



Stay Focused

Analyst Lunch - London

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April, 2nd 2015



Highlights of 4Q14 – Expectations exceeded



Revenues up 2.2% (+1.7% organically)

- partially helped by higher building sales (€ +3.8m)

€ 655.3m



Volume decline of domestic mail better than previous 3 quarters

- improved advertising and transactional mail, but still impacted by e-substitution and cost cutting

-3.7%



Strong growth in parcels

- solid domestic parcels volume growth helped by particularly strong December month at +15.6%; but negative mix effect of -2.2% for the first time
- organic international parcels growth in line with 3Q14, shipments to China slowing down

+7.1%

+ € 10.9m



Cost savings well on track

- costs (excl. one-offs, phasing and transport) down organically
- average FTE reduction of 664 for the quarter and 974 for the full year

- € 9.9m



EBITDA significantly up (€ +9.5m)

€ 131.0m



Proposed total dividend per share up 11.5%

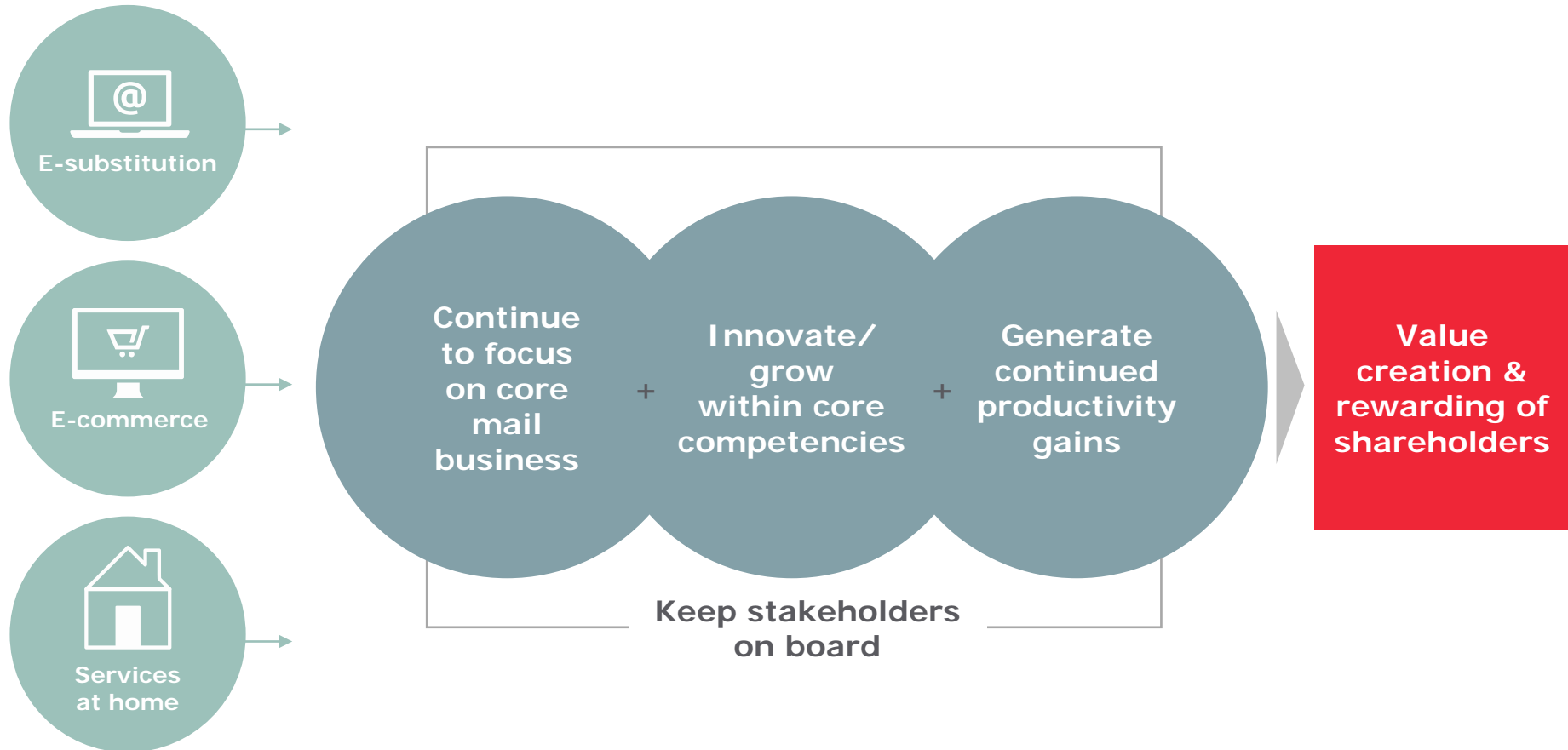
€ 1.04 already paid in December 2014 and € 0.22 to be proposed at Annual General Meeting

€ 1.26
gross

Outlook for 2015

- After a very strong 2014 which allowed us to report historically high numbers, we will be facing some headwind in 2015:
 - We expect **mail volumes** to remain under substantial pressure from e-substitution. As a consequence we plan for mail a volume decline of over -5%. This has been confirmed by a relatively soft start of the year in mail.
 - The **compensation for the SGEI's** (management contract) will be **€ 16.5m lower** than in 2014 as the government has decided to reduce the compensation above and beyond the already lower contractual cap.
 - Parcels to China (milk powder) are **no longer growing** and **could be declining**.
 - The planned **productivity improvements** as per the Vision 2020 planning are at the very low end of our 800 to 1,200 FTE/year range.
- On the positive side, we still expect mid single digit growth in domestic parcels in spite of the intensification of competition. We also expect **continued growth in the US and Asia** parcels segment.
- On balance, our ambition is to **hold our recurring EBIT(DA)** at the high level achieved in 2014 thanks to the partial effects of the Alpha plan and a continued focus on costs. Reported EBIT will be affected by the **Alpha restructuring cost**. Our ambition is to achieve the same level of dividend payment.
- Cash generation should follow normal seasonality and **net capex** is expected at around € 90m. Working capital will be negatively affected by the favorable phasing on terminal dues payment in 2014.

We stay focused on implementing our strategy



We continue to focus on core mail business



Volume

- While being impacted by e-substitution **mail remains important...**
 - 80%** of consumers **prefer paper** to receive administrative information¹
 - 40%** **not aware of right to choose**
 - 79%** **satisfaction level** for the paper channel (vs. 47% on average for digital channels)
- **2 specific programs** to support mail resilience

Advertising

- **Prove effectiveness & relevance** in marketing mix
- Increase **ease of use**
- **Mix with digital**

Transactional Mail

- Offers solutions to **address customers' preference for paper**

Pricing

- bpost has the ability to **partly compensate** the **volume decline** through **price increases**
- **Price-cap formula** for single piece mail & USO² parcels falling within "small user basket" (**inflation + quality bonus + unused credit³**)
- **Unused credit** available for 3 years
- Volume and operational **discounts allowed** for **other USO** products (bulk)
- **Price increases** done in practice on a **yearly** basis (**1 January**)
- **1.5% price increase** applied on average on Domestic Mail on Jan, 1st 2015

¹ Source: bpost commissioned market research. Market Probe, 1,343 face to face interviews, April 2014

² Universal Service Obligation

³ Quality bonus = [Average quality – 90%]² / 1,000; unused credit = cumulated price increases allowed under cap but not applied for last 3 years. Price increases need to be approved by the regulator

Direct Mail remains relevant in the digital world



74
%

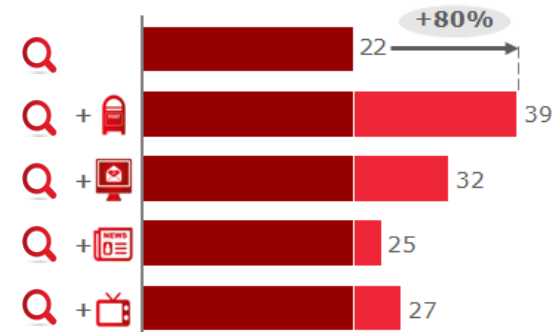
of **heavy web users** are **curious** to discover what is in their **letterbox**

71
%

of **heavy web users** visit the brand's website **after reading a direct mail**

80
%

increase in actual **purchases** when **combining online search with direct mail**



Zalando uses direct mail to boost brand awareness and translate awareness into sales



Excellent recall rate of

77%

Improved the Top of
Mind position with

143%

Intention to act

14%

Convincing
tests with
Zalando
resulted in 4
campaigns



Outlet-Avenue.be's "Hope to see you soon" translated into increased visit frequency



Objective

- Reactivate sleeping customers



Idea

- Postcard with a "Welcome Back" offer



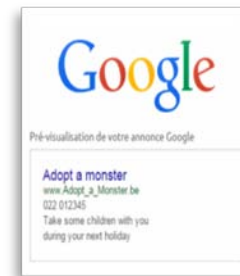
Results

- 59% read it
- 62% recall rate
- **64% took action or intended to take action** after reading the Direct Mail
- 4% online order rate
- **Each € invested had a return of € 2.4**

Digital + Paper delivers the best results and bpost's ProspectPack makes it five clicks away

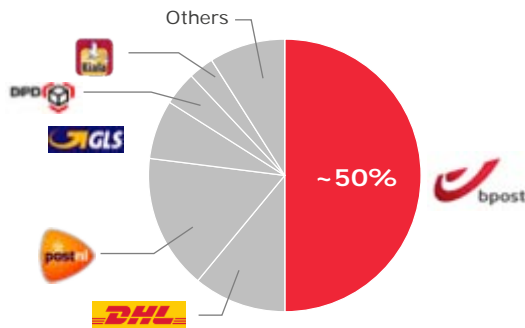
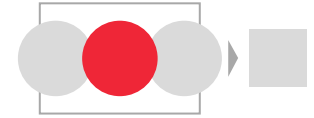


Based on qualified databases with socio-demographic information







A single order and payment and the paper campaign is printed and distributed by bpost and pushed online by Google

bpost continues to strengthen its "best last mile" offering in B2C/C2X domestic parcels to keep market share and capture e-commerce growth



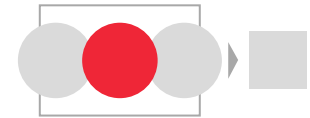
~50% share of ~ € 150-200m market segment¹

Unique selling proposition:
Offer **best last mile** and **broadest delivery options**

	@home	Pick-up & Go		
				
	4.7m	669	589	125
MON – FRI <6PM	✓	ALL		24/7
MON – FRI >6PM		>400		
SATURDAY AM	✓	>1.000		
SATURDAY PM		>500		
SUNDAY	PILOT	70		

¹ Source market shares: bpost data, Datamonitor, "European Express Benchmarking 2011"

bpost continues to strengthen its “best last mile” offering: recent initiatives

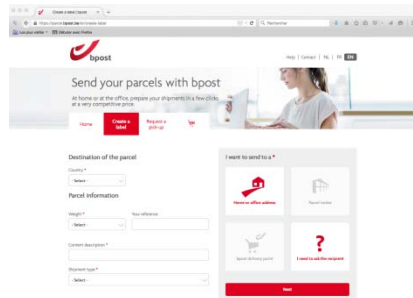


24/7 parcel lockers commercial roll-out



- 125 machines covering the whole Belgian territory at carefully chosen locations (railway, underground, shopping malls,...)
- 18% of top 200 customers already sent parcels to lockers
- Since commercial launch :
 - 2,500-3,500 parcels/month delivered
 - 1,500-2,000 parcels/month dropped
- Actions being taken to further simplify and boost usage

Launch online C2X offer and further push Pick-Up & Go



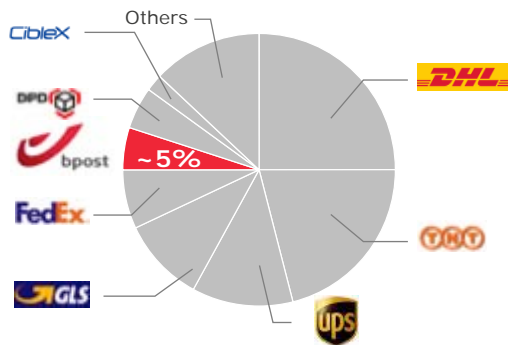
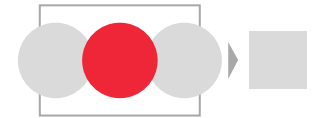
- Competitive C2X offering with pick-up point pure players (a.o. price)...
- ... but with broader choice of drop-off and delivery methods
- Preparation and payment online
- Pick-Up & Go network used by 23% of top 200 customers
- Revamped web-tool that can be embedded in e-commerce sites

Saturday distribution included in offering, Sunday being piloted

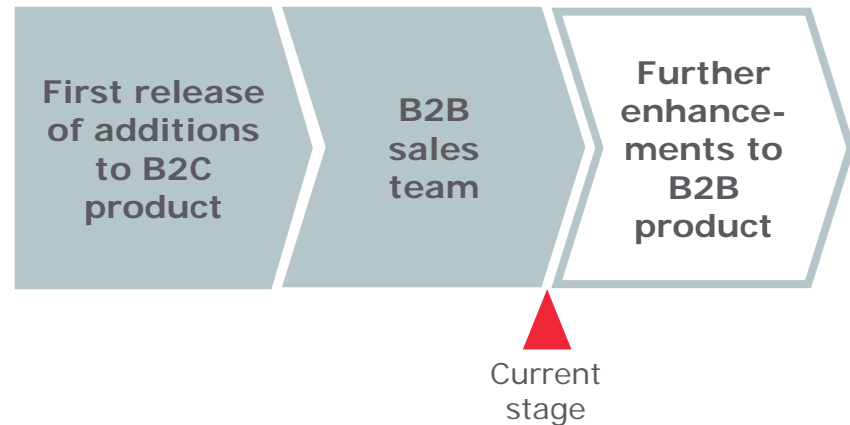


- Saturday used by 9% of top 200 customers at a price premium
- Sunday piloted

Efforts to grow in B2B parcels are beginning to deliver results, ambition to double market share by 2017



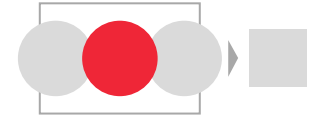
Starting from ~5% share¹ in market segment of ~€ 750-800m with low growth



- First sales efforts begin to pay off
- Volume growth in segment ~6%
- Mostly
 - smaller companies
 - national shipments

¹ Source market shares: bpost data, Datamonitor, "European Express Benchmarking 2011"

We expect continued growth in international parcels



Rationale

- Offer US and Chinese e-tailers solutions to ship to Europe and rest of world **ensuring last mile delivery into Belgium**

How we do it

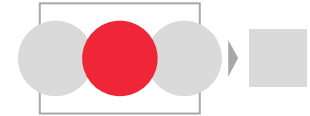
- **Direct access to international postal networks and rates**
- **Asset-light business model**
- **Dedicated international sorting centre & integrated service range**
- **Strategic presence** in North America (Landmark) and Asia (Beijing, Hong Kong, Singapore)

Strategically located, close to business



2014, € million	Europe		Americas	Asia	Total
	To China	To RoW			
International parcels	32.4	20.7	76.9	13.2	143.3
<i>Growth in 2014</i>	+34%	+25%	+42%	+187%	+44%

We also look for potential new sources of revenues through innovation based on our core competencies



Example 1 : groceries delivery **combo**



Ordering
online at
different
merchants

Picking
and
packing by
the stores

Consolidation
and cross-
docking
@bpost

Quality
control
before
delivery

Delivery

One
payment
for all
orders

- ~2500 deliveries on 6 months
- 17% of customers have ordered paid deliveries (€9.95) after free trial period
- Support and leadership of retail is essential

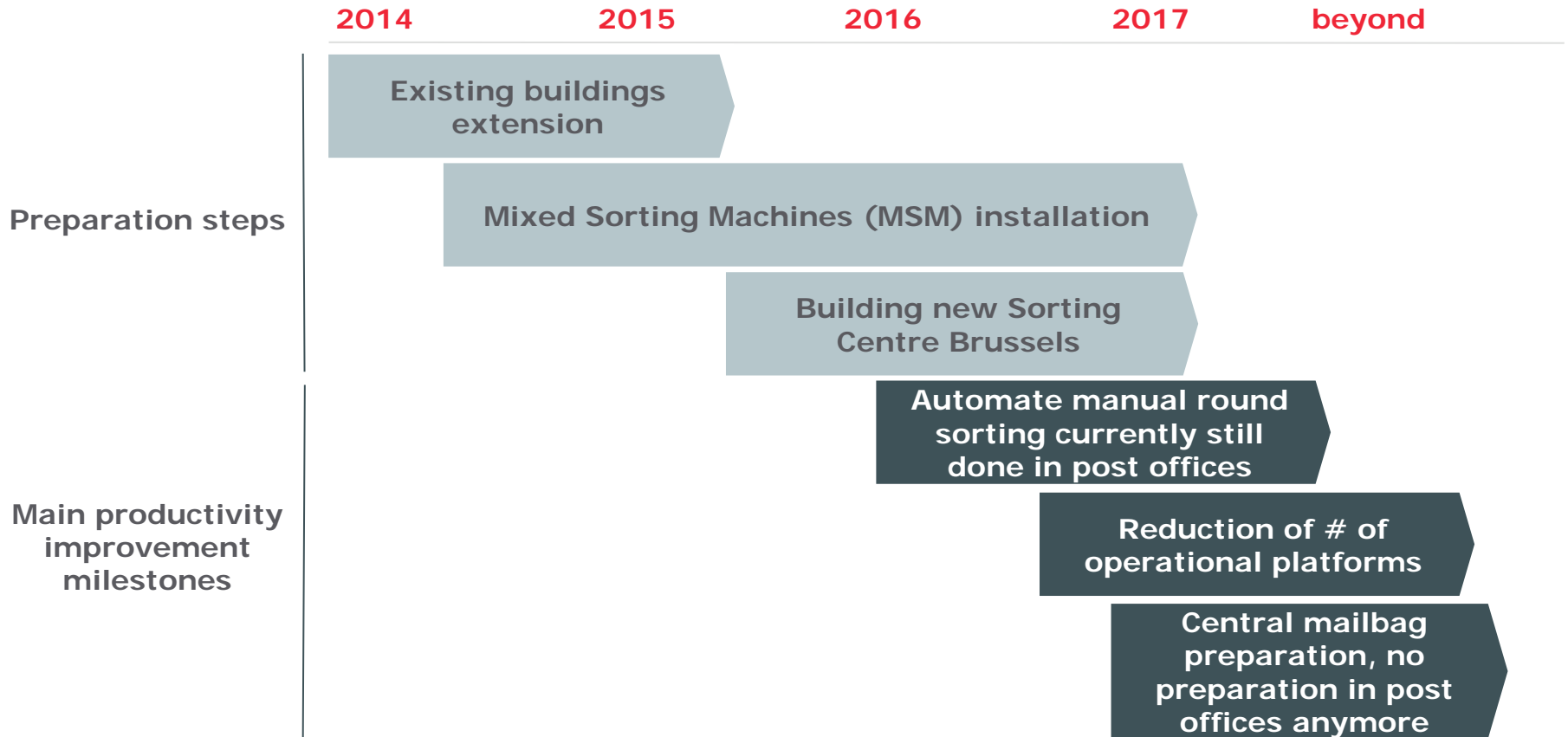
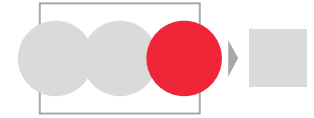
Example 2 : last mile consolidated delivery in city centres



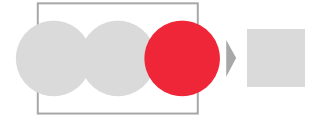
- Transport companies **drop the goods to be delivered** in the city centre at a **bpost cross-docking** facility in Antwerp
- bpost **regroups goods per destination** and insures a **same day last mile delivery** in the city centre
- Extension planned for Brussels

Small scale minimal viable products launched, revenues potential to be confirmed

Our Vision 2020 program is fully on track to enable continued productivity improvements in the coming years



The first “MSM” machines have been successfully put in production in 2014

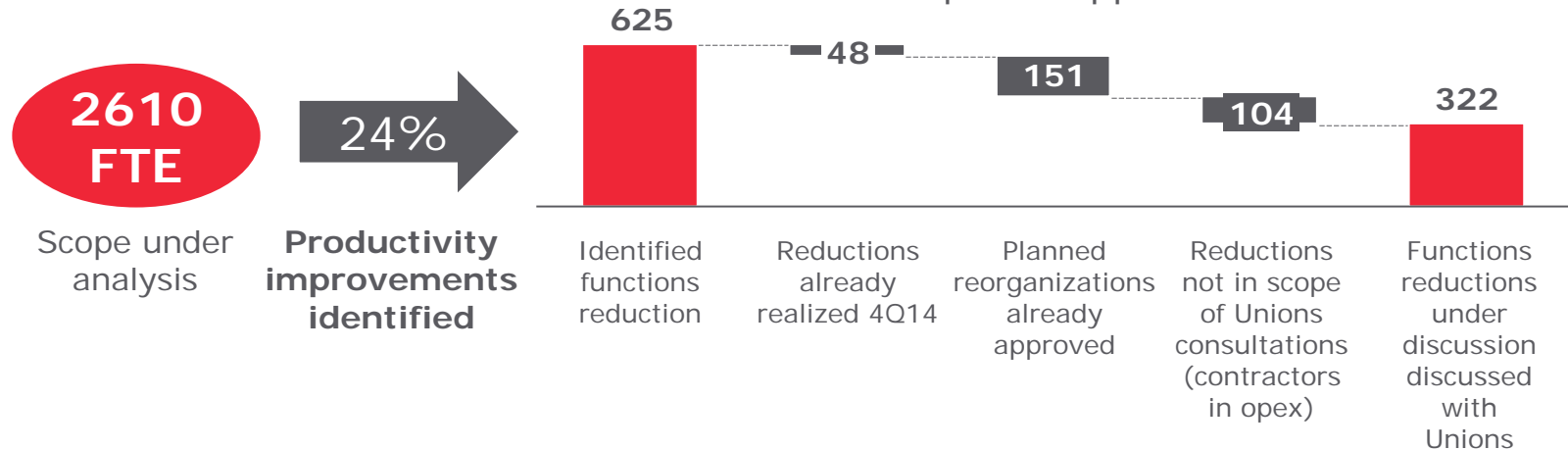


Press tenders

- **Offers due by May, 18th**
- **3 candidates including bpost**
- **Criteria as announced**
 - **50% on quality** : bpost has a strong proven track record
 - **50% on price** : employment type is key, we do not think service as described in the tender can be done with self-employed
- **Further process steps are defined, deadlines are not**
 - Analysis of offers by work group of the Government, consultation with press companies
 - Selection of preferred candidate
 - Best and final offer and negotiation
- **bpost preparing strongest possible offer**

Alpha: implementation will start after negotiations with Unions

- **Results of analysis:** new organization design and sizing
- **24% reduction in functions identified** on the scope of support functions



- **The reductions of 322 functions is being negotiated with Unions**
- **After that a selection process will start** for remaining functions in the target organization
- **At the end of that process**, employee that have no job:
 - Leave the company with redundancy payment if contractual employee
 - Stays on payroll of bpost if statutory employee until a new function is found (can be externally, via our Job Mobility Center)
- **The result of the selection process** will determine the **net savings in FTE** and the **restructuring cost** associated
- **The restructuring cost will be “neutralized”** to compute the level of **dividend**

