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Conference call transcript

Brussels – March, 1st 2024
Chris Peeters, Group CEO
Philippe Dartienne, Group CFO

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PRESENTATION

Operator: Good day and welcome to bpost's fourth quarter 2023 analyst call. Today's conference will be hosted by Mr. Chris Peeters, CEO, and Mr. Philippe Dartienne, CFO. Throughout today's presentation, all participants will be listen-only mode. Later, we'll conduct a question-and-answer session. You may press star one on your telephone keypad at any time to register for questions. This meeting is being recorded, and at this time, I'd like to hand the call over to Mr. Chris Peeters. Please go ahead.

Chris Peeters: Good morning, ladies and gentlemen. Welcome to all of you and thank you for joining us. I'm pleased to present our fourth quarter and full year 2023 results as CEO of bpostgroup. With me I have Philippe Dartienne, our CFO. We posted the materials on our website this morning. We will walk you through the presentation and we'll then take your questions. Two questions each would ensure everyone gets a chance to be addressed in the upcoming hour.

Let's go to the highlights of the full year results and Philippe will then walk you through our fourth quarter 2023 results.

On page three, you see that our group adjusted EBIT stood at 248.5 million euro. To put things in perspective, let's recall our initial EBIT guidance of 240 to 260 million euro announced in February, which had to be withdrawn a few months later due to internal compliance reviews, and the EBIT guidance of above 240 million that we managed to reinstate at our third quarter 2023 results as we had gained more visibility on the impact of the compliance reviews and the repricing of services to the State. Despite the negative financial impact of 10 million euro for the repricing of services of the State in 2022, as well as the financial impacts associated with the compliance reviews, and the headwinds in the

North American market, our group adjusted EBIT of 248.5 million, therefore meets both or initial and reinstated guidance. This was not a given from the outset, and this is a great achievement of which we can be proud of as a company.

Let me share with you the key highlights of the year for each of our businesses units and we'll then get in more details to the fourth quarter results.

Our Belgian segment contributed for 183 million euro to the group adjusted EBIT with a margin of 8.1%, well within the guidance range of 7% to 9%. This represents a decrease in EBIT of 15 million compared to last year, including the negative 10 million impact I've just mentioned for the repricing of State service in 2023.
Our top line development was primely driven by resilient Mail revenues where our volume decline of minus 8.4% was offset by a strong positive price mix, and by a significant growth of 11.1% in parcel revenues fuelled by a volume growth of plus 6.3% - mainly attributed to the success of our commercial hunting plan launched in 2022 - and the price mix effect of plus 4.8%. On the cost side, Belgium mainly faced the effects of year over year seven consecutive automatic salary indexations of plus 2% each, mitigated by some productivity gains and the stabilization in FTEs despite higher parcel volumes.

In E-Logistics Eurasia, adjusted EBIT stood at 38 million with a margin of 5.7%, above our guidance of 3 to 5%. Our top line growth was driven by the continued expansion momentum at Radial Europe and Active Ants which witnessed a healthy top line growth of plus 15% in 2023, as well as strong cross border sales from existing and new customers in Asia. OPEX evolved in line with volume development with part of the higher transport cost benefiting from a favourable mix for volumes with destination Belgium.

At E-logistics North America, adjusted EBIT stood at 65 million with a margin of 4.5% at the low end of our guidance of 4% to 6%, as highlighted at our third quarter 2023 results. This was anticipated as our fixed costs coverage was eroding as revenue pressure was materializing over the quarters. Soft market backdrop and overcapacity in the market led to a 10.7% decrease in top line, excluding foreign exchange impacts.
Lower volumes at Radial and Landmark Global - where market conditions have been further compounded by Amazon's insourcing - have nevertheless been mitigated by an effective alignment of resources to demand and our continued focus on productivity resulted in a decrease of 11.3% in OPEX, enabling us to preserve our margins in difficult market conditions.

Finally, CAPEX ended up at 155 million euro, below the revised envelope of 180 million euro, reflecting our financial discipline in a disrupted market environment.

In terms of dividend, our results allow us to propose a dividend per share of 13 euro cents gross to the general shareholders meeting. This corresponds to a payout of 40% of the IFRS reported net profits, at the midpoint of the 30 to 50% range foreseen in our dividend policy.

I will now hand over to Philippe for the quarterly results and I will then take the floor to share with you my first observations since my arrival at bpostgroup and to walk you through our management priorities.

Philippe Dartienne: Thank you, Chris.

Good morning to all. We are very pleased to report that thanks to a good execution of the year-end peak and some productivity gains across our business, we delivered a good quarter despite ongoing revenue pressure in the North America and a soft market backdrop in Belgium and in Eurasia, and we'll come back to that one.

Our group operating income for Q4 stood at 1,217 million euro and declined year over year by 6.5%, mainly due to ongoing pressure in North America, while on the other hand, our domestic mail and parcel activities continue to deliver strong performance and our e-fulfilment activities in Europe and our Asian cross-border sales continue to grow.

Our group adjusted EBIT stood at 74.1 million euro with a margin of 6.1%. Operationally, when excluding the negative 2.5 million euro impact for the repricing of the State services in the quarter, EBIT remained flat year over year; with productivity gains and price increases offsetting top-line pressures and cost inflation, as Chris already alluded to.

Before diving into the financial performance of our business, you will note on slide five that while our adjusted EBIT only slightly decreased from 77 to 74 million euro, our adjusted net profit decreased significantly from 83 to 35 million. This decrease is primarily due to a nearly 43 million decrease in financial results as last year we benefited from a favourable non-cash impact related to IAS 19 Employees Benefit in line with higher discount rates at that time.

Let's now move to the details of Belgium on page six.

At Belgium, we see that revenue increased by 11 million to 581 million euro. Domestic mail recorded an underlying male volume decline of minus 8.1% for the quarter - against a minus 7.5% in Q4 2022 - has impacted revenue by 25.1 million euro, yet mitigated by a positive price and mix impact of plus 24.7 million euro; resulting in a stable domestic mail revenue year over year.

For parcels in Belgium, they recorded in Q4 an increase of nine million in revenue or plus 6.6%. Parcels volume increased by 3.4% year over year. The percentage growth for this quarter was anticipated to be slightly lower than the previous quarter due to the high comps of last year and the phase out of the commercial hunting plan implemented in 2022. However, we also acknowledge that volume development fell below our estimates in December where we even observed a decline in volume after strong start to the quarter.

December has been rather disappointing from a customer confidence standpoint, we will come back on that one, it is something which is observable not only in Belgium, but also in Europe and in the US. These trends observed in neighbouring countries, as I said. Price mixed stood at plus 2.2% in Q4, mainly driven by higher price increases.

Proximity and convenience retail network revenue increased by 3% following the indexation of the management contract.

Value added services remain stable.

As explained in the previous quarter and as anticipated, intersegment and other revenue comprised a negative 2.5-million-euro impact for the repricing of the State services in the particular quarter. We also see on that line the higher intersegment revenue from inbound cross-border volume handled in the domestic network from for e-commerce and Logistics EURASIA. Again, Chris alluded to it from the Asian volume destination Belgium that has been delivered in the last quarter.

On the cost side, our adjusted OPEX, including depreciation and amortization, increased by 22.5 million, mainly driven by higher salary costs. Again, during the entire year, we had seven 2% increases for the full year 2023. On one hand, the cost per FTE increased by 4%

year over year, so quarter over quarter, for the impact of the three-salary indexation that occurred since Q4 last year. While on the other hand, we continue to maintain our FTEs stable despite higher parcel volume, meaning that some productivity gains have been achieved.
Bottom line, excluding the repricing impact, our underlying adjusted EBIT only slightly decreased by 2.4 million year over year as inflationary pressures have been successfully mitigated by our top line development and productivity during peak.

Moving on to E-Logistics Eurasia.

Revenue, it was up 14 million, mainly reflecting a strong growth at Cross border Asia.
In e-commerce and logistics, revenue increased by four million euro. Remember, we have various businesses with different trajectories. Radial Europe and Active Ants sales were up 13%; a growth fuelled by new customers onboarding in existing sites as well as international expansion and upselling from existing customers. We see more and more customers being present in one country dealing with us or making operations with us in other countries, which is a very positive evolution of the cross-sell initiative.
At Dyna, price indexation only partially mitigated the lower volumes across all business lines.
Cross border revenue increased by nine million euro or plus 10%. You'll recall that in the previous quarter we reported a decline in revenue of minus 7% contrasting with the growth recorded in the first half of the year. This decline was notably linked to adverse UK market conditions and the consolidation impact of IMX. This quarter revenue growth mainly reflects on one hand the contribution of new customers and a continued growth from recent customer wins, both resulting in strong volume from China to Belgium, and on the other

hand, the impact of ongoing challenging conditions in the UK as already reported in the third quarter.

If we move to the P&L, while the top line increased by 8.2%, operating expenses including depreciation and amortization only increased by six million or 4%. This evolution is mainly explained by higher transport costs in line with higher activities and a favourable mix at cross border for the volume with destination Belgium, and lower salary costs with inflationary pressure offset by some lower FTE and improved automation and productivity. From a profitability standpoint, Asian cross-border volumes with invitation Belgium contributed to the sequential margin improvement from 3.1% in Q4 last year to around 5% in the previous quarters and up to 7.1% in the last quarter of 2023.

Let's move now to our North American E-logistics business. In line with the previous quarter, our top line North America continue to be impacted by the economic softness, the market overcapacity leading to high degree of competition and pricing pressures, as well as the insourcing of Amazon which continues to impact Landmark. The operating income of e-commerce and logistics decreased by 19% or 106 million euro. At constant exchange rate corresponds to a decrease of minus 15%. At Radial, the top line decreased by 16% year over year as the lower sale from existing customers and the in-year contribution of new customer wins could not compensate the client churn that we announced at the end of 2022, and we saw further accelerating in 2022.

As discussed at our Q2 and Q3 result and to put the 16% drop in US revenue in perspective, we continue to see strong volume pressure in the US parcel market, for instance for FedEx and UPS.

At Landmark, besides general price pressures in the market, this is now the fourth quarter that we continue to record lower revenue due to Amazon's insourcing that has started, as you remember, end of 2022.

On the bright side, because there is a bright side, alongside our total operating income, OPEX and DNA decreased by 14% at constant exchange rate.

As we managed to align our resources to lower demand and continued to focus on productivity across all our businesses, variable OPEX evolved in line with revenue development and beside the successful execution we continue to benefit from the ongoing strong variable labour management and other productivity gains at Radial where the variable contribution margin further improved. Compared to last year, our variable contribution margin has increased by approximately 5%, delivering an impact close to 20 million dollars. In lasting challenging market condition, ability to align capacity and resources to demand and focus on productivity gain have played a key role this year in protecting our margins against top line pressures.

Similarly, looking back beyond 2023, one can see on the graph the significant progress that has been made in terms of productivity, which enabled EBITDA margin to increase from 3% in 2019 to 10% in 2023; which is a great achievement.

Moving on to Corporate segments. External operating income decreased by three-million-euro year over year from lower building sales. More importantly, we see that net OPEX, meaning net after internal reinvoicing, and D&A decreased by six million, reflecting amongst others inflationary pressures notably on the payroll cost with 4% of salary indexation - as discussed for the Belgium segment - mitigated by a reduction of 4.4% in overhead FTEs, but also some actuarial gains on IAS 19 Employee Benefit from fewer salary indexation than initially expected,nevertheless, partially offset by some compliance review related costs and some consultancy costs tied to our group transformation.

In terms of payroll, this is now eighth quarters in a row that we are able to report a reduction in FTEs with a minus 5.3% reduction in the year 2023.

Let's move to the cash flow.

The main items to flag are the following.

Cash flow from operating activities before change in working capital stood at 122 million euros and decreased by 18 million compared to last year, mainly resulting from higher prepayments of corporate income tax.

Relating to the Change in working capital and provision - that stood at three million - we observed there a a negative variation of 144 million versus last year. This variation mainly reflects last year shift in payment schedule of the SGEI compensation and the deferral of the fourth quarter 2022 payment of withholding taxes on payroll as offered by the Belgium government in the context of the energy crisis. The variation in the fourth quarter 2023 is therefore now a return to normal situation after last year's positive swing in working capital.

The cash outflow from investing activity amounted to 50 million, with a CAPEX of 48 million spend on supporting our international and e-commerce and logistic expansion, but also our domestic network with some additional parcels capacity. The operational infrastructure and the development of our e-fleet.

The Cash outflow from financing activities amounted to 204 million, mainly driven by the repayment of our bank loan of $185 million. As a side note, our debt portfolio now only comprises a 650-million-euro bond with a fixed coupon of 1.25% maturing in July, 2026.

Chris Peeters: Thank you, Philippe. Before walking you through our outlook for 2024, I would like to share with you my first observations as group CEO as well as the strategic initiatives that have been activated already by management now.

So if you go to the first slide on that. Yes, thank you. So what you see actually as initial observation is that this company will need a large scale transformation and we are preparing for that, and the reason for that is, as you have seen over the last couple of years in terms of the figure is, there has been taken steps to diversify the business towards a new business that is attractive to grow, but it's not yet sufficiently in size to compensate for the decline that we see in the mail business.

And so, we have defined our vision together with the board, which is that we really want to become a strong regional leader in the parcel size logistic markets, and that means that in Belgium, we want to not only be leading in the B2C market in which we are already leading today, but also move into the parcel size B2B logistics, which is a importantly relatively untapped market for us and where we see substantial opportunities for profitable growth as well.

Second to that, of course, is the group has diversified internationally. We still think this is the right strategy to do, and so we want to continue to be a leading third-party logistics 3PL player. And so, that is something that we want to further continue, but maybe with a bit more focus on the parts of the value in the market where we can defend high margins. In that. Of course, in addition to that, we will continue to defend our historical business for profit, meaning that we will continue to make evolve the products so that they remain attractive for the peoples, the classic paper, but also work at the margin that we can have a substantial margin each time where we see that the cost is not in line anymore with that business as you have seen us doing in the past.

Further going on, we will continue the discussions with the board of Directors in the coming months to translate this into a strategic plan and a transformation plan. That strategic plan and transformation plan will also be used for the development of the budget of next year and the business plans of the coming years, and so we will report on that probably by year-end backwards to you and the financial community.

And maybe have a look at what we have launched meanwhile, in terms of initiatives. Obviously what you've seen at the group level is we already recruited meanwhile a CDO, which is already up and running today. We're in the middle of the recruitment process of another EXCOM member, which will be the chief commercial officer. We are very well progressed in that process. We’ll do an announcement in the coming weeks on that side. On top of that, we are working in revisiting some parts of our international portfolio to make sure that we capture better the synergies of that portfolio into the rest of the business and in between those businesses, and also to ensure that the focus is fully on the higher value part of that business.

If we then zoom into Belgium, as you've seen a lot of the public discussions of the last time were about the press distribution contract. We are in the middle of those negotiations, so not a lot that we can say about that, but just for your reminder: so we were waiting actually a result of the tender process for a new concession for another five years where there was a concession budget of 125 million foreseen. A few weeks in my new role, the news came in that the government would not attribute that contract, and since then, we are in a transition period as of the 1st of January, and that is a transition period where we have received 75 million for the first six months to continue to work in a concession mode towards the press distribution.

Meanwhile, we negotiate with the different editors for the period post 1st of July, and as soon as we will come to a conclusion of that, we will definitely communicate back how that potentially will impact the figures of Belgium and the figures of the group accordingly. In parallel to that, we are working on further optimizing our operating models, so to ensure that we can continue to squeeze out all the efficiencies, but also to make sure that we adjust our organization towards shifts in volume that we see.

We continue to work on products, as I said before, so that we have more attractive products and that we can continue the volumes and the margin on these products. We're entering pilots into the B2B parcel market and very important as well we are launching a large-scale quality management program to ensure that the levels of our quality, which are today already market practice, but we want to be far and beyond the level of the market to ensure that we also later on in terms of customer retention and the margin that we can capture, that we be in the higher segment of that.

If we then zoom in to the e-logistics in Eurasia and the North America, for the European side, you saw nice top line growth figures, which we continue to work on, and we see that there are there is an attractive pipeline in terms of commercial discussions that we have ongoing today. Radial US a little bit of different story we've seen there, as you've seen last year an important impact of churn on the portfolio, which had to do that or positioning within the market was towards the large-scale retailers in apparel and health and beauty, which basically used sometimes the Radial US facilities as a swing capacity. We want to move that more towards the mid-size to have a more resilient portfolio, also with a bit of better margin. That of course will need some smaller but upgrades into our software capabilities to ensure as well that we can serve those mid-size companies in the right way. And then cross border, we are working now to further defend the lanes that we have, but also, we're looking at couple of new lanes to see how that surface can be expanded.

Obviously, as I said before, in that portfolio, we look towards synergies that we can have with other parts, especially the last mile business that we have within Canada and within Belgium.

So moving from there then to the numbers. The numbers, again, of that we can see on page 16. So there you can see that (…) as commercial negotiations with the involved press stakeholders are still ongoing and the corresponding operational and financial impacts are still unknown, the bpostgroup is not in a position today to provide a group EBIT outlook for 2024. However, we want to provide you already with a guidance on the underlying operational and financial parameters at segment level.

For Belgium, excluding press revenues on which we have no certainty yet, we expect slightly higher total operating income in 2024.

We notably for a mail volume decline of 6 to 8%, again, excluding press volumes mitigated by a price mixed impact of 4 to 5%, while or parcels revenues will be driven by a high single digit percentage volume growth and a low single digit percentage price mix. To help you with press, note that our press revenues in 2023, it stood at 350 million euros out of which 255 million were tied to the press concession with a contribution of 163 million from the Belgian State and the remainder paid by the editors. For 2024, the Belgian State announced in December, the extension of the current concession until the end of June with a budget of 75 million. At this stage, we therefore only have visibility on the first six months of the year.

Prior to any press impact, we expect the adjusted EBIT margin to range between six and eight %, which reflects higher payroll costs due to salary indexation and cost inflation partly offset by continued ambition in productivity gains and cost reduction initiatives.

For E-logistics Eurasia, we anticipate a low double digit percentage growth in total operating income, relying on our continued growth of Radial Europe and Active Ants, and the continued growth of cross border commercial activities, including the development of new leads. For 2024, the adjusted EBIT margin is expected to range between 5 and 7%, a significant improvement compared to the 3 to 5% of last year. Strong productivity gains at Radial and active ends are expected to mitigate and anticipate negative mix effects at cross border, some higher FTEs and overall cost inflation.

For E-logistics North America, assuming a EUR/ US dollar rate of 1.09 for 2024, we expect our top line to remain under pressure and to decrease by a high single digit percentage. This reflects at Radial a net volume loss from the client churn we saw materializing in 2023 and the commercial concessions that have been granted in the context of adverse market conditions. I'm here referring to the overcapacity leading to price pressures. While Landmark will benefit from the contribution of new customers wins and the opening of new cross-border lanes.

Similar to our guidance for 2023, adjusted EBIT margin is expected to range between 4 and 6% in 2024 with top line pressure being mitigated by continued VCM rate improvements as successfully done in 2023 and substantial efforts to further reduce SG&A and other costs.

For corporate, we expect a lower EBIT in 2023, notably due to the discontinuation of our building sales, but also due to higher OPEX from compliance and strategic initiatives.

At group level. Again, excluding press revenues, we expect the top line to remain stable in 2024, and the guidance on EBIT will be confirmed as soon as we get more visibility on the outcomes of the commercial discussions with the press editors.

We're now ready to take your questions. Again, two questions each please so that everyone gets the chance to be addressed during the session. Operator, please open the lines.

QUESTIONS AND ANSWERS

Operator: Thank you, sir. As a reminder, to ask a question, please signal by pressing star one. Now, first question comes from Michiel Declercq from KBC Securities. Please go ahead.

Michiel Declercq (KBC Securities): Yes, sir. Thanks for taking my questions and first of all, welcome, Chris. So two questions from my end. The first one is on the outlook for Belgium. I understand of course, that press is excluded from this, but yeah, you guide for quite some nice parcel volume growth and also mail, which I assume will be related also to the upcoming elections in Belgium. At the other hand, your inflation pressure will be a bit more limited this year compared to last year. So I'm just wondering why is the underlying outlook only between 6 to 8% versus the 8% you had in 2023. I'm just wondering, is this because press has such much higher margin or how does this compare to 2023 figures in excluding press? So that would be the first question.

And the second question is, I understand of course, that you are currently in negotiations for the press distribution, but can you give a little bit more colour? Anything, whatever you have would be useful. Also on the timeline, I assume that there is a deadline by the end of the first half. Because then the current press concession or 75 million ends. What happens if you don't meet that deadline or if there is no outcome yet? So these would be my two questions. Thank you.

Chris Peeters: Okay, thank you. Philippe, you take the first.

Philippe Dartienne: Yes, I take the first one. So as you rightly point it out, Michiel indeed we see an expected increase in parcels. Yes, indeed, I would say against the natural volume decline in terms of mail there will be a positive impact of election. Typically, we assess that positive impact around half a percent. So it gives a little bit into perspective. And now to your question on why are we only seeing a slower positive evolution in terms of the EBIT? We really need to be reminded that we still had inflation salary, inflation of cost in 2023 that will have a full year impact in 2024, especially on the payroll cost side. Because just on the payroll cost side, the last indexation that was applied was in December, 2023. So meaning that January 1st, we already have the full impact on that one. And we also anticipate some further salary indexation in 2024.

Chris Peeters: Okay. Does that answer your question?

Michiel Declercq (KBC Securities): Yes, thank you.

Chris Peeters: Okay. And then on the press negotiation, obviously it's not a lot that I can reveal, but in terms of timeline, indeed, so we're planning to have the negotiation finalized and have agreements if we have agreements, of course, on that by the end of the first quarter. That being said, while of course, we look at all possible outcome scenarios, yeah, where we will have all the volume, where we have part of the volume, where we have no volume. And so, we are preparing the different kind of scenarios. Obviously, it's a little bit, let's say, too early to communicate on anything of that because all will then depend on the final landing point that we will see somewhere probably in the course of March, probably more to the end of March. And I think that it's not at this point of time good reveal, but as soon as we will have, let's say, clarity on that and firmness around that, we for sure we'll come back and communicate about that to the markets.

Michiel Declercq (KBC Securities): All right. Thanks for the timeline. Those were my questions.

Operator: Thank you. Our next question comes from Henk Slotboom from The Idea. Please go ahead.

Henk Slotboom (The Idea): Yeah, good morning. Thanks for taking my question. Also, from this side to welcome Chris and thanks for the presentation. I've got two questions. I've got maybe more, but I will stalk Antoine with that later today. The first question will be on the use of subcontractors in Belgium. I'm aware of the fact that you predominantly use your own staff to deliver parcels, but two of your main rivals are using predominantly or only subcontractors. I've seen that Petra De Sutter announced a minimum or was thinking about a minimum compensation for subcontractors of around 32 euros per hour. Has that formalized already? When do you expect that to kick in and could it possibly help you to gain market share vis-a-vis your colleagues? Because obviously, if their costs go up then it brings you in a better competitive position.

And then my second question would be regarding the outlook for 2024, I fully respect the fact that you don't give an EBIT guidance for the current year because of the press distribution contract. But if I remember it correctly, there were some other things some loose ends from last year. Given all the reviews that have taken place has that now all been settled? We've seen a repricing of the contracts you have with the Belgium State, but I remember there were more things could other things interfere with your 2024 outlook as well. Those were my questions. Thank you.

Chris Peeters: Yeah. Okay. Maybe on the change of the law for the ones that are delivering the parcel to the door. So that is a decision that was taken by the government a few weeks ago. It will take its time to get translated into law, but it's still something that we expect that it will be clear and fully voted before the end of this government period.

And so, that they will be applicable, likely depends on what they put on the date of that, but still somewhere in the course of this year.

We today don't take into account any specific volume gain that we have because it's a little bit hard to see what the impact is on the other players. There's of course no impact on bpost itself in terms of its position. So the law, we already are in line with that law, so we don't have to make any adaptations. We have read together with you in the press that some other people used at least some contracts that were considered as borderline or even beyond borderline on the way they were using that. We don't know exactly what their current situation is into that perspective. And that is, of course, something that will play an important role.

I think importantly, of course, is it will become a level playing field at that point of time, a level playing field. I think if you see the quality of delivery that we have had over the time and the NPS that we had for parcel business, puts us in a good position to be strong in that market, but we don't make any projection yet on the volume impact that this could have to us. And then if the second question was -

Philippe Dartienne: The second question is the evolution of the three cases.

Chris Peeters: Okay. So on the cases, it's the following. So the decision for us was made at the moment that the provision was made, it was before my arrival, that we will close these files in good faith, and so that we will turn that page. The situation on the three specific files is that our audit done by, with external support, have been finalized and have been shared under NDA with the three respective administrations. They are now in the phase of doing their part of the analysis independently or with another audit to confront our audit with.

From there, there will be probably a discussion to then confirm or not confirm the figures that we have put into provision and the amounts that will have to be paid. Anyhow, the conclusion that bpost has made this for us is business wise, something of the past that will be a financial settlement at the moment of date and a correction in the provision if needed. But that's basically how we look at the case as we speak.

Henk Slotboom (The Idea): Okay, thank you. That is very clear. One follow up on the subcos, the tariff, was it 32 euros per hour? Is that correct?

Chris Peeters: Yes, that's correct.

Henk Slotboom (The Idea): Okay. Thank you very much.

Operator: We'll now take our next question from Marc Zwartsenburg from ING. Please go ahead.

Marc Zwartsenburg (ING): Good morning, it's Marc Zwartsenburg with ING. Welcome, Chris. One, well, two questions from my side. On the parcel volumes you're guiding for a high single digit volume growth. It's quite a bit of an acceleration, what we've seen in Q4 because of the hunting plan annualizing, and maybe we can give a little bit more colour what you're seeing in the first months of this year, is that already in line with the guidance already above? And where do you specifically see the strength in volumes in the parcel business? That's my first question. Then on the second one is on your Corporate cost, you guide for a bit lower building sales, a higher compliance cost, et cetera. Can you give a bit more colour on what we should expect there in terms of EBIT decline for the Corporate side? Thank you.

Philippe Dartienne: Thank you. So on the Corporate side, indeed, you remember that in past years there's been recurrent building sales which are resulting in positive P&L impact in the year of the sale of the buildings. We are slightly revisiting that policy because we consider that they are a critical place where we need to be and with better being the owner of these places because they have value from a logistics standpoint, also as an access to our customers. So we are changing a bit that one. That's on one hand. So, we do not expect to have additional sales in the coming 2024. And on top of that, we will continue on the same vein, which is carefully reviewing the headcounts and the productivity. And we will, we are planning to continue the same headcount reduction as we have observed in the recent years and namely in 2023.

Marc Zwartsenburg (ING): So in terms of decline, should we be thinking about something in the range of 5 to 10 million, or is it even more?

Philippe Dartienne: I would rather say that in terms of we will focus more on headcount reduction, which is, as we mentioned, was minus 5.3% for 2023, we aiming at delivering something equivalent. But you also have to keep in mind that, as Chris mentioned earlier in his speech, we are in the middle of a major transformation. We still have a lot of strategic projects to be carried out. And this comes at a cost. So when this will be over, we will see an acceleration of the decrease of the cost. But for 2024, from that front, of course, not from the FTE front, but from that front, we do not expect to have a significant reduction in cost. And when it comes to parcels so indeed we are anticipating a high single digit growth on volume. And specifically for the first month of the year, I would say that what was observed doesn't lead us to revisit this guidance.

Marc Zwartsenburg (ING): And where does that acceleration come from? Is it better consumer confidence? Is it, because actually, if you look to the PMIs and savings rates, generally it didn't look that great. So can you maybe - where do you see that coming from?

Philippe Dartienne: It's again, the commercial hunting side. We had a program that was called a commercial hunting plan. We are not stopping trying to gain new customers, either small ones, medium or huge ones. And we will continue in the same trend. So we are very optimistic when we see the quality that we're delivering on the parcel side, that will be able to attract more customers on our side.

Marc Zwartsenburg (ING): Okay. So it's also a bit of a market share gain, a bit in there, guidance?

Philippe Dartienne: Yes. Clearly. Absolutely.

Chris Peeters: Yes. Which also have seen over the course of 2023. Yes. Also, there's a continuation of what we've seen, I think that you see that we will continue to force as well the transformation program even more quality, because we see that in the commercial negotiations that we have, that this aspect of quality becomes a very relevant factor next, of course, to a couple of other things like CO2 emissions per parcel delivery, et cetera. So there are a number of things that we see in the negotiation that put us in a strong position to estimate that we can continue to have a slight increase in market share.

Philippe Dartienne: And also, we have some very large customers who have growing business and we will enjoy the growth that they are having themselves with their end customers. So we'll be following them on that one.

Marc Zwartsenburg (ING): Yeah, it was in Q4 or Q3 that the guidance was a bit like, we're moving more closer to market growth because the hunting plan is annualizing, but I get now the message that that gap is widening again with the new hunting plans and successful market share gains. Is that the correct picture that I have now?

Philippe Dartienne: Yeah, and the impact of high-volume customers, which are there, we don't need to gain them. When they will be selling one additional euro, there will be the translation in our last mile volumes.

Marc Zwartsenburg (ING): Yeah. Clear. Alright, thank you very much.

Operator: And our next question comes from Marco Limite from Barclays. Please go ahead.

Marco Limite (Barclays): Hi, morning. Thanks for taking my question. My first question is just a follow up on the volume growth expectations. And just wanted to clarify, when you are mentioning hunting plan and increasing market share you still talking about B2C volumes or some of that high single digit volume growth that you expect for next year is actually, you know already B2B volumes where you want to push on a bit more already coming through.

And the second question is on your dividends which yeah, can mean a bit below expectation. Clearly you are paying out of the reported net income, so including the provision. So yeah, my question is yeah, was your thinking about indeed choosing for let's say reported net income rather than underlying? And also, shall we think about the 75 million or whatever the number is going to be? The final number is going to be, shall we think about a cash outflow in 2024 or that's still unknown. Thank you.

Chris Peeters: Yeah. Okay. On the parcel volume, it is for 2024, still fully focused on B2C. So the 2024 year, as we said, is a year where we will work on the transformation we launch as we speak, a number of pilots within the B2B, but obviously pilots are not contributing substantially to the volume. And we will evaluate probably more towards the Q3 and about scaling these things. And so, we will see, see probably first of value impact or volume impact of that is material by next year, but not by this year. Do you take the one on dividend?

Philippe Dartienne: Yes. On dividends, so I would offer you a different perspective to the 13 cents because of course the 13 cents is impacted by the 75 million provision that we have booked at the end of Q2 that would equate by the way to 37 cents this 75 million. So since it was relating to a potential overcompensation relating to the past, it means that this 37 cents have been already distributed in the past. So I think it's fair to say that to look at the true view on what we are proposing as a dividend this year, this needs to be taken into consideration. If you would add up the sum of the two, you would come at 50 cents, which is, by the way, higher than what we paid last year.

Marco Limite (Barclays): Okay. Thank you. And shall we think about the cash outflow related to the provision coming in 2024? That's still unclear, unknown. Thank you.

Philippe Dartienne: As Chris mentioned it, the discussion with the three partners of the Belgian Ministries are progressing well, but we cannot commit to a final settlement on all the three cases in 2024. We are working towards it. We would like to have that behind us, but we cannot guarantee that it'll happen.

Marco Limite (Barclays): Thank you.

Operator: As a final reminder, to ask a question, please signal by pressing star one. We'll pause for just a moment to allow you to signal. And my next question comes from Sumit Mehrotra from Société Générale. Please go ahead.

Sumit Mehrotra (Société Générale): Yes, thank you. Just curious about the strategic initiatives in Belgium, I want to delve a little bit more on the logic that you see behind pursuing the B2B parcel logistics market. I can imagine it's a very different clientele, very different mix effect, and also a difference in the handling infrastructure required to support the heavier business here. So I am just inquisitive about how do you see the future of this particular endeavour whether it really fits into your existing scheme of things.

Secondly, going to North America I see that you were yet again saying that a refocus on the mid-sized growing brands. I remember for North America, you had a very specific well-defined hunting file and managers going after accounts. But really what is new that you are trying to do in North America, which you couldn't do last year. So what is different here that you're pursuing in Radial US is my question. Thank you.

Chris Peeters: Okay, thank you. So indeed, the B2B market is a very different market. I had the benefit as new coming in actually, that quite some of these clients reached out to us and said, like, we're sitting on things where we actually think that bpost can play a role. Now, the interesting thing about that, is I agree with you, it's a market that demands a likely a different setup than the ones that we have in B2C. However, a lot of the capabilities that we have and a lot of the assets that we have can be used into that market. So we see that also that like we have seen in the B2C market, by the fact that you have e-business coming in, that there is a parcelization of a part of the business at a certain speed.

And that's an attractive part of course, already where we are already available, but also that we see that many of the platforms that we have - taken the platform of Dyna take the active ends of Radial Europe platforms that we have - complement and actually into the B2B questions that we get. So we see that clients are looking for a, say a solution that combines a number of items that we can deliver, and actually that often bpost is the only one that can deliver. And where we see that today, they pay high cost to deliver a service, which is actually lower quality than what we could imagine ourself if we combine well all the assets.

That being said, of course, that means of, well, that we transform and that we make that setup ready for this situation. That's why you've seen that we have a CDO coming in to make sure that our IT platforms are ready for that so that we can have transversal offerings coming there, and hopefully in the coming weeks also an agreement with a strong CCO that is able to do that integrative part in our sales process, which is not yet there and which we have to work.

Meanwhile, the pilots, what we see are really focused on very, very different niches that you see in that market. So there will also be a way to think about which are the attractive niches that we have, which are the ones where we can have the most difference with the proposals that we can make, given the capabilities and given the assets that we have. So that is something that we're working on today, and that's why you also see that we don't take yet a bullish stand on the volume that we will capture over there.

Give us the time with those pilots to learn and to see what are the areas where we then probably do some smaller investments. We don't think that it will demand for foresight a huge CAPEX, but some smaller investments that help for that integration and that then can be leveraged and also scaled within those niches where we of course do it today with a single client or sometimes with a handful of clients in the same niche in which we try to develop a certain service and manage and better understand the full complexity, how we can leverage our assets in the best way for the challenges that they have specifically in their niche.

Philippe Dartienne: So you allow me to add one thing on that one, Chris? Just for clarification's sake, sorry for that one. When we speak about B2B, it's not only, and we believe it's going to be a small fraction of it. It's not moving pallets. In the B2B business. Some, let's say in the B2C, it's one parcel, but you could have a combination of 10 or 15 parcels that you address to a B2B, which is really exactly what we are our organization is set up for. So they might be, they probably most likely have some pallets move, but it's not the big chunk of what we are anticipating to capture, especially in the digital offering that we want to offer, as Chris mentioned it.

Chris Peeters: Yep. And then maybe on the North American side. So I'm not going to, let's say, make any statement on what happened before I arrived, but of course what you've seen is we had still had some churn on, let's say, sizable clients, which is actually by the current management, something that they well understood. And with the SVP commercial that we're now in, there has been a built up of a substantial sizable pipeline of mid-sized clients that we have. We've also seen that those clients actually are at, for us, a better margin, a lower risk, and a higher stickiness than the other clients that we have. So now it's really a question in the coming weeks, months, and probably years even yet to further convert this pipeline of potential clients towards than the clients that we invest.
And I think it will be a continued, let's say, focus point from our side to make sure that, as you can imagine, sometimes management is teased into like, we can get a full warehouse filled with one single client so that they always gives a big incentive to people to spend a lot of time on that if they continue to have the right focus with the sales team, which they do today on these mid-size clients. That might, at this point of time, per volume intake demand a little bit of more effort from the sales team on the other side in terms of the EBITDA contribution that we expect from that, that they are substantially better than the ones that we see in those larger clients.

Operator: Thank you. And it appears there are currently no further questions in the queue. With this, I'd like to hand the call back over to Mr. Chris Peeters for any additional or closing remarks. Over to you, sir.

Chris Peeters: Thank you. We would like to thank everybody in the call for having taken the time to be with us and for your interesting questions. We will hear from you at the conferences we're going to attend in London in March. Please note that we will release our annual report 2023 on March 21st. We look forward to staying in touch and our first quarter results will be released in May. Thank you very much, and have a nice day.

Operator: Thank you. This concludes today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect. [END OF TRANSCRIPT]