



2nd Quarter 2024 Results

Conference call transcript

Brussels – August, 2nd 2024

Chris Peeters, Group CEO

Philippe Dartienne, Group CFO

Transcript of the conference call held on August, 2nd 2024 - 10:00 am CET

PRESENTATION

Operator: Hello and welcome to the bpost Second Quarter 2024 Analyst Call. My name is Caroline and I'll be your coordinator for today's event. Please note that this conference is being recorded and for the duration of the call, your lines will be in listen only mode. However, you'll 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 will be connected to an operator. I will now hand over the call to your host, Mr. Chris Peeters, the CEO. Please go ahead, sir.

Chris Peeters: Thank you. And good morning, ladies and gentlemen. Welcome to all of you. And thank you for joining us. I'm pleased to present our second quarter results as CEO of bpostgroup. With me, I have Philippe Dartienne, our CFO, as well as Antoine Lebecq from Investor Relations. We posted the materials on our website this morning. We will walk you through the 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 hour.

Before we start, as anticipated when we last spoke in early July, I am pleased to confirm that we successfully closed the acquisition of Staci yesterday. Thanks to the excellent work and collaboration of our teams on both sides, we have completed this acquisition two months ahead of schedule. We can now begin implementing the integration plan we have prepared over the past few months. I'm delighted to welcome Staci CEO Thomas Mortier and his teams to the bpostgroup family. As we explained in April when we announced this acquisition, we will now organize yourself around three business units with a business-based approach, rather than a country-based one. Alongside our last mile and cross-border divisions, Thomas will join our executive committee and lead our 3PL - Third party logistics activities in Europe, including Staci, but also Radial and Active Ants. Our executive leadership is now complete and fully equipped to drive our transformation forward.

Now, regarding the quarter results, as you can see on the highlights on page three our group operating income for Q2 stood at €988 million and declined year over year by 3.8%, mainly due to ongoing pressures in North America, while on the other hand, Belgium remained resilient with stable mail revenue and higher parcel revenues and our e-fulfilment activities in Europe and our European cross-border sales continued to grow. Our group adjusted EBITDA stood at €57.8 million with a margin of 5.8%, a decline of €10.9 million compared to last year, mainly attributable to North America. This decline occurred despite our relentless efforts in cost management and productivity, which have helped mitigate some of these pressures. Overall, this set of results is broadly in line with the recent guidance we shared with you in early July, and Philippe will now give you more details on the financial performance of our business units.

Philippe Dartienne: Thank you, Chris, and good morning to all. On page four, you can find an overview on the key financials for the quarter, both reported and adjusted. Chris has already mentioned our group topline adjusted EBIT of €58 million. Please note that our reported EBIT amounted to €48 million, which reflects notably the adjustment of €7 million for M&A costs incurred in the quarter. As a reminder, we had nearly €8 million in M&A costs in the first quarter. This resulted in a year-to-date EBIT of €127.5 million, while our reported EBIT stands at €107 million, including €15 million of M&A costs. In the second quarter, our adjusted EBIT decreased by €11 million. Our adjusted net profit decreased by €6 million to €39 million. The EBIT decline was partially mitigated by a nearly €9 million improvement in financial results, primarily due to a positive non-cash IAS-19 effect triggered by higher discount rates.

Let's move now to the details of Belgium on page five. At Belgium, we see that revenue remains nearly stable at €545 million. Domestic mail recorded an underlying volume decline of only 2.9% for the quarter, compared to a -8.3% same quarter in 2023. As anticipated in our annual guidance, this limited volume decline in the quarter includes mail volume from the European, federal and regional election early June. The mail volume decline impacted revenues by -€9

million, yet was fully offset by a positive price mix effect of plus €9 million. Volume minus nine, price plus nine in this quarter. This resulted in a stable domestic mail revenue year on year, including an approximately €3 million reduction of State compensation for Press concession and around €4 million from election mail campaigns.

Parcels Belgium recorded in second quarter, an increase of €6.4 million or plus 5.4%. Parcel volume increased by 2.5% year over year, while additional volume from existing customers that were delayed in Q1 finally materialized in the second quarter. The volume growth remaining modest due to the impact of the four day strikes in April during the Press negotiations with the unions. Some volume shifted to the competition during the strike, resulting in an estimated net volume loss that caused a 2% shortfall in volume growth for the quarter. Additionally, due to weather conditions, we observed a very weak momentum in fashion volume in May and June.

Combined to the plus 2.9% in Q1, this represents a volume growth of 2.7% for the first six months, which notably drove downwards the revision of our annual guidance a few weeks ago from a high single digit percentage growth to a mid-single digit percentage growth.

Additionally, note that this volume growth occurred under unfavourable market conditions in Belgium. Indeed, inflation has continued to increase month after month since October, rising to 3.7% in June from 3.2% in March. This is the highest level observed in the past ten months, up from 0.35% in October 2023.

Additionally, the Consumer Confidence Index continues to progressively deteriorate from zero in December to minus seven in May, reaching its lowest since August last year. And after a temporary relief in June, the situation worsened again in July as consumers remained pessimistic about their personal financial situation and the macroeconomic outlook for Belgium, while unemployment prospects soared.

Price mix showed a 2.9% in Q2, mainly driven by price increases.

Proximity and convenience Retail network revenue decreased by a bit less than €7 million, with a lower banking revenue offsetting the indexation of the Management contract.

Operationally, revenue from Value-added services increased, mainly driven by fine solution and document management. However, this growth was more than offset by the repricing of State services, which is now accounted within the Value-added services instead of Other revenue stream as in the previous year.

Let's move to the P&L of Belgium on page six.

Our Intersegment and other revenue increased this year as they comprise a -€6.2 million impact for the repricing of the State services in the second quarter 2023, as explained and as already observed in Q1. We also see on that line the higher inter-segment revenue from inbound cross-border volumes handled in the domestic network from E-logistics Eurasia.

On the cost side, our adjusted OpEx including D&A only slightly increased by €6.3 million or plus 1.3%, mainly driven by higher salary costs, as our cost per FTE increased by 2.7% year over year following two salary indexation in December 2023 and in June 2024; while the FTEs remained stable. And to a certain extent, a higher recoverable VAT this year.

Bottom line, our adjusted EBIT remained stable year over year despite a -€2.6 million impact linked with the strikes in April.

Moving to E-logistics Eurasia on page seven. Revenues were up €7 million, reflecting again the growth momentum at Radial and Active Ants, as well as cross-border revenue development.

In e-commerce, logistic revenue increased by €3.4 million, reflecting various businesses with different trajectories.

Radial Europe and Active Ants were up 12% year on year, continuing the trend of previous quarters. This growth was fuelled by customer onboarding as part of our international expansion effort and upselling activities targeting existing customers.

At Dyna, despite higher volume in our two main delivery networks, lower volume at Dynafix and Dynasure, with fewer devices to be repaired and insured, led to a net decline in revenue.

Cross-border revenue increased by €3.6 million, or 4%. As reported in previous quarter, this growth is supported by first volume growth from China to Belgium and second contribution from new customers, and continued growth from recent wins in the European lanes. On the other hand, ongoing challenging conditions in the UK and a decrease in Asian cross-border volume to destinations other than Belgium weighed on top line development.

Let's move to the P&L of Eurasia on slide eight.

While the operating income increased by 3.3%, operating expenses, including D&A, rose by 2.6% or €4 million. This is mainly due to lower material costs, reflecting lower volume at Dyna and lower G&A, offset by higher transportation costs in line with higher activities and favourable mix across border for the for the volume destination Belgium, and higher salary due to the international activity ramp up and inflationary pressures partially mitigated by productivity gains. From a profitability standpoint, EBIT margin improved year over year from 5.5 to 6.2%, notably thanks to Asian cross-border volume with destination Belgium.

Moving to our North American e-logistic business on page nine.

In line with the previous quarter, our top line North America remains under pressure. The operating income of e-commerce logistics decreased by 15%, or €48 million. At constant exchange rate this corresponds to a decrease a bit less than 16%, mainly driven by Radial, but also Landmark Global to a lesser extent. At Radial, top line decreased by 18% year over year as lower sales from existing customers and the in-year contribution wins cannot compensate the client churn we announced last year. As you will recall and as we can see from the chart on the right side illustrating the evolution of domestic parcel volume in the US, Radial's revenue development last year was in line with the volume pressure reported by UPS and FedEx. This was a reflection of economic softness and market overcapacity, resulting in high competition

and pricing pressure for Radial and its peers. More recently, while we observe a slowdown in the decline of domestic volumes, with even a slight increase in volume for UPS in the last quarter, retail sales continue to decrease by 18%, in contrast to these volume trends. When examining the drivers of this 18% decline, we see that the Same Store Sales - so the sales of our clients on a like for like business - actually align with market trends recently reported by FedEx and UPS, and the majority of the decline actually stems from last year's churn, which we have not been able to offset yet with new customers contribution and the rebuilding of our customer portfolio due to persisting challenging market conditions hindering recovery.

At Landmark, this is now the sixth quarter in a row that we record a year over year lower revenue due to Amazon in-sourcing that started end of 2022. As a result, the exposure to Amazon is now significantly reduced going forward.

Moving to the PNL on slide 10.

Alongside our total operating income, OpEx and D&A decreased by just under 13% at constant exchange rate as we managed to align our resources with lower demand and continued focus on what we could control, i.e. productivity.

We know that OpEx decreased this quarter at a slightly lower pace than the top line due to a bad debt provision amounting to €3.3 million. Besides that, variable OpEx evolved in line with revenue development, and we continue to benefit from improvement in variable labour management and productivity at Radial, where the variable contribution margin, the VCM improved once again. Compared to last year our VCM increased by more than 4% year over year and stands at its highest level in Q2, delivering an impact of more than \$9 million compared to last year.

Despite a reduced fixed cost coverage capacity due to ongoing top line pressure, our ability to align capacity and resources with demand, along with our focus on productivity gains, continues to play a key role in mitigating headwinds while we work on rebuilding the customer portfolio.

Moving on to Corporate segment on page 11.

External operating income decreased by €0.8 million year over year from lower building sales, in line with our annual guidance. Net OpEx after re invoicing and D&A slightly increased by €1.4 million, mainly following the impact of the two-salary indexation and stable overhead year over year. Adjusted EBIT therefore decreased by €2 million to -10 million, while as you could see, reported EBIT stood a -17 million, but including the M&A cost for €7 million in the quarter.

Then we move to the cash flow slide on page 12. The main items to flag are the following.

Cash flow from operating activities before change in working capital stood at €104 million and decreased by €17 million compared to last year, reflecting lower EBITDA, partially offset by lower corporate tax payments.

Change in working capital and provisions evolved in line with normal seasonality and only increase by €15 million from -149 to -€164 million.

The cash outflow from investment activities amounted to €25 million, reflecting CapEx discipline.

This item constitutes the main variation in our free cash flow.

The cash flow from operating activities amounted to 85 million, a decrease of €36 million compared to last year. This reflects a €54 million lower dividend payment in May, partially offset by higher lease liabilities outflows and the purchase of the remaining shares of IMX.

Before we get to the Q&A, I'm pleased to confirm the refinancing of our maturing syndicated RCF with our banks in late June. We have opted for a sustainability linked loan format based on three KPIs aligned with our ESG ambitions. The available facility now amounts to €400 million compared to €300 million previously, with a maturity date set for June 2029, and two one-year extension options.

We are now ready for your questions. Again, two questions each will allow everyone to get a chance to be addressed during the session. Operators, please open the lines.

Questions and Answers

Operator: Sure. Thank you. 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 Declercq from KBC Securities. The line is open now. Please go ahead.

Michiel Declercq (KBC Securities): Yes, hi. Thanks for taking my questions. The first question is a bit on the on the Radial US. I have the impression that that second quarter came in a bit below what you guided for the full year or that's the feeling that I have. I'm just wondering, how should we look at this from a comparable base? At the one hand, you said that volumes from existing customers are roughly in line with the trend, but have you seen additional customer losses in the second quarter? Just trying to understand how we should see the comparables for Q3 and Q4. And just maybe if this is something that you can comment about where you are with capacity or at how much capacity you are at your different centres. And then the second question is just a bit on the CapEx front, it seems like you're trending well below the 150 million target in the first half. It would imply quite a step up in the second. Is this still the plan or how should we see that? Thank you.

Philippe Dartienne: I start, you complement me? So on Radial US, I think it's in line with what we were expecting. As explained, in fact, if we look back what we have communicated to you in the last part of 2023 and the first quarter, we were seeing an enormous decrease in the Same Store Sales, and we could really see an evolution of our top line with that decrease of Same Store Sales. Now that Same Store Sales decrease we hope has bottomed down and we see a slight recovery. That was shown the chart where you see when you look at the result from UPS that they have slight positive steps on sale.

So in fact, we are also seeing that trend, but the impact that we are experiencing in Q2 and we already experienced in Q1 was the fact that we lost customers in 2023. And coming back to your question, have we seen additional loss of customers in the second quarter? The answer is

no. But now we are seeing the full year impact of these losses. This is really the explanation for the evolution of on the top line. Of course, as in the past, we have the ambition to capture new volumes. And, of course we have not stopped on that one.

So far our capability to add additional customers has been limited, and there are multiple reasons for it. So we are also implementing a new strategy in terms of customer portfolio, which is on one hand rebalancing towards a more balanced verticals. We are extremely exposed to fashion business, which is highly cyclical. We would like to move and add some additional verticals. That's one element of that redeployment customer portfolio strategy. The second one is also the size of the customers where we would like to go to more mid-sized market, "midsize" US size, it's still not the same. We're not talking about customers of one or €2 million as we could experience in Europe. By the way, there is nothing bad with one or €2 million contracts, but in the US, the size is bigger than that one.

So this is the evolution of the portfolio moving, adding verticals, going to customers which are less cyclical and also a different size of customers that is being implemented.

But as Chris already mentioned two or three times, and it was repeated when we gave the guidance in July, this takes time and the full effect of that we expect it to materialize around the peak period of 2025. Of course, it's not an overnight evolution. It will be built up gradually, but at this stage, we are not seeing... it takes time, it takes time again. It's not that we stay idle, but we are rebalancing that portfolio and gradually adding new customers.

On the capacity side, which is a very good question. Of course, our capacity utilization in the warehouse is also lower than what was in the past because we had some customers that left us and left, of course, empty space in the warehouses. And that's also the reason why we are moving the strategy in the customer portfolio more towards balanced portfolio of big customers, medium customers and small customers, by the way, very much the strategy that Staci has carried out since many years, meaning that in the future, of course, we hope to minimize the

churn in our customer but it's unavoidable, you always have churn, but when you have five, six or seven warehouse customers in one single warehouse, the impact of the departure of one is mathematically less important than if you have one warehouse dedicated to one customer. So this is really that rebalancing on the top line that also has or will have a favourable impact on the capacity utilization and hence the profitability improvements going forward. You want to add something on the US, Chris?

Chris Peeters: No, I think that exactly like Philippe says. So what you will see in the, let's say, near term results are our efforts to manage the cost and to manage the CapEx side. And the effect of new top line you will see in the onboarding that typically will happen after peak. So we don't expect too much additions anymore this year. So those additions people will wait until the peak period is over. And after the peak period, we will start the onboarding. And typically also an onboarding means that somebody moves his whole inventory towards our warehouse. So that takes also typically a couple of weeks before that is done and before we start to see the revenue stream. So you will see the first results, let's say probably initial signs in the Q2, Q3 next year. But really signs of that, if we have onboarded these clients and we handle the peak for them at the end of next year.

Philippe Dartienne: Third part to your question, which is relating to CapEx. So I got to state the obvious, but sometimes it's important to restate the obvious. The CapEx that we are seeing in the balance sheet right now is the result of this CapEx investment decision dating sometime six, 12, 18, 24 months ago. Because when you want to add capacity, one very good example is the additional capacity that we are currently building in our sorting centre in Charleroi has been decided 18 months ago and is being implemented. So this one will continue to be executed. We had ordered last year some trucks or even 18 months ago some trucks to be delivered before the peak season this year, they will be delivered. So it's the result of decision of the past.

Of course, now we look with Chris what is our forecast and our capacity demand evolution that we are really challenging to make sure that we do not add capacity ahead of having the customers. That will be reflected for future CapEx outflows. So this is one element, the second element in this CapEx forecast and guidance: it's the onboarding of new customers. And that, of course, this one, we see it immediately as a consequence of having onboarded less customers in the US, there is a direct impact on the CapEx spending where there the lead time is very short because when we onboard these type of customers, it's bins, it's racks, this kind of stuff which have a lead time which is around three to six months. So there is more correlation between the actual level of activity and the CapEx spent. Hope it answers your question.

Michiel Declercq: No. Very clear. Thank you.

Operator: Thank you. We will take the next question from line Amy Li from UBS. The line is open now. Please go ahead.

Amy Li (UBS): Hi. Thank you for taking my question. Maybe just a very quick one on the Asian volumes that you touched on that are arriving in Belgium, which are margin accretive to both your parcel and cross-border businesses. Can you maybe give some colour on how significant those volumes are in your network and what you're seeing in terms of the traction of Chinese e-tailers in the domestic markets, thank you.

Philippe Dartienne: So on that one. Thank you for your question. And indeed, we see an evolution of what is happening originating from China. So until now, we had the Asian platform, like the Temu, Shein, they were using consolidators, like [inaudible] who are bringing their volumes to Europe. In the past, this consolidators offered very good rates by combining volumes and offering access to postal network for contract deliveries. And there of course, we were very well positioned to capture these volumes not only for destination Belgium but also for using our postal licenses to inject volume in other than Belgium postal networks.

There is a change now in the market since these platforms have reached a critical mass and are also selling higher value goods, and they decided to bypass this consolidators and inject directly into European hubs or last mile carriers, some of them who could cover multiple countries like Colis Privé, GLS, PostNL and also others focusing on the national territories like us, which is with the brands of with bpost and Apple Express.

And by doing so, they also benefit from moving from untracked product to tracked product, which provides a better customer experience compared to the untracked deliveries. So in this configuration, the market for bpost has evolved. But we are of course continuing to capture the volume with destination Belgium or destination Canada, which is still our most profitable product. So long story short, impact on top line, but limited impact on EBIT.

Amy Li: Okay. Thank you very much.

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 Marco Limite from Barclays. The line is open now. Please go ahead.

Marco Limite (Barclays): Hi. Good morning. Thanks for taking my questions. I've got a couple of questions on the domestic Belgium unit. So we've seen a few postal operators in Europe negotiating with the authorities for improved USO conditions. I'm aware that, of course, bpost got a bit more flexibility in the past, but my question is are there discussions ongoing between bpost and the Belgian authorities on further, let's say cost savings or operational improvements opportunities going forward?

This is the first question and the second question still on the operating expenses side of the Belgium unit. About a year ago, you were quite vocal about the cost synergies you were achieving by creating the new Belgium unit, by merging the mail and parcel networks. To what extent do you think you have achieved all those cost saving synergies or opportunities? And to an extent, you think there is still more to achieve in the future? Thank you.

Philippe Dartienne: Okay, so Chris will take the first one.

Chris Peeters: Yes, so on the USO conditions we have a new negotiation that needs to lead to a new USO agreement with the government by 2027, meaning that actually, we still have some time left at this point of time. So in this place, we are only talking with the regulator directly on our tariff card. And so, the last one was recently approved in line with the new evolution around the press concession. So which was important for the periodicals. And so, that was approved recently.

Obviously, in the light of what we see happening everywhere, that discussion we are preparing for that we expect that we will have first discussions somewhere by mid next year into that direction. What is the new USO going to mean for us? Does it mean the way how that we organize it, the quality standards that we need to do, we still have in Belgium the D+1 delivery criteria for five days per week. And so, that is for sure one that will be under discussion. And so that is something that we are preparing for.

So far, we haven't, let's say, felt any pushback from the government on that side. Obviously. Of course, we have today a government in current affairs and we have a new government in formation, but also in the discussions that we have in the preparation of the new government agreement, we don't see yet a strong stance on that. I think that overall, I think that the Belgian government is quite happy with the overall service levels that we deliver and the cost at what we deliver that at this point of time.

So we think there will be more a discussion around how do we handle declining mail volumes and how do you remain efficient in that kind of environment. And that we have a very disruptive approach, at least what we expect at this point of time. Of course, once we enter into the negotiation, we will update you on what the specifics are that the government is seeking for.

Philippe Dartienne: So for your question about are we seeing the benefits of having brought mails and parcels together as opposed to a more regional organization in the past. I would say

we have seen some benefits of it and was already visible in the last quarter of 2024 [?]. We are still convinced that it's the best way to operate, but we have to recognize that the fact that we were in negotiation with unions about the price concession has put a temporary halt in the reorganization in the distribution network, where we have not been able to realize some savings, synergies, whatever you call it, that we were expecting. So I would say the Q1 and Q2 2023 [EDIT: 2024], I would not consider as a demonstration of the additional profitability that we could generate by having merged mail and parcels operations together. We intend to restart this reorganization starting September. And it will, as in the past, continue to yield FTE and then Euro savings going forward.

Marco Limite: Thank you. And just a quick follow up question. Are you in a position or willing to disclose, let's say, cost savings targets for the future or not really? Thank you.

Philippe Dartienne: But I think it's all, I mean, cost savings, I'm always very cautious about cost saving. What is important is to improve the profitability. The improvement of the profitability comes from managing your customer portfolio, managing the price mix that you are that you are having generating by your customer portfolio, which is still for me the first driver of improving the profitability. And then you try to drive efficiencies from cost cutting or optimization, if typically what you see what is happening in the US, the variable contribution margin is at its peak. It's good to have it but as you can see in the US, and it's applicable somewhere else as well, that can partially offset either decrease of the top line or a slow growth of the top line. So it cannot be considered on in isolation. It's really the combination of the two that we want to pursue. But of course, and again, if I want to come back on the example of the US, there is not only the variable contribution margin where you see the improvement, which is very you can observe it, you can see it in the numbers the new CEO that we have in the US. - Craig, who joined us six weeks ago - has already implemented a second wave of cost cutting measures. By the way, it has been announced yesterday and will be implemented in the coming

days with effect in 2024, but of course, full effect in 2025. This is one kind of measures that that he has taken. Also, in the US, we have negotiated transport rate and it's a big cost line into the P&L very favourable rate renegotiation that will have effect in 2024 and 2025. It doesn't mean that all these cost saving measures will remain in the balance sheet - sorry, in the P&L - it's also a way for us to be more cost effective and to be more... and improve our capability of signing new customers. So that's the reason why I'm always cautious about only speaking about the cost. It's more aligning and being efficient to be also in a position to sign more contracts in the future.

Marco Limite: Thank you. Clear.

Operator: Thank you. We will take the next question from Henk Slotboom from The Idea. The line is open now. Please go ahead.

Henk Slotboom (The Idea): Good morning, gentlemen. Thanks for taking my questions. I'm a [?] again, so I have four very brief questions, if I may. First of all, in the press release, it says that - Staci will contribute from this month onwards. And that you expect a contribution of around 8 to 9 million on average per month on an EBIT level. I assume that that excludes any potential synergy effects. So that's my first question. I don't expect that you will say anything about synergies until the next Capital Markets Day. So I will leave it with that.

Then secondly, on the provision for bad debts you took at Radial, perhaps you can elaborate a little bit about that and have clients gone bust or do they simply not pay or what exactly is happening?

Thirdly, I saw a document in my mailbox by the BIPT. I believe it was the day before yesterday. Where you need to register yourself if you provide Parcel services in in Belgium. Is there any news yet on the minimum compensation for subcontractors?

And the last question is, I saw that you've continued to expand the number of APMs in Belgium. Could you perhaps share with us what the percentage is of your parcels that is delivered via the out-of-home channel in Belgium? Those were my questions. Thank you.

Philippe Dartienne: Okay, I'll start with the very easy one to answer. And I leave Chris for the more difficult one. No, I'm kidding, because your question, the first one is really yes or no. So, Henk you are absolutely right. We are targeting an additional one to €8 million a bit per month starting from today, basically from Staci. This amount includes a very very limited amount of synergies at this stage because you need - it's not that we are not anticipating synergies. We are anticipating synergies both on the top line front, but also on the cost saving front of which the benefit that we could enjoy from combining and consolidating the volume on transport. But to put that in place, it takes time.

So first, so far until yesterday, we could not exchange for obvious reasons of competition antitrust, we could not exchange full condition on transport. And now it's available. And I can tell you that even if it's August and some of our team are on holiday, they will start working to try to identify these synergies that will be gradually implemented. But let's be transparent. It's not in 2024 that most of that potential, nor on the top line, nor on the cost synergies that will be materialized in 2024. And indeed, we will elaborate more on that one at the capital market day.

When it comes to the bad debt at the level of the US, it's just one customer, one single customer who went bust. I mean, I would say it's unfortunate, but it's part of a business life. Some come and some go. It's no more than that. It's just they went bankrupt.

Chris Peeters: Yes. Then on the BIPT, so that law has been now approved for implementation. And indeed, it means that people that do home delivery parcels will have to apply that law. Of course, this has no impact on the activities of bpost because bpost was already operating according to that law. So there's no change for us. And of course, we have not yet full visibility.

If there would be an impact on the pricing point that certain of our competitors would have, that is something that we will see when they have to implement that law.

On the side on the out of home delivery, what we clearly see is Belgium is a market that is still fairly immature compared to other markets. So we still have a more than 80% of volume that is actually delivered at the door at this point of time. So that is something what we expect that will actually very quickly change in the coming years. Still, in the volume that is not delivered at the door, you see that the majority of that volume today is delivered in manned PUDO points. So meaning that we have the parcel points and the postal points, and of course our own postal network where those parcels can be delivered. That is where the majority of the out of home delivery is today. There is some volume today already in the APMs. And we see, I mean, you can also follow that quite easily, you see almost daily that we open new APMs somewhere in the country. So we're building up that network as we speak, and we expect that there will be an acceleration of volume going through that, and that we will probably align in the next two, three years with what we see in our neighbouring markets, where more or less the volume is double compared today for the out-of-home delivery in a combination of manned and APM delivery that we will have. We don't expect that the pickup will be, let's say, faster than that. So you see of course, that in Eastern Europe you have pickups that go to 50% and beyond almost if you look at the Polish market or if you look at the Baltic states, there's a high pickup of out of home delivery. That is something that we expect more for the end of the decade, more than that we see in the coming two or three years, because also in those markets, it has taken time to build it up because it is a change in the behaviour that you see at the consumer level. But so, from our side, in our strategic plans that were partially approved already yesterday, and where we will make quite some announcement at the capital market day around that there's clearly a part of out of home delivery that we're focusing on in the coming years.

Henk Slotboom: Okay. Thank you very much.

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

Chris Peeters: Okay, so if there are no further questions, then we would like to thank everybody for the call and for taking the time to be with us. And for your interesting questions, we will hear from you at the conference. We will be going to attend in London in September. We look forward to staying in touch. And as a reminder, our third quarter results will be released on November 8th. For those who have not been on holiday yet, I wish you happy holidays. Thank you very much and have a nice day.

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

[END OF TRANSCRIPT]