



Interim Financial Report Second quarter 2021

Conference call transcript

Brussels – August, 6th 2021

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PRESENTATION

Operator: Hello and welcome to the bpost Second Quarter 2021 Analyst Call. My name is Rosie, and I'll be your coordinator for today's event. Please note this call is being recorded and for the duration, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end. This can be done by pressing star one on your telephone keypad to register your question at any time. If you require assistance, please press star zero, and you'll be connected to an operator. I will now hand you over to Mr Dirk Tirez, bpost CEO, to begin today's conference. Thank you.

Dirk Tirez: Good morning, ladies and gentlemen. Welcome. I'm pleased to present you the second quarter 2021 results as CEO of bpost Group. Welcome to all of you and thank you for joining us. With me, I have Leen Geirnaerdt, our CFO, as well as Antoine Lebecq from Investor Relations. We posted the materials on our website last night. We will walk you through the presentation and we'll then take time for your questions. Practically, we propose to limit the questions per person to two questions to assure everyone in the call gets the chance to be addressed in the upcoming hour.

Now let's get to the second quarter results. It's obviously another quarter for which year-on-year comparison are peculiar, given COVID circumstances and lockdown in Q2 of 2020 in Europe, and especially in the US. We will do our best to shed some light not only on year-on-year dynamics, but also put things in perspective versus the first quarter of the year, and 2019.

As to the highlights of the second quarter, our group operating income for Q2 stands at €1.038 million. This is a 1.4% decrease year-over-year, mostly driven by non-recurring COVID revenue in PaLo Eurasia and North America, among others, lockdown surcharges.

The group adjusted EBIT stands at €107 million. This is a €32 million increase versus last year, underpinned by a margin increase from 7.1% to 10.3%. This is, among others, due to cost and operational measures taken, including higher operational leverage in our Belgian operations.

At the Mail & Retail, mail volume actually grew year-on-year by 1.4%, both because of a particularly soft comparable base in 2020, and the support of one-off COVID-19 communication volumes this year. These mail volumes, combined with a positive price and mix impact, led to a revenue increase in domestic mail. Compared to the second quarter of 2019, mail volumes are down due to the structural mail volume trend we know on the long-term. The adjusted EBIT doubled versus second quarter of 2020 from €36 million to €72 million with a margin of 14.1%.

At PaLo Eurasia, the adjusted EBIT stands at €35 million namely a €2.5 million increase versus last year. The 3.9% decline in top-line is mainly driven by an anticipated price mix impact of minus 6.9% at Parcels B2X, of which 2.8% is due one-off COVID surcharges to customers in April and May last year. Parcels B2X volumes grew by plus 2.9%. And Radial Europe and Active Ants continued to grow their top line. The EBIT margin increased from 11% to 12.2%, supported by benefits of operating leverage in the integrated network. This is also due to a restored dynamic of reorganisations of our distribution rounds, which will structurally benefit us in the second half of the year and in the year-end peak period. I will come back to this later.

At PaLo North America, the total operating income stands at €310 million, which represents a decline of 4.6%, excluding the exchange rate impacts. This is driven by Radial's non-recurring volumes of last year's lockdown, including temporarily soaring sales of sanitisers.

This was slightly offset by new customers' contribution that started to accelerate through June. As a result, the adjusted EBIT decreased by €7 million to €11 million with a margin of 3.5%, including the impacts of the current wage rate pressure in the United States.

Overall at the group level, our adjusted EBIT stands at €107 million, meaning a €32 million increase compared to the same period last year, and this is mainly from our Mail & Retail business units, as illustrated on the bridge on page four.

To conclude on the highlights, on the back of these strong quarterly results and based on current assumptions of mail volume trend and normalisation for COVID-19 e-commerce activities for the rest of the year, bpost raises its updated guidance for 2021, and now expects the group adjusted EBIT to be above €340 million, versus €310 million previously. I will come back on this later in the presentation, together with our management priorities.

I would now like to hand over to Leen for more details on the financials.

Leen Geirnaerdts: Thank you very much Dirk and good morning to all of you, I'm with you on page five showing, as always, an overview of the key financials for the quarter, both reported and adjusted.

More details on revenue and EBIT developments follow in the breakdowns per business unit. But here we can point out net financial results of minus €4 million. It improved by €10 million versus the second quarter of 2020, mainly from lower non-cash financial charges related to IAS 19 employee benefits, and last year's contingent liability for the remaining shares of Active Ants.

Income tax expense, it increased by €11 million, mainly due to higher profit before tax.

Reported effective tax rate for the quarter amounted to 27.1%.

As a result, adjusted net profit was up €27 million to €75 million.

The adjusted free cash flow at minus €61 million decreased compared to the same period last year, as expected, mainly from the variance in change in working capital and also higher tax prepayments. I will come back on the cash flow elements later on in this presentation.

The net debt decreased by €50 million compared to June last year, supported by the free cash flow generation and the absence of a dividend payment in the fourth quarter 2020.

We can move to page six and there we see the external revenue bridge of Mail & Retail.

Mail and Retail external revenue increased by €41 million to €449 million. This is driven by Domestic mail recording an underlying mail volume growth of plus 1.4% for the quarter. This mail volume rebound versus the easy comps of last year, remember that bpost then reported a mail volume decline of minus 17.7% in the second quarter, has impacted revenues by plus €3 million. In addition, a positive price and mixing impact, mainly driven by mail price increases, has impacted the revenues by another €24 million. Together with the working days impact of plus €2 million, this has resulted in a net revenue increase of €29 million.

Transactional mail noted an underlying volume decline of minus 1.3% compared to minus 16.7% in the second quarter 2020, from negative impact of lockdown on all product categories.

Admin mail volumes were also supported by some COVID-19 communication that had already started in March this year. This refers in particular to the invitation sent by the

government for the vaccination and we estimate the contribution of about €8 million to the top line in this quarter.

Overall, the volume trends remained impacted by the known structural trends of e-substitution and digitisation.

In advertising mail, there was an underlying volume growth of plus 15.6% for the quarter against the soft comparable base of minus 26.6% last year. The quarter can be broken down in two distinct phases. First of all, quarter to date May, the underlying volume growth amounted to plus 22.3% against the soft comparable base of minus 37% from the lockdown of non-essential retail shops last year. And then we have June, where the underlying volume growth slowed down at plus 4.2% compared to a tougher comparable base of minus 4.2% in June last year, where we saw already then a volume recovery post the first lockdown.

Press volumes decreased on an underlying basis by minus 1.1%, versus minus 8% in the second quarter last year, benefiting from a good performance from periodicals.

Given the volatility implied by last year's lockdown on volumes, quarter over quarter, it is also interesting to put the domestic mail volumes in perspective and excluding the mail pricing impact. In units, domestic mail volumes of the second quarter, they seem to be in line with the previous quarter. They are above last year's second quarter lockdown, as just explained. But nevertheless, as you can see, still below the second quarter of 2019, which illustrates the known structural mail volume decline.

In proximity and convenience retail network, the revenues increased by €7 million, resulting from a combination of higher revenues from Ubiway retail, since we recorded lower sales in the second quarter last year, due to reduced footfall, especially in the travel locations. And second, lower banking and finance revenues from the low interest rate environment, despite it was slightly compensated by more ATM transactions.

Also profiting from the soft comps of last year's lockdown, the value-added services increased by €5 million, driven by higher revenues from fines and license plates, which were negatively impacted during the lockdown of last year.

Looking then at the EBIT of Mail & Retail on slide seven, adjusted EBIT almost doubled to €72 million with a margin of 14.1%. This net increase of €36 million is explained by an increase of €40 million in total revenues and a limited increase of €4 million in the operating expenses, including adjusted D&A. The operating expenses only slightly increased year-over-year as a result of, on the one hand, higher payroll and interim costs, driven by headcount and merit increases; higher material costs at Ubiway driven by the sales. But this increase was compensated by the non-repeating COVID-19 specific OPEX last year (including the premium, health and safety measures and also bad debt), also by the positive evolution of the FTE wage mix, and increased sorting costs that could be cross-charged to PaLo Eurasia driven by sustained partial volumes handled through the mail operations.

Moving then to Parcels and Logistics Eurasia. First of all, in the second quarter in a post COVID-19 environment, e-commerce and cross-border volumes surpassed last year's spike. Due to an anticipated negative price mix effect at Parcels B2X, we did record an external revenue decline of €13 million.

Let's have a look at the revenue development per sub-segment.

Parcels BeNe recorded a decrease of minus €9 million or minus 5.8%. First, the sales at Dyna are down versus last year. These were not yet at the level of COVID-19 uplift. Second, Parcels B2X, despite the tough comparable base of the second quarter last year where our Parcels B2X volumes increased, as you will remember by 79.3%, we witnessed

sustained online sales in the second quarter this year, and our Parcels B2X volumes continued to grow by plus 2.9%. Nevertheless, the revenues decreased by minus 4% due to an anticipated negative price mix of minus 6.9%. In this quarter, we see a price impact of minus 2.8% explained by the one-off COVID-19 surcharges to customers in April and May last year, and second, a mix impact of minus 4.1%. This comes mainly from lower volumes in the prepaid products, consumer-to-consumer parcels – they peaked in the lockdown last year. Also, we see our contractual top customers growing their volume shares.

It is also here interesting to look at the Parcel B2X volumes retrospectively. The parcels B2X volumes in the second quarter were in line with the volumes of the first quarter. They are above last year's COVID peak with plus 2.9% and 84.4% above the second quarter of 2019. This shows that in these first months of post COVID-19 environment, we continue to structurally benefit from the volume growth of last year.

In e-commerce logistics, also against the hard comparable base of last year, Radial Europe and Active Ants sales continued to grow year over year, thanks to continued organic growth at Active Ants from our existing customers; and the Radial Europe growth, mainly driven by the new fulfilment site in Poland (which opened in the third quarter of 2020), and the third site opened in Germany in February this year. Combined revenues of Active Ants and Radial Europe, they grew about 5.7% year-over-year.

At the same time, year-over-year revenue development at Leen Menken, active in food service logistics in the Netherlands, it offset the revenue growth of the sub-segment. This is due to a loss of contract in July 2020, which was compensated at that time by the COVID-19 growth.

Cross-border also recorded a strong quarter against last year's high comps. Revenues only decreased by €1 million or hardly 1%. There is a continued growth of commercial sales throughout the quarter in the UK and the rest of Europe, driven by new customers and higher custom services revenues in light of the Brexit.

And we saw robust Asian parcel volumes, with an exception during the month of June, since volumes grew exponentially in June last year with the rail transport alternatives. This revenue development was partially offset by the declining cross-border postal business.

On the next slide, adjusted EBIT for Parcels and Logistics Eurasia increased by €2 million or 7.1%, to reach €35 million with a margin of 12.2% compared to 11% last year. This was driven by top-line evolution I just talked about and on the costs side, lower operating expenses, mainly thanks to lower volume-linked transport costs from Asian cross-border activities; non-repeating COVID-19 specific bad debt risk of the second quarter last year; and overall lower variable labour cost Leen Menken. This is partly offset by higher costs from growing activities and e-commerce logistics expansion plan. Also, higher operating expenses charged by Mail & Retail. We, again, profit from the favourable channel mix in distribution activities to the integrated last mile-mile Mail and Parcels network.

Then the North American Parcel and Logistics business. Operating income of e-commerce logistics decreased by €40 million, down 12%. Excluding the unfavourable FX development year-over-year, this corresponds to a decline of minus 4.3%. This is driven by Radial due to lower sales from existing customers, reflecting the non-repeating growth of last year's COVID-19 shutdown where closures of physical stores and the temporary soaring sales of sanitisers and related products increased the volumes. We also see client churn from terminated contracts, partially offset by a gradual ramp-up of the new customers launched in 2021 and accelerating through the month of June.

At the same time, our activities at Landmark and Apple Express, they continued to record strong volumes from existing clients and new customers, fuelled by e-commerce development.

Putting then Radial revenues in perspective, we can see how this quarter compares with the previous ones. In million dollars, Radial revenues amounted to \$272 million in the second quarter this year, and this is 10% above the revenues of the first quarter, minus 14% below last year's COVID-19 spike, as just discussed, and 36% above the second quarter of 2019, which reflect the structural and continued growth at Radial.

International mail saw a decline of minus €4 million in external revenues year-on-year, driven by lower volumes in the business mail segment, partially compensated by higher domestic parcel revenues. And Dirk will come back on that.

Overall external revenues were down by €44 million for the business unit to reach €308 million.

On slide 11, you see that the operating expenses, including adjusted D&A, decreased by 11%, or by 3%, excluding the foreign exchange impacts. Variable OPEX evolved in line with revenue development, except for the labour costs due to the current wage rate pressure in the US. Lower bad debt expenses and cost containment in general contributed favourably to the OPEX development. As a result, mainly due to high comps of COVID-19 spike in second quarter, and the wage pressure, PaLo North America adjusted EBIT decreased by €7 million and came in at €11 million, with a margin of 3.5%, which is still growing quarter-on-quarter.

Moving quickly to the corporate segment, external operating income remained flat year over year, and as net operating expenses also remain globally stable, the adjusted EBIT remained in line with last year.

Then we move to the cash flow.

Cash flow from operating activities stood at minus €32 million. This is a €101 million decline year-over-year, which breaks down as follows.

First, higher EBITDA generation.

Second, tax prepayments down in the second quarter, while last year we postponed these out of prudence and cash preservation in the context of the pandemic.

And third, negative variance of €74 million in the change in working capital and provisions, primarily driven by, what we told you about last quarters, the temporary extension of payment terms as initiated during the pandemic and resulting in a positive impact in the second quarter last year of which we no longer profit this quarter.

Beside that we recorded €69.3 million lower cash flow relating to collected proceeds due to Radial's customers, due to high level of merchandise sales during the COVID-19 peak last year.

Cash flow from investing activities, at minus €28 million, remained broadly in line year-on-year. Capital expenditure of €29 million was mainly spent on increased capacity for e-commerce logistics, on customer implementations at Radial US, the additional sites for Active Ants, the Radial Europe scale-up, Parcels B2X sorting capacity, and also the sustainable initiatives for e-fleet infrastructure.

Thus the reported free cash flow in the quarter stood at minus €61 million.

Then, the cash flow from financing activities at minus €29 million in the quarter was €4 million lower than in the second quarter last year, mainly due to higher lease liability payments.

As a result, net cash flow decreased compared to the same period last year by €178 million to minus €90 million.

The net debt decreased by €6 million when we compare it to the year-end 2020, and now amounts to €489.4 million.

After those financial details, I will now hand over to Dirk for the outlook update.

Dirk Tirez: Thank you Leen. We can summarise that while we also recorded e-commerce and cross-border volumes surpassing last year's spike, we indeed had a strong quarter at Mail & Retail. Therefore in light of the performance of this quarter, and based on our 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. We continue to expect our group total operating income to increase by a low to mid- single digit percentage. But we now expect our group adjusted EBIT to be above €340 million, versus above €310 million in our last updated guidance.

For Mail & Retail, we expect the total operating income evolution to result from a combination of an expected mail volume decline of up to minus 8%, as well as an approved mail pricing increase of plus 6% now expected to result in a price and mix effect of around plus 7% on the full-year basis; and an expected post-COVID-19 recovery in value-added services. Adjusted EBIT margin is now expected to range between 8% and 10% compared to the previous guided range of 7% to 9%.

For our two other business units, the outlook remains unchanged as shown on the slide.

The gross CAPEX envelope of €200-220 million for the group also remains unchanged and continues to be geared towards our strategy to grow omni commerce logistics.

Before taking your questions. I would like to walk you through our management priorities we worked on the last quarter, as well as give a few general updates.

As you will recall, as Chief Executive Officer, my first priority was to build a clear perspective on selected management priorities. These priorities and related initiatives aimed at increasing the performance of bpost and making it more predictable. These structural initiatives are based up on a clear diagnostic. These priorities, as announced in the first quarter, have all progressed and will continue to form the backbone of my plan as the new CEO and my team for the coming months. We have made indeed progress on these priorities, in line with the plan, thanks to the great work of the teams. I will shed light on selected important achievements in the past months.

First, we realised a significant achievement with the conclusion of the 7th Management Contract with the government. You know this is a file that is very important for the role of bpost to its Belgian stakeholders, and one I was very close to in my previous role as this is the fifth negotiation I led with the Belgian government. And it was a great exercise in precision and negotiation.

Under the 7th Management Contract, bpost will maintain its existing service portfolio at similar financial conditions as before, for instance, servicing the Belgian population through the bpost retail network for the distribution of pensions, or the distribution of election materials. In addition, bpost will provide new services to the Belgian population in its retail network, such as digital public services to close the digital gap. For these services, bpost will be paid an additional €16 million a year to cover the additional expenses, including a reasonable margin. The overall contract is worth €125-130 million every year, before applicable indexation.

After submission to and validation by the European Commission, the new contract will run from 1st January 2022 to 31st December 2026. This is the outcome of several months of a fruitful collaboration with all stakeholders, which I take the opportunity to thank. And as you may know, the prolongation of the 6th management contracts was approved on 27th July this year. And I'm therefore reasonably confident about the approval of the 7th Management Contract as well.

Another priority that is very high on my agenda is the preparation of the year-end peak in Belgium. I flagged it as a key priority as of my appointment as interim CEO.

First, we have secured distribution and sorting capacity to capture growth versus the 2020 peak, including through the temporary installation of additional parcel sorting machinery in two sites.

Second, very important contribution to profitability will come from the ability to absorb a higher number of parcels in our mail delivery rounds, capturing operational synergies. Specifically, thanks to reorganisations, we have increased by more than 50%, the number of parcels which we expect to distribute in our regular mail rounds versus the level in 2020. This reduces the number of parcels we outsource to sub-contractors and increases our operational leverage.

Further, we have taken fleet optimisation measures, including the replacement of 1,000 short-term leases by long-term leases.

And finally, there is an ongoing optimisation of our second distribution wave compared to Q4 2020.

A few other developments are also worth noting. We are moving ahead on the overall topic of cost control and operational efficiency. Among other things, we're continuing to capture the benefits from our shift to Alternating Distribution Model, which went live in

March 2020 and had to pause during COVID times. In 2020, we achieved 77 reorganisations of mail offices, more than double is planned for 2021.

On the portfolio management side, as you will recall, our strategy is to divest non-core assets or non-performing assets, so as to allocate capital to the booming e-commerce logistics market, and to invest further in the big opportunity of e-commerce logistics. On this point, we can announce that the transfer of the international Mail Group in North America to Architect Equity was signed and closed yesterday. It is an illustration of our commitment to discipline and performance and continuous focus.

We also have launched an operational benchmarking and process optimisation exercise against best-in-class operators. The objective is of course, to further improve our operating model and further translate parcel growth into best-in-class satisfaction and operating performance for profit growth.

It is also my pleasure to announce the appointment of Gerrit Mastenbroek as special advisor to the CEO, to support in the operating model optimisation. Gerrit was previously CEO of the parcels and logistic division of PostNL where he helped installing the current PostNL operational network, and for the last three years has been a special advisor on parcels and logistics at Boston Consulting Group.

Finally, I wanted to bring you up to speed on the overall theme of sustainable performance at bpost. The bpost board of directors has established an ESG committee that will be responsible to monitor the environmental, social and governance dimension of bpost and formulate recommendations thereon to the bpost board. The committee is developing a renewed long-term ESG roadmap, which will be adopted by the bpost board before year end. I want to highlight that bpost will take a truly holistic perspective to the sustainability

topic, including not only environmental, but also economic and social sustainability. Meanwhile, bpost will commit to becoming one of the greenest operators in Europe by 2030. Investments to accelerate this transition are captured within the CAPEX envelope.

We are now ready to take your questions. Operator, thank you for opening the lines.

QUESTIONS AND ANSWERS

Operator: Thank you. So, as a reminder, if you would like to ask a question, please press star one on your telephone keypad. Should you wish to withdraw your question, you can press star two. You will be advised when to go ahead. The first question comes from the line of Muneeba Kayani from Bank of America. Please go ahead.

Muneeba Kayani (Bank of America): Good morning. Thanks for call. Two questions, please. Firstly, on your guidance for this year, the EBIT of over €340 million, given the first half performance, your guidance implies €120 million roughly of EBIT in the second half, which is significantly below what you achieved in the first half. So can you explain how you're thinking about the second half and why there would be such a sharp decline in EBIT sequentially between the first half and second half of the year?

And then secondly, just on the longer-term priorities that you're looking at and the parcel optimisation, can you get some numbers around what your targets are and will there be any kind of CAPEX involved around it? So how should we be thinking about CAPEX over the next couple of years as well? Thank you.

Dirk Tirez: Muneeba, thank you very much for your question. Maybe two elements of clarification for the trends we will see in the third and fourth quarter. The first one is that we expect the mail volume decline to accelerate in Q3 and Q4 to minus 10%, which is materially different from the trends we have seen in Q1 and Q2. And that is due to the structural trends of continued e-substitution, higher acceptance of e-documents at the receiver's side and digitisation of C2B communications through smartphone apps, that continue to contribute to the overall volume decline.

Secondly we will also see that the COVID communication in transactional mail, I think, will also continue to decline post COVID. As a result, the price increase impact we have seen in Q2 will effectively decrease. As you know, we have the ambition to translate 50% of the volume decline in price increases. In Q2, you have seen that was significantly more. These two elements explain the justification of the outlook.

Leen Geirnaerdts: Yes, as to the CAPEX going forward, so as you have seen, we have now spent year-to-date €48 million of the CAPEX envelope of €200-220 million. Looking at the management priorities, we still believe that all the projects that were planned, we have to execute those in the coming quarters. So for the year, we did not update our guidance. Going forward, in the last strategic update that we gave in December, we give a bit of guidance that probably for the years going forward, that would be in the same amount. To date, I cannot give you any update. Of course, now that Dirk is our formal new CEO, we are working hard on the plans, like you just mentioned, on the postal optimisation and we will come back with new numbers if that should be the case, if it should be a different amount than the one flagged before.

Muneeba Kayani: Thank you. And any targets from the optimisation programme that you could share at this point. I realise it's still early days in the process.

Leen Geirnaerdts: So far no, we're not updating on any. We continue on the management priorities and like with the CAPEX, as soon as we have insights to share, we will do so. Like we said, with the alternating distribution model, we're happy to announce that we will double the reorganisations compared to last year. So in the outlook, we do take into account that we further optimise, and that will be seen both in mail and of course also by the fact that we can be more efficient in parcel distribution.

Operator: The next question comes from the line of Frank Claassen from Degroof Petercam. Please go ahead.

Frank Claassen (Bank Degroef Petercam): Yes. Good morning all. Two questions focused on the parcel BeNe business. First of all, the mix effect, was rather negative, minus 7%. Of course, also some COVID surcharges effect. But what can we expect going forward? If I recall, well, also in Q4, you have some COVID surcharges. So what is a normal mix effect for the parcels BeNe business?

And secondly, what have you seen in volume growth so far in Q3? Did it accelerate further because of the easier comparison base? Some words on that, please. Thank you.

Leen Geirnaerd: Yes. Okay. Yeah. The price mix, in fact, I think we have seen a couple of things. You mentioned the surcharge, which was indeed significant, in the second quarter last year we applied it, this year this was not the case. And then two other things, that's the prepaid part, as I have been talking about. So for third quarter, for instance, year-on-year, we will not have that surcharge comparison base. So that will not be there. The two other factors, prepaid being less, we think that will continue into the third and into the fourth quarter. And then of course, we do see that the SMEs, which had higher volumes in the second quarter last year, they also have the alternative of their bricks-and-mortar. So part of their sales return to their normal stores. And that's why we see that for the pure online, big contracts, we see continued growth of their volumes, and that has an impact that will still last for a while. But probably it will return back a bit to the levels that we have seen in the previous quarters. So this quarter is quite particular, especially because of the surcharge.

Then second on the volumes, what have we seen going forward here? That's of course, I think the second quarter was for us, like I flagged before, already a very important one.

What would it do? And I think being able to show the same volumes, about, compared to the first quarter is very comforting. Based on the very preliminary volumes reports at bpost here for parcels B2X in the month of July, we saw low teens growing in this month. But I do want to flag that the third quarter last year, we had a volume growth of 49%, we were post the first lockdown. So the third quarter 2020 will constitute a softer comparable base for the coming quarter, softer than it was in the second quarter and in the fourth quarter where we had the respective volume growths of 79% and 67%. So I think volumes low teens, but adding indeed that impact of what we've seen in the growth, especially in the big retailers, that that will continue also into the third quarter.

Frank Claassen: That's very helpful. Thank you very much.

Operator: Okay. The next question comes from the line of Ivar Billfalk-Kelly from UBS, please go ahead.

Ivar Billfalk-Kelly (UBS): Good morning. If I look at your balance sheet, it is looking very strong. If my calculations are right, your net debt / EBITDA position is now below one, which might be seen by some as being excessively conservative. So are you actively looking at larger M&A transactions now, or could a special shareholder distribution be on the cards sooner rather than later?

And secondly, you touched on the actions that you're taking to ensure that you can manage the peak in Q4 properly, but if you had actually implemented those strategies last year, can you estimate how much lower your OPEX base would have been? Thank you.

Dirk Tirez: Thank you. On your first question, I think the plan of PaLo Eurasia is to continue to build a great e-commerce logistics business. This plan is based largely on

organic growth but we are always carefully considering bolt-on acquisitions to further enhance and take benefits of the markets. This is I think the strategy we're following at the same time. We are very much focused on the active portfolio management strategy by clearly focusing on performance and identifying non-core assets so that we can further invest in the growing markets of e commerce logistics.

Leen Geirnaerdts: To answer your question on year-end peak, on the OPEX. Probably I can guide you the following: last year the market was heavily disappointed, especially looking at the EBIT margin that was lower for parcels, or for PaLo Eurasia as a whole. So that's also what's driving us. We have particular parts in it. We have the e-commerce logistics and the parcels, of course, so they're all quite distinctive, but we try to increase that EBIT percentage as much as possible. I think it's too early to flag an exact amount and we are quite confident we will be able to do so in the fourth quarter. But those measures should indeed help us to bring back our profitability a bit more in line with other quarters.

That being said, and also important for the outlook, as you have seen year-to-date, on PaLo Eurasia, we had a very nice EBIT margin. Still on the outlook, we do flag 9-11%. That's because a couple of reasons. As you know, we're investing in e-commerce growth of Radial Europe, so that comes also with the costs. And secondly, since we have the structure that we have, which delivers us a lot of benefits in normal quarters with normal volumes, since we can use the mail rounds of the mailman as optimal as possible, in the fourth quarter, despite all measures taken, of course we will have additional costs. It's a bit typical of bpost. We will bring those costs down as much as possible, but again, we flagged for the total PaLo Europe business unit 9-11%, which is somewhat lower than we are year-to-date.

Ivar Billfalk-Kelly: Great. And can I follow up on the first one, please? Even if you are going to be investing at the same sort of level that you're talking about now, I mean, all else being equal, hopefully that should lead to your net debt position falling as you generate cash. Is there a threshold at which point you might think that if you haven't identified any opportunities for inorganic growth that you might consider the distribution?

Dirk Tirez: I think we will continue to focus on the growth in the long run in e-commerce logistics, particularly in Europe. But that will always be based on strict investment criteria.

Operator: The next question comes from the line of Sumit Mehrotra from Societe Generale. Please go ahead

Sumit Mehrotra (Societe Generale): Morning. So focusing on Mail & Retail, please bear with me for the long question here. It's in the context of your guidance of 10% margin versus 14% on YTD. So what are your building blocks for the Mail & Retail EBIT declines in the second half versus the first half? Specifically, the boost that you got from the price mix for third quarter and the fourth quarter.

Secondly, I'm also interested in the non-repeating COVID OPEX that figured in the base of last year.

And lastly, I note that you are seeing declines in mail volumes as of third quarter, and I was expecting some help from an easier base, but I don't hear that from you. So yes, if you could help me with the building blocks of why H2 is much lower than first half. Thank you.

Leen Geirnaerd: Okay. So probably starting with last one, because it's indeed the most important. Just to recall, third quarter last year, the volume decline in domestic mail was

minus 8.2%, and the fourth quarter was minus 11.8%. Like Dirk just said, that was post COVID-lockdown, and then we saw the volume is coming back a bit at a normal structural trends. That's also, therefore, that we expect in the third and the fourth quarter, that will again be the case. So we do think that something like the minus 10% is a good insight for Q3 and Q4 that will still come. As a result, if you compare year over year, the impact of compensation of price increases will also be lower. And because you will again have the decrease, you again will have lower volumes, so your price impact will also not compensate as much. And there we expect that year over year, we will drift again to that 50%, which is the objective of the price increases.

Non-repeating COVID OPEX prior year, we did not make the split. I think in total, we gave an impact of €37 million for Mail & Retail, impact of COVID. That was the impact of both revenue and costs, but we did not publish that number in detail. So I will not do that anyhow.

So that, indeed, year to date, we were at 14%, lots of that is driven by mail volumes which are actually better compared the comparison base and second, because of the impact of the price. That will not be the case in the third quarter.

Let me also take the opportunity to flag that the third quarter last year was for Mail & Retail, a particularly good quarter. So that will be very tough to beat, we will not beat it. EBIT of the third quarter for Mail & Retail will simply be lower because it was really an exceptional quarter last year. And if you look at the trend of bpost in the past year, you will always see that for Mail & Retail, the third quarter is a softer quarter.

Operator: The next question comes from the line of Henk Slotboom from the Idea, please go ahead.

Henk Slotboom (The Idea): Good morning. I've got two questions. One is on PaLo Europe and basically the parcels in the BeNe area in particular. I was a bit disappointed about the 2.9% growth. And I hear what you say about the difficult comps and how the second quarter compares to the first quarter in terms of volumes. But do you think you have succeeded in at least holding onto your market share or have you lost market share? Because I read Dynalogic did not produce a recovery. We see an incidental at Menken, which is not part of BeNe parcels, I understand, but perhaps you could shed some light on that.

And the second question is with regard to the new VAT rules on parcels coming from Asia or from non-EU countries and the impact that has. Now Landmark is doing significant volumes out of Asia into Europe. Is it affected by it? Is there a big share of parcels with a value below €22? How are you handling it? And we've seen that PostNL for example reported earlier this week that they had some problems and some delays because they had to bill the clients themselves. Those were my questions. Thank you.

Leen Geirnaerdts: The last one – and thank you for that. Good question. So yes, it was a huge project, I think for all postal operators, preparing for that low-value consignment was really a big thing. Indeed, we anticipated what PostNL just encountered that probably there would be a long list for people not paying, that we would have to collect it ourselves, that that would be in a warehouse, that we would need a call centre. So I think we anticipated that. The downside of anticipating that, it comes also with some additional costs. We have seen few of them already in the second quarter, but in the third quarter, indeed, we expect some impacts. We anticipated some volumes decreases on average for the quarter linked to postal Asian flows, specifically with destination Belgium.

We also have a slightly lower payment rate from customers versus the estimates. That means indeed, we get fees for that, so a lower income, and additional costs for the launch. And like I said, especially extra costs relating to the call centres.

All in all, if I may be fair, we thought it might be even worse. So I think that also the Asian customer, they anticipated quite well. So they anticipated in very clearly communications to customers that makes perhaps now in the month of July, we have a bit of a slower volumes because everybody, the customers, still have to get used to it. But all in all, I must say, yes, there will be a consequence. We will see it in third quarter, it is included in our outlook. But actually it's a bit better than we expected, thanks to a very good preparation of the operation side.

Dirk Tirez: Yeah. On your question, it's absolutely spot on. I think Radial Europe and Active Ants are performing well and are continuing growing. The results are indeed affected by the decrease in top-line at Leen Menken, but it has some very limited EBIT impact, and by the performance of Dynalogic. We continue to focus on the growth of e-commerce logistics by Active Ants and Radial Europe.

Henk Slotboom: Okay. But as far as the Belgium parcel business is concerned, do you think you were able to at least maintain your market share or have you lost market share?

Dirk Tirez: No. The answer is that we have been able to maintain our market share and that we are preparing for the year-end peak to increase our capacity to capture the growth of the market.

Operator: The next question comes from the line of Lotte Timmermans from ABN AMRO ODDO. Please go ahead.

Lotte Timmermans (ABN Amro ODDO): Good morning. I have a question on the floods and the impacts of delivery of parcels and mails. I can imagine that there was slowdowns and there might be some delays or something, or financial impacts. Is there any way to quantify this and do you also see any impact on demand going forward?

Then my second question on North America and the wage pressure, did this already include Q2, or should I see this more as a forward-looking impact? For example, if you have to ramp-up hires in Q4 in Radial.

Leen Geirnaerdts: As to the flooding, perhaps, so I think there are a couple of things that we can mention about it, but I'll first answer your question. Do we see a lot of slowdown in parcel delivery? It's, of course, unfortunately a very particular part in the country which is hit. So yes, there will be an impact as to parcels that we cannot deliver into that particular part. But so far, like I said with the July volumes, we did not see, or do not expect a major impact of that particular item.

All in all, we do see that some of our post offices suffered from it. It's about 12 that suffered quite severe damages, having been flooded with water reaching up to two metres height, like also was for many Belgian citizens, which is really a pity. We already re-opened part of them within the past two weeks, but we still are looking – and we found also other locations for the other ones. So that's be reopened, I think that's important, being in the same or a different place.

It does come with some damages that we have to refurbish and do CAPEX on it. The amount is currently estimated to be quite limited. And we also have a good insurance that will cover it and with a deductible that is a €1 million, but also the amounts that we know to date is quite limited to that extent.

I think personally that citizens will be hit far harder proportionally than bpost is itself.

As to North America wage pressure, a couple of things to say. I think it was anticipated already at the beginning of the year. I think it does hit a bit harder than we expected. Of course, also, if you look into the results of North America, we do see an impact, but we also see that a lot of our contracts do allow to cross-charge that wage pressure further to our customers. So that helps of course a lot.

Going forward, and the point that you flag as to scarcity of personnel, that is indeed the case. So the higher wages will also apply in year-end peak, but like I said, the impact in the quarter can be cross-charged to our customers, we expect that going forward, that that impact will not accelerate any further – talking about percentages then.

Lotte Timmermans: Very clear. Thanks.

Operator: The next question comes from the line of Marc Zwartsenburg from ING. Please go ahead.

Marc Zwartsenburg (ING): Yes. Good morning. Thank you for taking my questions. First of all, I'd like to come back on the outlook for the second half, because I do hear your points on having this impact from the price increases in mail and also the mail volume decline normalising, and maybe less help from COVID. But still, I also recall that last year end, Q4 was not a strong quarter, that [inaudible] faced from the second quarter or the first half into predominantly the Q4. And at the same time also, you're insourcing more of your volumes in parcels to have better efficiency levels. So can you give me, yeah, why is the outlook €10 million less than last year roughly? I do see a few of your points, but still, there should be also some elements that year-on-year will be a plus. I can imagine that the comps on the mail volumes are still [inaudible] your guiding out to minus 10%, but the pricing element will still be there to be covering a part of that. And yeah, currently,

COVID is still there, people still working from home in Q3 for a big part. So there will still be so support from COVID as well. At the same time, you see the only COVID costs that you had last year dropping out. So is there anything I'm missing here in terms of outlook or should I just conclude that the outlook is very cautious?

Leen Geirnaerdts: Yeah. Unfortunately, probably we will be repeating ourselves a bit. To try it from a different angle, I think based on what you say that you clearly understood that performance comparing half year compared to last year will indeed – especially for Mail & Retail, we will see that the second half of the year will be less than it was last year. Like I flagged, Q3 was particularly good. If you look at the trends of Q3 compared to the previous year before, then you will see Mail & Retail reported excellent numbers. The minus 10% year-on-year volume decline does imply that only 50% is compensated by the price increase. Very contrary to what we have seen in the first half of the year. So also there, that has a big impact.

So Mail & Retail, I think that's the main part and very easy, it's the mail volume that comes back to the normal structural decline. And as a result, you do not have a big impact that we have seen as to price impact. That's one.

Second. Yes, PaLo Eurasia, like you said, we do think, and based on July, that indeed parcels will be quite good in this third quarter, as to volumes. Again, the growth is especially in the big retailers. So there, depending on the volume growth, there will again be the impact of the price mix. And in the fourth quarter for PaLo Eurasia, B2X in particular, we had great volumes in 2020. We are preparing to have those again, and so we hope those to come and we will be able to handle them even better. But don't forget that that comparison base was, as to volume part, already quite hard.

Like I said, on cross-border, that the impact of the low value consignments relief, it is included also in our outlook, that it comes with some additional costs. And also within

PaLo Eurasia, we did plan and plan to invest in growth of Radial Europe, part of that also going through the profit and loss

And then moving to North America, there we expect growth year-on-year. And that's based indeed on the onboarding of the new customers, which we saw kicking in and accelerating in the month of June. Also in the month of July, we see those volumes coming in. We are a bit cautious indeed on the wage pressure, although we see that we can cross-charge.

Those are a bit the main items of the second half outlook compared to previous years.

Dirk Tirez: Maybe, Marc, I think, maybe four points too. I think if we're really honest among ourselves, I would say that Q2, the results are neither amazing nor disaster, and also largely depend on external factors. And therefore we continue to be cautious, I think with the objective of making the company more predictable. And what we basically are doing is taking management initiatives, management priorities, structural initiatives that are based on a clear diagnostic and are in the stage of planning and implementation, because I think we don't want to ride waves, but we would like to become master of our destiny.

And therefore I think the management team is, the only way forward that what we're doing is, meticulous execution, minutiae of the planning of the year-end peak. And we will continue to focus on the growth in the long run, and that is in parcels and e-commerce logistics.

Marc Zwartsenburg: And is there any variation in your outlook, what is particularly more the one-off nature of the COVID's impact in that, at least 340? So as to have a bit of a feel for the starting base for next year.

Dirk Tirez: Yeah, we have seen as a couple of elements. Number one, I think the COVID, our best estimates is that it counts, 10% of the transactional mail volume is COVID communication, but you should recall that the COVID communication is transactional mail, offering higher mail margins. And number two, what we also have seen is that following the new normal, the post-COVID trend will be a further impact in mail volume decline to find back its natural underlying volume trend. And that has also an effect on the price mix, as the price increase impact we have seen in Q2 will further evolve and will go down to the underlying trend that we compensate to a maximum of 50% of mail volume decline in price increases.

Marc Zwartsenburg: Thank you for that, for that detail. And then maybe coming back to the mail volume decline. Can you give an indication what July was in terms of mail volume decline? And just as a starting point. Is this already at minus 10%? Is that why you're guiding at minus 10%, or is it still a little bit better? You are taking into account that the comps will get more difficult?

Leen Geirnaerd: In that nature, yes.

Dirk Tirez: It's exactly in that nature. And that is why it is the best reasonable assumption as we seen so far. In Q3 and Q4, we will evolve in the underlying mail volume decline as we have seen pre COVID and that is minus 10%.

Marc Zwartsenburg: And it's not the case in July? Is that what you're saying?

Leen Geirnaerd: We say it's heading that direction.

Marc Zwartsenburg: Lastly, on the cost associated with the additional restructurings, and you say you will double that, but is there any costs guidance that you can give us what is associated to the restructuring already in the second half, and maybe beyond that? So we have a bit of a feel for what we have to pencil in?

Leen Geirnaerd: Oh they go with natural attrition. Reorganising of the distribution offices is based on natural attrition, so no cost is coming with it.

Marc Zwartsenburg: Okay. That's clear. And then lastly, on the mail group, there's not much details in press release. Was that a business loss making and what kind of proceeds could we expect from that?

Leen Geirnaerd: As to impacts on results, it was breakeven more or less.

Marc Zwartsenburg: And is the profit anywhere in the material?

Leen Geirnaerd: As to cash inflow net of the costs coming with it, cash inflow with it will be about €9 million. And as to P&L impact also, still depending on the formal closing of the accounts, it will be a slight gain.

Marc Zwartsenburg: Okay. That's it. Thank you very much.

Operator: The next question comes from the line of Marco Limite from Barclays. Please go ahead.

Marco Limite (Barclays): Good morning. Thanks for the presentation. So my first question is actually on net working capital. If you can give a bit of colour what we can expect for the year end. I mean, at slide 38, you show the aggregated networking capital outflow for the first half. So yeah, what we can expect for the second half and as a consequence, for the full year.

Second question is on parcel volumes, but in absolute terms. Do you expect the third quarter in absolute terms to be really flattish compared to the second quarter? And given that you are preparing for the Q4 peak, is it fair to assume that you're expecting volume growth in Q4 as well, despite the very tough comp?

And the third question is just on the deconsolidation of the Mail Group you have just announced. So how much revenues and EBIT will be deconsolidated as a consequence of the disposal?

Leen Geirnaerdt: Thanks. Okay. Since you have three questions, I'll be very brief on all of them. So on the cash flow, I think the biggest shift already occurred in the first half of the year, because we took those advantages in the second quarter last year. So they now unwound, most of them. Any particular items that we can still see going forward is of course, in particular, the invoice of the State, like I explained last quarter, part was postponed to the month of July. That was about €80 million. So that will come in in this quarter. Proceeds from sales, the Mail Group, that happened yesterday, so that will also be in. And for the rest, there is, of course, the normal thing that we flag in our outlook as to EBITDA and the planned CAPEX. And I think for now, those are the main items that we can flag there for being particular in the second half of the year.

As to parcels volumes, there I think we already answered that question, but it's not an issue. So what we've seen in July is low teens. And for the fourth quarter, we do have a

tougher comps because we have a very high volumes. So there we do not expect that it will be to that big extent because it's tough to compare.

And then on the Mail Group, what was your particular question?

Marco Limite: How much income and EBIT will be deconsolidated.

Leen Geirnaerdt: The revenue you can find in the slide deck and as to EBIT, it was breakeven, so EBIT neutral, it will not have an impact. Will not have an impact now. I think that says something about the momentum, because mail is only declining. So I think we were able to divest at the right time.

Okay. Let's move on. I think we still have speakers in the queue for questions.

Operator: We do. We have one final question at the moment. So this comes from the line of André Mulder from Kepler. Please go ahead.

André Mulder (Kepler): Two questions. So first question. You made a split in the outlook for the mail side. So why not give it for parcels, split by volumes and the price mix effect? Second question is on the total contract value of Radial. Could you shed some light on the development of that part?

Leen Geirnaerdt: Okay. Yes, for this first question. The more details we give, the more details you ask and it's an outlook, it's not mathematically in stone written. So we will not elaborate further on that.

And then second on your question for North America. Indeed, if we look at – so last year we signed very large deals actually with a couple of customers, and one of those started to contribute in the second quarter already. And we saw it accelerated in June. The other

customer, it started in July and will indeed contribute in the top line of the second half. To give you a bit of flavour, last year we communicated that the annual contract value signed was \$186 million. We already said as of the beginning that they will be onboarded in the course of 2021. So also now in July, we are onboarding. So that means that not the full amount will be in this year, but we do expect indeed that, yeah, something less than half would kick in going forward, depending, of course, on the volumes. Because annual contract value, it's a number that you agree upon. It's a license to fish, as I call it. And how many fish there will be, will depend on the volume.

But actually we do see, or we do plan that Q3 and Q4 will be positively impacted by that.

Operator: We have no further questions coming through. So I will now hand back to Dirk for any closing remarks.

Dirk Tirez: I would like to thank everybody in the call for having taken the time to be with us and for your great questions. We will hear some of you back at the conferences we're going to attend in September. And for those we are not going to meet, let's take the appointment for the third quarter results, which is going to be in November. Thank you all and goodbye.

Operator: Thank you. Thank you everyone for joining today's conference, you may now disconnect.

[END OF TRANSCRIPT]