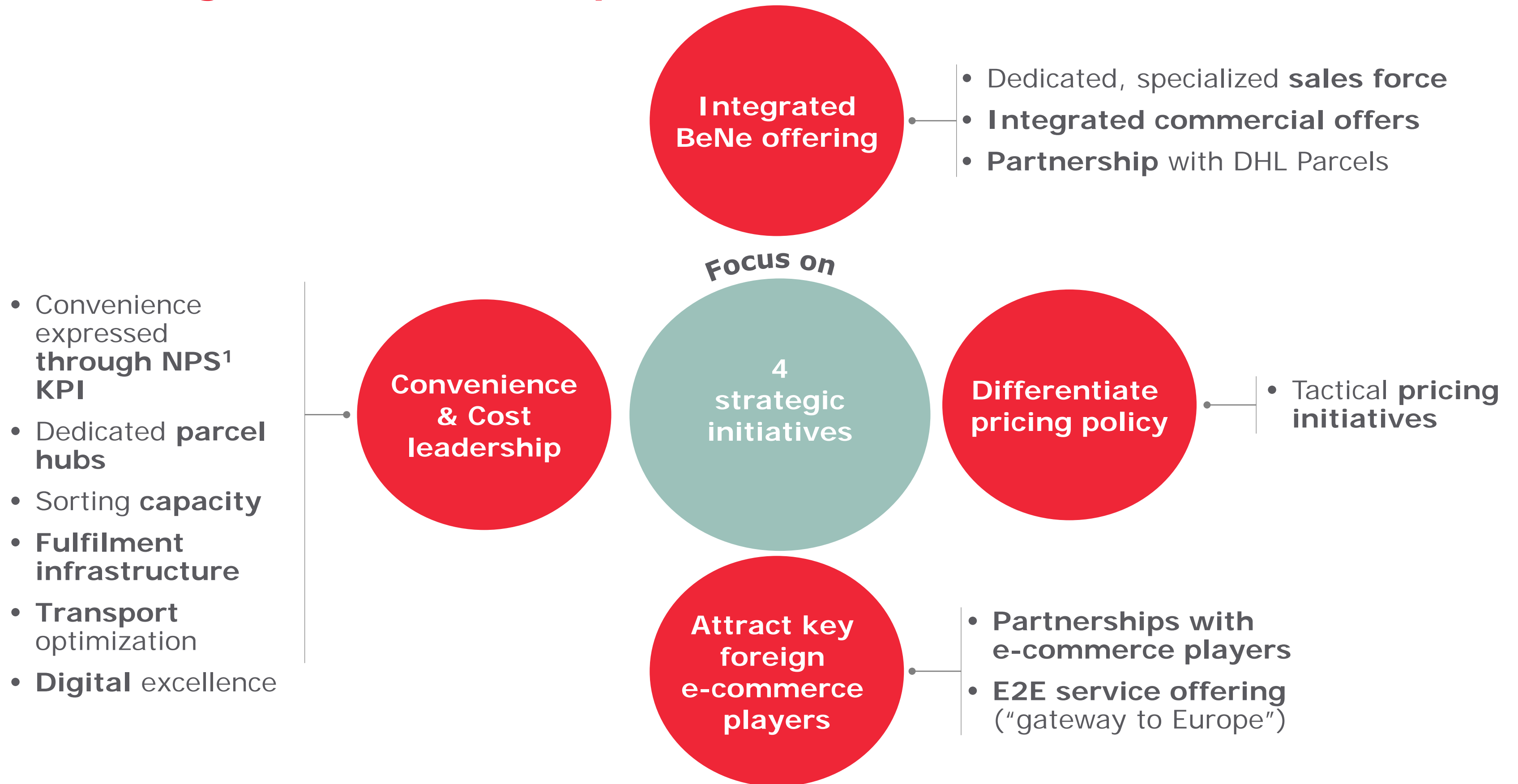


### Key drivers of price/mix effect

- Competitive dynamics
- Customer & product mix
- Cross-border pricing dynamics
- Consolidating customer landscape

<sup>1</sup> Depending on related volume increase

# Four strategic initiatives for parcels BeNe



<sup>1</sup> Net promoter score



# New partnership with DHL Parcels NL allows bpost to cover the full BeNe region



Launched in  
**June 2018**

# Attracting key parcel and e-commerce players is critical

## Attract key parcel and e-commerce players



## Enable traditional retailers to go online



Build partnerships by providing the E2E service offering in addition to last mile as a “**gateway to Europe**”, building on bpost’s expertise

- **Fulfilment and sorting** for pan-European flows
- **Our local knowledge:** regulatory expertise, customs clearance, VAT management etc.



Enable retailers to deliver an **E2E online value offering** by using our assets in personalized and repair logistics to

- Offer **installment and repair services** with deliveries and returns for electronics retailers
- Offer **fresh logistics** for food retailers



# New parcels sorting center is up and running since October 2017

## High-tech parcel sorting machine (PSM) in Brussels

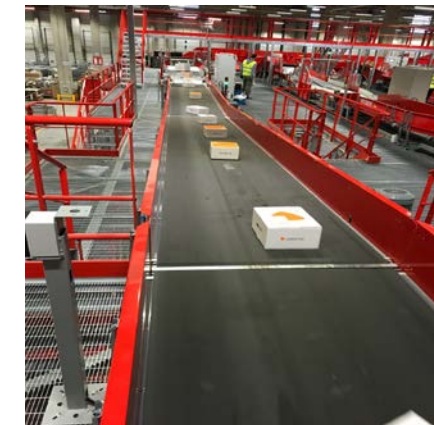


- **Operational 24/7**
- Capacity as per vendor: **300,000 parcels/day**
- Parcel sorting hall: 25,000 m<sup>2</sup>
- **~300 FTEs**

## Workplan designed to reach productivity targets



Install a lean management system to ensure that teams **autonomously continue to improve productivity and quality**



Increase machine throughput to **reach agreed targets every day** in close collaboration with the machine supplier



**Increase productivity** by introducing new best-practice way of working



# The parcels operating model will be continuously optimized

## Optimize distribution cost using drop density of mail rounds



- **Maximize** letterbox-sized and non-letterbox-sized parcels **in mail rounds** (~40% of the parcels)
- **Cost advantage** due to higher drop density leading to lower unit costs

## Build dedicated parcel infrastructure to match customer requirements



- Nationwide **network of Parcel hubs** to accommodate distribution of ~60% of parcels (that are not in mail rounds)
- **15-20 hubs by 2022**, with ramp up in line with parcels growth
- **Benefit for customer proximity and special services** e.g. Late-in services, “large scale” evening distribution or same day distribution

## Increase sorting capacity



- **Increase sorting capacity** to cope with increasing volume (optimizing sorting footprint mail & parcels)
- **Use technology** (e.g., address recognition)

# Additional parcels sorting capacity will be gradually built

2017

2022

Parcel  
sorting  
capacity  
footprint<sup>1</sup>



Description

- **Centralized sorting** capacity in NBX with AX & CX to cover demand in peak periods

- **Additional parcel sorting machines in existing centers (LX, GX, AX, CX)** to increase capacity
- **Build on DHL capacities**

Base  
Capacity, K  
Parcels / day

~400

~600 + DHL

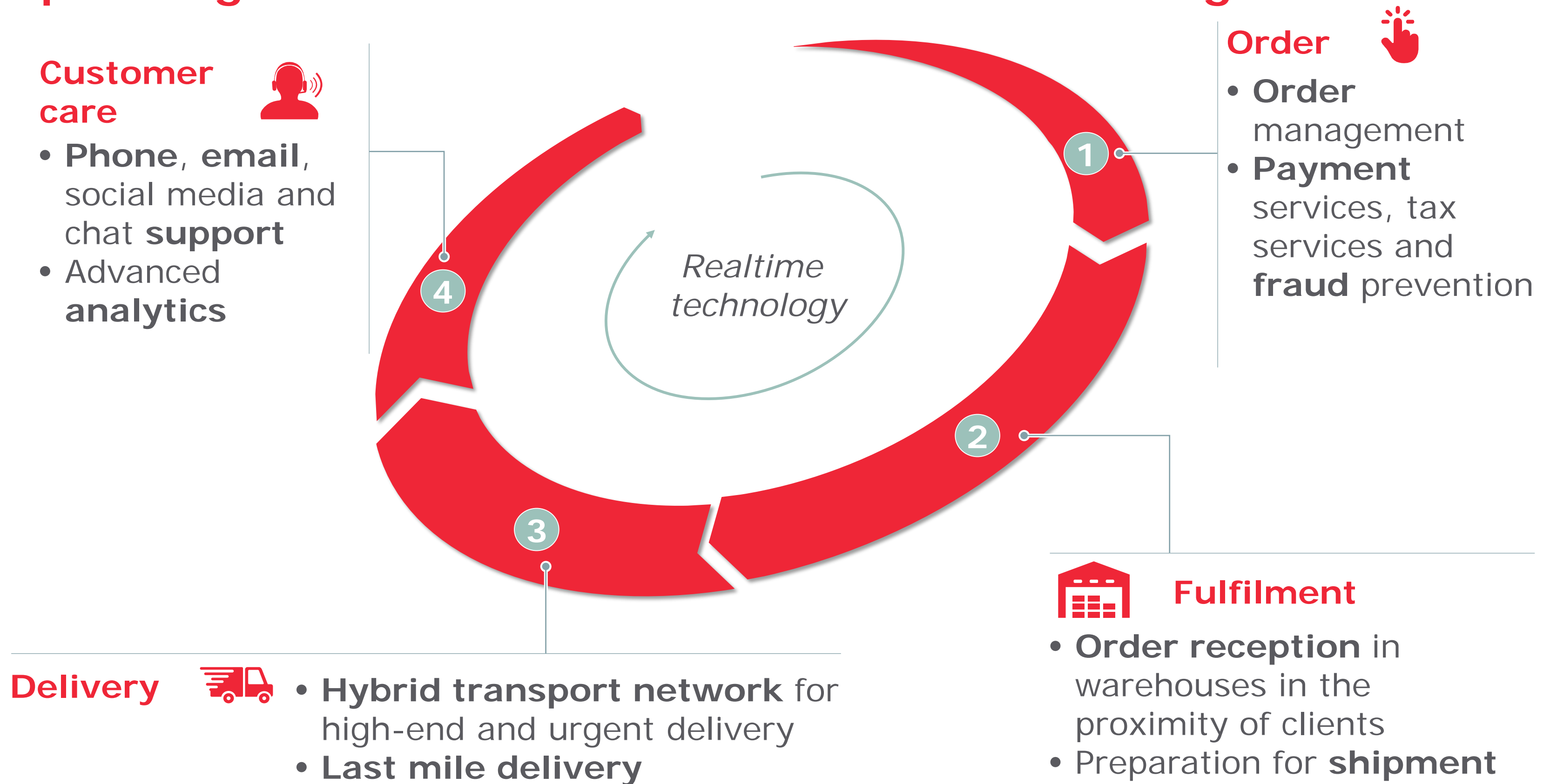
The selected scenario to **gradually add capacity to all sorting centers**, offers several advantages such as

- **Use freed space from letters**
- **Minimize transportation costs**

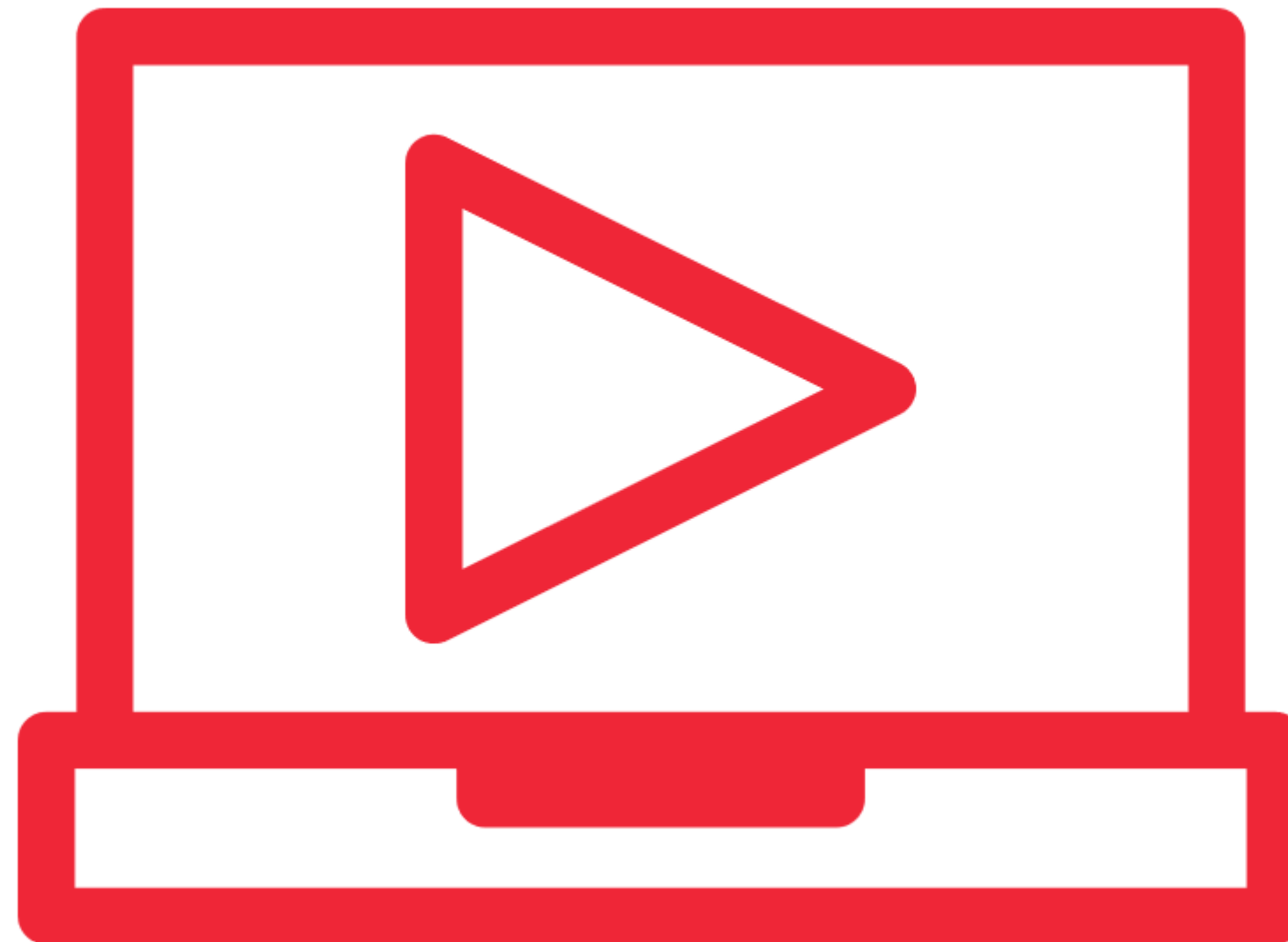
<sup>1</sup> Parcel sorting capabilities of Parcify, Eurosprinters, Citydepot, De Buren & Kariboo not shown on the map



# Strengthened by the Radial acquisition, bpost has initial assets in Europe along the entire value chain of e-commerce logistics



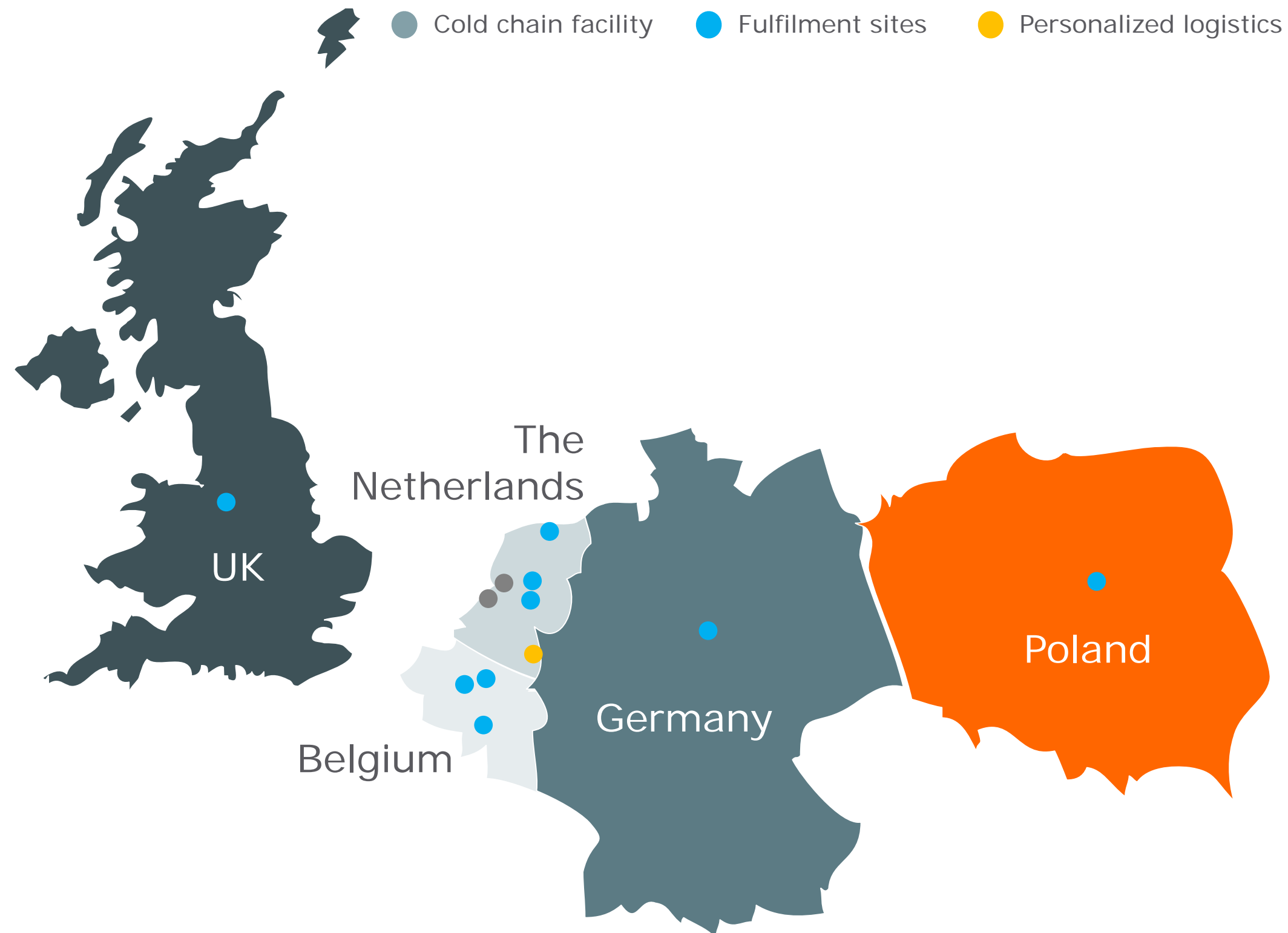
# Active Ants – Fulfilment



# Expanding in the e-commerce value chain has multiple benefits

<b>Stand-alone benefits from fulfilment</b> 	<b>Growth</b>	<ul style="list-style-type: none"> <li>E-commerce fulfilment is <b>forecasted to grow with ~10% p.a.</b></li> </ul>
	<b>Profitability</b>	<ul style="list-style-type: none"> <li><b>Margins of 4-8%</b>, client-sector dependent</li> </ul>
	<b>Low barriers to entry</b>	<ul style="list-style-type: none"> <li><b>Fragmented sector with several small, profitable players</b> in contrast to last mile delivery</li> </ul>
<b>Last mile benefits from fulfilment</b> 	<b>Access to lower rates</b>	<ul style="list-style-type: none"> <li>Expanding upstream the value chain gives <b>more transparency on competitive landscape</b></li> </ul>
	<b>E2E value offer</b>	<ul style="list-style-type: none"> <li><b>Over 90% of the customers of fulfilment providers want a one-stop-solution</b>, including last mile</li> <li><b>bpost customers increasingly looking for services upstream</b> the e-commerce value chain</li> </ul>
	<b>Competition</b>	<ul style="list-style-type: none"> <li><b>Other parcel companies taking steps</b> in the sector</li> </ul>

# A base footprint now exists in Europe for e-commerce logistics



~**€130m** pro forma<sup>1</sup> revenue (2017)



**9** fulfilment centers / facilities<sup>2</sup>



**5** countries



**>600** employees

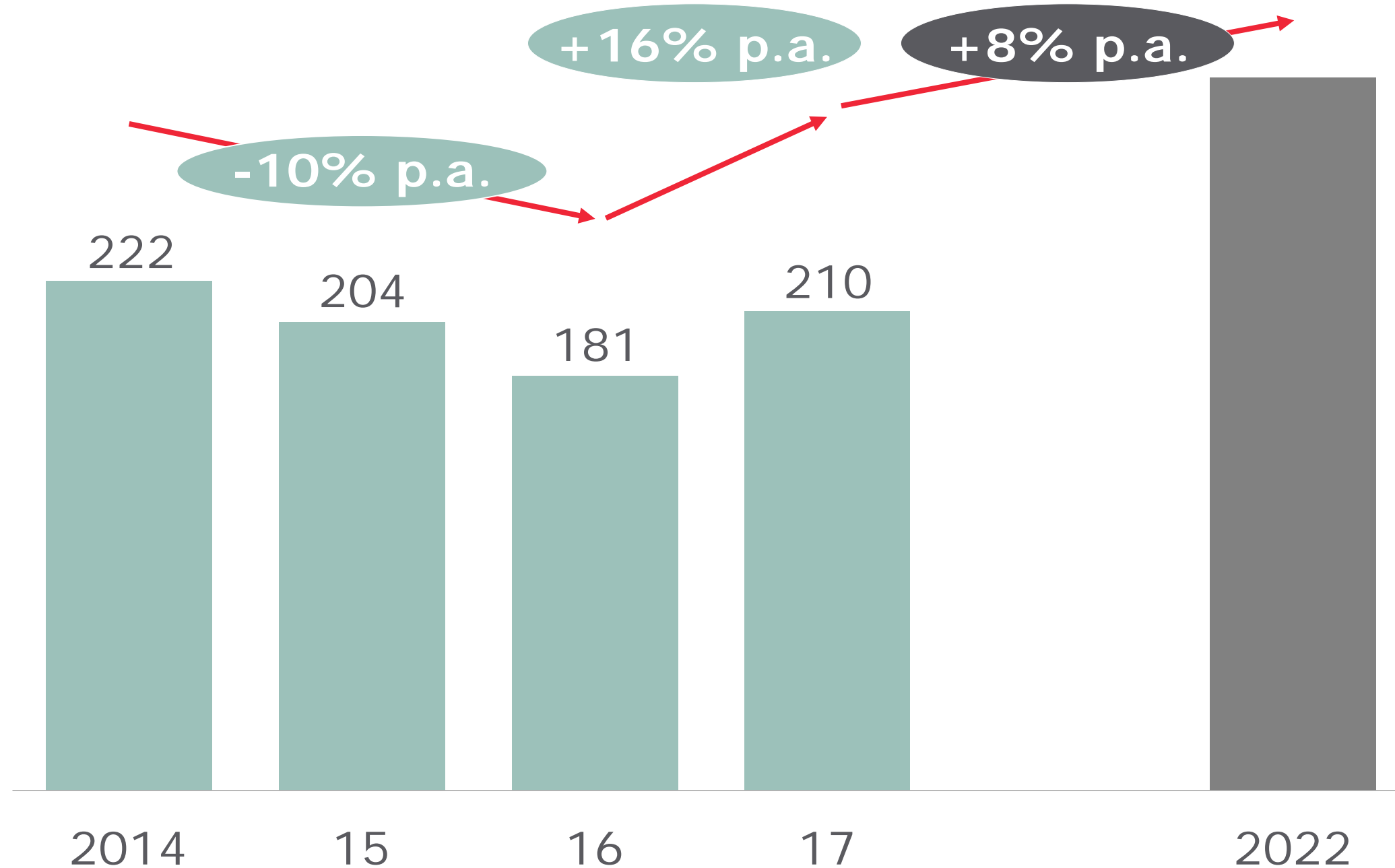
<sup>1</sup> Assumes 2017FY revenue from new acquisitions (Radial, Leen Menken); excludes Active Ants as only acquired in 1Q18

<sup>2</sup> Including Leen Menken and Active Ants, excluding bpost sorting centers

# Revenue from cross-border expected to increase in upcoming years

## Revenue

€m, reported

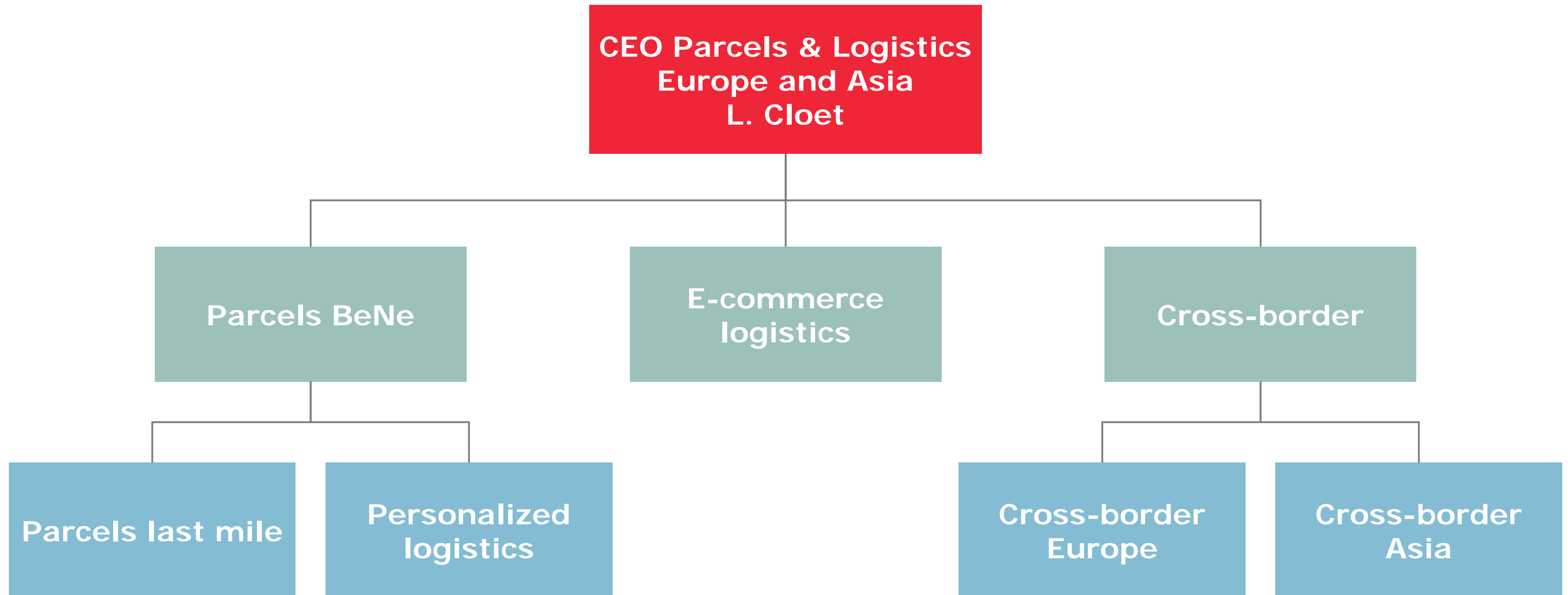


## Key drivers

- International mail
  - Decline in international mail volumes
  - Evolution of pricing based on other postal players and UPU & REIMS agreement
- Develop cross-border parcels and e-commerce
- Import and export dynamics from/to Asia



# Operational management & organization in line with new BU structure



## My priorities

- 1 Capture profitable growth in BeNe**  
(leading BeNe offering, DHL partnership, focus on NPS, differentiated pricing, cost optimization)
- 2 Grow e-commerce logistics** leveraging recent acquisitions
- 3 Capture cross-border flows** from e-commerce across Europe and Asia **and optimize international mail**







Q&A





# Coffee Break







**Pierre Winand**  
CEO Parcels &  
Logistics North America





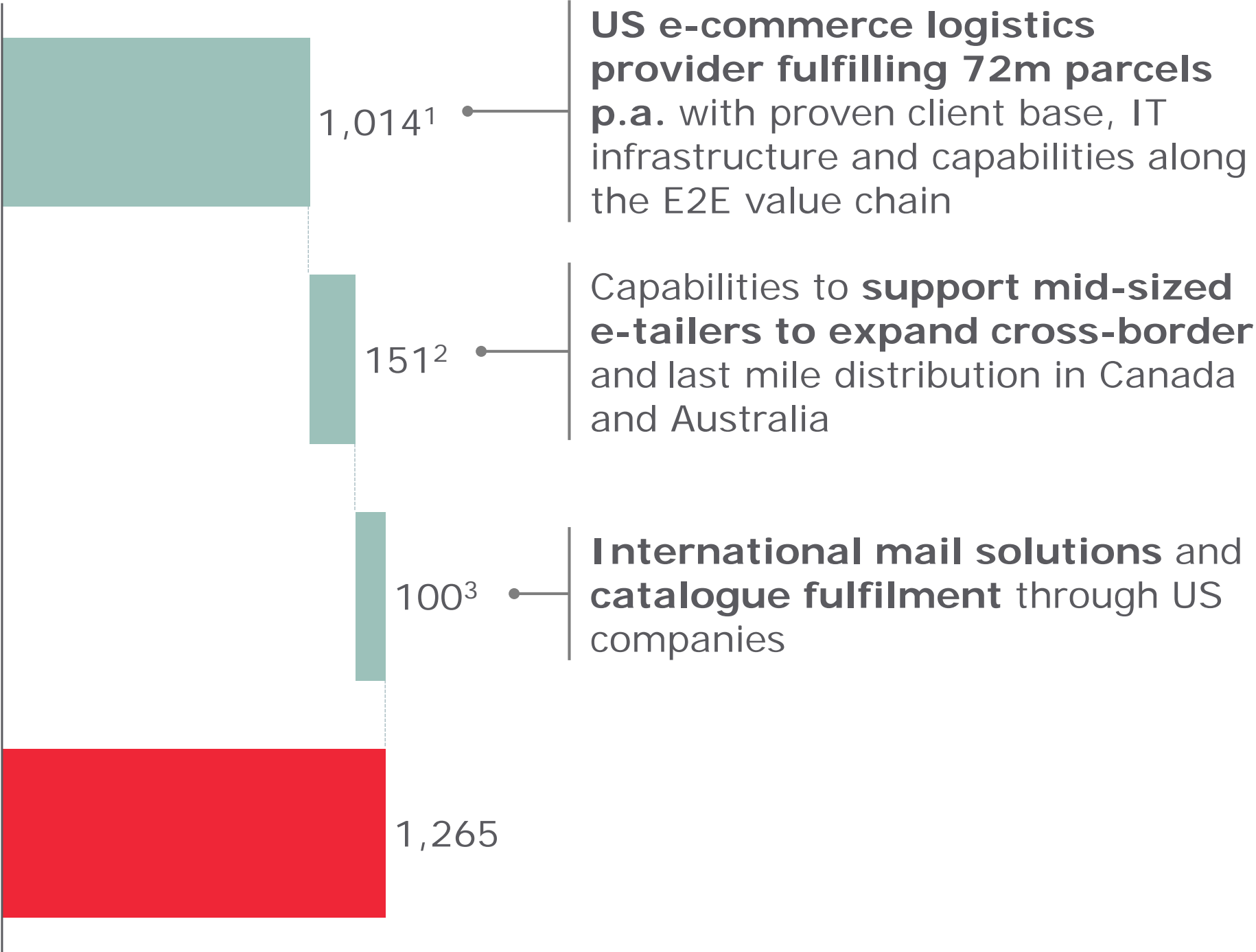
# Parcels & Logistics North America at a glance

## Sub-segments



## Revenue

Pro forma 2017, \$m



## Objective

**Growth engine for bpost**, to be a leading e-commerce logistics player in US with ~\$100m-\$120m EBITDA potential

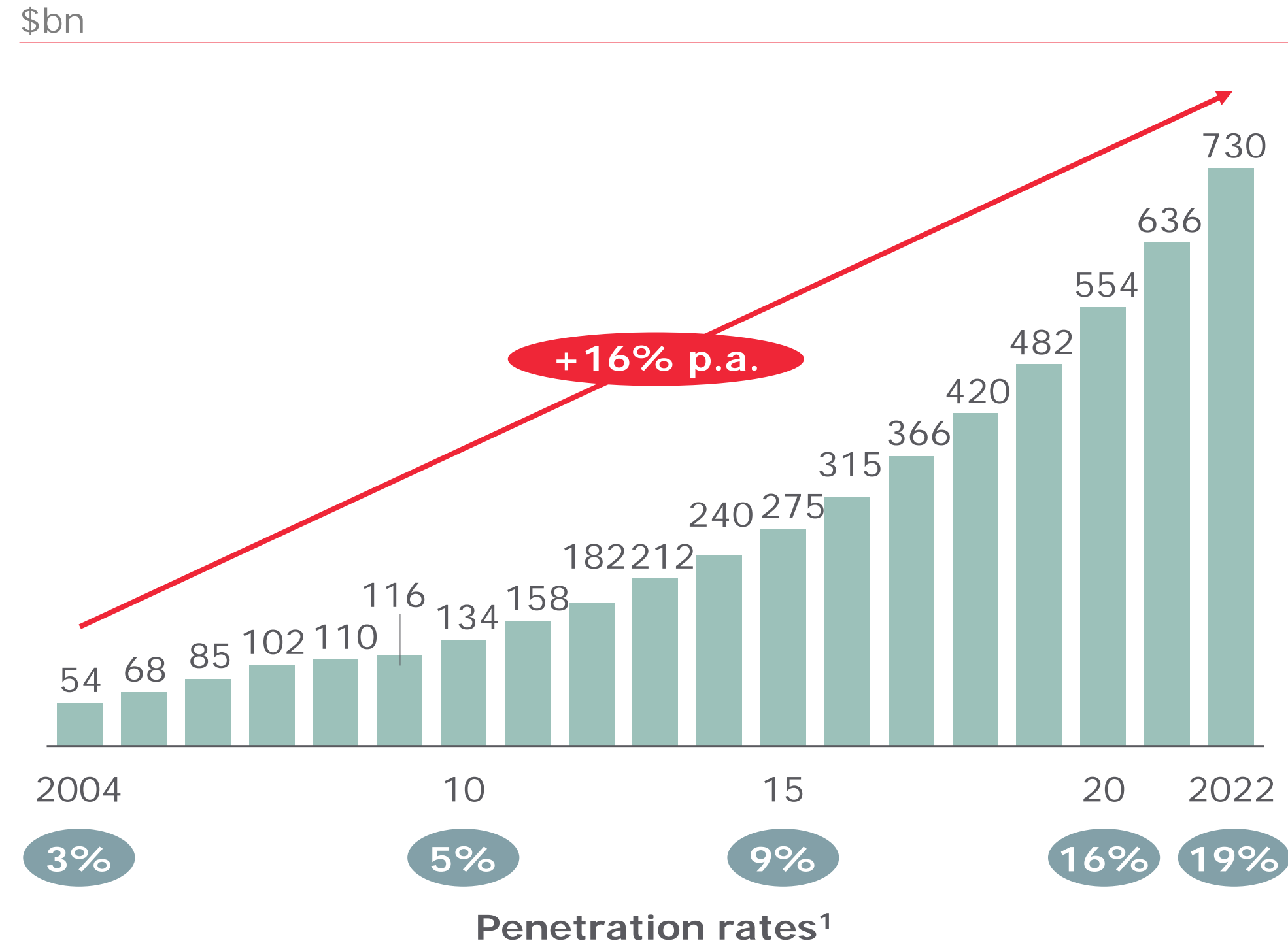
Grow with **cross-border commerce**

One of the last **international mail providers** to deliver profit through infrastructure optimization

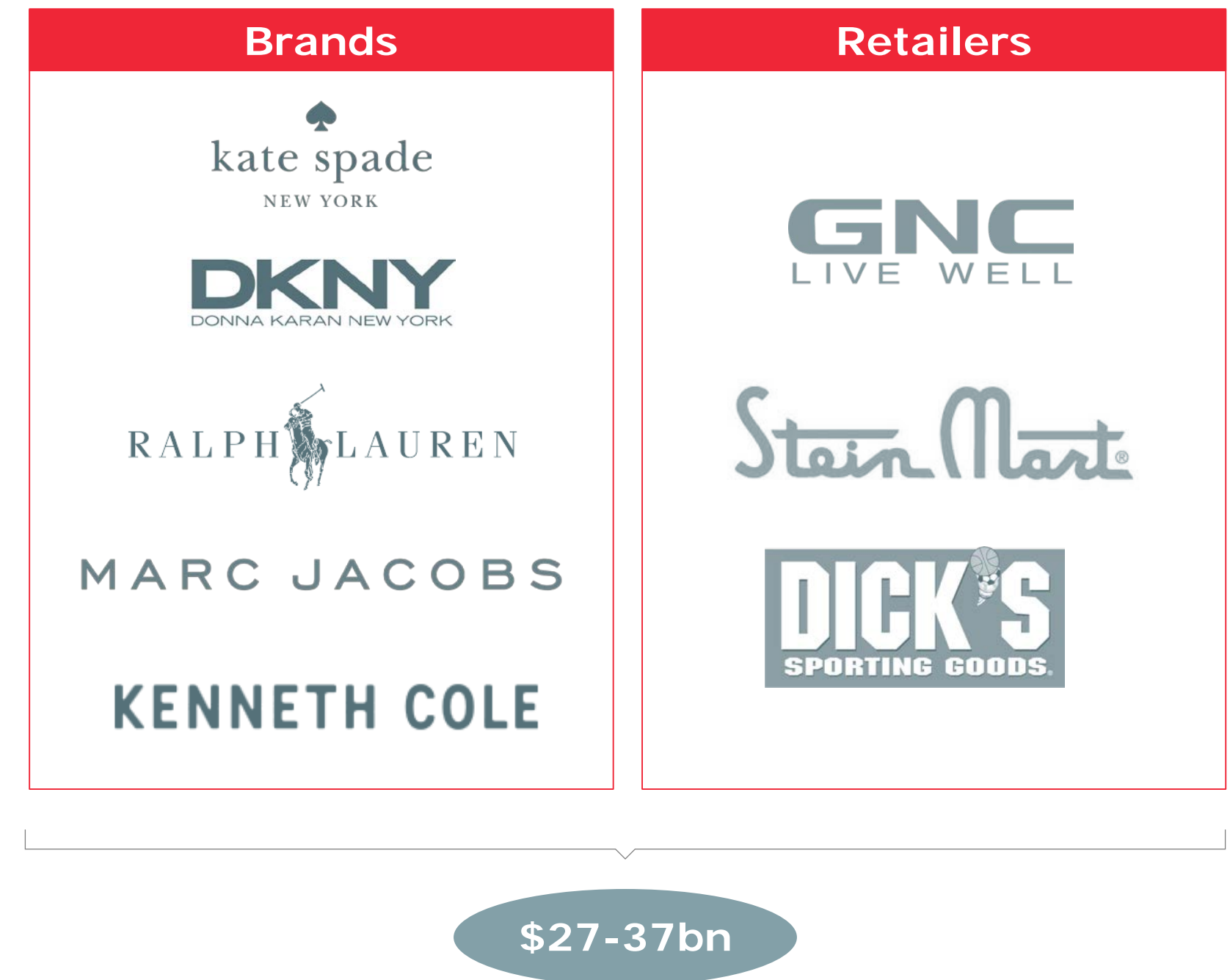
1 Revenues in North America, excluding revenues from webstore (\$28m) and revenues in Europe (\$40m)  
2 Including Landmark Global, Apple Express and FDM, previously under International Parcels  
3 Including MSI, Imex, Mail Inc.

# Attractive industry fundamentals underpin profitability and growth potential for Radial North America

## Historical and projected evolution of US online retail



## Radial's addressable market in North America













<sup>1</sup> E-commerce sales as % of retail sales

SOURCE: Euromonitor, Global E-commerce Logistics Market 2016-2020, Technayio, Broker research

# In this sector, Radial North America is one of the leading independent e-commerce logistics providers

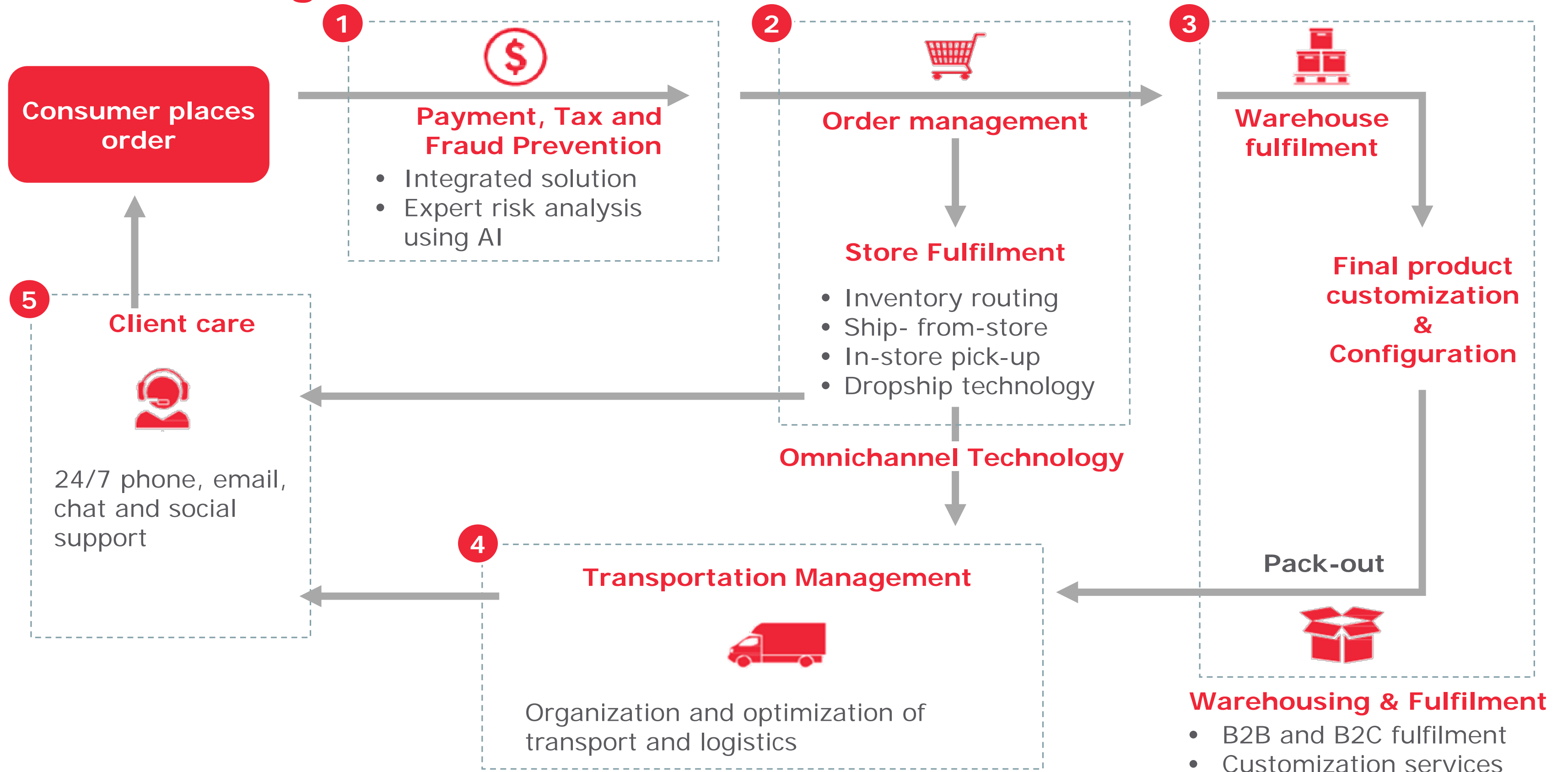
## Revenue per e-commerce logistics provider<sup>1</sup>

\$m, 2016		Owner	Year of acquisition
Genco	1,524		2015
DHL e-commerce	1,385 <sup>2</sup>		
OHL	1,350 <sup>3</sup>		2015
Radial N. America	1,014		2017
Digital River	309 <sup>4</sup>		2015
Ingram Micro	194 <sup>5</sup>		
Newgistics	164		2017
Speed commerce	120		2016
Trade Global	86 <sup>6</sup>		2015
Jagged Peak	74 <sup>6</sup>		2015

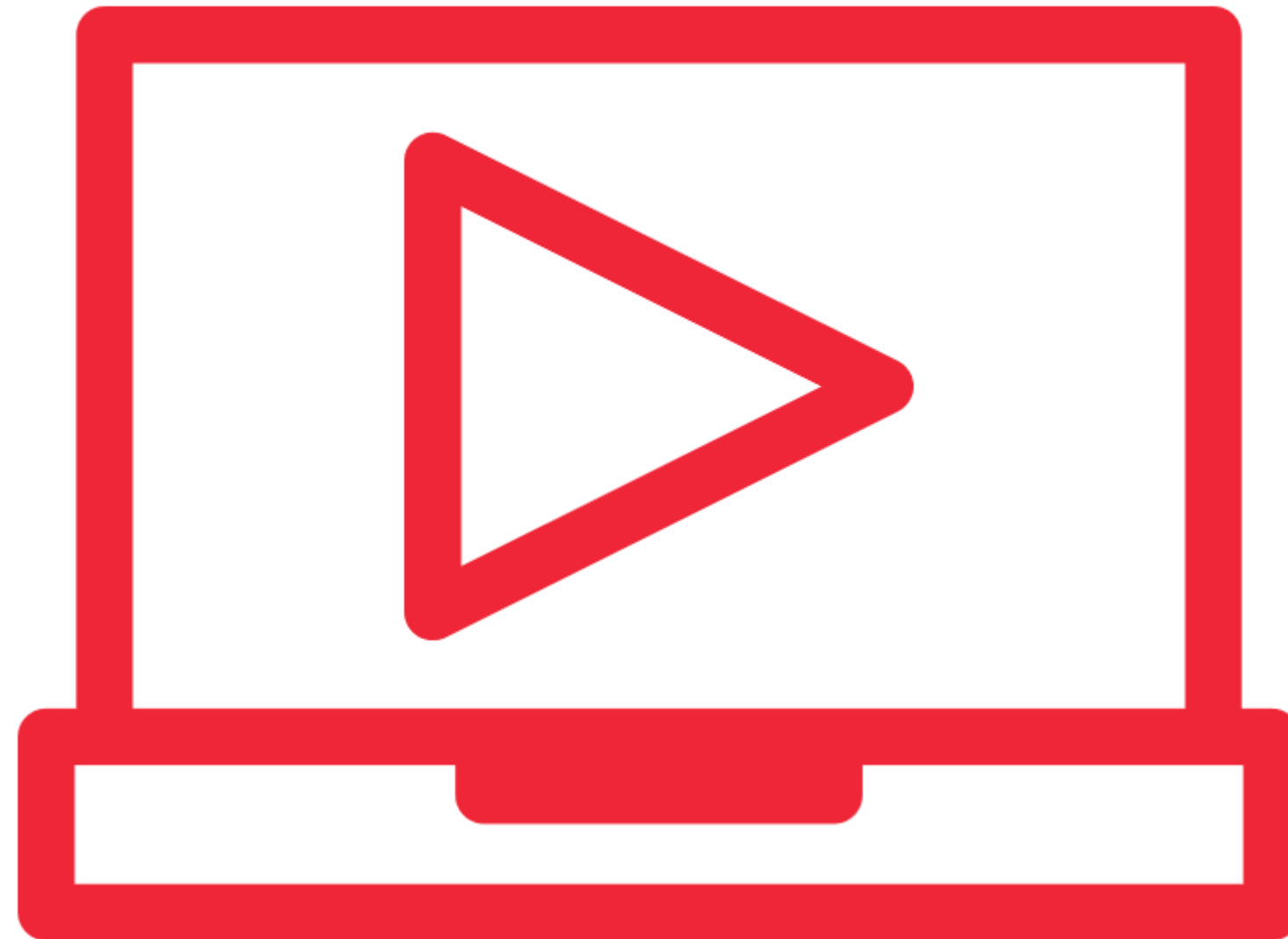
1 Assumed that 100% of company revenues are generated in the US domestic region; 2 DHL e-commerce revenues outside Europe; 3 OHL 2014 figures before acquisition by Geodis market  
4 2015 revenues; 5 Assuming \$ 169m from Docdata and \$ 25m from Shipwire 6 Based on \$:SGD exchange rate of 1.4457 on December 31, 2016

SOURCE: Company annual reports; Radial management presentation; Press search; Capital IQ; Team analysis

# Radial North America offers multiple services across the entire e-commerce logistics value chain



# Introducing Radial North America





# In each segment, Radial North America has a competitive offering using advanced technology

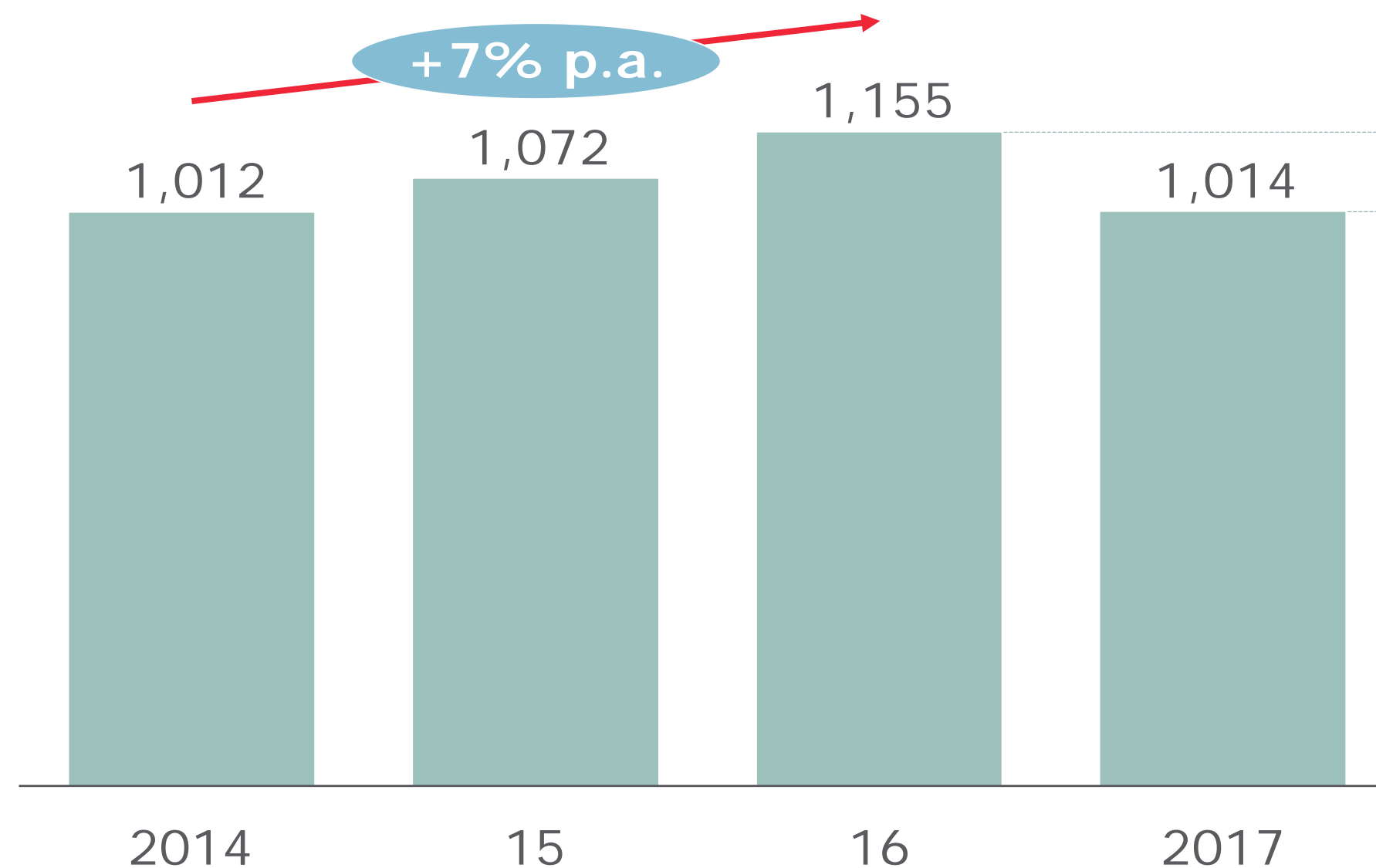
		Pro forma revenue \$m and %, 2017	Radial North America assets	Key strengths
Technology	1 Payment, Tax, and Fraud Prevention	190 ~20%	Fraud Zero software	<ul style="list-style-type: none"> <li>✓ <b>99.1% approval rate</b> vs. 97.1% industry average</li> <li>✓ <b>2.1% manual review rate</b> vs. 25% industry average</li> </ul>
	2 Omnichannel Technology		22,000 Stores with fulfilment 26,000 Dropship suppliers	<ul style="list-style-type: none"> <li>✓ Ability to handle <b>complex orders</b></li> <li>✓ <b>&lt; 10 weeks to deployment</b> vs. competition 1-2 years</li> <li>✓ <b>Scalability</b> of technology</li> </ul>
Operations	3 Warehousing & Fulfilment	717 ~70%	22 Fulfilment sites in North America	<ul style="list-style-type: none"> <li>✓ <b>80%+</b> orders shipped day 0</li> <li>✓ <b>~100%</b> US coverage</li> <li>✓ Experience of scaling up to <b>~20k peak capacity</b></li> </ul>
	4 Transportation Management		100% Non-asset based	<ul style="list-style-type: none"> <li>✓ <b>Rates 5-15% cheaper</b> than in-sourcing for mid-sized players</li> <li>✓ Clients reached in <b>2.4 days</b> on avg</li> </ul>
	5 Client Care	107 ~10%	3,400+ Seats across 5 sites	<ul style="list-style-type: none"> <li>✓ <b>#1 Email &amp; Chat</b> and <b>#2 Phone</b> (StellaService ranks)</li> <li>✓ <b>Advanced data analytics</b></li> </ul>
Total		1,014		

# Radial North America shows historical top-line evolution above peer group with a dip in 2017

## Radial N. America historical revenue evolution (excluding webstore business)

Pro forma figures, \$m

vs. **3.2% CAGR** peer group<sup>1</sup>



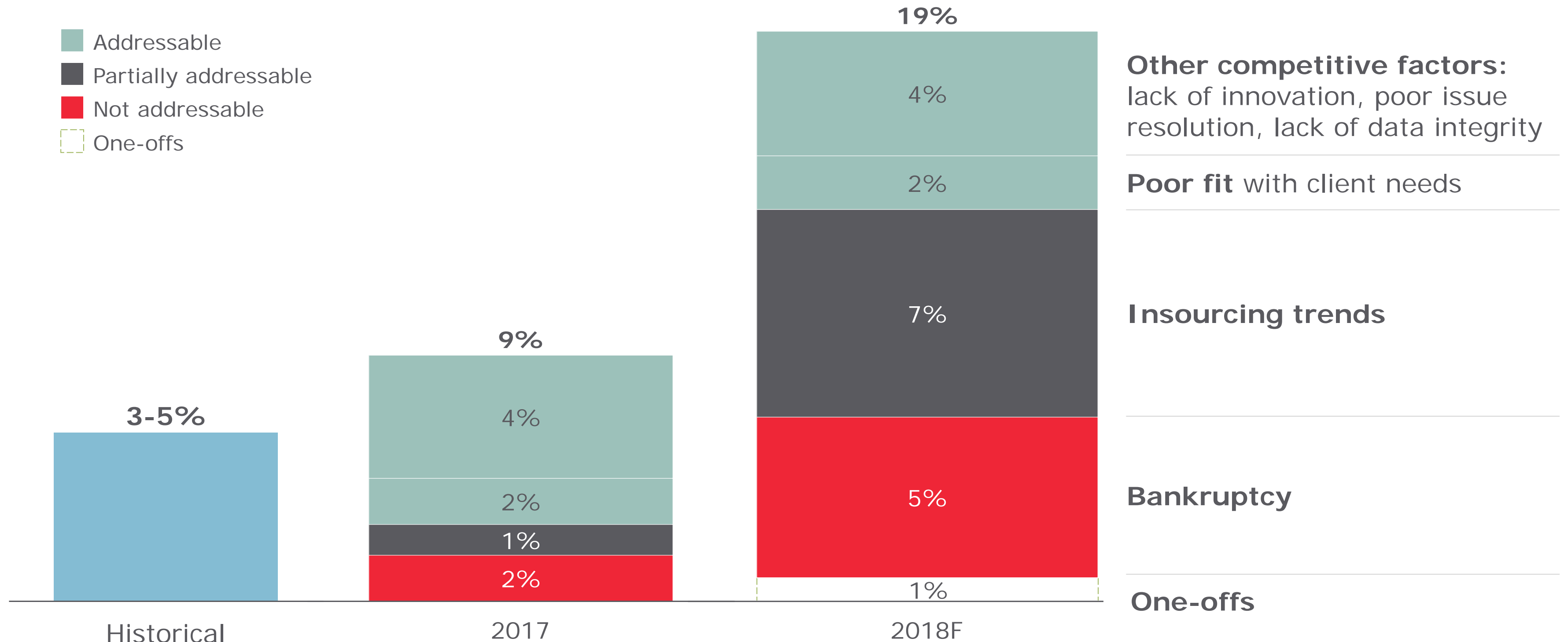
### Main drivers of the decline

- Increased **client churn**
- Lower than expected **new clients** in 2017 and weak pipeline

<sup>1</sup> Includes Digital River, PFS Web, Jagged Peak, TradeGlobal, Speed commerce

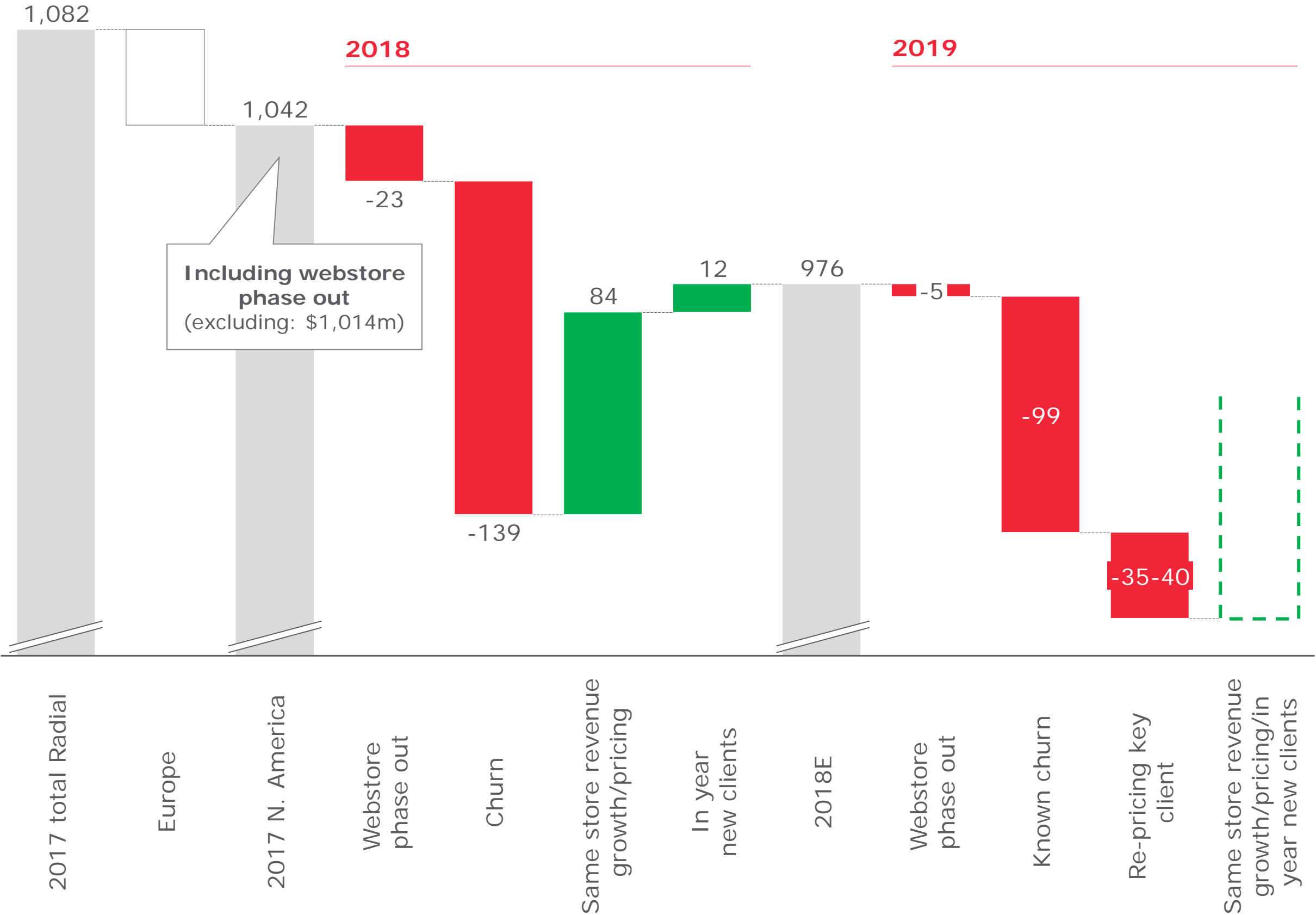
# The main issue is the surged churn rate, mainly driven by in-sourcing trends and bankruptcy

## Historical churn and breakdown of 2017 and 2018 churn %



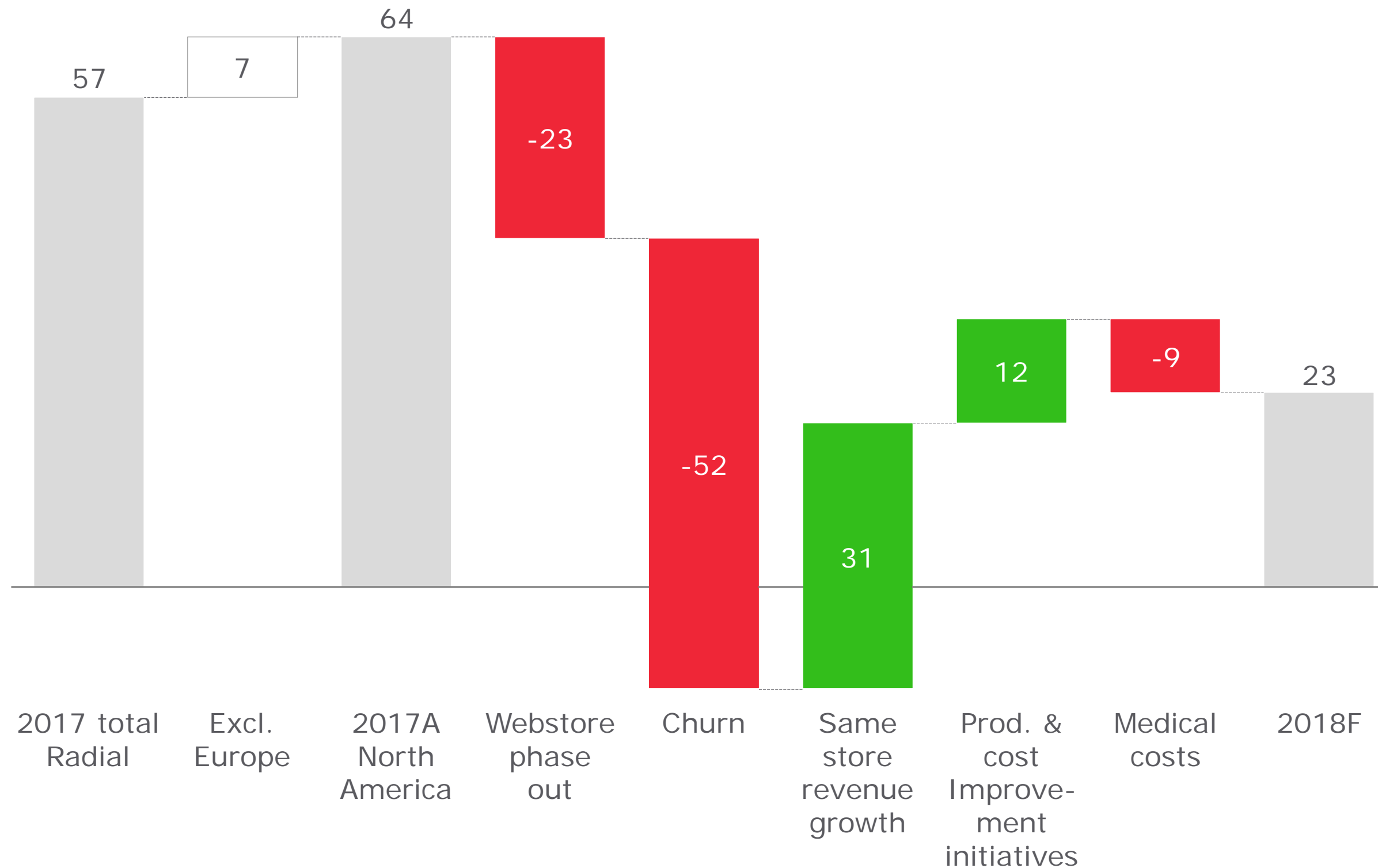
# Those trends will impact top-line in 2018 and further in 2019

\$m



# This has resulted in a 2018F EBITDA of \$23m

\$m

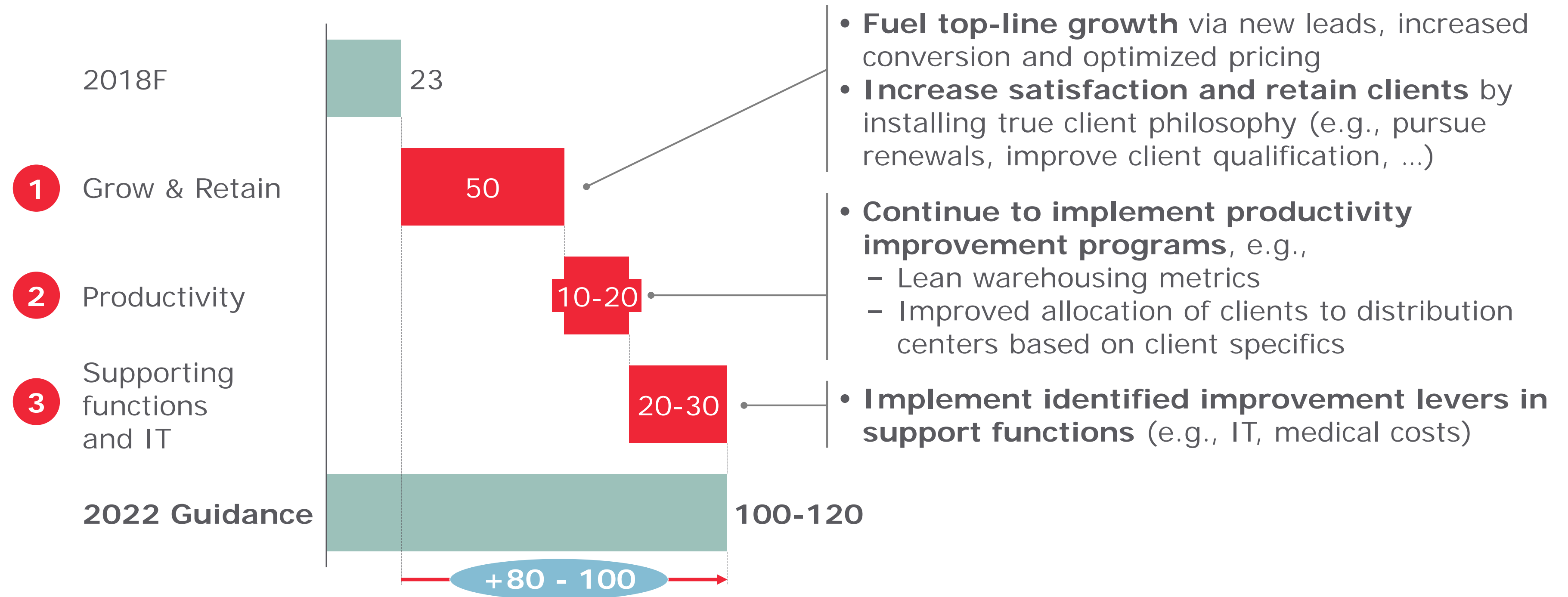




# Management diagnostic identified improvement potential of \$80-100m EBITDA by 2022

## EBITDA evolution Radial North America

\$m



# 1 Fuel top-line growth: incremental revenue via new leads, increased conversion and optimized pricing



Lower than  
expected 2017 TCV<sup>1</sup>  
and weak pipeline  
*~\$150M in 2017*



Repricing on key  
client  
*resulting in (double-  
digit \$m) revenue  
impact*



## Improve quality and quantity of leads

Develop distinct client segmentation based on unique needs



## Boost conversion rates

Create integrated value propositions tailored to each segment and develop enhanced marketing collateral



## Optimize pricing strategy

Build segment-specific pricing models and remove pain points in contracting process



## Establish Growth Hub

- Provide support on top deals in pipeline
- Build capabilities where needed

# 1 True client focus philosophy is being implemented to increase satisfaction and retention



## Increase in announced client churn

*From prior 3-5% to  
9% in 2017 and  
expected 19% in 2018*



### Monitor performance & satisfaction

- Create data roadmap for integrity and consistency across systems
- Real-time dashboards to reduce # issues and improve communication



### Improve client qualification

- Better client qualification to avoid poor fit clients



### Revamp client service model

- Build end to end continuity
- Assign single point of contact
- Team based accountability linked to metrics



### Client engagement model revamp

- Simplify client engagement touchpoints, executive sponsorship program, capability-building



### Pursue cross-selling and renewals

- Identify cross-selling opportunities and increase contract renewals through focused sales efforts

## 2 Productivity improvement programs are being implemented and are already delivering savings: a sample of initiatives

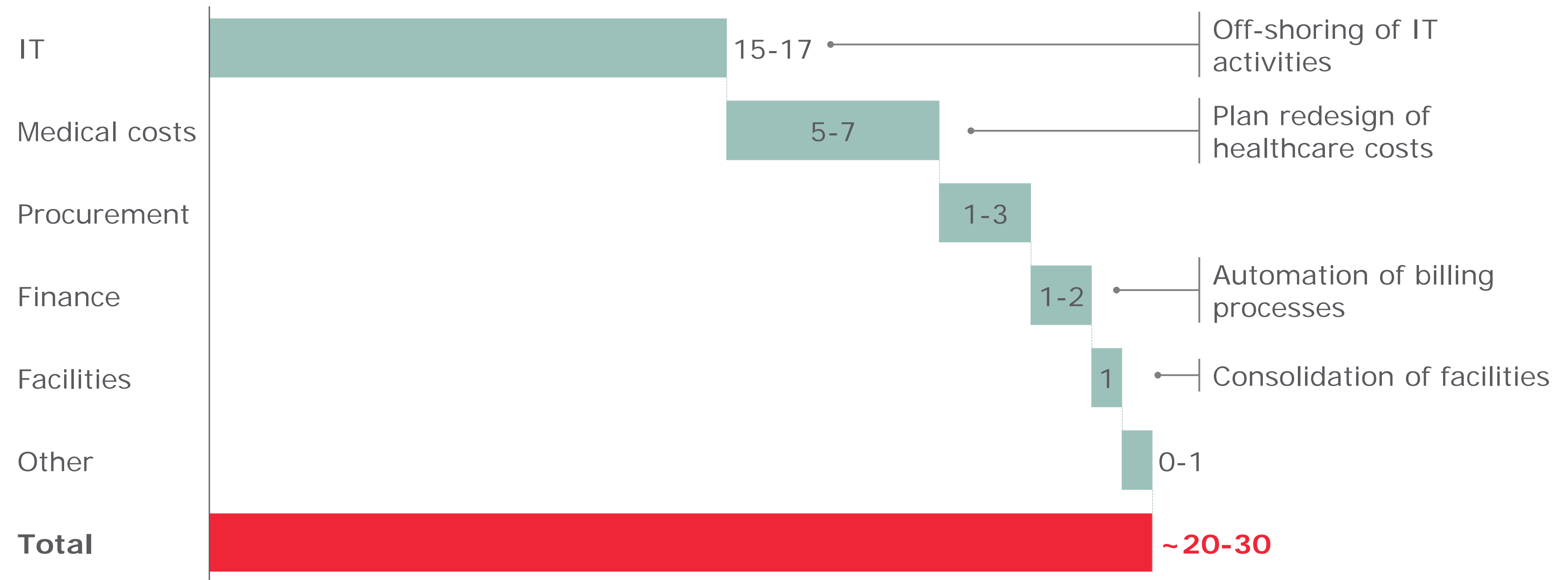
Productivity improvement programs	Examples of key levers	Timing of impact	Increased capacity	Increased UPH <sup>1</sup>	Reduced labour costs	Improved overhead
Implement lean warehouse best practices and monitor key metrics	<ul style="list-style-type: none"> <li>Reduced touches in receiving</li> <li>Optimized Distribution Center (DC) lay-out</li> <li>Network-wide scorecard</li> </ul>	<6 months	✓	✓		
Adopt appropriate technology in the right functions	<ul style="list-style-type: none"> <li>Map of success factors and ROI to assess different technologies e.g., Pick-to-Voice</li> </ul>	<6 months	✓	✓		
Increase efficiencies through labor pattern optimization	<ul style="list-style-type: none"> <li>Compressed labor schedules during off-peak times in key facilities</li> </ul>	<6 months			✓	
Increase client collaboration to better align operations	<ul style="list-style-type: none"> <li>ABC velocity classification based on future SKU volume forecasts</li> </ul>	<3 years	✓	✓		
Allocate clients to specific DC based on client specifics	<ul style="list-style-type: none"> <li>Clients allocated to specific DCs based on service, velocity, seasonal peaks, product characteristics and geographic reach</li> </ul>	<3 years				✓

### ③ A benchmarking exercise has identified cost saving opportunities in several support functions

#### Identified opportunity in EBITDA by 2022

\$m

Lever





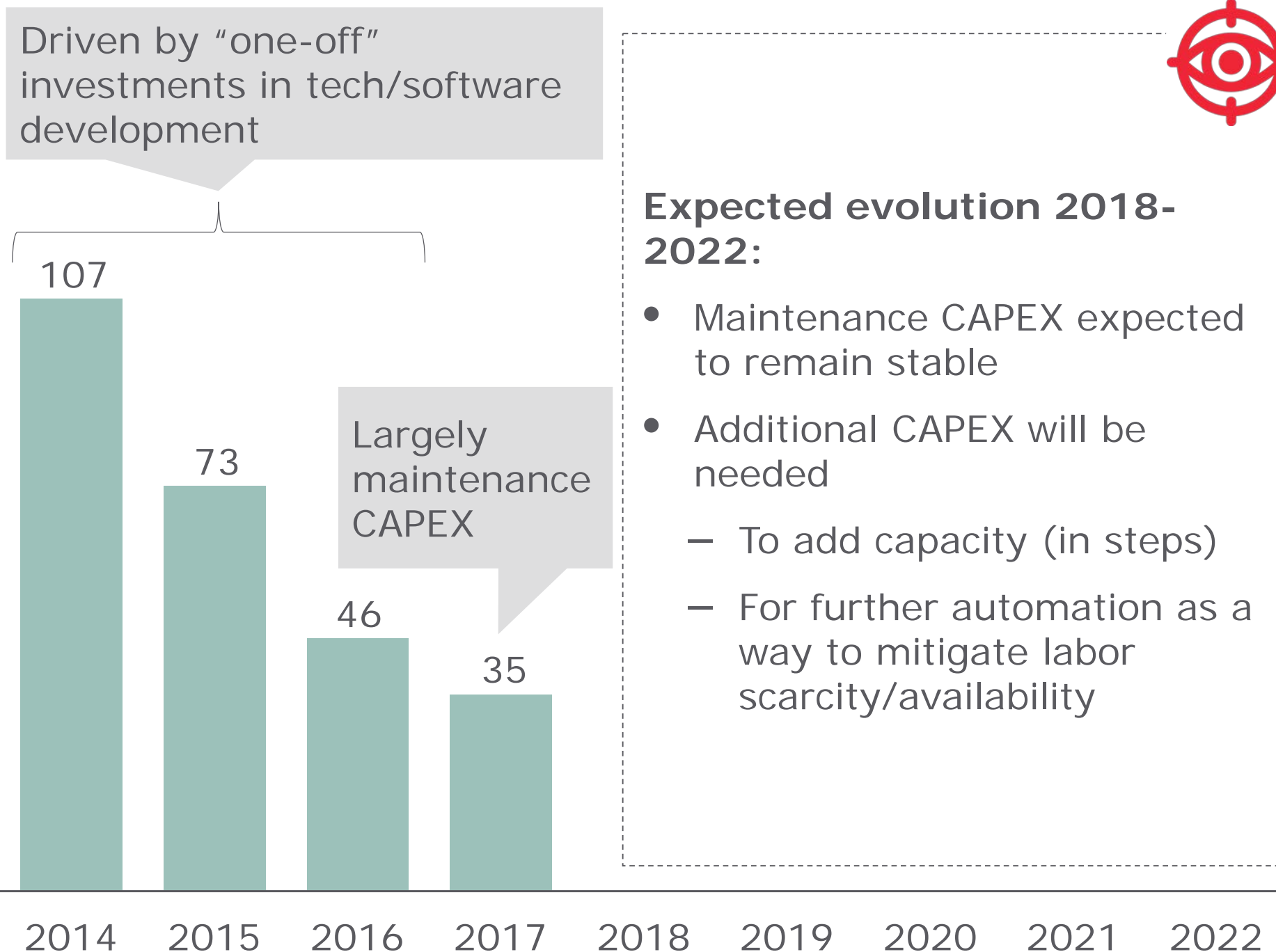
# Identified actions will improve key metrics

	Lever	Measure	Current performance (2017)	Expected performance (by 2022)
Grow	Existing clients	"Same store" revenue growth ( <i>% of revenues</i> )	5%	6%
		Cross-selling: from fulfilment ... to Tech ( <i>% of clients</i> )	52%	62%
		... to Client Care ( <i>% of clients</i> )	49%	59%
	New business	Total pipeline (\$m)	900	1,600
		Win rate ( <i>% of pipeline</i> )	17%	23%
		Total Contract Value won in year X (\$m)	~150	~350
Retain	Churn	Churn ( <i>% of revenues</i> )	9%	5%
<div>19% churn forecast in 2018</div>				
Overall topline		Evolution CAGR 2016-2017 vs. 2019-2022 (%)	-12%	7-9%

# Expected CAPEX and working capital evolution for Radial North America

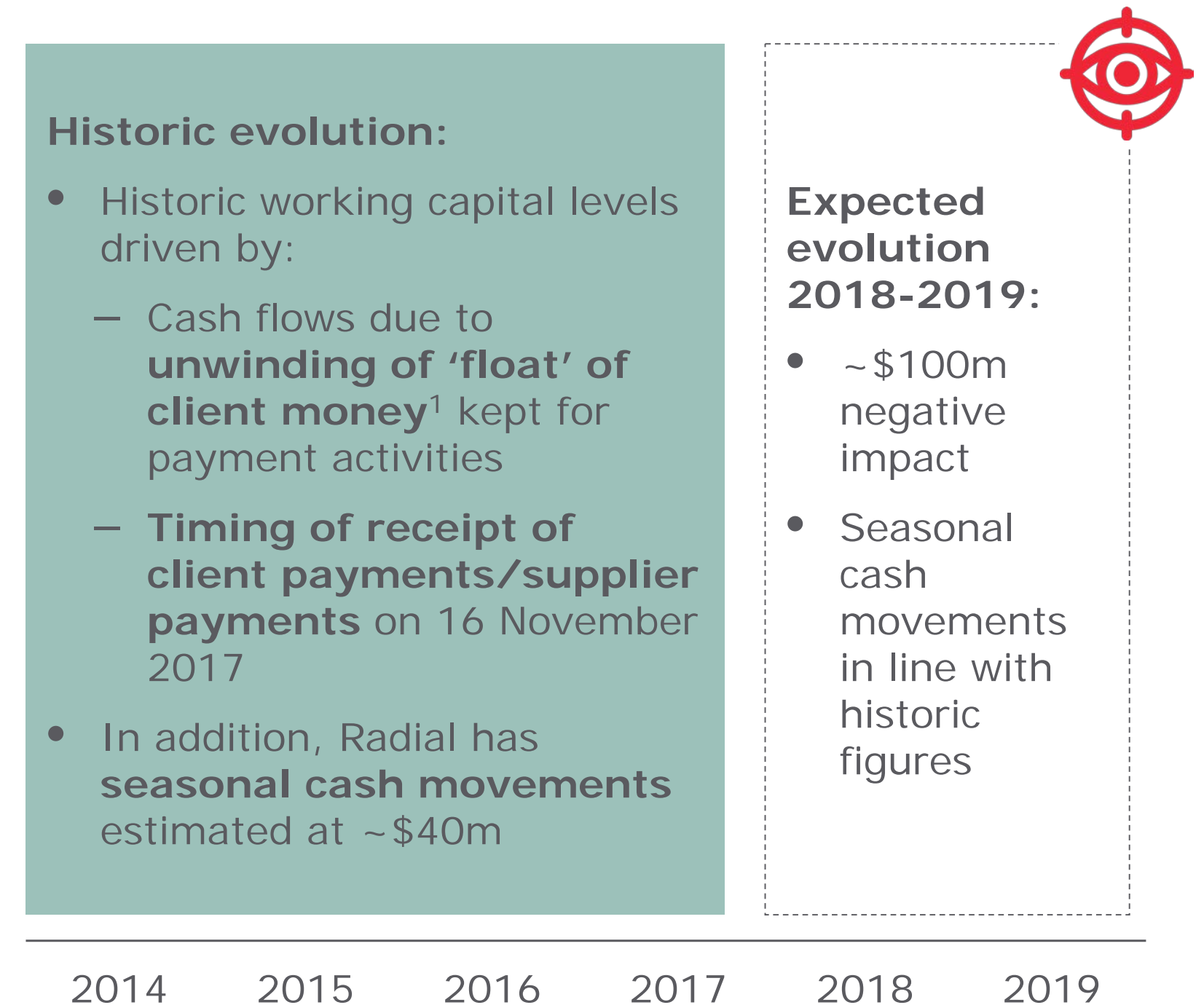
## CAPEX

\$m



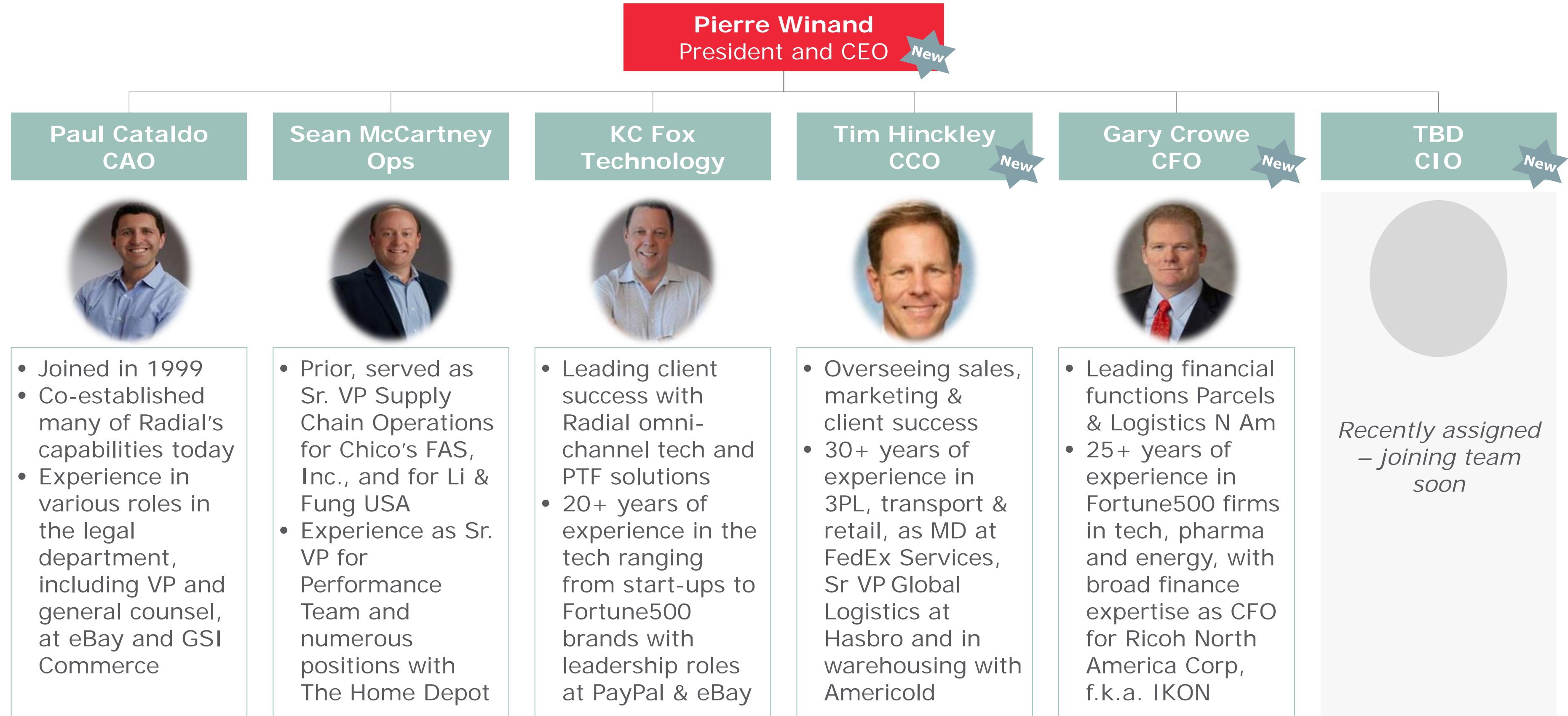
## Change in working capital

\$m



<sup>1</sup> Client money was deducted from cash for the purpose of purchase adjustments

# The transformation plan is supported by a strengthened leadership



## My priority: To help our clients succeed

- 1** Client acquisition
- 2** Client satisfaction
- 3** Efficient operations
- 4** Employee engagement





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**Henri de Romrée**  
Chief Financial Officer

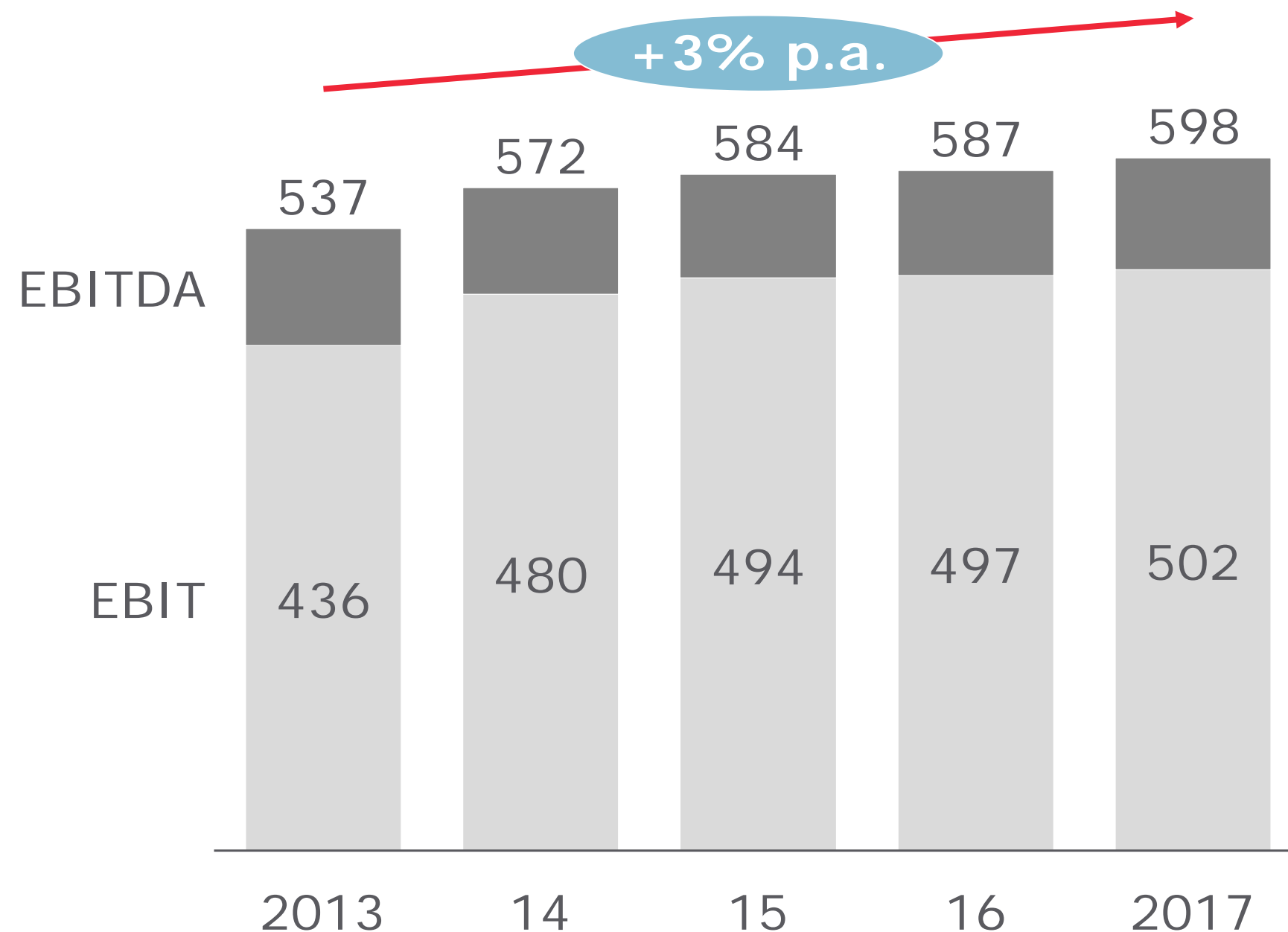




# Operating profit performance supporting progressive dividends

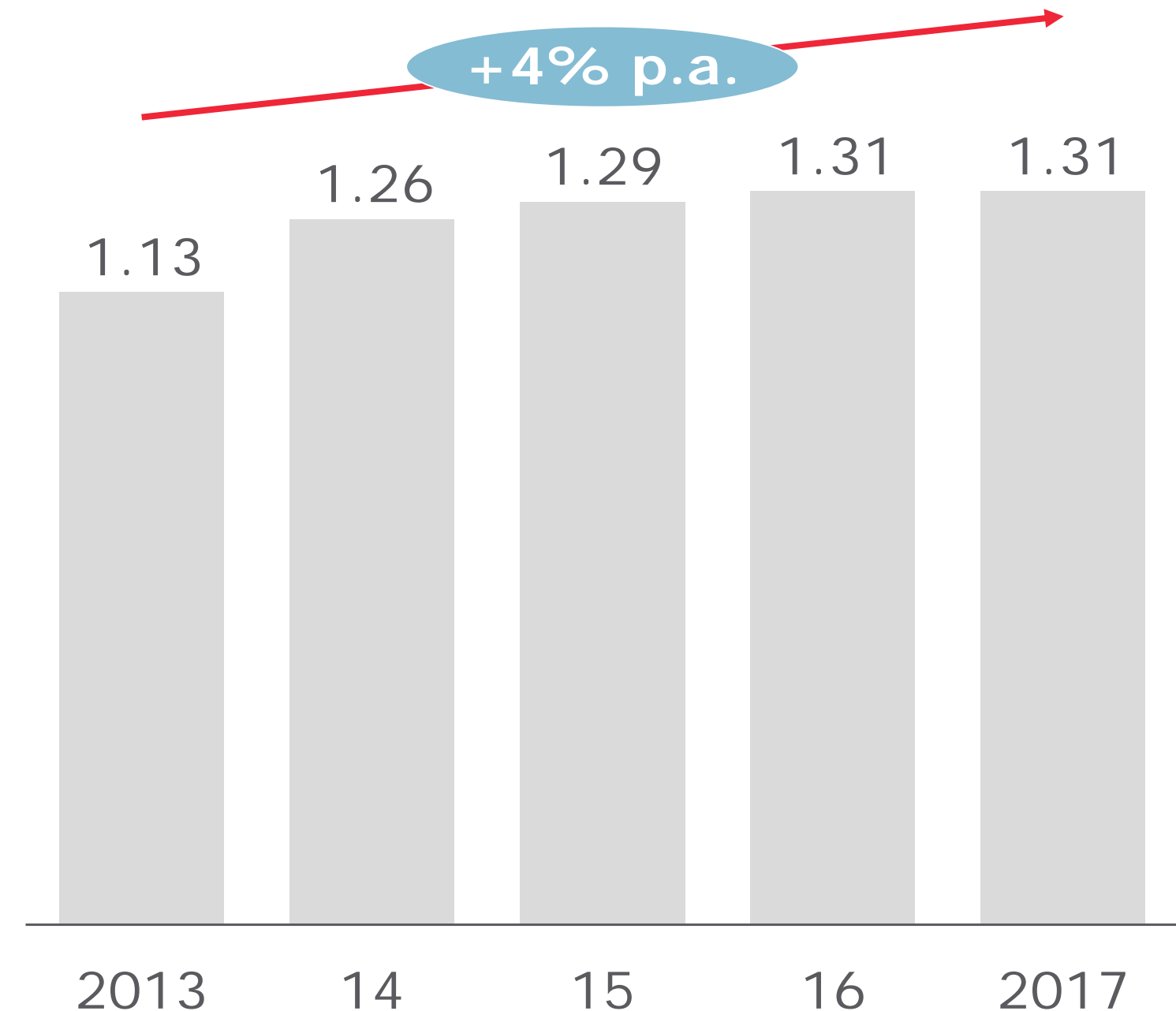
## Normalized<sup>1</sup> EBIT, EBITDA

€m



## Distributed gross dividends

€/share



<sup>1</sup> Normalized EBIT(DA) definition unchanged and excludes non-recurring items of €20m or more, all profits or losses on disposal of activities whatever the amount, non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, reversals of provisions whose addition had been normalized from income (regardless of the amount they represent)

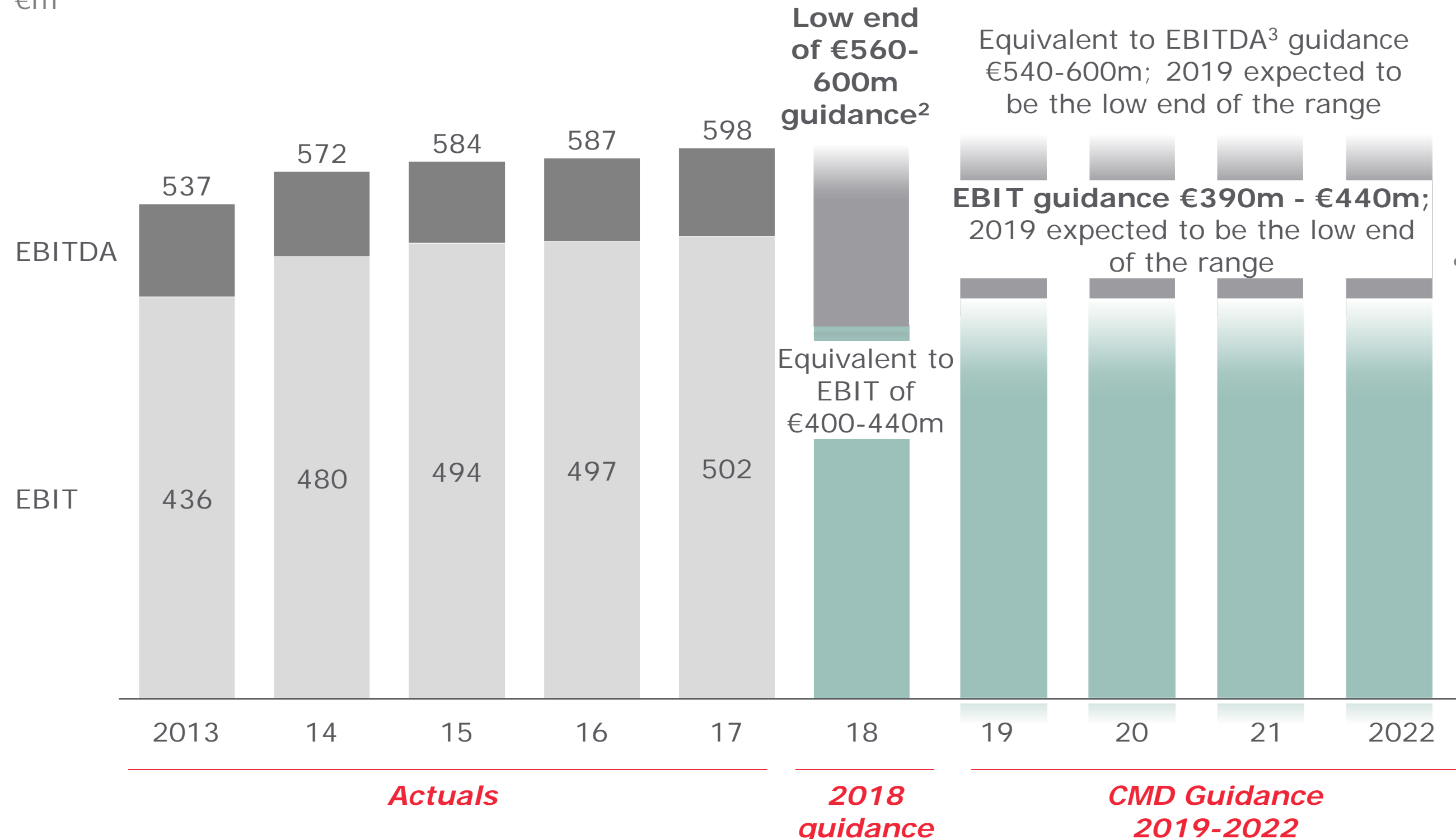
## It was time for a new plan and execution model to 2022

- Changed market forces and internal levers
- New organization and management priorities by business
- Segment reporting in line with business responsibilities down to EBIT
- Aligned interests between investors and managers
- Strong balance sheet with cautious capital allocation

# Guidance over 2019-22

## Normalized<sup>1</sup> EBIT and EBITDA

€m



### Rationale for future guidance on EBIT

- Management manages businesses based on EBIT which is also a parameter for variable compensation
- Closer to earnings relevant for dividends
- Capture investment cycle through depreciation
- More limited IFRS16 impact than EBITDA from 2019

<sup>1</sup> Normalized EBIT(DA) definition unchanged and excludes non-recurring items of €20m or more, all profits or losses on disposal of activities whatever the amount, non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, reversals of provisions whose addition had been normalized from income (regardless of the amount they represent)

<sup>2</sup> As per 1Q18 guidance on 2 May 2018

<sup>3</sup> Excluding impact of IFRS16 as of January 2019

# Key parameters underlying this plan

## ■ Mail & Retail

- **Mail volume decline** from up to 7% in 2018 to **up to 9% by 2022**
- **Price/mix offsetting** ~50% of mail volume decline over 2018-2022
- Revenue from **proximity and convenience retail network** increasing by **1-2% p.a.**
- **Renewal of key contracts** with the State, including reset of efficiency gains
- Mail allocated **operational FTEs to decrease by ~5% p.a.**
- **Alternative operating model with flexible, differentiated offering** ( D+1 and D+2/3)

## Parcels & Logistics Europe and Asia

- **Double digit yearly volume increase** for BeNe last-mile
- **Price/mix** ranging from **-3 to -6% p.a.**
- ~10% organic **revenue growth in e-commerce logistics** in line with sector
- Parcels **allocated operational FTEs in Belgium to increase in line with revenue evolution**

## Parcels & Logistics North America

- **7-9% revenue growth in e-commerce logistics** from 2017-2022 (from 2019 for Radial)
- **Radial EBITDA** expected to evolve from ~\$20m in 2018 to **\$100-\$120m by 2022**

## ■ Operating expenses

- **Wage increase** of ~2% (mainly driven by automatic indexation) for 1/3<sup>rd</sup> **compensated by favorable employee mix effect in Belgium**
- **Other FTEs bpost SA/NV to decrease by ~3-4% p.a.** partly offset by **SG&A increase due to outsourcing plans**

## ■ Macro-economics indicators

- **Inflation of 1.6% p.a.** on average; similar fuel price evolution
- **Exchange rate of ~1.2 USD/EUR**
- **Statutory Belgian corporate tax rate progressively decreasing** from 33.99% in 2017 to 29.58% in 2018-19, and to 25% as of 2020

## ■ M&A

- **Organic plan**

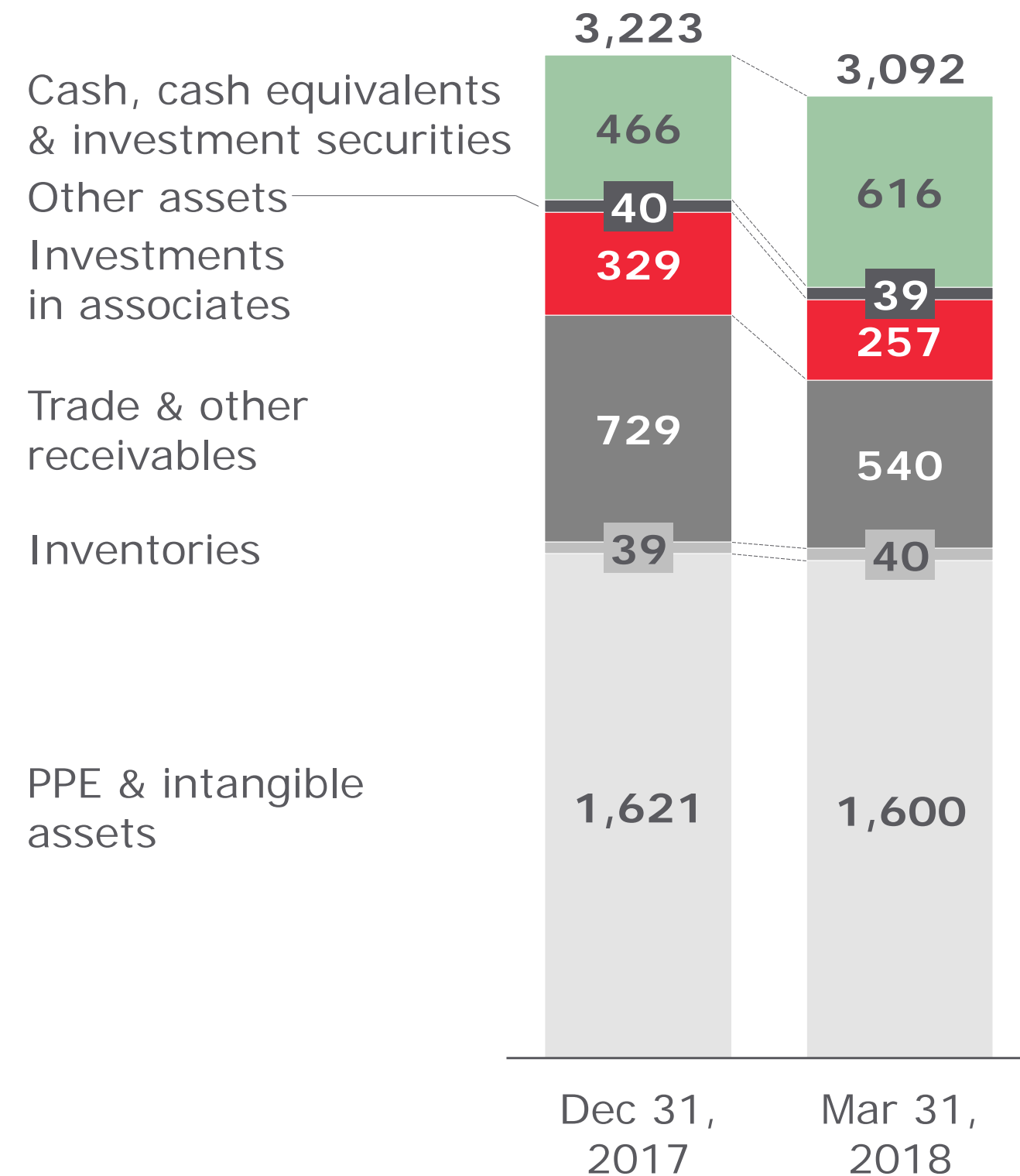




# bpost is to retain a robust balance sheet (1/2)

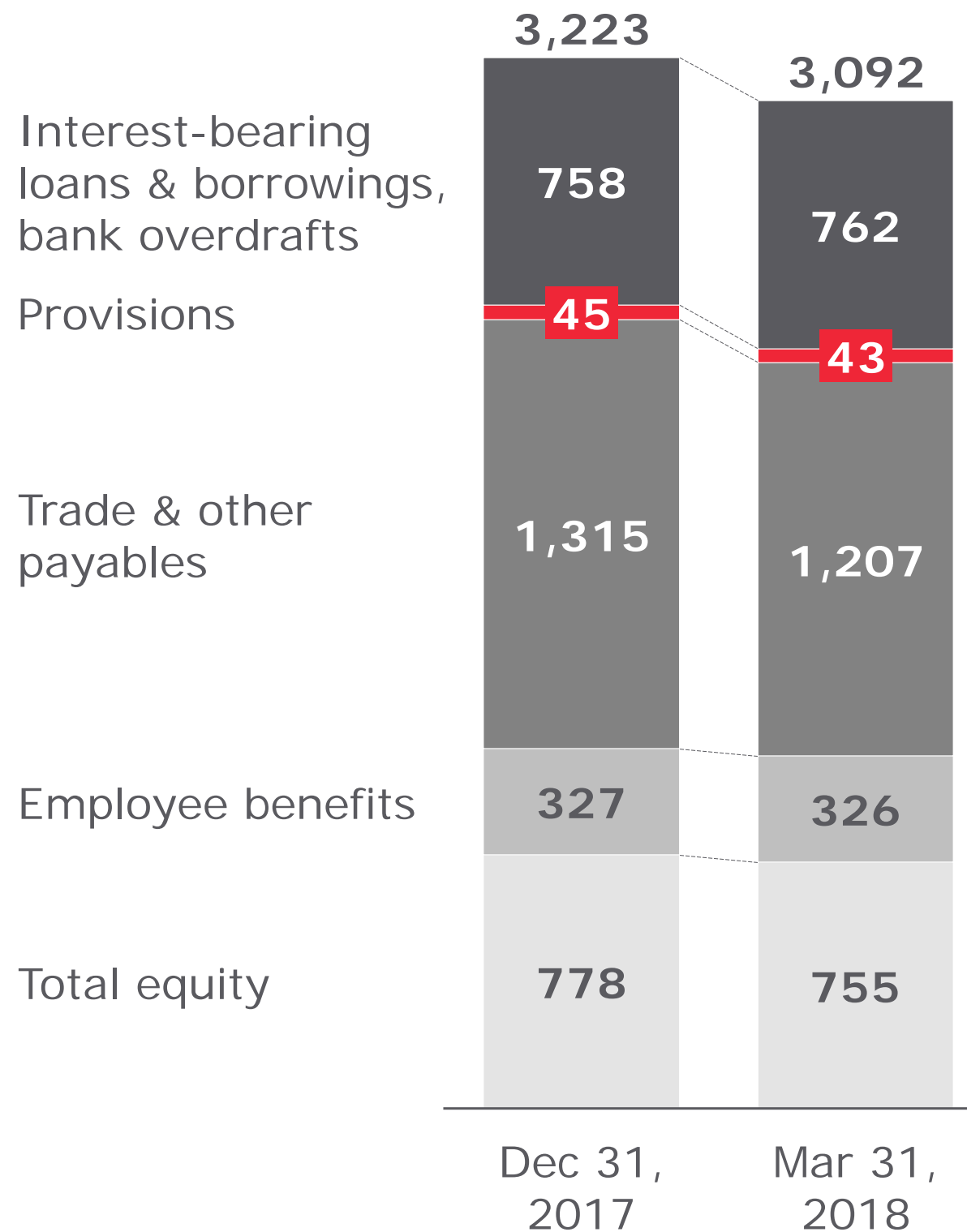
## Assets

€m



## Equity and liabilities

€m



## Rating and capital allocation

- S&P assigned **credit rating of 'A'** to bpost on June 20<sup>th</sup>, 2018 based on a stand-alone credit profile of 'bbb'
- bpost seeks to maintain credit metrics compatible with a **solid intrinsic investment grade**
- **Dividends remain the primary use of capital allocation** as the plan assumes no further acquisitions

# bpost is to retain a robust balance sheet (2/2)

## Net debt composition

€m

	31 <sup>st</sup> Dec 2017	31 <sup>st</sup> Mar 2018	
<b>Gross debt</b>	<b>758</b>	<b>762</b>	Acquisition bridge loan in US\$ and € due in Nov 2018 <sup>1</sup> Intention to refinance it and tap the bond market
o/w bridge loan	689	689	
o/w finance leases	21	21	
<b>Cash &amp; cash equivalents</b>	<b>466</b>	<b>616</b>	<b>Cash seasonality</b> <ul style="list-style-type: none"> <li>• SGEI payment in Q1</li> <li>• Final dividend in Q2 for Y-1</li> <li>• Interim dividend in Q4</li> </ul>
o/w cash in network	172		
o/w transit accounts	84		
<b>Net debt</b>	<b>292</b>	<b>146</b>	

## Operating lease commitments

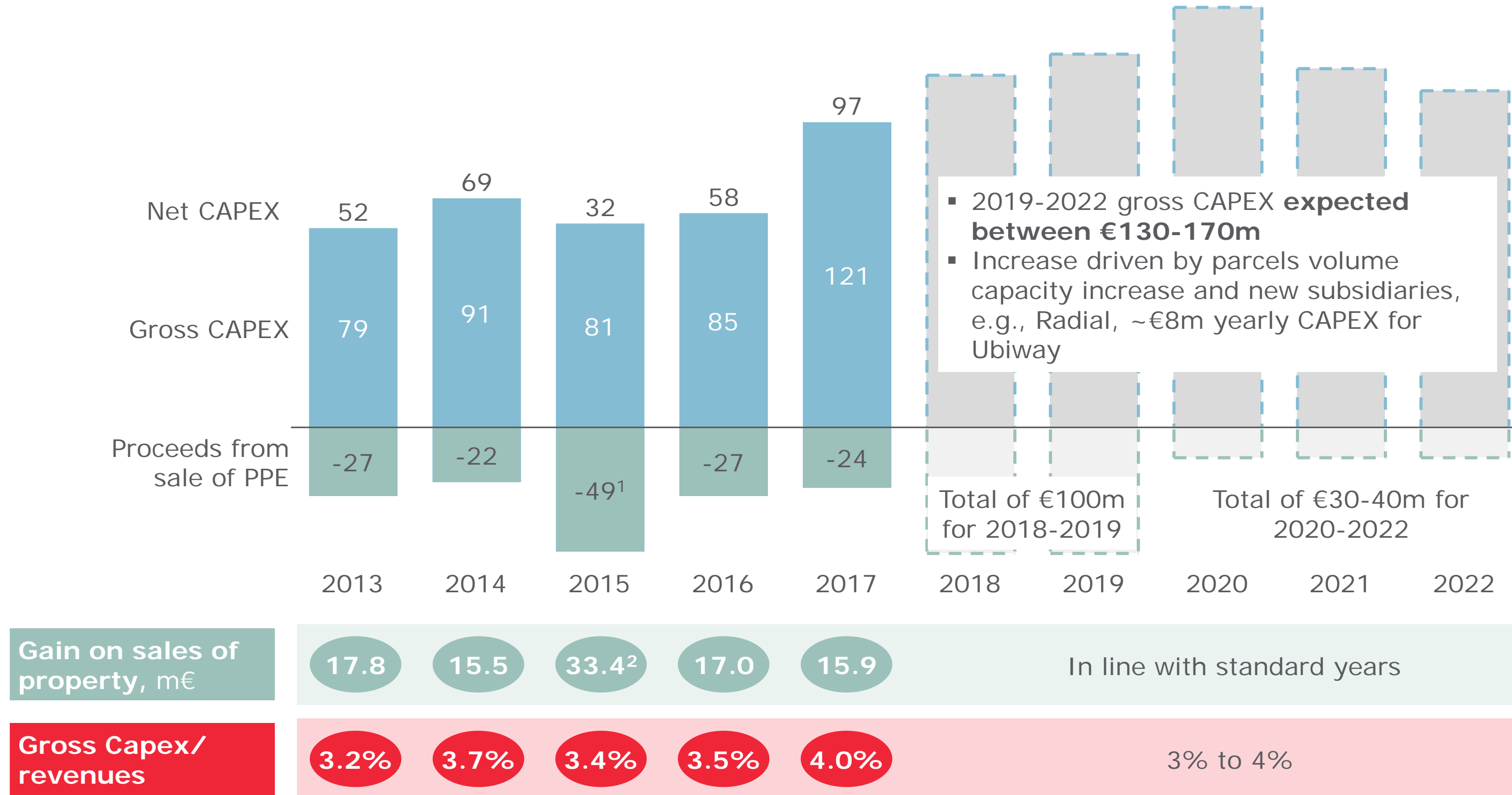
€m

	31 <sup>st</sup> Dec 2017	
<1 year	116	• Operating leases now a greater part of our financing due to NBX and Radial • IFRS16 impact from 2019
1-5 years	303	
> 5 years	235	
<b>Future minimum payments</b>	<b>654</b>	

<sup>1</sup> With 6 months extension option

# Perspective on CAPEX evolution 2019-22

€m

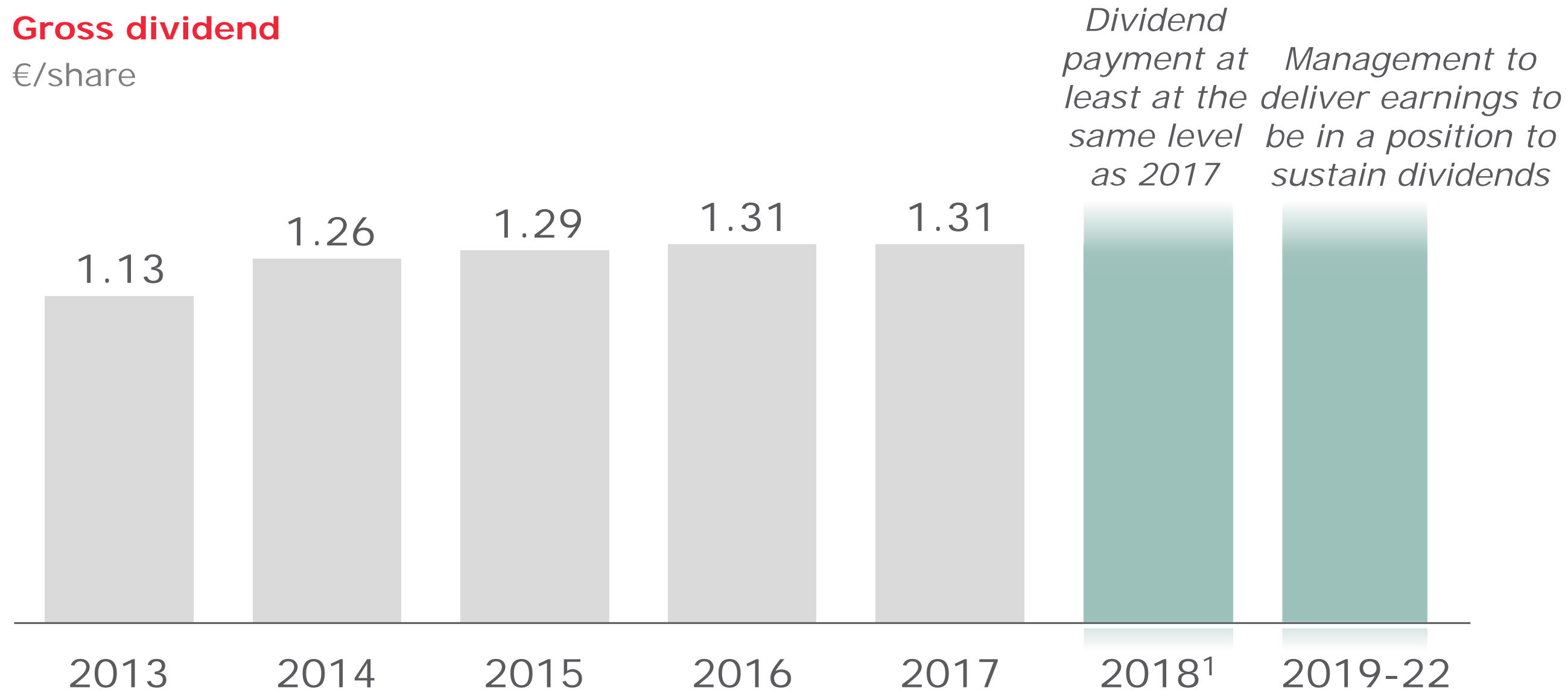


1 Reported figure, normalized figure = -€12m

2 Reported figure, normalized figure = €7.3m

# Dividend payment remains core to management plans

**Gross dividend**  
€/share



**bpost dividend policy “at least’ 85% of BGAAP net income”**

**Payout Ratio**



<sup>1</sup> As per 1Q18 guidance on 2 May 2018

# Key factors impacting dividend

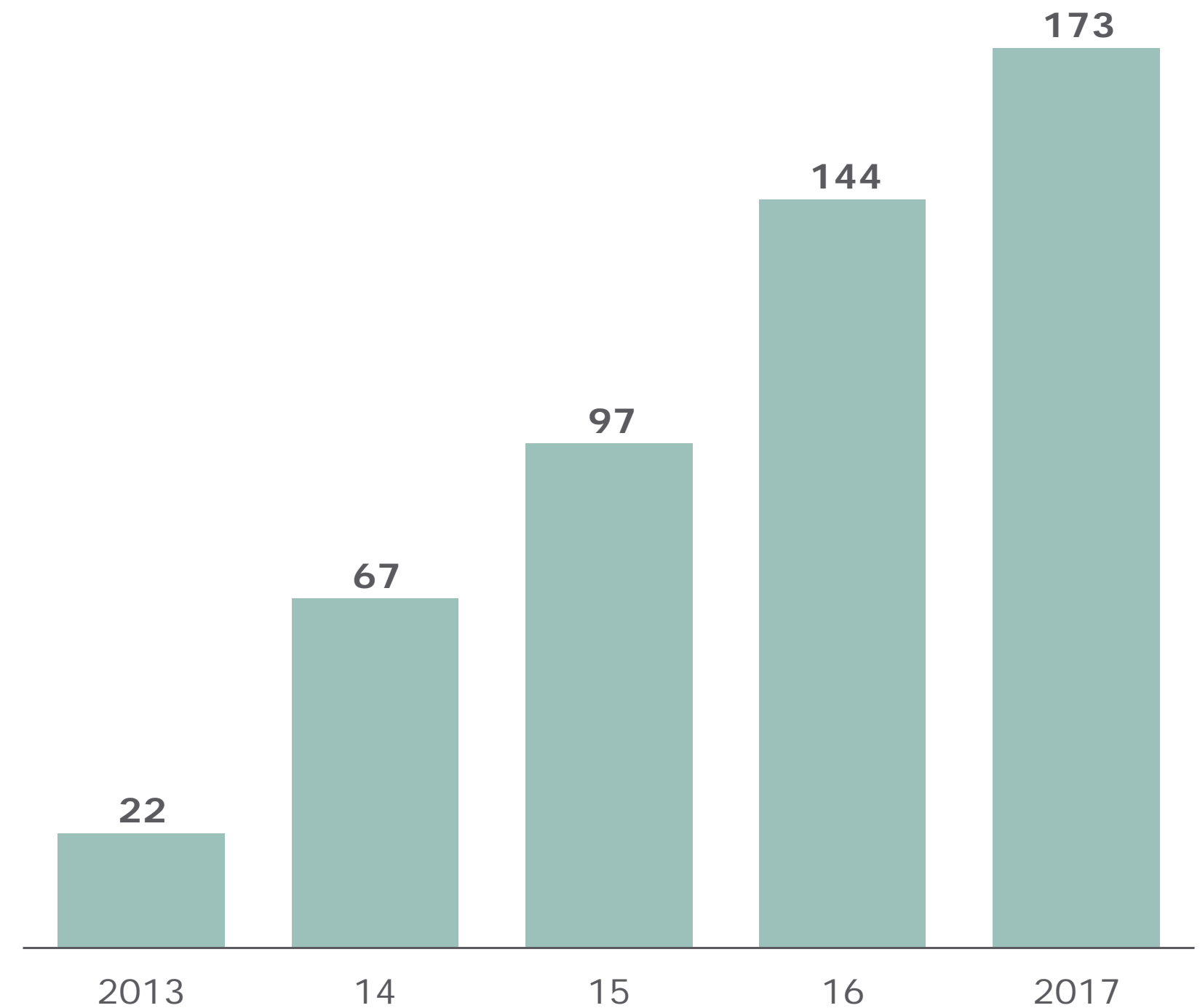
## Bridge IFRS vs. Belgian GAAP

€m

	2013A	2014A	2015A	2016A	2017A
<b>IFRS net profit (reported)</b>	<b>288</b>	<b>295</b>	<b>309</b>	<b>346</b>	<b>323</b>
Results of subsidiaries	-34	-22	-25	-39	-50
Movements on investments	7	18	13	0	27
Differences in depreciation and impairments	-1	-4	0	-3	-2
Differences in recognition of provisions	-5	-7	-6	0	0
Effects of IAS19	-12	16	-17	2	-39
Depreciation intangible assets PPA	0	0	0	0	9
Deferred taxes	4	3	10	0	20
Other	1	-1	3	2	3
<b>BGAAP net profit (reported)</b>	<b>248</b>	<b>297</b>	<b>288</b>	<b>309</b>	<b>291</b>
<b>Total delta IFRS vs. BGAAP</b>	<b>-40</b>	<b>1</b>	<b>-22</b>	<b>-38</b>	<b>-32</b>




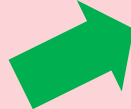

## Distributable retained earnings at bpost SA level

€m





## Excess cash expected from 2020

	2014A	2015A	2016A	2017A	2022 outlook vs. 2017	Comments on outlook
Cash flow from operating activities	451	361	353	266		In line with EBIT guidance
<i>of which change in working capital</i>	47	35	-41	-125		Working capital stabilizing as of 2020 after expected ~\$100m negative impact from Radial spread over 2018-19
Cash flow from investing activities excluding acquisitions	-69	-32	-70	-85		Increase of the investments mainly driven by parcels volume growth and Radial
Acquisitions	-9	-14	-89	-667		2022 plan based on organic growth
Free cash flow (before financing)	373	316	194	-486		
Dividends	-248	-254	-260	-262		"at least 85% of BGAAP net income"
Financing activities	-11	-10	-10	679		Interest rate on gross debt, debt repayment subject to refinancing schedule
Net cash movement	114	52	-76	-69		Expected to generate excess liquidity as of 2020

## My priorities

- 1** Ensure tight performance management through new segment reporting in line with operational structure
- 2** Transparent communication to capital markets
- 3** Maintain strong balance sheet in line with current intrinsic credit rating



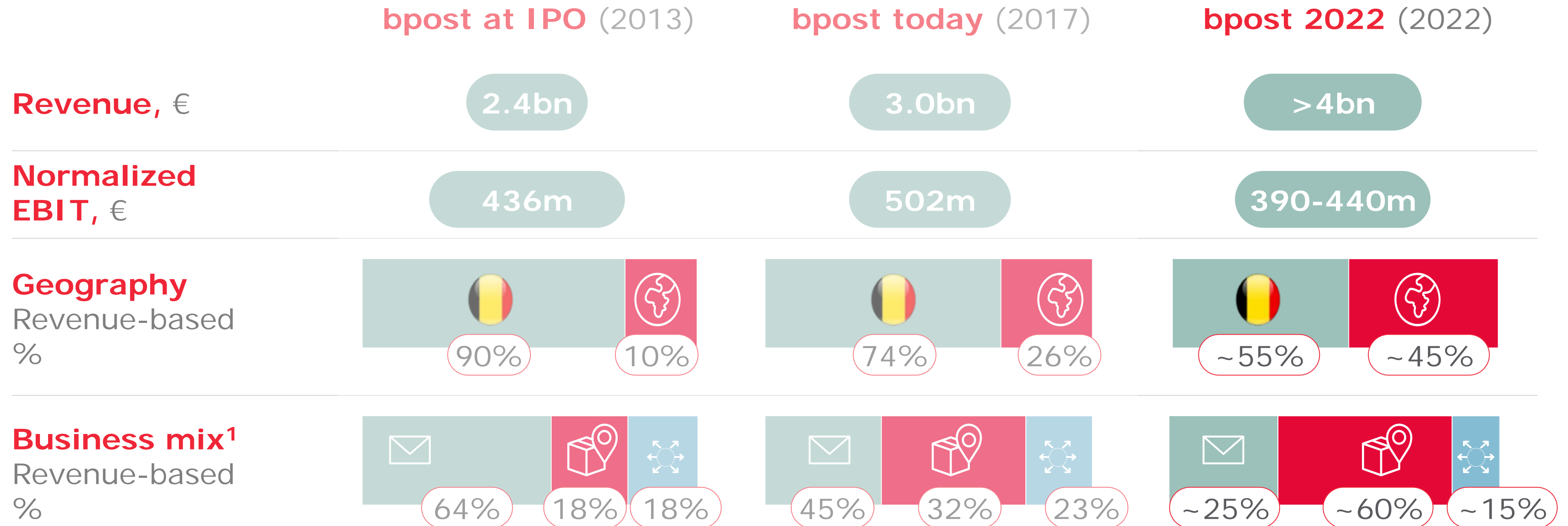


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**Koen Van Gerven**  
Group Chief Executive  
Officer



# By 2022, bpost will be an efficient, >€4bn global e-commerce logistics player anchored in Belgium



<sup>1</sup> Based on mail (including ITTS revenues coming from newspapers and periodicals), parcels (including International mail) and other (including Value Added Services, Banking and financial products, Distribution, Corporate, Retail and Other)

## Re-launched, bpost offers a strong investment rationale

Positioned for secular trends fueling e-commerce logistics and parcels growth

First mover position in core regions of its extended BeNe home and North America

~60% of 2022 group revenues from e-commerce logistics & parcels

Multiple levers to sustain mail profit generation and network transformation for future use

Experienced team of managers with collective and individual responsibility to the bottom line in alignment with investors

Robust balance sheet with commitment to maintain credit metrics compatible with a solid intrinsic rating

Culture of financial discipline and transparency in alignment with external stakeholders

Sustained focus on dividends rewards to shareholders





## Key contacts



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Q&A







# Pro forma 2017 for bpost group including full year impact of new acquisitions

<i>Normalized for the year ended 31st of December</i>	<b>2017</b>	<b>2017 pro forma for acquisitions<sup>1</sup></b>
<b>Total operating income</b>	<b>3,024</b>	<b>3,772</b>
		-
<b>Total operating expenses</b>	<b>2,426</b>	<b>3,145</b>
Transport costs	365	617
Payroll & interim	1,314	1,599
Other SG&A (SG&A excl. transport, interim)	506	662
Other costs (material, other op. expenses)	241	267
<b>EBITDA</b>	<b>598</b>	<b>626</b>
Depreciation and amortisation	96	152
<b>EBIT</b>	<b>502</b>	<b>475</b>

Of which:

- ~€1,100m for bpost SA/NV consisting of:
  - Operational FTEs ~18,600 FTEs<sup>3</sup>
  - Other FTEs<sup>2</sup> ~5,200 FTEs<sup>3</sup>
- ~€500m (pro-forma for acquisitions) for subsidiaries consisting of ~10,800 FTEs<sup>3</sup>

<sup>1</sup> Includes acquisitions (Radial, Leen Menken, IMEX and Mail Inc.)

<sup>2</sup> Includes retail network and headquarter-related FTEs

<sup>3</sup> Year average FTEs