Press Update and Outlook FY24

Conference call transcript

Brussels – July, 3rd 2024
Chris Peeters, Group CEO
Philippe Dartienne, Group CFO

Transcript of the conference call held on July, 3rd 2024 - 09:30 am CET

PRESENTATION

Operator: Hello and welcome to the Press Update and Outlook 2024. My name is Caroline and I will be your coordinator for today's event. Please note this call is being recorded, and for the duration of the call your lines will be on listen-only mode. However, you will have an opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your questions. If you require assistance at any point, please press star zero and you'll be connected to an operator.

I will now hand over the call to your host, Mr Chris Peeters, Group CEO, to begin today's conference. Thank you.

Chris Peeters, bpostgroup CEO: Thank you, and good morning, ladies and gentlemen. Welcome to all of you, and thank you for joining us. I'm pleased to host this call as CEO of bpostgroup. With me, I have Philippe Dartienne, our CFO, as well as Antoine Lebecq from Investor Relations.

Now that we have reached agreements with newspapers' editors, both in the north and south of the country, we would like to update you on the operational and financial implications, as well as our outlook for 2024. We will walk you through the short presentation, and we'll then take your questions. As always, two questions each would ensure everyone gets the chance to be addressed in the upcoming session.

Let me start with the status update on Press. During the presentation of first quarter results in early May, we had already shared with you the outcome of the negotiations with the Dutch-speaking newspaper editors, but the negotiations were still ongoing with the French-speaking editors. This agreement has now been reached, so let me provide you with an overview of the overall situation with press.

First, as a reminder, regarding the financial support from the government to publishers, at the end of 2023, following the cancellation of the future press concession, the government announced that, going forward, the financial support would be limited to an annual envelope of

€50 million until the end of 2026, in the form of a tax credit in favour of the editors. Compared to 2023, when the annual support was approximately €165 million, this represents a substantial decrease of over €110 million between 2023 and 2025.

Second, regarding the commercial agreements reached with the press editors. As discussed last time, we reached, on 26th April, an agreement with the Dutch-speaking newspaper publishers in the north of the country, which, in terms of volumes, represents 80% of the total newspapers currently distributed by bpost in Belgium. We will gradually transfer volumes from bpost SA to our subsidiary AMP in 2025, 2026. AMP is a subsidiary wholly owned by bpostgroup and works with subcontractors employing their own workers.

As a reminder, AMP has been active since 1885 in the press distribution and is the leading press distributor in Belgium, leveraging its four distribution centres across the country to serve over 4,500 retail outlets in Belgium, such as press shops. This commercial agreement will enable bpost Group to secure 75% of our current volumes after the gradual volume transition is completed by 2026. Pilot programmes will begin in the third quarter of this year.

For the French-speaking newspaper publishers in the southern part of the country, which, in terms of volume, represent approximately 20% of our newspapers, the proposal for a gradual transfer to AMP did not receive support from our French-speaking unions, necessitating a different operational setup for press distribution in Wallonia. As announced on 19th June, we reached an agreement where bpost will continue to distribute all newspapers throughout Wallonia until the end of 2025. And from 2026 onwards, publishers may eventually and gradually transfer the distribution of their newspapers.

A meeting has already been scheduled with the publishers for mid-2025 to see if the potential transfer of newspaper distribution from 2026 is confirmed, or if the newspaper distribution will be entrusted to bpost for a longer period.

The press concession has now officially ended, and the two new contracts took effect on 1st July.

Finally, regarding the Periodicals, as explained last time, the periodicals are USO products, so there is no commercial negotiation involved. We had presented our new commercial offer to the regulator on 15th April and have been presenting it to our customers since then. The majority of the large editors, which represent roughly 80% of our volumes, have confirmed their intent to continue entrusting their volumes to bpost. We are currently in contracting phase, and we also continue to engage with the smaller editors.

Before looking at the financial impacts in detail, it is important to note that bpost made every effort to secure volumes and protect jobs while reaching viable agreements, despite the significant reduction in government support to the press sector. With these two contracts, we have secured the majority of our volumes and safeguarded the jobs of our employees on fixed contracts. There will be no need for a social plan or any associated restructuring costs.

Now, regarding the financial impact related to these new contracts, we distinguish between direct impacts and indirect impacts. In terms of direct impacts arising from the less favourable financial conditions of the new contracts, the annual impact will vary from year to year following the gradual transition of volumes. For 2024, this is the first year of transition to the new contractual framework starting from 1st July, the year will be marked by less favourable conditions in the extension of the press concession in the first half of 2024, due to the lower state compensation cap and the less favourable conditions for the new press contracts coming into effect in the second half of 2024. We estimate a decrease of circa €50 million in Press revenues in 2024 compared to 2023, of which about €15 million is attributable to the structural volume impact we would have faced regardless of the contract in place, and about €35 million is attributable to the less favourable conditions of the extended press concession and the new contracts, which will directly impact EBIT due to the limited ability to align cost.

For 2025 and 2026, these years are years of gradual volume transition, with a full-year, top-line impact corresponding to the conditions of new contracts – see the circa €30 million lower revenues from the second half of 2024, but for full years – and a progressive adjustment of costs in terms of FTEs and fixed costs, allowing to offset the impact on EBIT in the course of 2026.

For 2027 and beyond, post the volume transition, of which 75% in the north of Belgium to AMP and cost alignment, the impact on the revenues due to the less favourable conditions of new contracts will be offset by cost alignment. And we will return to similar margin levels as allowed under the previous concession agreement, but on a significantly lower revenue base.

In addition to these direct impacts, we will also incur some indirect impacts tied to the negotiation period of these new contracts. We have quantified an indirect impact of circa €12.5 million related to the four-day strike in April, impacting our sorting and distribution operations for Press, Mail and Parcels, as discussed last time, and delays in the reorganisations in the first half of 2024, which could only resume last week.

With that, we now have gained the required visibility on the operational and financial impacts around the press distribution, which allows us to introduce our Group EBIT guidance for 2024.

Philippe, the floor is yours.

Philippe Dartienne, bpostgroup CFO: Thank you, Chris, and good morning, everyone. Now that we have clarity on the financial impact for the Press sector, as Chris explained to you, we are ready to provide you guidance on the Group's EBIT target for 2024. With five months passed, I will also take this opportunity to update you on the underlying operational and financial parameters we discussed at segment level in the context of the initial parametric guidance earlier this year.

For Belgium, we anticipate a slight decrease in total operating income for 2024, which now includes reduced revenues from Press. This contrasts with our initial guidance, where we anticipated slightly higher total operating income for 2024, excluding Press revenue on which we had no certainty yet. We now notably plan for a Mail volume decline of 4 to 6% for transactional and advertising, offset by the price/mix impact. This marks an upward revision from our initial guidance, where we anticipated a volume decline of 6 to 8%, partially mitigated by a price/mix effect of 4 to 5%.

For Press, as just explained by Chris, we expect a decline of €50 million in revenue, while our Parcels revenue are now expected to be driven by a mid-single digit percentage volume growth and a low single-digit percentage price/mix. This is a downward revision from our initial forecast of a high single-digit percentage volume growth, which is attributed to lower-than-expected growth in first quarter 2024 and the strike's impact in April.

Prior to any Press impact, we initially projected for an adjusted EBIT margin ranging from 6 to 8%. Today, we are revisiting this range downward by 1%, meaning from 5 to 7%, considering the lower margins on the new press contracts and indirect negative one-off impact of €12.5 million, as explained by Chris right before.

The margin outlook for 2024 also reflects increased payroll costs due to salary indexation and cost inflation, partially offset by our ongoing efforts to enhance productivity and reduce costs, despite challenges encountered during the first half of the year in the context of the press negotiations.

For E-Logistics Eurasia, we initially anticipated a low double-digit percentage growth in total operating income, with an adjusted EBIT margin ranging between 5 and 7%. Our overall EBIT ambition remains intact, but we are slightly adjusting, by a few percentage points our revenue target to a high single-digit percentage growth. Concurrently, we are revising upwards our EBIT margin target to 6 to 8%, representing a significant improvement from last year, ranging from 3 to 5%.

For E-Logistics North America, based on year-to-date performance and our current view for the remainder of the year, we are adjusting our top-line target to a low double-digit percentage decrease. This compares with our previous expectation of a high single-digit percentage decline and reflects, at Radial, a net volume loss from lagging new customers' contribution in the in-year revenue and some negative and lower-than-anticipated same-store sales, the client churn that materialised in 2023 and the commercial concession granted amid challenging market conditions. While at Landmark, the increased insourcing by Amazon exerts pressure on the top-line growth, impacting the progress from new customer wins and the expansion of new cross-border lanes.

In terms of profitability, we were initially guiding from an adjusted EBIT margin ranging between 4 and 6%, in line with 2023. However, as explained in our previous calls, persistent pressure on our top line constrains our ability to absorb fixed costs and lead to margin dilution. Mechanically with the revision of our top-line target, the margin is now adjusted downwards by 1.5% to a range of 2.5 to 4.5%. To counter these challenges, as already shared with you and as observed in the performance of the previous quarters, we are working on continued Variable Contribution Margent – VCM - margin rate improvement. The margin is currently at its highest level ever, but we have also decided to reinforce the substantial effort to further reduce the SG&A and other costs.

At Group level now, including Press revenue, we anticipate a low single-digit decrease in the top line for 2024. We now project the Group's adjusted EBIT to range between €165 million and €185 million. This guidance currently excludes any EBIT contribution from Staci, which we expect to begin materialising from August onwards. And finally, regarding CAPEX, note that we are reducing the annual envelope from €180 million to €150 million.

We are now ready to take your question. Again, two questions each please, so everyone can get the chance to be addressed in the coming sessions. Operator, please open the lines.

Questions and Answers

Operator: Sure. Thank you. As a reminder, if you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take the first question from line Michiel Declerq from KBC Securities. The line is open now. Please go ahead.

Michiel Declercq (KBC Securities): Yes. Hi. Thanks for taking my questions. I had two questions related to the press more specifically. So you mentioned these €35 million direct impact on the EBIT from those new contracts, so that's only half year. So I assume that it's fair to assume that you will have another incremental €35 million next year. I was just wondering, will there be some kind of additional transformation costs coming in on top of this? And maybe also, how do you see the gradual improvement towards the 2023 margins by 2027?

And then maybe a second question related to this, a part, of course, of the impact that you see is the ongoing volume declines for Press. I was just wondering with the first – what's the first impression that you have? Because the press distributors will also have less subsidies than what was previously the case. How do you think that this will impact the underlying volumes of your distributors? Because they also pay more, as to say. So those would be my questions.

Chris Peeters: Okay. Thank you. I will take the second question, and then Philippe will answer on the first one. On the volume decline, indeed, what we have seen in the discussion of the negotiation, it's clear that this change of regime has been a wakeup call for several of those editors to look at their speed of mainly digitalisation or potentially some alternative kind of distribution models. What we see, however, is that if we look at the north of the country, most of that, according to themselves, has already been done. So they basically look at it and say, 'Look, the way how we want to do this transition is at the speed of the readers.' And most of the readers that could be easily digitalised are already digitalised today. And so the paper version that they keep, they stick to that for different reasons. Like you see this weekend edition that you have for some parts of the country where people say, 'We have the habits of a paper version. I want to do it until the end of days. And I'm also willing to pay that difference in price.' And so they see more a potential there to transfer, in the longer term, the distribution cost towards those readers, because those readers, they feel that they would lose them if they would force them to go there. They think they are more likely to be able to absorb the additional cost of distribution.

In the south, it's a little bit different. There, you see that digitalisation has not progressed that fast. And there we could have a potential, somewhat acceleration in the system as well, as we've said before, there is much higher uncertainty given the fact that we, there, have a solution until the end of 2026. And there's still a lot of discussion upcoming there, how that we solve the period after 2026. While, if you look at the north, actually there is a visibility for everybody for a substantial period of time, where they want to continue to work with us and where we see that we actually have a good plan to make that transition.

So, net net, I would say in the north, we don't think there is a substantial impact on the further speed of decline. It will continue at the decline we've seen over the last couple of years. In the south, there could be somewhat an acceleration because, obviously, if you look in terms of volumes, it's 80% north, 20% south. It should not be that much impacting compared to the trend that we already have seen over the last couple of years.

Philippe Dartienne: On the translation of all that into numbers, as you rightly pointed out, we have a direct impact of €35 million in 2024, which is mainly relating to H2, where the new framework, which is the commercial agreement, will be in place. Also, be reminded, there is also this indirect impact of €12.5 million, as Chris mentioned it.

So if we try to project ourselves for 2025/26, what can we see right now? You might say on one hand, as a proxy, because €35 million is for H2 2024, you might say on a full-year basis, it would be a two times €35 million. I think this proxy is not totally correct in the sense that right now, we are in a situation where we are receiving, in fact, less top line, and we have not been able to adjust yet, because the transition has not started, the cost base. But starting from 2025, we will gradually adjust the cost base. So that should mitigate this impact. It does not mean that it will negate the impact. There will be an impact, there will be a significant impact, but I would not take €35 million times two as a proxy for the impact in 2025, 2026 and 2027.

And then I come to your point of 2027, as you rightly pointed out, in fact, it would be the end of the transition period. And at that time, beginning 2027, we should be in a situation which is very similar to the one we have experienced until June 2024, and we should go back to a profitability in the range of what we are currently enjoying today, because we will have, despite our volume, the time to adjust our cost base structure.

Michiel Declercq: Okay. That's very clear. Thank you very much.

Operator: Thank you. We will take the next question from line Frank Claassen from DEGROOF PETERCAM. The line is open now. Please go ahead.

Frank Claassen (DEGROOF PETERCAM): Yes. Good morning all. Two questions. First of all, on the acquisition costs related to Staci, you've flagged €15-20 million, if I remember correctly. Is that still the case? And is that included in the guidance and in the corporate costs increase? That's my first question.

And then secondly, you indicate for North America, one of the reasons for the relative weakness is the Amazon insourcing at Landmark. But I thought that was already going on. Has that situation changed, has that deteriorated for you? Can you elaborate on that? Thank you.

Philippe Dartienne: So Frank, thank you for your question. When it comes to the acquisition cost, I think the amount you were referring to are still valid, and they are not included in the guidance, nor is the contribution of Staci included in the guidance. So that one is excluding the transaction costs, but also excluding the additional EBIT, EBITDA that we will be enjoying, normally starting August.

Frank Classen: And to follow up on that, so the acquisition costs will be – you will account for that as a one-off. Is that the way to think?

Philippe Dartienne: It's adjusted, indeed, it's one-off. Exactly, exactly. Because we try to show you what is the recurrent base, and we cannot say that – and especially when they have that level of magnitude, that the M&A costs are recurrent. So that's the reason why we are adjusting, indeed, the cost base.

Frank Classen: Okay. And then on Amazon insourcing. Yeah.

Philippe Dartienne: Yeah. So, on North America and specifically Amazon, we were expecting to go down because we still remained with a fraction of the volume compared to historical years. But it went further down than expected, and faster.

Frank Claassen: Okay. And what can we expect going forward there? Is this it, or is there still volumes to be lost? Do you still have Amazon as a customer or…?.

Philippe Dartienne: Now, to put things into perspective, Amazon only accounts for less than 5% of the current revenue of Landmark.

Frank Claassen: Okay. Of Landmark. Okay, that's helpful. Thank you.

Philippe Dartienne: Welcome.

Operator: Thank you. As a reminder, if you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take the next question from line Marc Zwartsenburg from ING. The line is open now. Please go ahead.

Marc Zwartsenburg (ING): Good morning and thank you for taking my questions. The first one, still a bit puzzled with the impact of the press concession. First of all, the one-off that you also mentioned in the press release, the €12.5 million, is that included in the outlook or excluded? I get the feeling that it is excluded, but I'm not sure. Can you confirm this, please?

Chris Peeters: It's included

Philippe Dartienne: Yes, it is, definitely.

Marc Zwartsenburg: So that one-off is included. This one-off is included

Chris Peeters: It is included.

Marc Zwartsenburg: Okay. So then we started with a €35 million impact from the press contract for the second half. That's in the outlook. But then looking a bit further, I'm still a bit puzzled how we should think about longer term. So 2025/2026, this €35 million plus something for the first half, let's make it a €50-60 million, that will be partly compensated by cost adjustments, but there will be still a significant impact on 2025 and 2026. But how should we think about 2027 when things have normalised? I can imagine addressing the cost base, you can do that with natural attrition and with people going on retirement, but you still have 4,000 people working there, they will not all be gone. So should we also take into account quite a significant provision to, in the end, have the clean cut after 2026, when things really move to AMP, that we get another additional provision of €50 million or €75 million? And in the meantime, there's still some trends for cost of transferring volumes maybe to AMP.

So I still don't know what the underlying EBIT impact will be over the course of the next three years of the press concession moving away, because I have the feeling that it's much bigger than what we're currently looking at.

Chris Peeters: Well, I would say no, especially now when I hear how you are adding up things that should not be added up. So, indeed, of course, the impact that you see now is a half-year impact. And as Philippe has explained in the question of KBC, there will be an impact which will not be doubled, but there will be a more important impact for the next coming two years on that side.

If you look at the cost that we will have for the transition, that will be fairly low because a) the agreement that we have with the editors is that the way how the transfer is made, is also based on a plan we jointly developed. So that's a plan where we jointly agree how we do that. And, of course, we can optimise there the way how that plan and transfer is organised. And it's not so that we only have natural attrition as a lever to reduce cost within the company. First of all, the biggest lever that we have short term is the temporary labour that we have, that's a very big one in that, so we reduce on temporary labour by not extending contracts. So that is coming at a very low cost that we should do, potentially some friction cost of a few weeks, but it's never a very big cost that you have on that.

The second thing that we do is, of course, the natural attrition that we use to the maximum extent. We can do that also by temporary positioning people in different mail centres in the neighbourhood, so that we can manage the volume in a very fluent way between the different mail centres, and so how we do that. And also, as we have announced already, end of last year, we had a quite important insourcing programme around, for instance, transport, also around IT – it's more transport that is actually on this part of the population – where we see today that we were quite substantially still with subcontractors and transport for the logistics at night that we have in Belgium. And so we have, I think, 100 people now that signed already up for that programme. And we think that there will be different waves of people signing up for these kinds of contracts.

And so if you look overall, we have sufficient levers at hand today to make sure that the cost reduction can be realised without having a substantial, important additional friction cost over there. Not to be forgotten, but that is something that we have not included in the calculation is that next to that, we will have our new strategy announced, which is also focused on the B2B growth. And so some part of the people also could find a job, depending on that growth. But we don't need that growth specifically for the cost transfer that we do, but obviously it will come as a bonus if we could have a growth realising in the B2B side of the business.

Marc Zwartsenburg: Can you put a number maybe on all these cost reduction items? Because I'm now thinking the maximum is €100-120 million. How much can you reduce that? Because, in the end, there will be some tens of millions still as a provision

Philippe Dartienne: As I said, I think when we will be totally out of the transition, which is the end of 2026, so we should be enjoying a profitability which is very similar to the one that we are enjoying right now.

Marc Zwartsenburg: Yeah, but that's maybe a 6 or 7% margin on revenue of what?

Chris Peeters: Well, the revenue goes down at the decrease, as we said. So you have a decline in newspapers, which is around 8% yearly. And so that decline is a trend that we think will continue. There might be, in the next two years, a small acceleration in the south, but the south is not a majority of volume for us. So the majority of volume is in the north, so it will be eight percentage in terms of decline year-on-year that we will have on newspapers. And that is also included in the plans that we make.

Marc Zwartsenburg: So that means that we have three times eight roughly a quarter. And then we also lose part of the volumes because you're not transferring all the volumes. So you might lose half of your volumes. And then we should apply the same margin to it. Is that a bit how we should think about it? Because it's still a bit unclear.

Chris Peeters: Yes, that's correct. That's correct. It's a margin on revenues, and revenues will decline, yeah, with the amounts that you more or less stated.

Philippe Dartienne: And we lend that level of profitability without having to go for a one-off type of cost, as Chris mentioned it, because people will be transitioned out at either no cost or limited cost for temps. And the other one, there is natural attrition and could also be redeployed on other activities.

Marc Zwartsenburg: I know I'm past my two questions, but maybe it's more a remark, but in the next 2-3 years, this newspaper contract is hugely unprofitable. Is that a normal thing, how the Belgian government deals with these kind of things?

Chris Peeters: No, no, no, it's clear that it's not unprofitable. It is marginally profitable. So it's, for sure, not the most profitable product because we need to further reduce cost to make it, again, a normal, profitable product. But the reason why we've chosen for this is that this is avoiding for us a restructuring cost, which would be quite substantial. Second thing, of course, is when we would have gone for restructuring, it would as well, to some extent, put a heavy load on the transformation that we're entering in – this is quite important, new strategy with transformation programme. And we have made the choice where we said we want to minimise the overall financial impact by avoiding a social plan, but also minimise the impact on the transformation by not creating too much social unrest.

And I think that what we have found here, of course, yeah, it will never win the beauty contest. We never said that either. As you have seen in the announcement, I said I'm not drinking champagne these days based on these contracts. However, that being said, if you compare to the situation we were in six months ago with the announcement that there would be no concession and everybody would probably have thought bpost is not competitive enough to have new contracts, I think that this is actually a fairly decent deal that we have that avoids a high social cost; and, on the other hand, as well, ensures that we go back to profitable figures into that in a transition period of one and a half, two years.

Marc Zwartsenburg: But I thought there was a maximum of 7.5% margin on it, on this contract. If you take the total revenues from those contracts, we're not talking about something north of €20 million then. So with the €35 million – with the money flowing out and €35 million impact on EBIT, that's more than the profitability of the contract. Or am I wrong?

Chris Peeters: So the profitability of the commercial contracts are commercial contracts. There is not a definition of what is a minimum or a maximum. It's a purely negotiated deal. So that is what we will see in the coming years, which is based on a commercial negotiation. Obviously, we're not going to disclose commercial margins, which would be against the agreements that we have made with the editors. But as we said, we go back to normal margins on these products, of course, agreeing with you, with reduced revenues.

Marc Zwartsenburg: All right. Thank you very much. That’s very clear.

Operator: Thank you. We will take the next question from line David Kerstens from Jefferies. The line is open now. Please go ahead.

David Kerstens (Jefferies): Good morning gentlemen. A couple of questions from my side. Maybe starting off on periodicals, do you see further downside risk from periodicals to your new EBIT guidance? Because I think you said the commitment – you have, now, commitment from most of the large editors, which are 80% of volume. So what is the impact of this if you don't get commitment from the remaining? I think revenues were €90 million. If you take 20% of that, that's €18 million. Does that drop straight into EBIT? So is there further downside here, if you don't get commitment, if you don't get those volumes in your Mail network?

The second question is a follow-up on the Staci acquisition cost. I think you booked €7.7 million in the first quarter in Corporate, so that's in adjusted EBIT. Should we now move that into one-off items, so where you restate the first quarter? How should we treat that?

And then a question on the revenues in the press concession. You said the impact for 2025 is not on EBIT, it's not two times €35 million. Can you quantify the revenue impact? You had the €75 million government compensation in the first half. I assume that will not repeat itself in 2025. But what would be the revenue decline? Thank you very much.

Chris Peeters: Thank you. I will take the question on the downside risk, periodicals. I think the overall downside risk, not that there is none, but it's relatively limited. What is the dynamic that we see in the smaller periodical market today is, first of all, we see already that some of the users of that, announced the pass-through towards their users. So you see some of those magazines, you've seen some press releases around that, where they basically say, 'We will hand over the increase in price towards the readers.' So that is one impact that you will see.

We might see a certain volume drop coming from people that basically reduce the frequency of certain periodicals. That's the discussion that we see that some are considering as we speak. We don't see in those smaller players, any important risk that they would go to alternative distribution models. Alternative distribution models actually is something that is only for somebody that has a substantial volume, and that is not what we are discussing anymore with the smaller players. So the only volume risk that we have with them is that they reduce the frequency of the issues that they have. That could be people that say, 'I have 12 editions a year, and I reduce it to 10 editions a year.' These kinds of things is the kind of volume reduction that we might see.

On the other hand, we see that many of them as well consider to increase the price for the readers, and they basically say, 'We pass it through.' And so far we see that there is a limited, actually, risk. None of people that would fully stop, we don't see because paper version is, for most of those people, quite important for the audience that they have. So I think that it's not that it will be no decrease in volume, but it will be very limited on that part of the volume.

Philippe Dartienne: On the Staci part, indeed, you are absolutely right. We already booked €7.5 [EDIT: 7.7] million in Q1, and going forward we will include all the transaction costs, which could be ranging between €5 [EDIT: 15] million to €20 million, or slightly up, as adjusted EBIT. So they will be taken off. And indeed, if you want, you could theoretically restate Q1 from the €7.5 [EDIT : 7.7] million, because for the full year it will be one-offs.

When it comes to your question on the impact on volume, the impact on volume in the second quarter, it's roughly €40 million, of which you have a fraction which is coming from the structural volume decline, which is roughly 8% per annum. That one will continue in the coming years. And you have also the impact of the new contract. So out of this €38 million, if you make the maths of the 8%, it's roughly €7-8 million. So by difference, you've got the impact of the new contract.

David Kerstens: Sorry, I was referring to the impact on 2025. So you're saying 2024 is down €50 million to 2025, not be down €75 million plus more?

Philippe Dartienne: No, the revenue in 2024 is €38 million in revenue, of which you have the structural impact of the structural reduction.

David Kerstens: Understood, yeah. Thanks very much

Philippe Dartienne: Yeah. With the comment that Chris made, that the digitalisation is not going – or will not affect us the same everywhere in the northern part and the southern part, because it's already well there in the northern part. It could be a bit accelerated in the southern part, but it's only a fraction of our revenue.

David Kerstens: Thank you.

Operator: Thank you. We will take the next question from Othmane Bricha from Bank of America. The line is open now. Please go ahead.

Othmane Bricha (Bank of America): Hello. Hi. Thanks for taking my questions. I've got two. First on the Mail, excluding Press. So that's advertising and transactional. Now, you improved your guidance, your top-line guidance, and you expect two percentage points better volumes. And I assume that this increase is not related to the elections. So can you explain what are you doing to get new volumes? So that's one. And also what is the impact of elections that you had in Q2?

And my second question is regarding to your guidance on Parcel volumes from high single-digit to mid-single digit. And here also, I assume that most of the impact is in H1. So have your expectations for volumes in H2 changed since or not? Thank you.

Philippe Dartienne: Okay. So, on the Mail, indeed, your comments are absolutely right. There is an impact of one-off type of events, like the election that we had in H1, and there is also election in H2, but it's not the same, and the impact will be lower in the second half for communal elections [EDIT: municipal and provincial elections]. So the impact on the number of mail that we could distribute is by far lower than when it's national or European election, but there will still be an impact. That's one.

And second, we are also seeing some one-offs in terms of marketing campaign. So it's part of our day-to-day work of the commercial team to hunt for these kind of contracts. And it has been rather favourable in the first half. And we continue – we hope it will continue with that one. So it’s a combination of different elements, but of which, as you rightly pointed out, there is some one-offs also in the transactional with the impact of the election.

When it comes to Parcels volumes, indeed, it’s a bit less than what was anticipated. There is different factors to that. So some customers that were supposed to come with additional volume at the beginning of the year 2024 has been a bit delayed. That one, that’s what exactly what we explained at the end of – the explanation of Q1. So now, these customers have come with these additional volumes. In the second half [EDIT: quarter], I would say there is also the impact of the strikes, as we mentioned it, because when we are on strike, it's unlike the Mail activity, people still continue to put the mail into the right box and they will be delivered later. When it comes to Parcels, when you stop, the parcels are being directed to other operators. So it's a permanent loss. So that one is an impact.

And also, there is an element, which is not to be underestimated, is the poor weather condition that we enjoyed in Europe that had an impact on the e-commerce, especially on the fashion.

And you know that we are highly exposed to that business. We are not the only one saying that. A big retail chain announced its forecast yesterday or the day before, if I'm not mistaken, and explaining that this weather condition will have a 10% impact in terms of top line for the rest of the year. We are also negatively affected by this kind of elements.

Othmane Bricha: Thank you.

Philippe Dartienne: Welcome.

Operator: Thank you. It appears no further questions at this time. I'll hand it back over to your CEO for closing remarks.

Chris Peeters: Okay. So thank you, everybody, in the call for having taken the time to be with us and for your interesting questions. We look forward to staying in touch. And as a reminder, our second quarter results will be released on 2nd August. Thank you very much and have a nice day.

Operator: Thank you for joining today's call. You may now disconnect.

[END OF TRANSCRIPT]