

# AUSTRIAN POST

## INVESTOR PRESENTATION H1 2017

Walter Oblin/CFO  
Vienna, August 10, 2017



# 1. HIGHLIGHTS AND OVERVIEW

2. Strategy Implementation

3. Group Results H1 2017

4. Outlook 2017



# HIGHLIGHTS H1 2017



**Market:** Basic trends continue: about 4-5% drop in addressed letter volumes, dynamic parcel growth >10% but tough competition



**Revenue:** H1 Group revenue up 1.9% (excl. trans-o-flex), decline in mail revenue more than offset by parcel growth



**Earnings:** 3.6% EBIT increase in H1 based on solid revenue development and cost discipline

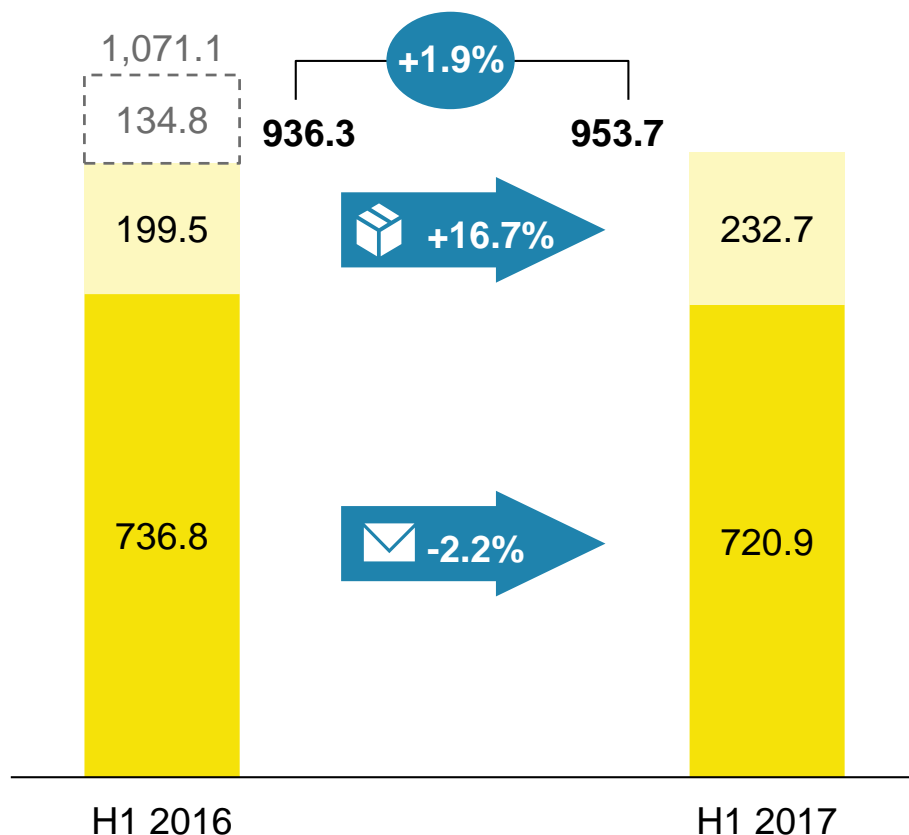


**Outlook 2017:** Targeted stable or slightly positive development of revenue and operating earnings at least at the prior-year level

# REVENUE INCREASE DRIVEN BY DYNAMIC PARCEL GROWTH

## REVENUE DEVELOPMENT

EUR m



### GROUP: +1.9% (Q2: -0.3%)

- Quarterly development impacted by seasonal effects (Q1: +2 working days; Q2: -2 working days)

### PARCEL & LOGISTICS: +16.7% (Q2: +16.1%)

- Basic H1 2017 revenue trend in Austria slightly >10%
- Additional revenue in H1 2017 due to:
  - New product structure (Packet)
  - Segment change of M&BM Express, Bulgaria

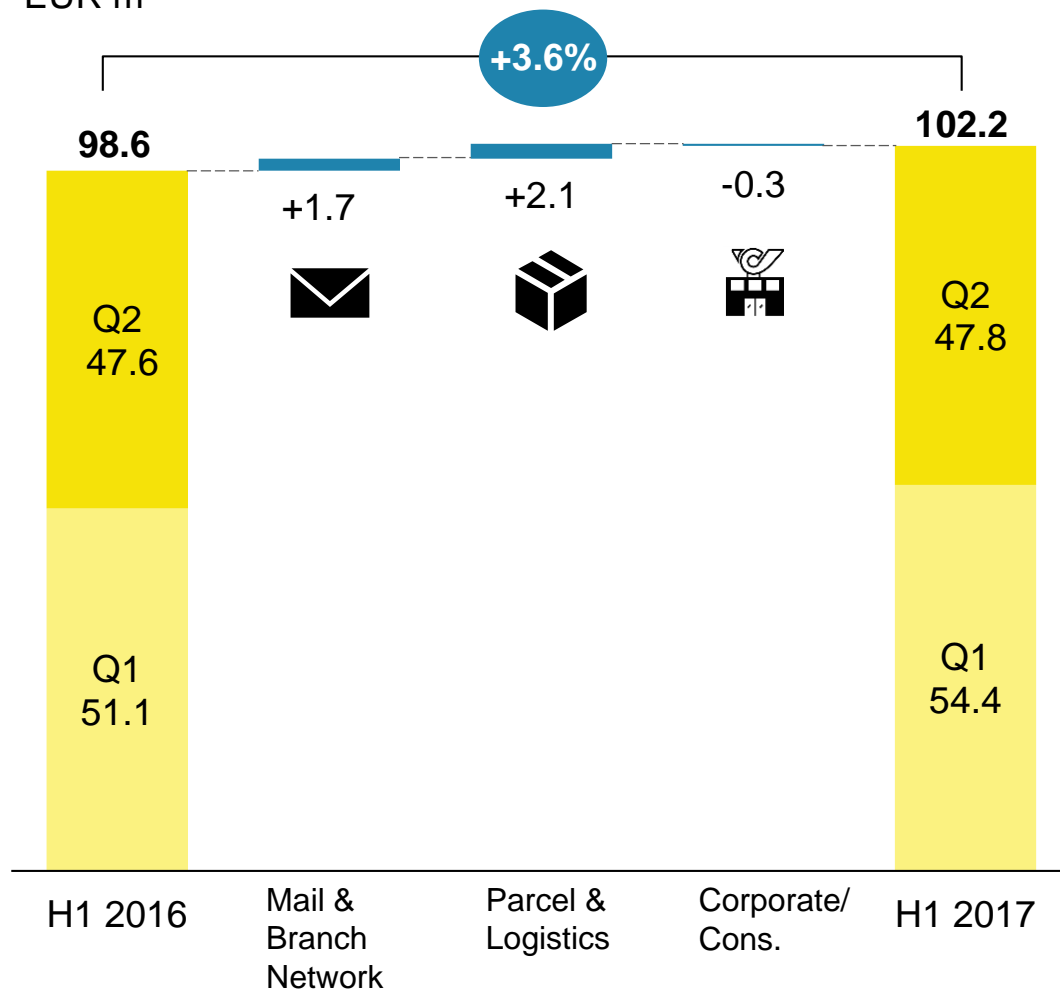
### MAIL & BRANCH NETWORK: -2.2% (Q2: -4.9%)

- Basic trend in letter mail volumes about minus 4-5%
- New product structure leads to positive mix effects
- Volatile development of direct mail business, elections in Q2 2016

# IMPROVED OPERATING RESULT (EBIT)

## EBIT DEVELOPMENT

EUR m



### MAIL & BRANCH NETWORK:

- EBIT rise of EUR 1.7m in H1 (EUR -0.7m in Q2)
- Negative interest rate effect in 2016 for staff-related provisions
- Additional earnings contribution from increased delivery of packets (intensified logistics synergies)

### PARCEL & LOGISTICS:

- EBIT increase of EUR 2.1m in H1 (EUR +0.4m in Q2)
- Slightly positive prior-year balance sheet effects from sale of trans-o-flex

### CORPORATE:

- EBIT decline of EUR 0.3m in H1 (EUR +0.6m in Q2)
- Positive effect from interest rate adjustment, higher costs for social compensation

1. Highlights and Overview

## **2. STRATEGY IMPLEMENTATION**

3. Group Results H1 2017

4. Outlook 2017

# CLEAR STRATEGIC PRIORITIES

## 1. DEFENDING MARKET LEADERSHIP IN THE CORE BUSINESS

Safeguarding market position in a competitive environment



## 2. PROFITABLE GROWTH IN SELECTED MARKETS

Focusing and performance enhancement



## 3. ENHANCING EFFICIENCY AND OPTIMISING THE COST STRUCTURE

Logistics infrastructure and process optimisation



## 4. CUSTOMER ORIENTATION AND INNOVATION

Promotion of self-service solutions and service improvements



# 1 QUALITY LEADERSHIP IN AUSTRIA

## MAIL & BRANCH NETWORK



- Basic trend in mail volumes about minus 4-5%
- Volatile business in direct mail and media post, individualised solutions demanded by customers
- Structural change in the branch network

## PARCEL & LOGISTICS



- Dynamic parcel growth >10% but tough competition
- Highest quality standards and level of service
- Enhanced delivery speed, especially for e-commerce shipments

## MEASURES OF AUSTRIAN POST

### 1 Product portfolio: Further development in line with current customer requirements

- Successful implementation of the product “Packet” for e-commerce customers
- Higher service level in parcel delivery (shorter delivery times, high initial delivery success rate etc.)
- Expansion of online service portfolio



shöpping.at

### 2 Logistics: Efficiency gains and capacity adjustments

- Optimisation of delivery synergies
- Capacity expansion in parcel logistics



Austrian-wide investments



# 2 GROWTH IN SELECTED MARKETS

## GROWTH FOCUS ON PARCEL & LOGISTICS

### GERMANY

#### Austrian Post International:

- Growth in the international mail business to EUR 25.2m in revenue (+11.4%)

#### AEP:

- Pharmaceutical wholesale joint venture

### CEE/SEE

#### Focus on profitable parcel business growth

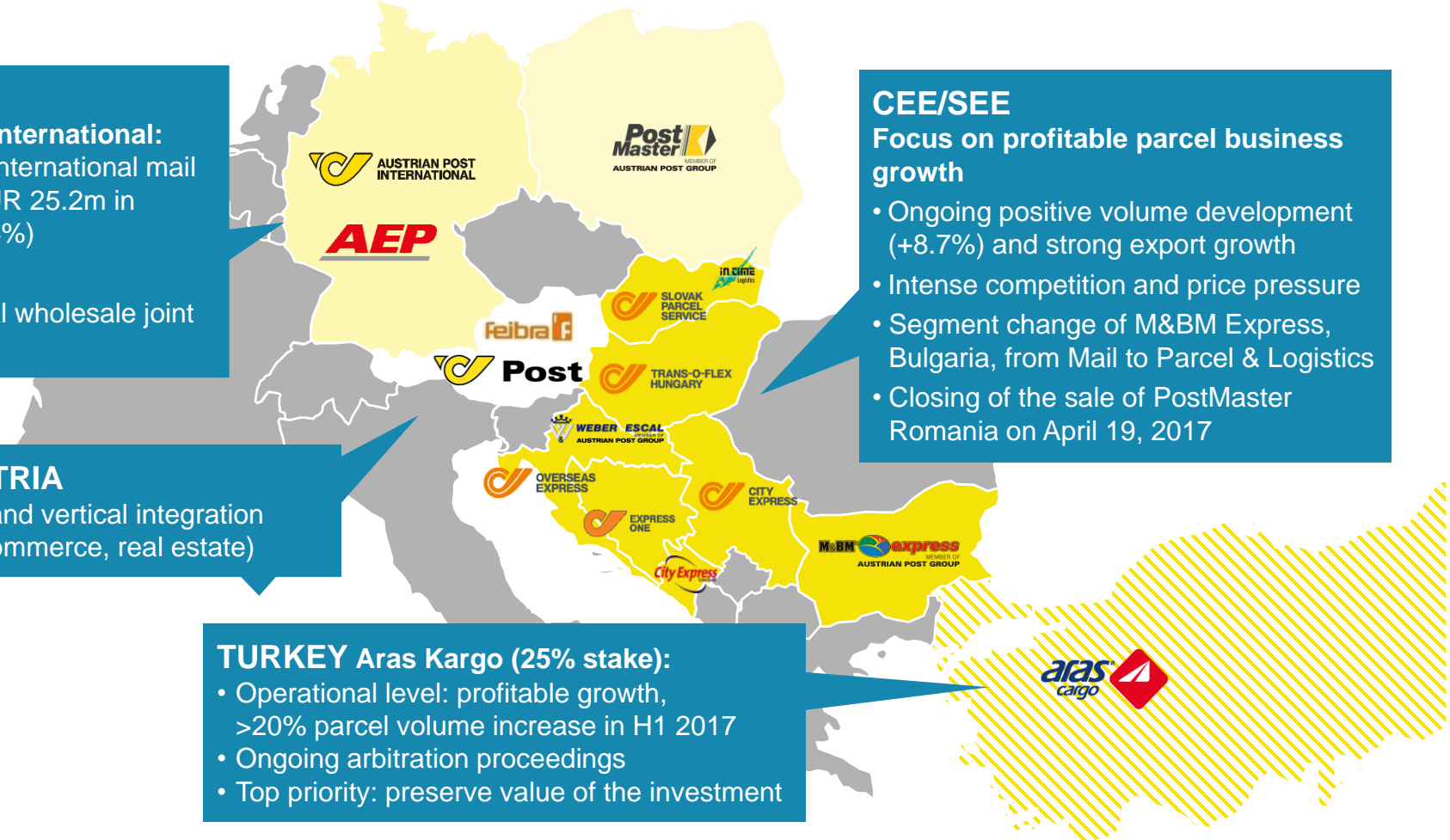
- Ongoing positive volume development (+8.7%) and strong export growth
- Intense competition and price pressure
- Segment change of M&BM Express, Bulgaria, from Mail to Parcel & Logistics
- Closing of the sale of PostMaster Romania on April 19, 2017

### AUSTRIA

- Expand vertical integration (e-commerce, real estate)

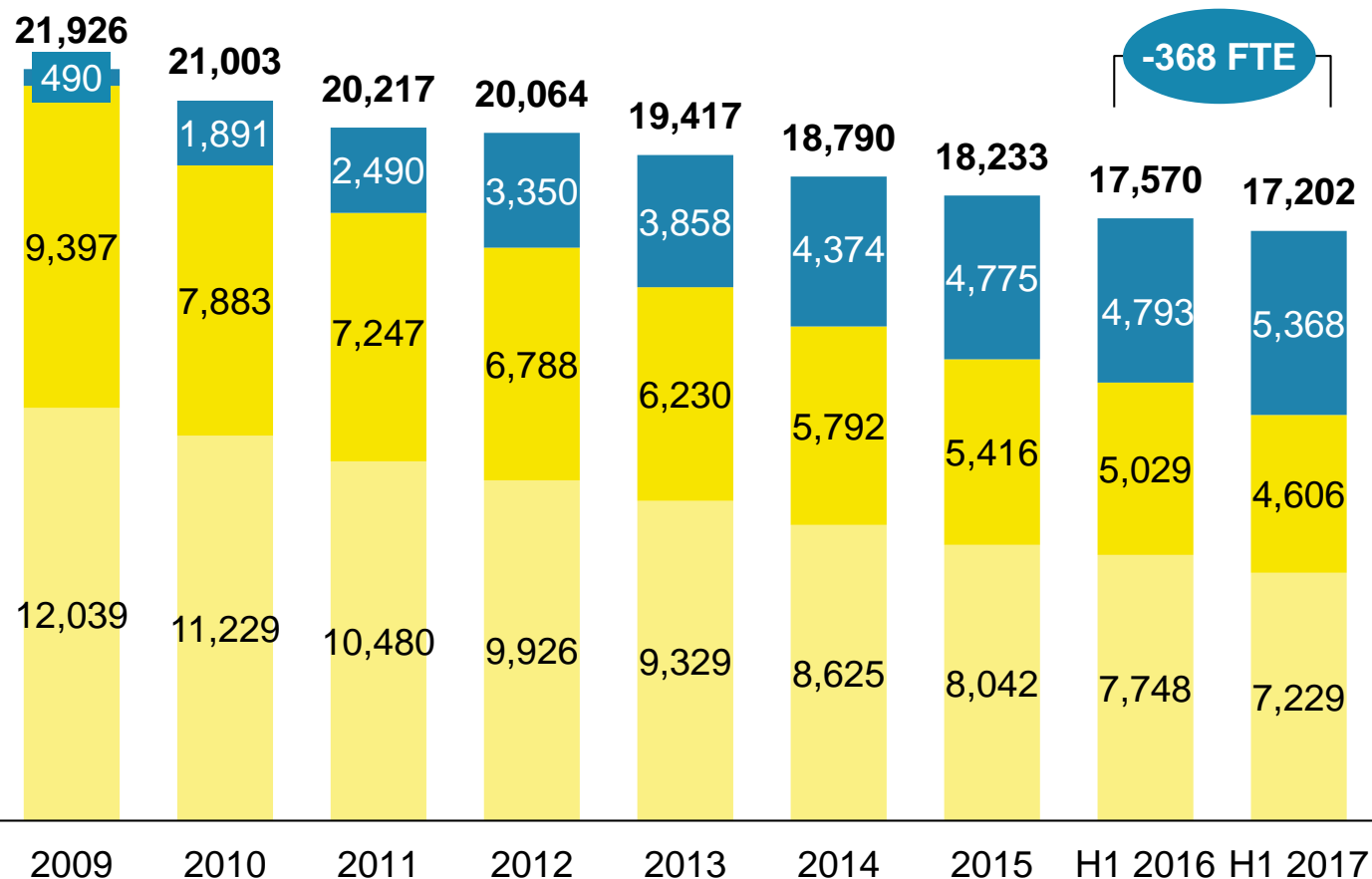
### TURKEY Aras Kargo (25% stake):

- Operational level: profitable growth, >20% parcel volume increase in H1 2017
- Ongoing arbitration proceedings
- Top priority: preserve value of the investment



# 3 STAFF STRUCTURE IN AUSTRIA

## FULL-TIME EQUIVALENTS IN THE AUSTRIAN CORE BUSINESS (average for period)



**Change H1 2016/2017:**

- 519 Civil servants
- 424 Employees old CWA
- + 575 Employees new CWA

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**- 368 Employees**

- New collective wage agreement (CWA)
- Old CWA
- Civil servants

# 4 ONGOING DEVELOPMENT OF NEW CUSTOMER SOLUTIONS


## CURRENT

### OUTSTANDING CUSTOMER SATISFACTION

- Record high customer satisfaction index
- Quality of mail delivery and speed of parcel delivery are important drivers of satisfaction
- Positive image trend

### EXPANSION OF 24/7 SELF-SERVICE SOLUTIONS

- 280 pick-up stations **+43%**
- 20,425 pick-up boxes **+57%**
- 342 drop-off boxes **+39%**

 Increase in items H1 2016/ 2017



## LOGISTICS 4.0

### NEW TECHNOLOGIES AND INNOVATIONS

- Largest e-vehicle fleet in Austria with more than 1,400 electric-powered vehicles
- Autonomous delivery systems being tested : drones in mountain areas; e-vehicle “Jetflyer” in urban areas



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**3. GROUP RESULTS H1 2017**

4. Outlook 2017

# H1 2017 FINANCIAL INDICATORS AT A GLANCE

	H1 2016	H1 2017	
<b>Revenue</b> (EUR m)	1,071.1	953.7	Revenue down YOY due to deconsolidation of trans-o-flex
<b>Revenue excl. trans-o-flex</b> (EUR m)	936.3	953.7	Revenue increase of 1.9%
<b>EBITDA margin</b>	12.8%	15.0%	Improved EBITDA margin of 15.0%
<b>EBIT margin</b>	9.2%	10.7%	Enhanced profitability following sale of trans-o-flex
<b>Earnings/share</b> (EUR)	1.09	1.13	Earnings per share above the previous year
<b>Cash flow</b> (EUR m)	109.3	108.9	Cash flow from operating activities at H1 2016 level
<b>Equity ratio</b>	39.3%	42.4%	Conservative balance sheet structure with low financial liabilities and high equity ratio

# KEY INCOME STATEMENT INDICATORS

EUR m	H1 2016	H1 2017	%	Δ	Q2 2016	Q2 2017	
<b>Revenue excl. trans-o-flex</b>	<b>936.3</b>	<b>953.7</b>	<b>1.9%</b>	<b>17.4</b>	<b>466.6</b>	<b>465.0</b>	Revenue increase driven by strong parcel growth
<b>Revenue</b>	1,071.1	953.7	-11.0%	-117.4	478.3	465.0	
Other operating income	36.2	27.7	-23.4%	-8.5	12.7	13.0	Higher transport expenses (excl. trans-o-flex)
Raw materials, consumables and services used	-286.3	-196.3	31.4%	90.0	-103.1	-96.4	
Staff costs	-545.3	-514.4	5.7%	30.8	-258.8	-251.4	Staff costs (excl. trans-o-flex) down slightly YOY, lower non-operational staff costs (interest rate adjustments)
Other operating costs	-139.1	-126.7	9.0%	12.5	-61.9	-64.4	
At equity consolidation	0.6	-0.8	<-100%	-1.3	0.5	-0.2	
<b>EBITDA</b>	<b>137.2</b>	<b>143.3</b>	<b>4.5%</b>	<b>6.1</b>	<b>67.8</b>	<b>65.6</b>	
<i>EBITDA margin</i>	12.8%	15.0%	-	-	14.2%	14.1%	
Depreciation, amortisation and impairment	-38.5	-41.1	-6.7%	-2.6	-20.2	-17.7	
<b>EBIT</b>	<b>98.6</b>	<b>102.2</b>	<b>3.6%</b>	<b>3.5</b>	<b>47.6</b>	<b>47.8</b>	
<i>EBIT margin</i>	9.2%	10.7%	-	-	9.9%	10.3%	EBIT margin up to 10.7% following sale of trans-o-flex
Other financial result	-0.5	-0.1	81.7%	0.4	-0.3	0.0	
Income tax	-24.4	-25.9	-6.3%	-1.5	-12.2	-12.1	
<b>Profit for the period</b>	<b>73.8</b>	<b>76.2</b>	<b>3.3%</b>	<b>2.4</b>	<b>35.1</b>	<b>35.8</b>	



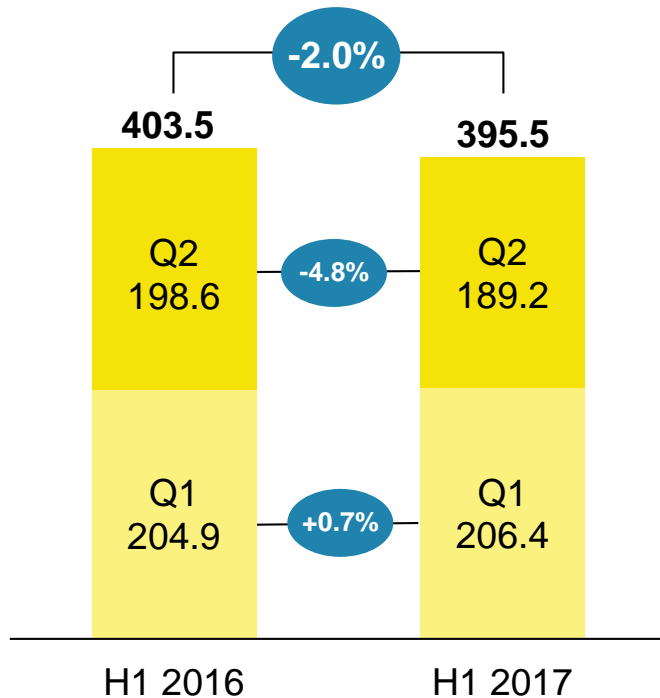
# MAIL & BRANCH NETWORK DIVISION: H1 2017 REVENUE DEVELOPMENT

## LETTER MAIL & MAIL SOLUTIONS (EUR m)

- Mail volumes down 4-5% on average in recent quarters
- Positive effects from new product structure, selective postal rate adjustments (e.g. letters with advice of receipt), one-off mailings (mainly banking, insurance)

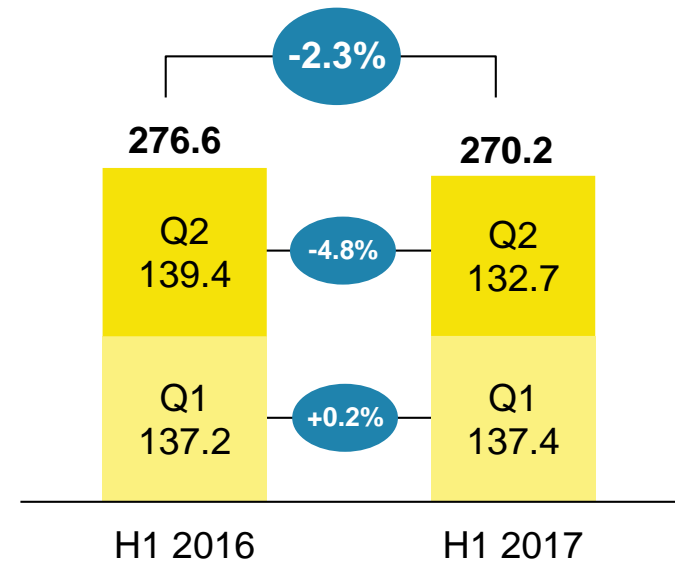
## DIRECT MAIL/MEDIA POST (EUR m)

- Seasonal fluctuations: strong Q1 direct mail business (Easter), lower direct mail revenue in Q2
- Ongoing positive trend for stationary retail segment (mainly food retailers)
- Positive election effects in Q2 2016



### Working days 2016/2017

- Q2: -2 days
- Q1: +2 days





# MAIL & BRANCH NETWORK DIVISION: INCOME STATEMENT INDICATORS

EUR m	H1 2016	H1 2017	%	Δ	Q2 2016	Q2 2017	
<b>Revenue</b>	<b>736.8</b>	<b>720.9</b>	<b>-2.2%</b>	<b>-15.8</b>	<b>366.3</b>	<b>348.5</b>	Positive election effects of EUR 11.5m in Q2 2016
• Letter Mail & Mail-Solutions	403.5	395.5	-2.0%	-7.9	198.6	189.2	
• Direct Mail	206.2	203.1	-1.5%	-3.1	103.3	97.2	
• Media Post	70.4	67.1	-4.7%	-3.3	36.1	35.6	
• Branch Services	56.7	55.2	-2.6%	-1.5	28.3	26.6	Structural decline in financial services
Revenue intra-Group	41.9	49.3	17.6%	7.4	20.6	25.6	Additional revenue from increased delivery of packets and parcels
Total revenue	778.7	770.3	-1.1%	-8.4	386.9	374.1	
At equity consolidation	0.1	0.1	62.7%	0.1	0.0	0.1	
<b>EBITDA</b>	<b>161.5</b>	<b>158.0</b>	<b>-2.2%</b>	<b>-3.5</b>	<b>81.8</b>	<b>75.9</b>	
EBITDA margin <sup>1</sup>	20.7%	20.5%	-	-	21.1%	20.3%	
Depreciation, amortisation and impairment	-18.3	-13.0	28.8%	5.3	-10.1	-4.9	EBIT improvement due to cost discipline and synergy effects
<b>EBIT</b>	<b>143.2</b>	<b>145.0</b>	<b>1.2%</b>	<b>1.7</b>	<b>71.7</b>	<b>71.0</b>	
EBIT margin <sup>1</sup>	18.4%	18.8%	-	-	18.5%	19.0%	

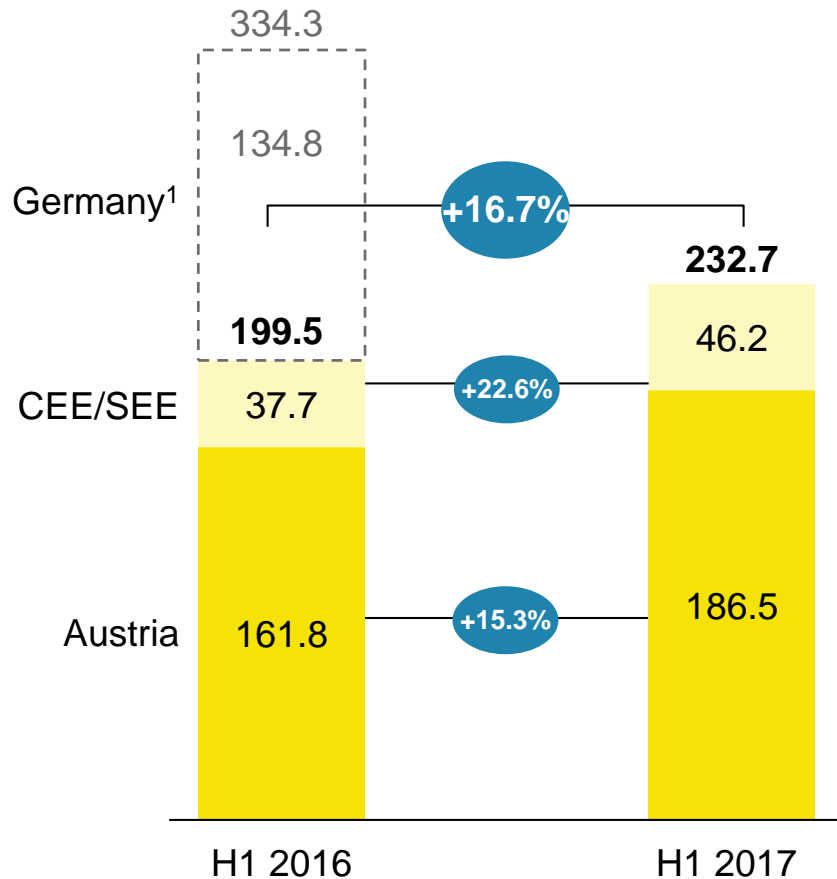
<sup>1</sup> EBIT margin, EBITDA margin in relation to total revenue





# PARCEL & LOGISTICS DIVISION: H1 2017 REVENUE DEVELOPMENT

## REVENUE (EUR m)



### PARCEL & LOGISTICS DIVISION:

- H1 2017 revenue up 16.7% following sale of trans-o-flex (+14.1% excl. M&BM Express segment change)

### CEE/SEE: +22.6% (Q2: +20.9%)

- Segment change of M&BM Express (EUR +5.1m; formerly Mail & Branch Network Division)
- Solid organic revenue growth (+9.0%), high price pressure
- Good revenue development in Hungary and Slovakia

### AUSTRIA: +15.3% (Q2: +15.0%)

- Basic H1 2017 revenue trend slightly >+10%; double-digit market growth driven by e-commerce, increasing price pressure
- Additional revenue from new product structure (Packet)

<sup>1</sup> Inc. Revenue of trans-o-flex ThermoMed Austria GmbH



# PARCEL & LOGISTICS DIVISION: INCOME STATEMENT INDICATORS

EUR m	H1 2016	H1 2017	%	Δ	Q2 2016	Q2 2017	
<b>Revenue excl. trans-o-flex</b>	199.5	232.7	16.7%	33.2	100.3	116.5	+14.1% revenue increase excl. segment change M&BM Express
<b>Revenue</b>	334.3	232.7	-30.4%	-101.6	112.1	116.5	
• Premium	227.5	112.0	-50.8%	-115.5	60.6	56.8	
• Standard	90.3	104.3	15.6%	14.1	44.2	51.5	
• Other Parcel Services	16.6	16.4	-1.2%	-0.2	7.3	8.2	
Total revenue <sup>1</sup>	339.8	236.9	-30.3%	-102.9	114.7	118.5	
At equity consolidation	1.1	0.2	-85.9%	-1.0	0.7	0.2	
<b>EBITDA</b>	<b>22.5</b>	<b>27.0</b>	<b>19.9%</b>	<b>4.5</b>	<b>11.9</b>	<b>12.2</b>	
<i>EBITDA margin<sup>2</sup></i>	6.6%	11.4%	-	-	10.4%	10.3%	EUR 2.7m impairment loss in Croatia in Q1 2017
Depreciation, amortisation and impairment	-5.6	-8.0	-43.4%	-2.4	-2.8	-2.7	
<b>EBIT</b>	<b>16.9</b>	<b>19.0</b>	<b>12.2%</b>	<b>2.1</b>	<b>9.2</b>	<b>9.6</b>	EBIT margin of 8.0% in H1 2017
<i>EBIT margin<sup>2</sup></i>	5.0%	8.0%	-	-	8.0%	8.1%	

<sup>1</sup> Incl. revenue intra-Group

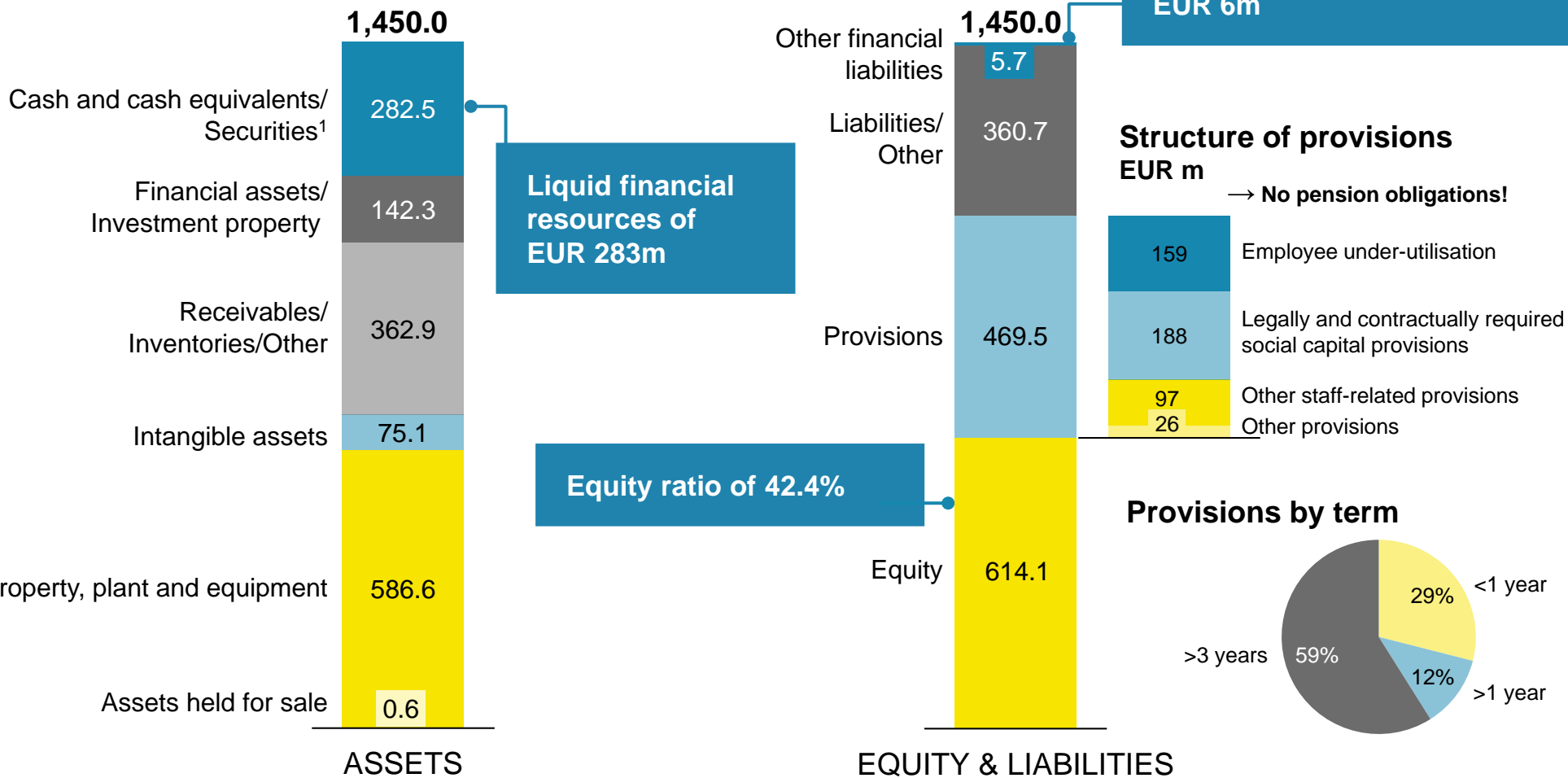
<sup>2</sup> EBIT margin, EBITDA margin in relation to total revenue



# SOLID BALANCE SHEET STRUCTURE

## BALANCE SHEET AS AT JUNE 30, 2017

EUR m

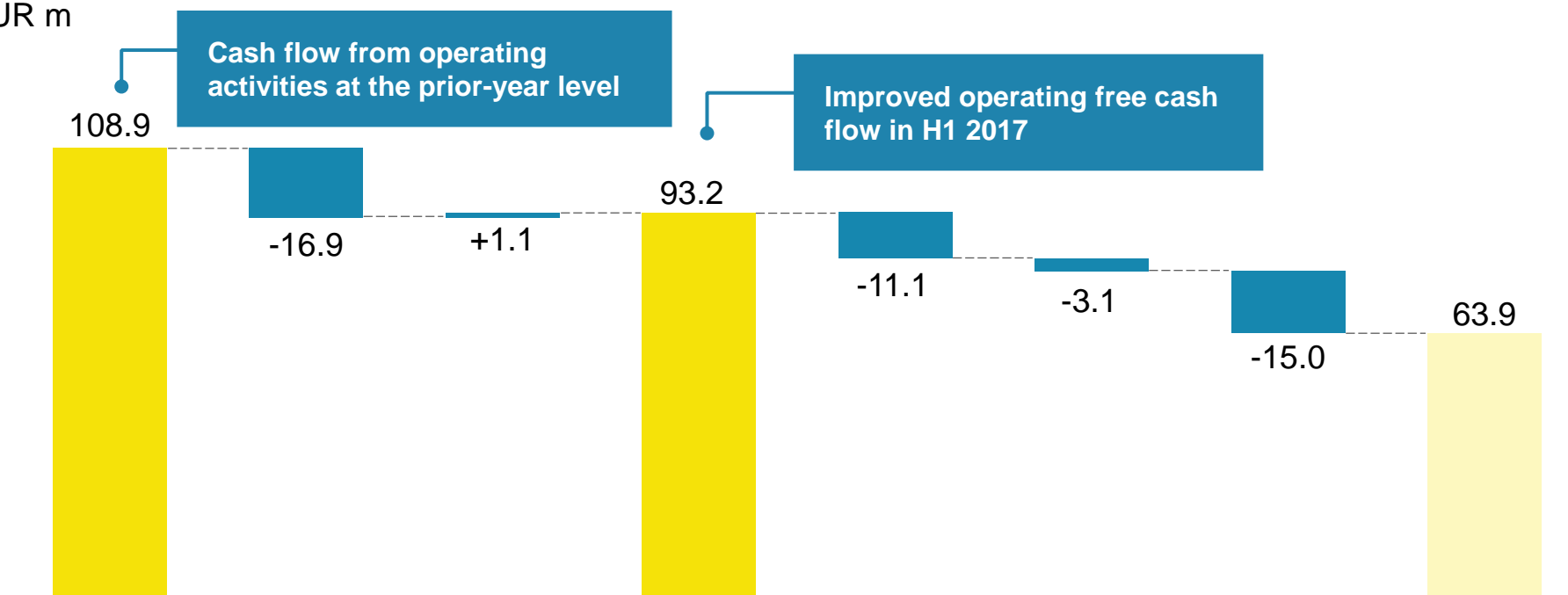


<sup>1</sup> Securities are recognized in the balance sheet under other financial assets.

# ROBUST CASH FLOW IN H1 2017

## CASH FLOW DEVELOPMENT

EUR m



	Cash flow from operating activities	CAPEX excl. new corporate headquarters	Other	Operating free cash flow <sup>1</sup>	CAPEX new corporate headquarters	Acquisitions/divestments	Changes in securities	Free cash flow
H1 2016	109.3	-19.4	+1.2	91.2	-19.1	+1.1	-3.1	70.0
H1 2015	107.7	-20.9	+2.1	98.1 <sup>2</sup>	+48.9 <sup>3</sup>	-3.3	-10.0	124.4 <sup>3</sup>

<sup>1</sup> Free cash flow before acquisitions/securities and the new corporate headquarters

<sup>2</sup> Excl. Tax payments of EUR 9.2m in connection with the sale of the former corporate headquarters

<sup>3</sup> Incl. remaining purchase price for the former corporate headquarters (EUR 60m)

# INVESTMENTS AND PROJECT DEVELOPMENT IN 2017

## CURRENT INFRASTRUCTURE PROJECTS



- Opening of the Wernberg Parcel Centre in Carinthia
- Fully operational since June 2017



- New parcel centre planned in Northern Vienna
- Scheduled to be put into operation in 2019

## PREPARATIONS UNDERWAY FOR EXTENSIVE NATIONWIDE PARCEL LOGISTICS CAPACITY EXPANSION PROGRAMME

## REAL ESTATE PROJECT DEVELOPMENT



- New corporate headquarters: completion Q3 2017, relocation Q4 2017
- Implementation “in time & budget”



- Development/expansion of an historic property in Vienna ([www.cotton-residence.at](http://www.cotton-residence.at))
- 12 of 25 flats already sold

## ASSESSMENT OF VALUE POTENTIAL IN OUR REAL ESTATE PORTFOLIO – IN-HOUSE DEVELOPMENT OF OWN PROPERTY

1. Highlights and Overview

2. Strategy Implementation

3. Group Results H1 2017

**4. OUTLOOK 2017**

# OUTLOOK FOR 2017

## Market

- 5% volume decline p.a. of addressed letter mail due to electronic substitution
- Volatile direct mail depending on advertising budgets and economic environment
- Steady increase in parcel volumes against the backdrop of intense competition

## Revenue

- Stable or slightly higher revenue forecast for 2017 (2016 revenue of EUR 1.9bn excl. trans-o-flex)
- Focus on quality leadership and further developing service portfolio
- Evaluation of mid-term financial services offering (current cooperation at least until 2020)

## Investments

- Investments in efficiency enhancement, service improvement and capacity expansion
- Operating CAPEX of about EUR 70-80m planned in 2017; increasing growth investments in the medium term due to good parcel volume development

## Earnings

- Further process and structural optimisation
- Target of achieving operating EBIT at least at prior-year level (EBIT 2016 of EUR 202.3m)

# CONTACT

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## Financial calendar 2017/2018

November 15, 2017

Interim report Q1-3 2017

March 15, 2018

Annual results 2017

April 19, 2018

Annual General Meeting

April 30/ May 3, 2018

Ex-dividend day/Dividend payment date

May 16, 2018

Interim report Q1 2018

August 10, 2018

Half-year financial report 2018

November 15, 2018

Interim report Q1-3 2018

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