4th Quarter 2024 Results

Conference call transcript

Brussels – February, 28th 2025
Chris Peeters, Group CEO
Philippe Dartienne, Group CFO

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PRESENTATION

Operator: Ladies and gentlemen, hello and welcome to the bpostgroup Fourth Quarter 2024 Analyst Call. My name is Ben, and I will 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-mode only. However, you will have the 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 question. If you require assistance at any point, please press star zero and you will be connected to an operator.

I will now hand over to your host, Mr Chris Peeters, CEO of bpostgroup. Please go ahead, sir.

Chris Peeters: Good morning, ladies and gentlemen. Welcome to all of you and thank you for joining us. Today, I will be presenting our fourth quarter and full year 2024 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 will then take your questions. As always, two questions each would ensure everyone gets the chance to be addressed in the upcoming hour.

Let's get to the highlights of the full year result, and Philippe will then walk you through our fourth quarter ’24 results.

On page three, you can see that bpostgroup delivered results in line with its full year guidance. With total operating income exceeding €4.3 billion, our Group's adjusted EBIT reached €224.9 million, representing a margin of 5.2% - at the upper end of the €205 million to €230 million guidance reaffirmed in November with our third quarter results.

Our overall performance reflects the strong contribution of Staci. We are pleased with Staci's performance over the past five months, delivering approximately €340 million in revenues and €41 million in EBIT, corresponding to an EBIT margin of 12%, ranking among the highest in the logistics industry. This solid performance aligns with our expectations despite a seasonally softer start in August.

However, when excluding Staci strategic contribution and looking at performance on a like-for-like basis, the overall picture is different. Revenues declined approximately €270 million, driven mainly by two key factors: a reduction of €50 million in Press revenues, following the new Press contracts that took effect after the end of the Press concession on 30th June, and a decline of more than €210 million in Radial US revenues impacted by a softer US market environment, with lower market volumes and increased competition among 3PL providers.

Despite these pressures, domestic parcel volume continued to grow, delivering a solid performance in 2024 with an increase of more than €30 million in revenue. However, this has, of course, remained insufficient to offset the top line decline.

Profitability was also impacted, with EBIT declining by approximately €65 million year-over-year. In Belgium, EBIT decreased by €45 million, with €33 million of this decline in the second half of the year, primarily due to the Press impact mentioned earlier, and the North America top line pressure at Radial and Landmark was partly offset by Radial's strong productivity gains helping to mitigate the impact.

Also, in these adverse market conditions in the US, we have recently learned of the departure of several customers, some of whom are significant in size and have a material impact on Radial's top line going forward. We therefore had to reflect the departure of these customers in our future growth projections, as well as the challenging market conditions translating into lower sales from existing clients and a more cautious outlook regarding the contribution of future customers. This led us to recognise an impairment of €300 million on Radial US, bringing the book value from €912 million to €612 million.

Consequently, our reported Group net result stands at minus €209 million, and based on this, the Board of Directors will recommend to the general meeting in May not to distribute a dividend this year.

Before handing over to Philippe for the fourth quarter results, I'd like to take a moment to reflect on our key strategic priorities of 2024 and how they shape our transformation journey.

2024 was my first full year in the company, I arrived in November 2023. I discovered very quickly a great deal of capabilities and expertise within bpostgroup. bpostgroup and bpost in Belgium suffered from an identity crisis. We are international but not global. We still have a lot of postal products, but we are no longer a postal company.

2024 was about accepting our new identity, integrating its consequences, and from this, building a strategic vision for the future. We built synergies throughout the Group and leverage our capabilities to create a better service offering to all our clients, whether they are operational in Europe, North America or Asia. We no longer pursue big clients with big volumes to simply fill up our warehouses. We still cherish our big clients, but we want to become less vulnerable. That's why we now focus on SMEs. We focus on diversified verticals, and we want to fill our warehouses with multiple clients. We want to create value for our clients. We have a range of capabilities. Combined, we can create a broad range of solutions which would be almost impossible for the client to recreate by themselves.

In 2024, we laid the foundation for this big shift in 2025. bpost becomes a digital expert in parcel size logistics, operational in two regions, North America and Europe.

And what has then changed for the Group since then?

So what you can see here is that we launched our strategic vision to become this regional digital expert in parcel size logistics, and therefore, we have now organised the company around three dedicated business units that each strengthen the Group and also can become really leaders in the respective sectors that they are present.

We also leveraged the capabilities across the Group to make sure that we can bring good solutions to our clients, and we diversify our portfolio with clients in the B2B space. And the Staci acquisition, as you can see in the figures, was very successful. We're integrating it today. It's on track. Also in terms of the synergy creation, we're fully on track for this.

Meanwhile, we have developed a transformation roadmap. We have launched several pilots, meanwhile, and we will be ready to scale some of them later down the year. We have again engaged in investing in some of our mail products so that we can prolong their lifetime going forward.

If we then zoom into the different BUs that we have.

At the 3PL side, looking at North America, there, the focus is that we shift the portfolio to ensure that it's more diversified and less dependent on enterprise clients, of which you also have seen that one of those risks was materialised and led to the impairment. The strategy is still the same as the one that we discussed last year. We will have an intensified focus to realise that. Don't forget that meanwhile, we also drastically reduced the cost and continue to reduce the cost structure and the efficiency of our operation over there, and we have launched a new offering specifically focused on mid-sized companies, which is called Radial Fast Track that we are piloting as we speak with our first clients in the US. Meanwhile, as well, synergies between Staci Americas and Radial have been realised or are on the way of being realised in the coming months.

If you look at the European side, the integration between Staci, Active Ants and Radial Europe is on track, meaning that meanwhile they are already exchanging clients, bringing to those clients the best of capabilities we have into the Group, and also ensuring that we have a higher fill rate of our different warehouses.

If we then zoom into BeNe Last Mile, there, we need to accelerate, of course, from a company which is mainly a postal company in its DNA, towards a parcel size logistic operator. For that, we are now exploring new market segments that could create a new trajectory of growth. We don't limit ourselves to the B2C segment. We continue to focus on that and we continue to focus on postal. But we add to that the B2B segment and the C2C segment. And as said before, we launched several pilots in this area which look very promising and some of them will be scaled in the second half of this year. Also, we extend our out-of-home delivery network. We have already a strong PUDO network, but we will increase it also with automatic parcel machines and lockers so that we can create full convenience whatever the client need is at that moment.

Then we have, of course, as well evolved the press concession towards a press contract in the distribution model, which is on its full way. And that transformation is also happening today in Flanders, and we are preparing to do the same in the South in the coming years. Also, we have modernised some of our mail products, making them more convenient for the clients so that we can count on an extension of their lifetime going forward.

On the cross-border side, we have further integrated activities of the other business units into the service offering that we have so that we have a complete end-to-end service offering. And of course, we further defend our lanes, meaning that also there we have a higher focus on mid-sized clients. And also we are actively looking at a couple of additional inbound lanes that we can develop in the coming years.

From here, I will then hand over to Philippe, who will lead us through the results.

Philippe Dartienne: Thank you, Chris, and good morning to all of you. As you can see on the highlights on page five, our Group operating income for Q4 stood at €1,335 million, an increase year-over-year by close to 10%. At constant perimeter, excluding the €240 million

consolidation impact of Staci, our operating income decreased by 8% or €96 million, mainly due to ongoing pressures in North America, lower Press revenue tied to the new press concession started on 1st July, while on the other end, domestic mail remained resilient, with less than 3% decline in revenue and our domestic parcel revenue grew by more than 7%.
Our Group adjusted EBIT stood at €84 million, with a margin of 6.3%, or at €57.6 million, when excluding the €26.4 million EBIT contribution of Staci. On a like-for-like basis, this represents a decline of €16.5 million compared to last year. In line with Q3, and as Chris had just explained for the full year, the decline is mainly attributable to Press, where the lower revenue have a direct impact on EBIT, and to a lesser extent, to North America, where our peak management and our productivity gains helped attenuate the top line pressures.

Before diving into the financial performance of our business units, you will note on slide six that our reported EBIT amounted to a negative €222 million, which mainly reflects the €300 million impairment loss on Radial, as mentioned by Chris.

Let's move now to the details of our three segments. I'm on page seven with the Last Mile segment.

We see that revenues declined by €24 million to €591 million. In line with Q3, Domestic Mail recorded close to €28 million decline in revenues, of which €21 million are coming from Press, mainly due to the new contracts with the editors following the end of the press concession on 30th June. Excluding Press, mail recorded an underlying volume decline of 8.1% for the quarter, with a good resilience in advertising mail, thanks to our commercial efforts and contribution of new customers.
The decline in mail volume led to a revenue impact of minus €19.2 million overall. Though, this was partially offset by a positive price and mix impact of plus 5.3% or plus €12.6 million. As a

result, the Domestic Mail revenue decline was limited to under 3% or roughly minus 7 million year-over-year.

Parcels Belgium recorded in Q4, an increase of €10.7 million in revenue, or plus 7.4%. Parcel volume grew by 6.9% year-over-year, following 8.7% in Q3 and marking a strong uptick compared to the plus 2.9% and plus 2.5% growth in Q1 and Q2, respectively.

The strong volume growth was driven by significant contribution of major marketplaces within our customers portfolio, and their strong outperformance relative to overall market growth. This brings our full year 2024 volume growth to plus 5.3% despite ongoing challenging market conditions, including negative Consumer Confidence Index in ’24, with further deterioration in the fourth quarter and inflation in Belgium still exceeding 3% and facing continued upward pressure.

As our volume growth was mainly driven by large customers, the price mix only improved by plus 0.6% in Q4.

Proximity and convenience retail network revenue decreased by €4 million, with lower banking revenues offsetting the indexation of the Management Contract. And revenues from Value-Added Services remained operationally stable. However, this was offset by the repricing of State services, which is now accounted for within Value-Added Services instead of in Other revenue as in the previous year. This is the last time we will have this restatement impact, and from next quarter onwards, we will have again a clear view of the performance without this reclassification impact.

Our Personalised Logistic revenue at Dyna remained nearly stable in the quarter, supported in the mix by a recovery of both one man and two men delivery.

Let's move now to the P&L of Last Mile on page eight.

In our Intersegment and other revenue besides the restatement impact of repricing of the State services, I've just explained, we have on that line some higher intersegment revenue from inbound cross-border volumes handled in the domestic network from the cross-border segment.

Altogether, this brings our total operating income down by 3.6% or minus €23 million.

On the cost side, our OPEX, including D&A, slightly decreased by 1.9% or €11 million. Mainly driven by, on one hand, some high salary costs, as our cost per FTE increased by 3.4% year-over-year following the impact of two salary indexations in December 2023 and June 2024, while FTEs slightly decreased despite higher parcels volume. And on the other hand, lower cost of sales and lower D&A.

To summarise, our adjusted EBIT declined by €11.5 million year-over-year, mainly due to a drop in price revenue, while the resilient main revenue and the solid parcel volume growth could not fully compensate the increased payroll cost driven by inflation.

Moving on to 3PL on page nine.

3PL revenues increased by €151 million, but declined by €62 million, or minus 15%, while excluding the €240 million contribution from Staci’s consolidation in the quarter.

In 3PL Europe, at constant perimeter, Radial and Active Ants sales were up 14.6% year-over-year, continuing the trend of previous quarters. This growth was fuelled by customers onboarding as part of our international expansion efforts, and upselling activities targeting existing customers.

In 3PL North America, revenue decreased by €69 million. At constant exchange rate, this corresponds to a decrease of 20%, in line with previous quarters, as the lower sales from existing customers and the in-year contribution of new customer wins cannot compensate the client churn we announced last year in the context of economic softness and market overcapacity.

Let's move to the P&L of 3PL on slide 10.

Excluding Staci, while the operating income decreased by 14.9%, our operating expenses and D&A decreased by 15.3%, primarily driven by lower variable OPEX in line with Radial US revenue trend and a sustained improvement of Radial US variable contribution margin rate. Our VCM has increased by around 5.5% year-over-year, reaching a record high in peak periods and delivering an impact of around $18 million compared to last year. Year-to-date this corresponds to a cumulative efficiency gain of more than €45 million.

These efficiency gains help alleviate the top line pressures of minus €62 million, and we see that at constant perimeter, we managed to protect our adjusted EBIT with a limited EBIT decline of €1.3 million, bringing it down to €20.2 million.

In terms of reported EBIT, we see that the €300 million impact relating to the impairment on Radial US brings the book value from €912 million to €612 million.
Regarding Staci, the EBIT contribution totalled €26.4 million with a margin of 12.3%, clearly highlighting the strategic importance of the acquisition to the Group's performance.

Before moving on to our cross-border activities, I would like to take a moment to review the performance of Staci and Radial US.
On one hand, Staci has only been consolidated within the Group for five months, and we want to provide you with more perspective on its full year performance. On the other hand, Radial

US has faced topline pressure over the past two years, but I would like to take a step back and put it into perspective the impact of the protective measures that we have implemented.

Let's start with Staci on slide 11.

In the first graph, we illustrate three years of revenue progression from ’23 to ’25 with a CAGR of approximately 3% to 5%. This is fully in line with our plan, despite a slight slowdown in ’24, when Staci was still focused on its sale process until August, as well as some deceleration during the integration phase of their acquisition in the US, where the growth trajectory now seems to be back on track.

Looking forward, beyond ’25, we anticipate a gradual acceleration in growth reaching to its full potential in 2027. This will be driven by cross-selling opportunities between Staci, Radial Europe and Active Ants, and also other parts of the Group, leveraging the complementary offer with B2C, e-commerce logistics, and B2B offering as well as our geographical footprint.

Also in this graph, we see the EBITDA margin under French GAAP, pre-IFRS 16, so excluding the leasing impact. Given Staci local accounting framework, this is the only common metric that will allow us to benchmark several years of performance before and after the acquisition by bpost, as we report under IFRS.

We observed that the margin was around 12.5% in 2023, and after a slight decline in ’24 linked to the transition phase I just mentioned, we expect margin improvement towards up to 13% in 2025. To benchmark, this is in an IFRS framework that we are familiar with, the second graph shows that this local GAAP EBITDA margin translate into IFRS EBITDA margin of nearly 20% for the five months consolidated in our IFRS account, which outperforms, as Chris mentioned it already, industry margin in logistics industry.

In terms of CAPEX intensity, we're around 2% to 2.5% of revenues.

Finally, it's also worth noticing that part of the rationale behind this acquisition was to unlock value creation at Radial Europe and Active Ants by leveraging Staci's management expertise and bpost's competencies in e-commerce logistics. We see strong potential for both growth and profitability in this area as well.

Now turning to Radial US on page 12.

For several quarters now, we are delivering the same message. We are experiencing revenue pressure and we are working on productivity improvements to mitigate the impact on EBITDA and EBIT as much as possible. Taking a step back and looking at several years of data, this is exactly what the following graph illustrates.

We can see a continuous improvement in IFRS EBITDA margin increasing by 9% from 3.1% five years ago to 12.1% in 2024. And despite a $390 million revenue decline equivalent to 28% over two years, EBITDA has only decreased by $12 million, thanks to a strong focus on cost management and productivity enhancements.

As Chris just mentioned, the recent customer departures we have learned recently will put additional pressure on revenues in '25. And despite our commercial redeployment effort targeted to midsized customers in diversified verticals, we will not be able to reverse the trend in the short-term. Now, our focus is not on size, but on profitability and resilience of our portfolio.

To put this in perspective, with the 3PL US market, some industry reports indicate that the market contracted by approximately minus 20% to 25% in '23. Our case is therefore not an isolated one. Additionally, other sources project a growth toward 2030 with a high single-digit figure. We are therefore convinced that we will emerge from this downturn better equipped, thanks to efficiency improvement and a more robust and rebalanced customer portfolio.

Finally, in terms of CAPEX, we see that compared to Staci, Radial US has a higher CAPEX intensity of around 4% to 5% of revenue. Over the coming years, we will work towards bringing this down to the range of 3% to 4%, while continuing to refine the profile of our customer portfolio.

Moving on now to our cross-border business on page 13.

Cross-border Europe revenue rose by €2.4 million, or plus 2.4%. This growth was driven by increased volume from China to Belgium, our expansion efforts in Europe, and improving market conditions in UK. This was nevertheless partially offset by Asian consolidators shifting away from untracked services, where we are well positioned.

Similar to previous quarters, our top line in North America remains under pressure. Cross-border North America revenue declined by €15.3 million, or minus 18%, as Landmark Global reported its eighth consecutive quarter of year-over-year revenue decline and continued to face commercial headwinds. However, this was partially mitigated in the quarter by strong peak volume growth, further boosted by a volume transfer during Canada Post strike.

Overall, our global cross-border operating income decreased by €13 million, or 7% year-over-year.

As shown on page 14, our OPEX and D&A decreased at the same time by 5.8%, reflecting lower volume-driven transportation costs, reflecting lower North American volume alongside higher volume shipped to Belgium, which has a positive impact in terms of mix, and slightly higher salary cost tied to the ramp up of our international activities, inflationary pressures and to some extent the absorption of unexpected peak volume tied to Canada Post strike.

Overall, from a profitability standpoint, the €4 million EBIT decline and year-over-year margin dilution reflects ongoing challenges at Landmark US.

Moving on to the corporate segment on page 15.

Both the external operating income and the net OPEX and D&A remain stable, despite higher FTE and inflationary pressures resulting from two salary indexations. Adjusted EBIT therefore remained stable at around minus €10 million.

Then let's move to the cash flow on slide 16.

The main items to flag here are the following.

Cash flow from operating activities before changes in working capital stood at €160 million and increased by €37.5 million versus last year, mainly reflecting higher EBITDA generation. Change in working capital and provision stood at plus €96 million. This variation primarily stems from a shift in accounts receivable due to the termination of the press concession, which was typically settled in the following year and was still recorded on the balance sheet last year. The net cash outflow from investing activities totalled €63 million, with CAPEX reaching €64 million for the quarter. On a full year basis, CAPEX amounted to €147 million, aligning with our €150 million guidance. This guidance has been tightened by €30 million from our initial outlook, reflecting the financial discipline amid unfavourable market conditions.

This item constitutes the main evolution of our free cash flow, and on the net cash outflow from financing activities amounted to minus €75 million, an improvement of €126 million year-over-year, driven by the repayment of our term loan in December last year and higher payment related to lease liabilities in 2024.

Chris, this brings us to the strategic priorities of 2025.

Chris Peeters: Thank you, Philippe. As you can see, we faced in the early part of the year a couple of important challenges. First of all, there was in the context of the social unrest in Belgium, mainly driven by an overall social climate with the new government, we had a strike that impacted the company to some extent. And secondly, of course, the churn of a few clients in US of which one enterprise size client made as well an impact and led to the impairment.

That being said, I think that we have also many positive elements that also reinforce for us the confidence that we have developed last year the right strategy, a strategy that is focused on creating more resilience in our portfolio, and also to be focused again and reconnect to growth of this company and profitable growth going forward.

And for that, we are now convinced that 2025 will be a year where we will accelerate that transformation of the company to ensure that we have that.

What are the highlights that we already have seen this year?

First of all, Staci has been, for us, a real good acquisition that we've done, both on the side of the speed that we do today, the integration with the rest of the business, but also in their organic business we see a very good conversion of their sales pipeline in the early months of this year, which makes us very optimistic about the further forecast of this company.

Second, we have had the best peak ever. We focused last year on creating more resilience in peak performance end of year, both in North America and in Belgium. We've seen that we have treated much higher volumes at high quality. So we see that operationally, this company is fit to do the things that they need to do. So we're very enthusiastic about that.

And lastly, we launched a couple of pilots, some of them that are now in the evaluation stage. There we see as well very promising elements that make us believe that the transversal capabilities that we have can lead to solutions that are value adding to our clients and also, of course, value adding to the Group. That's where we want to focus the growth of the company.

In that perspective, we also will take a couple of steps now to reinforce the Group. First of all, we will integrate the bpostgroup management with the bpost Belgium management, meaning as well that I myself will take the bpost Belgium CEO position as of May to have even a more strengthened focus on the transformation of this company, because of course, an important part of the bpostgroup transformation will be situated in Belgium and it's important that we put sufficient effort. Also, there will be ExCo members being focused fully on the operations in Belgium and on the commercial success within Belgium, and we really look forward to accelerate with that transformation.

Secondly, we had an interim CEO, Craig Simon, in US, who did an excellent job in managing the company and helping us to further increase efficiency in that company. Of course, on a portfolio that is still in transition, but we're happy to announce that Thomas Schmitt will join the company as of 17th March, and after a transition period between Craig and Thomas, he will take the helm in Radial US, also accelerating there the increase of resilience in the portfolio and the shift towards the mid-market.

If we then zoom in on the different businesses that we have. So within the 3PL, we launched a new organisation that fully integrates now Staci with Radial Europe and Active Ants. And there we see a lot of capabilities that complement each other. And so we can now offer even more adequate solutions to our clients using the best of capabilities to bring to those clients.

Secondly, we also ensure now that we have those same methodologies that Staci has in building up a profitable, resilient client base that is multi-client on a warehouse, that is a capability that we're bringing in on the other side, ensuring that we have the same resilience on our different warehouses.

North America, as said, we will soon onboard our new CEO, and also there we will accelerate with Radial Fast Track the onboarding of mid-sized clients. It will take some time. As we have said already six months ago, we have a portfolio which still has vulnerabilities towards enterprise size clients that will move over time. But what we see is actually that with the progress over the coming months, we will see that this risk is going down and that those clients are complemented more and more with smaller size clients that give us less vulnerability on that market.

In the BeNe Last Mile, as said, we will reinforce the leadership in that organisation. We will have a strong CEO focused on the transformational task that we have within our operations. We will also have a CCO dedicated to that, and I will myself take over from Jos Donvil in the month of May to ensure also that the transformation is driven through in that organisation.

We continue to launch pilots, pilots that integrate the full capability, also including the capabilities of the other BUs, to ensure that we have a strong offering towards the segments that we don't serve yet, the B2B and the C2C segment. And also we triple our capacity in lockers to ensure also that we have a 24/7 offering for all our clients.

Then finally, for the retail network, we are in preparation of the eighth management agreement to ensure that we have a good offering that we can negotiate with the government in the second half of this year.

On the cross-border side, we also will focus on more mid-sized clients in the existing lanes to ensure that we can combine our cross-border offering with the last mile areas that we have. So both in Belgium and in Canada, we have a last mile offering, and we see that that is a very attractive offering for our client. And second thing, what we do is we combine the cross-border activity with 3PL activities. And there we have products like for instance, launch in new markets of certain oversupply. We have today people that use our 3PL capabilities in a certain market. And then ask us that in a startup of a new market that we help them with cross-border to bring the parcels to this market and ensure that they can start before they investing in real 3PL capabilities in that new market.

And finally, of course, we will of course, open new lanes. We are opening, as we speak, new lanes that also are supported by the Staci presence in certain countries in the south of Europe.

So we look forward to a year of transformation. A lot of things will happen in the coming year. You have seen in the figures that we're not yet fully there, but on the other hand, that we're on the right track and that we look forward, that this year will prove that we are on the right track and that we will make big steps towards a parcel sized logistics leader in the European and North American market.

I give now the word back to Philippe so that he can give us the outlook for 2025.

Philippe Dartienne: Thank you, Chris. You have heard that transformation is a complex and lengthy process, and we cannot expect immediate results.
From a financial perspective, 2025 will be a challenging year. While our transformation is well underway, we are also facing external headwinds, both anticipated and unexpected, over which we have varying degrees of controls and whose impact we can only mitigate to a certain extent. However, this must not distract us from our objective. We remain resilient and stay the course.

The contribution of Staci, one of the first visible positive effect of our transformation, will help us navigate the challenges ahead. In Belgium, where we are managing the disruption caused by the end of the press concession in 2024, and more globally, the necessary reorganisation in response to mail and parcels volume trends and evolving customer needs. In North America, where with a difficult market environment, we are also dealing with the unexpected loss of enterprise customers that we will address with the implementation of additional cost cutting measures and rebalancing our customer portfolio.

While the Group total operating income is expected to grow by high single-digit percentage, the Group adjusted EBIT in '25 is expected to range between €150 million to €180 million, a decrease of €45 million to €75 million year-over-year, despite the full year contribution of Staci.

For the Last Mile segment, we expect a slight decline in total operating income, reflecting a further €55 million reduction in press revenues due to the new press contract that replaced the press concession as of 1st July (as a result, the year-over-year decline is expected to be more pronounced in the first half of the year before normalisation from July 2025 onwards), lower mail revenue from transactional and advertising, driven by a structural mail volume decline of between 7% to 9%, only partially offset by price mix impact of between 4% to 5%. While the price increases are intended to offset some of the volume decline and inflationary pressures, they can only partially mitigate these combined impacts. While on the other hand, partial revenues are expected to grow, benefiting from an underlying volume growth in the mid to high single-digit range, complemented by a low single-digit price mix improvement.

However, it's important to emphasise that this does not account for any direct or indirect commercial impact of the strike we face in February, as Chris mentioned it, since it's still too early to quantify them. As a reminder, in response to our planned reorganisation of delivery rounds, aiming at aligning with evolving mail and parcel volume, our postal workers went on strike. What began on 5th February with a few localised distribution centres gradually escalated, spreading in Wallonia to other distribution centres and ultimately leading to the shutdown of three of our five national sorting centres. The strike only ended last Wednesday evening on 19th February. During this period, some parcels volumes were redirected to competition, which beyond this direct impact, could have a long-term consequences if they do not return totally or even partially to bpost. We have now cleared the majority of the backlog accumulated during the strikes and are very closely with our teams working to restore service quality and rebuild customer trust.

Adjusted EBIT margin is expected to range between 2% to 3%.

Beyond the impact of structural mail decline, this reflects margin erosion from the new press contracts. As we mentioned last July, while the gradual transfer of volumes to AMP is expected to align margins more closely with those under the Press concession, in the early stages we could not absorb the impact of lower press revenue on EBIT.

The impact of two additional salary indexation of 2% each, depending on the timing of the second indexation later in this year, this currently represent an estimated cost increase of more than €30 million.

The third element is delays in planned reorganisation due to the strikes affecting our efficiency improvement targets.

These headwinds highlight the urgent need to move forward with our reorganisation efforts in Belgium.

For the third-party logistics segment, we expect revenue growth of between 20% to 25% in ’25, primarily driven by the full year contribution of Staci, compared to only five months in 2024.

On a pro forma basis, Staci is expected to grow by a mid-single-digit percentage in 2025.

While our European e-commerce logistics activities are expected to remain on their growth trajectory, we anticipate a net revenue decline at Radial US. This reflects the impact of recent enterprise customer losses which we have just been informed of, and the contribution from new mid-market customers, which is not yet sufficient to offset those losses.

From an EBIT margin perspective, we expect a range of 4% to 6% for the segment. Staci’s margin is projected to be between 10% and 12%. At Radial, we will continue to accelerate productivity gains, building on the strong progress we made over the past quarters, and will further reinforce this with additional cost reduction measures to help mitigate the impact of top line pressure.

At Cross-border, we anticipate a mid-single-digit organic revenue growth, driven by a gradual top line recovery at Landmark US supported by customer wins, as well as continued growth in Europe and Asia, with notably the expansion of new lanes.

The EBIT margin is expected to remain in the 11% to 13% range, reflecting slight dilution due to a shift of product mix with higher commercial revenue and lower postal revenue.

It's important to highlight that our guidance does not yet account for any potential impact from the US tariffs on Canada, announced on 4th February. The scope and their potential effects are still uncertain, and their implementation is currently on hold as negotiations are still ongoing.

At the Corporate level, we anticipate higher payroll costs due to two salary indexation in Belgium compounded by an increase of FTEs and higher operating expense to support our transformation initiatives.

Finally, we can expect our gross CAPEX to be around €180 million. Growth CAPEX remains a key priority to build our future, especially in the context of our transformation. However, given the current challenges, we will deploy growth CAPEX as in the past with strict financial discipline and prudence.

We are gaining the necessary perspective on the operational, strategic and financial implications of the recent events. We will reflect them in our projection and plan to hold a Capital Markets Day beginning of June this year, to present our strategy and financial trajectory in more detail.

We are now ready to take your question. Again, two question each will allow gets the chance for everyone to be addressed in the coming 30 minutes. Operator, please open the line.

Questions and Answers

Operator: Ladies and gentlemen, as a reminder, if you would like to ask a question or make a contribution on today's call, please press star one now on your telephone keypad. And to withdraw your question, it's star two. Also, ensure your line remains unmuted locally. You will be advised when to ask your question, when to speak. The first question comes from the line of Michiel Declercq calling from KBCS. Please go ahead.

Michiel Declercq (KBC Securities): Yes. Hi. Thanks for taking my questions. The first question would be on the BeNe Last Mile. I'm just trying to understand the guidance a bit more there. If I take the midpoint of your EBIT guidance and assume some revenue declines there, there is quite a big step down in the absolute adjusted EBIT of around €70 million, €80 million, according to my calculations. I understand, of course, that there is a bit of an impact from the press, I would assume €30 million as what you have seen this year as well. But this still leaves a big gap, especially given that you also will likely have some tailwind from the reversal of the strike impacts last year, as the strikes from this year are not yet included. So this all seems a bit like an acceleration in the profitability decline. I'm just wondering what is driving this acceleration?

And maybe can you also elaborate a bit on what your current estimate would be on the strike impact in Belgium for this year? Last year we had €11 million, but this year it takes a bit longer. So I think the impact will be a bit higher. Yeah, just looking forward towards, let's say, 2026 with mail volumes further decreasing, have we come at a bit of a tipping point? What measures are you are you taking there? That would be my first question.

And just on the third-party logistics, if I look at your outlook and the growth forecast for Staci, I would assume that based on some maths that you expect Radial US again to decline by at least mid-teen levels. I'm just wondering, is this roughly a correct assumption?

And if you can talk a bit more about the loss of these big customers and which were unexpected, of course. Maybe also on the customer wins of SMEs, is that going a bit as planned or is that also lagging? Those would be my questions please.

Philippe Dartienne: I start and you complement. On BeNe Last Mile, indeed, what we expect in 2025 is, again, an impact of the press concession. Also keep in mind that we are transitioning from one model to another model, and there is always a lag between the moment we see the decrease in volume and the reorganisation, the alignment of the cost structure that we could apply. There is always a lag. And this will still heavily weigh on the profitability in BeNe Last Mile.

The mail will continue to decrease not only in terms of natural trend, but also the price-mix is only 4% to 5%, so the net of the two will be negative. While we had in certain previous years an offset from the price to the volume decrease, we will not expect that one.

On parcels, the underlying volume are expected, of course, to increase. No discussion on that one. And it's indeed, as you rightly pointed out, it does not include the impact of the strike. I want to come back on the amount that you mentioned of €11 million in 2024. Just want to remind that these €11 million were referring to a four-day strike. We are in a totally different scenario right now.

And what is really important to keep in mind, there is not only the volumes that you have lost during the strike, meaning that they have been redirected to our competitors. But there is or there might be a mid- to long-term impact in the sense that at which speed these customers will come back either totally or partially. And then it's really too early to assess it.

If you allow me, I would not make a quick computation saying 11 for four days and you would multiply it for the number of days that we were in strike this year because it's by far more complex this time, since they might have more impact on the mid-term on customers.

The question on ’26 for mail. We do not expect a slowdown in mail decrease. The trend should be the same. Nevertheless, as Chris mentioned it, we are investing to rejuvenate or to add functionalities to the mail product that remains a very profitable product, adjusting also ourselves to the customer needs. That should also partially help reducing the speed of the decrease.

When it comes to your question on 3PL, yes, we expect a decrease of the topline of Radial in the US. It would be more than what you were expecting. We would be more in the 10% to 20% range. I think I covered most of it.

Chris Peeters: Maybe a couple of things. On your tipping point in mail, I think it's at this point, still a bit too early. We, of course, are preparing for a new USO discussion with the government going forward. That being said, today we still see that mail, although the decline, remains for us a profitable activity, that's also why you see that certain specific products where we see also that profitability, which is good, that we do some level of defence that will not say that we're naive, that they will not decline, but that we can slow down the decline to some extent. And of course, obviously now we have an operational model which is dense, non-dense, and we think that this is still profitable until the end of the current USO. Now we are doing the reflections on what would it mean in terms of USO definitions going forward in case that the decline is continued as it said. And likely that is the case, of course, as we see that the same is happening with other postal operators.

Then may be on the side of Radial on what has happened there. We can of course not mention client names, but it is the vulnerability that we have discussed last year. We said that Radial in the COVID period has taken on board at that moment a low capacity market, a number of enterprise sized clients, which in the moment that churn actually create for us a cost that we, on the one hand operationally very good are in reducing, but there are a couple of fixed costs that we cannot reduce that fast. That is part of the portfolio that we have over there.

And so we can just mention that one of those enterprise clients that used us as a swing capacity just recently stopped its operation or will stop its operation with us. And so that has the impact, and that led to the impairment combined with some less relevant clients compared to this situation.

Therefore, we are convinced that this transformation that we're doing in the US, which is a transformation towards a multi-client sites where we operate for mid-sized clients is really the right one. Over the last year, we have worked on a operational model that works. We also have worked on a tech stack. We are piloting it as we speak, so we have signed up a number of clients that do the pilots together with us. These are new clients with who we are doing this. And also we have actually a very extensive client pipeline of potential clients that could be signed up.

But this is of course, something that will be accelerated at the moment that we see that our operational model and our tech stack is doing what it should do and is creating the value that we're looking for, and then we will, of course, full force focus on that; in a market where, of course, the change of the president can play in our advantage or disadvantage, something also that we have something that we will have to look forward for how we manage that going forward. At this point of time, it looks at least that for the activity in 3PL that we have into the US, there might be some opportunities for local brands to further increase it. Of course, other businesses from our side could be challenged based on cross-border tariffs.

Michiel Declercq: Okay, that's very clear. Thank you for the comments.

Operator: The next question comes from the line of Othmane Bricha calling from BofA. Please go ahead.

Othmane Bricha (BOFA): Hello. Good morning. Thanks for taking my questions. I have a few. First on Radial US. Can you quantify the revenue contribution from new SME clients? And then on Cross-border, can you explain more in detail the impact of Asian consolidators shifting away from untracked services, the impact on Cross-border division. And how should we think about that in 2025? Also, how do you see the potential impact of a potential regulation on non-EU parcel volumes?

Then on out-of-home parcel delivery, which is, an objective for you. I think you have close to 1,300 locations of lockers in 2024. How are you thinking about additions in 2025? And do you see competition heating up in this space?

Then lastly on cash flow for 2025. How do you see working capital, given in 2024, I think you had contribution, if I'm not mistaken, close to €40 million. How should we think about the impact on cash? Thank you very much.

Chris Peeters: Let me maybe first take the business questions and then hand over to Philippe to complement it with some financial figures.

If you look at the revenue contributions for new clients in '25 in Radial US, we're very conservative at this point of time, given the fact that we're in the piloting phase. So we are optimistic about that. But it's a bit too early to radiate that optimism already in the figures.

Why is that? We're piloting as we speak. We see a nice pipeline of clients that could be interested in that. But of course, it's only the success of the pilot that will actually put us full force into starting to onboard these clients. And if you then look at the time lag of these things, we think it's something where you will see the initial success. We can probably show to you that this is the right trajectory that we're following. But if you look at financial impact, it will be beyond '25 horizon. A couple of elements you probably will see in the peak of this of this year if we have some of these clients. But the real impact is actually for a bit later, just because of the state where we are in that transformation.

If you look at the locker capacity.

Philippe Dartienne: Do you want me to take the financial part on that one?

Chris Peeters: Yes. Okay, fine.

Philippe Dartienne: So I would like to propose you the following answers, is that, if I compare what we have added as a new customers in 2024 was roughly €40 million, which is mostly to mid-sized customers already, even if it was not under the new format or the new pilots that Chris explained. And considering a prudent deployment or implementation or adaptation of this one, you could make yourself a guess of what we could be, which we have included into ’25 figures.

Chris Peeters: Good. Then I move to your question around the locker capacity. In terms of number of locations, we more or less double this year, and in number of capacity we triple this year because we have a higher focus on large scale parcel machines. And secondly, we also shifted the location strategy towards those areas where we see that clients are really looking for 24/7 solutions. While I would say what has been developed over time was more testing across the full geography. Now we really have a very focused strategy towards those areas where we have most of the clients that are looking for an out-of-home delivery option, which is not, let's say, equally participated over the geography. And so that's for us important that we focus on that.

And yes, indeed, I think that having an out-of-home solution, everybody knows that that becomes critical if you want to be a good parcel logistics provider. So you see that other of our competitors also are looking at that. I think it only confirms the fact that this is the right direction, and we will for sure do everything to be in the lead of the pack in this development.

Philippe Dartienne: There was an additional question on Cross-border, which is the trend where Chinese platform move away from untracked product, which is something we were very strong in, into tracked product that we could also offer. But we are not the only one on the market. So meaning it give more rooms to the competition on that one.

I think with that we have covered.

Othmane Bricha: Thank you. And just an additional. I think there were two other questions, one on potential regulations of non-EU parcel volumes, and another question was on working capital. I know I'm asking a bit too many, but if I can one just on Radial US, just to help us understand where things are. Can you give us a measure of what is the current warehouse utilisation? is it like below 50%, 70%? I think to have a decent profitability, you need at least 90%, if not 90%. So just to help us understand where you are right now. Thank you.

Philippe Dartienne: on EU, we'll see how it comes. Difficult for us to predict what could happen. On Radial, what I would say, we are not in the 90%. Would we be in the 90%, I think profitability would be higher than what it is right now. We are also above the 50%. I think you announce a number which is not too far away from reality. But I would also be careful with that one, because if we are operating a warehouse that doesn't belong to us, which is the case in some of our customers, it could boost, in fact, the utilisation of the capacity.

And the flip side of the capacity non-utilisation is the cost that we have to bear and the revenue that we could build to our customers.

When we are operating a warehouse for a customer, yes, we use it full. But also the cost are also beard in the price of the customer. So it doesn't fully reflect the impact on profitability and risk that we are bearing on this portfolio. But indeed we are not at the 90%-ish. We are more in the 70s, as you refer to.

Othmane Bricha: Thank you. And working capital? Thank you.

Philippe Dartienne: I suggest that that one you take it with Antoine because it's rather detailed, after this call.

Speaker: Okay. Yeah. For sure. Thank you very much. Have a good day.

Philippe Dartienne: Welcome.

Operator: Ladies and gentlemen. As a final reminder, if you would like to ask a question, please press star one now. The next question comes from the line of Marc Zwartsenburg calling from ING. Please go ahead.

Marc Zwartsenburg (ING): Yeah. Good morning, everybody. A couple of questions left. First on the trend that you see in the parcels business. September was still up double digits. You now have high single digits. But can you give a bit more colour on how that trended in Q4 and into Q1 this year? And what we should expect a bit going forward? That's my first question.

Then a question on Staci. You're guiding for an EBIT margin of between 10% and 12%, if I'm correct.

Philippe Dartienne: Yes.

Marc Zwartsenburg: IFRS, that is. How many synergies are in that number that you foresee already for ’25?

And then my last question is, a bit on the balance sheet and the cash flow. Do you think you will be cash flow positive in ’25? Linked to that, the leverage ratio, based on your guidance and probably the guidance will be even a touch lower with the strikes in there. Yeah, it seems that your leverage ratio will go to 4, 5 times. Would it be in an issue for your lenders, or any covenant you would have in your bonds?

Philippe Dartienne: Okay. So I start in the order you asked them and feel free to jump in, Chris. Yes, parcels sometimes goes up and down. It depends quarter to quarters. I think it's a bit premature to comment on what was happening in the first 10 or eight weeks of the year, especially in the context of the strike that we experienced. But we will for sure come back in details when we will be announcing Q1 results.

On Staci, indeed, we are guiding between the 10% and 12%.

Marc Zwartsenburg: One second. Sorry, hold on. You can maybe give a bit of a colour on the parcel volumes, because we had December and January as well without strikes. So can you give a bit more colour there.

Chris Peeters: Well, what you've seen is that in peak there was a quite strong increase of parcel size. There you clearly are at the higher single-digit level that you were on the peak performance. Of course, if we then see over the full year that that might be a different picture, because you also see an effect of concentrating around these sales periods where parcels are. So it's not necessarily a full representation of the reality that we have. But what we see in the market is that we still have on that dimension. Well, I'm not talking about the US market, but in the European market, we see high single digits that we still see today happening also with our clients. If we look at same store sales, you still see that the increase is in that range, especially in those ones that can benefit from platform effects.

Philippe Dartienne: Which are growing faster than the market.

Marc Zwartsenburg: We're still trending on high single-digit growth. Is that what you're saying?

Chris Peeters: That's what we see is. Of course, if you look at the US, there you have seen a same store sales, which has been slightly negative over the last period. So that is something that we've seen. Most of the analyst reports that we see on that market is that there is an expectation that that trend will be reversed soon with some unclear starting dates of when that will happen. At this point of time, in our fulfilment activity of the clients that we have, we don't see yet the shift of the same store sales trend that we've seen. That's something where probably in the coming months we will have to report further what is happening in same store sales as well, of course, when we onboard new clients, we as well can report on what we see happening with those new type of clients.

Philippe Dartienne: On Staci, the 10% to 12% range is indeed what we are guiding on. There is some synergies into it, but they are still limited. They will materialise more in ‘26, but there are some included into it.

Marc Zwartsenburg: Should maybe assume that you have 1% of synergies. Let's say that's a high single-digit to low double-digit EBIT number. Is that EBIT number we're looking for? Because the initial guidance I think was between 11% and 12%. So we came down a little bit. Is the underlying margin a little bit softer? Is that correct to assume?

Philippe Dartienne: Not really. No. Not really.

Marc Zwartsenburg: Okay.

Philippe Dartienne: So another way of saying it, the upper part of the range is still the same. So we are still confident in the level of margin that we benefit yielding from Staci.

Your question on your balance sheet and the cash flow, yes, the cash flow will be positive in 2025. Indeed, it will have an impact on the leverage, maybe not to the extent that you are mentioning, but indeed, it will have an unfavourable impact.

And on your question on the loan, no, there is no impact whatsoever. There is no covenant attached to any leverage or rating or any condition in any shape or form on the bond that we issued last fall.

Marc Zwartsenburg: It also doesn't trigger higher interest payments?

Philippe Dartienne: No. Fixed rate.

Marc Zwartsenburg: Okay. So the cash flow you said is positive in ’25.

Philippe Dartienne: Yes.

Marc Zwartsenburg: Okay. All right. Thank you very much.

Philippe Dartienne: Thank you.

Operator: Ladies and gentlemen, there are no further questions, so I will hand it back to Chris to conclude today's conference. Thank you.

Chris Peeters: Well, 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 also that we will release our Annual report 2024 on 26th March. We will soon announce the exact date, early June of the Capital Markets Day, and we look forward to stay in touch. And of course, the first quarter results will be released in May. Thank you very much and have a nice day.

Philippe Dartienne: Thank you.

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

[END OF TRANSCRIPT]