

# AUSTRIAN POST

## INVESTOR PRESENTATION H1 2018

Walter Oblin/CFO  
Vienna, August 10, 2018



# **1. HIGHLIGHTS AND OVERVIEW**

2. Strategy Implementation

3. Group Results H1 2018

4. Outlook 2018

# HIGHLIGHTS H1 2018



**Market:** Continuation of basic trends in Austria; approx. 5% drop in addressed letter mail volumes; double-digit parcel growth against tough competition



**Revenue:** Slight increase of 0.2% in H1 2018 Group revenue; decline in the Mail & Branch Network Division (-3.7%) offset by parcel growth (+12.1%)



**Earnings:** EBIT increase of 2.8% to EUR 105.1m due to solid revenue development and cost discipline

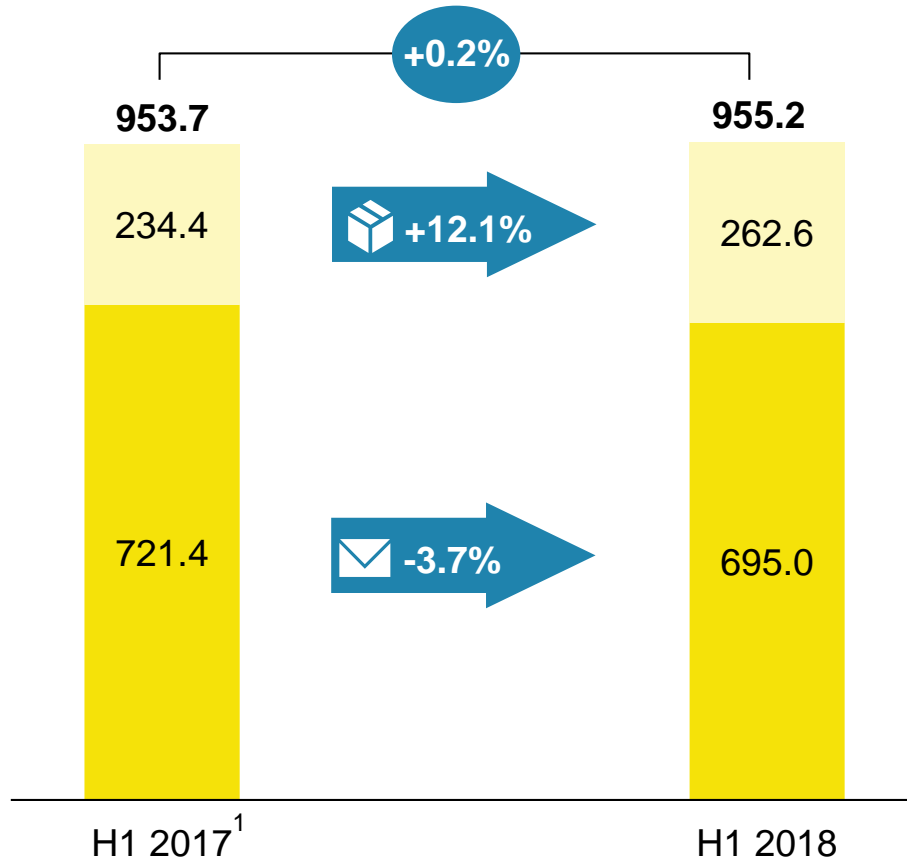


**Outlook 2018:** Continuing objective of achieving stability in revenue and operating earnings

# SLIGHT IMPROVEMENT IN REVENUE THANKS TO PARCEL GROWTH

## REVENUE DEVELOPMENT

EUR m



### GROUP: +0.2% (Q2: -0.1%)

- Slight revenue increase due to strong parcel growth

### PARCEL & LOGISTICS: +12.1% (Q2: +11.2%)

- Continuation of basic double-digit revenue growth trend in Austria in 2018
- Additional revenue related to segment change of Weber Escal, Croatia

### MAIL & BRANCH NETWORK: -3.7% (Q2: -3.8%)

- Basic decline of about 5% in addressed letter mail
- Decline in financial services with BAWAG P.S.K. due to step-by-step redimensioning

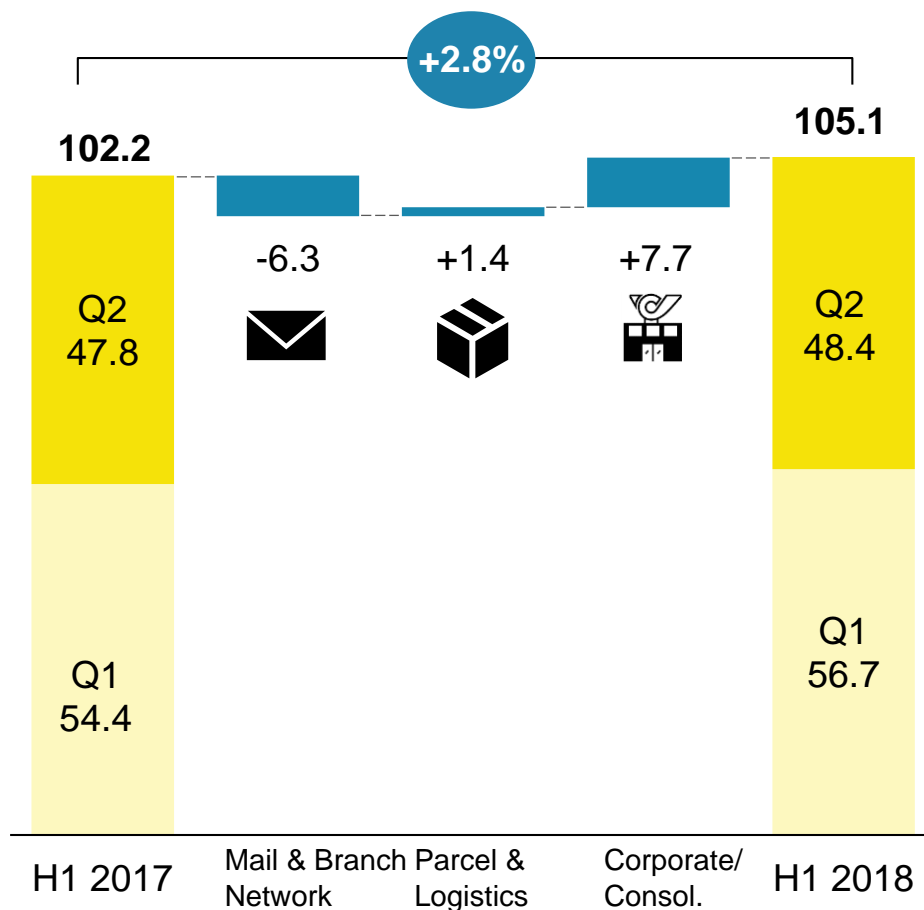
■ Mail & Branch Network    ■ Parcel & Logistics

<sup>1</sup> Adjustment of revenue in segment reporting

# IMPROVED OPERATING EARNINGS (EBIT)

## EBIT DEVELOPMENT

EUR m



### MAIL & BRANCH NETWORK:

- EBIT decline of EUR 6.3m in H1 2018 (-EUR 5.8m in Q2)
- Already from Q1 2018: provisions for the redimensioning of financial services (-EUR 21.8m), for the most part compensated by one-off income resulting from the dissolution of the cooperation with BAWAG P.S.K. (+EUR 20.1m)

### PARCEL & LOGISTICS:

- EBIT increase of EUR 1.4m in H1 2018, good revenue development and intense competition (-EUR 0.1m in Q2)

### CORPORATE:

- EBIT up EUR 7.7m in H1 2018 (+EUR 6.4m in Q2)
- Lower expenditure needs for social plan models

1. Highlights and Overview

## **2. STRATEGY IMPLEMENTATION**

3. Group Results H1 2018

4. Outlook 2018

# 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 LETTER MAIL & DIRECT MAIL/MEDIA POST IN AUSTRIA

## LETTER MAIL

- New product structure as of July 1, 2018 is well received on the marketplace
- Customer freedom of choice regarding delivery speed: Prio, Eco, Eco Business

## DIRECT MAIL/MEDIA POST

- Perceptible uncertainty in addressed direct mail due to General Data Protection Regulation → Post brings address updates for senders
- Development of unaddressed direct mail depends on sector and advertising behaviour (trend towards lightweight items)

### NEW PRODUCT STRUCTURE AS OF JULY 2018

	Previous offering	<b>PRIO</b> Universal service J+1 day	<b>ECO</b> Universal service J+2/3 days	<b>ECO BUSINESS</b> Not part of universal service, J+4/5 days
<b>Letter S</b>	0.68	0.80	0.70	0.65
<b>Letter M</b>	1.25	1.35	1.25	1.10
<b>Packet S</b>	2.50	2.70	2.50	2.25
<b>Packet M</b>	4.00	4.20	4.00	-



Addressed direct mail

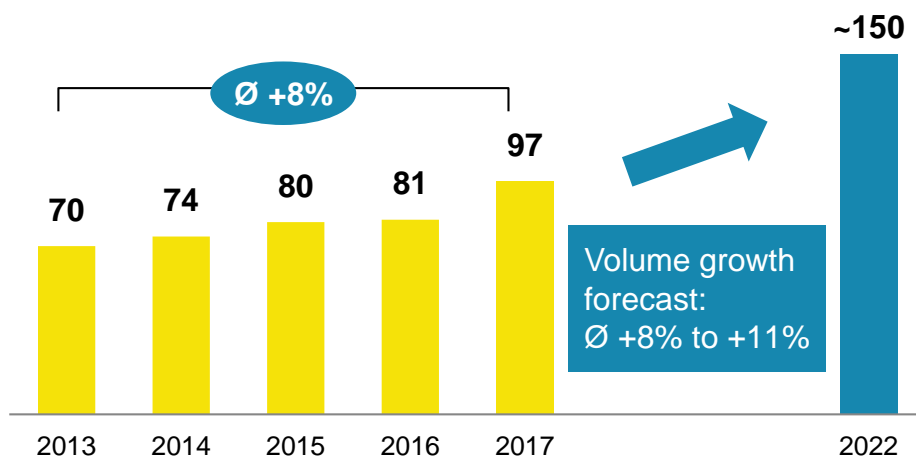


Unaddressed direct mail



# 1 PARCEL & LOGISTICS BUSINESS IN AUSTRIA

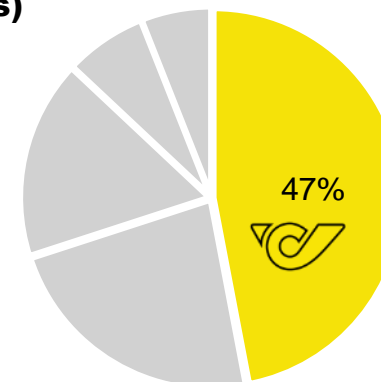
## PARCEL VOLUMES OF AUSTRIAN POST (millions of parcels)



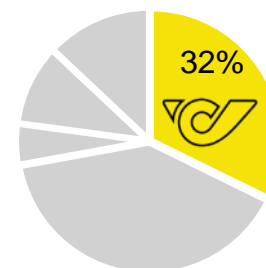
- Ongoing dynamic growth
- Volume forecast from 97m parcels in 2017 to approx. 150m parcels in 2022, annual development depending on the market and own delivery by one large customer
- Launch of growth investments to ensure highest quality standards and level of service

## MARKET SHARES BY VOLUME IN 2017

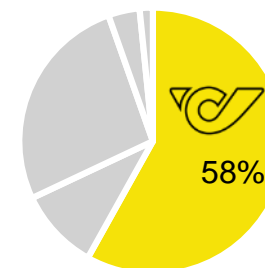
### Total Austrian market (209m parcels)



### Business parcels (93m B2B)



### Private customer parcels (116m X2C)



Source: BRANCHENRADAR.com Marktanalyse GmbH, February 2018

# 2

# BRANCH NETWORK: STABILITY IN THE CORE BUSINESS, REDIMENSIONING OF FINANCIAL SERVICES

## 1,782 POSTAL SERVICE POINTS

- **38m CUSTOMER CONTACTS** p.a. in the branch offices
- **19m CUSTOMER CONTACTS** p.a. at postal partners



## THREE PRODUCT GROUPS CONTINUE TO BE A FIXED PART OF THE SERVICE OFFERING

### POSTAL PRODUCTS

### TELECOMMUNICATIONS & RETAIL GOODS

### FINANCIAL SERVICES

#### Redimensioning of financial services

- Agreement on step-by-step dissolution of the cooperation with banking partner BAWAG P.S.K. for the most part by the end of 2019
- Special payment of EUR 107m received in Q1 2018
- Redimensioning initiated for banking consulting services, counter transactions unchanged
- Talks being held with potential new domestic and international partners to enable Austrian Post to continue offering financial services

# 2 GROWTH IN SELECTED MARKETS

## GROWTH FOCUS ON PARCEL & LOGISTICS

### GERMANY

#### Austrian Post International:

- Growth in the international letter mail business, revenue up 8% in H1 2018

#### AEP (50% stake, consolidated at equity):

- Joint venture in pharmaceutical wholesale
- Revenue in H1 2018 of over EUR 200m



### CEE/SEE

#### Focus on profitable parcel growth

- Ongoing positive organic volume development
- Tough competition and price pressure

#### Pull-out from the letter mail business completed

### AUSTRIA

- Expand vertical integration in e-commerce (Systemlogistik, e-commerce enabler ACL)

### TURKEY Aras Kargo (25% stake, not consolidated):

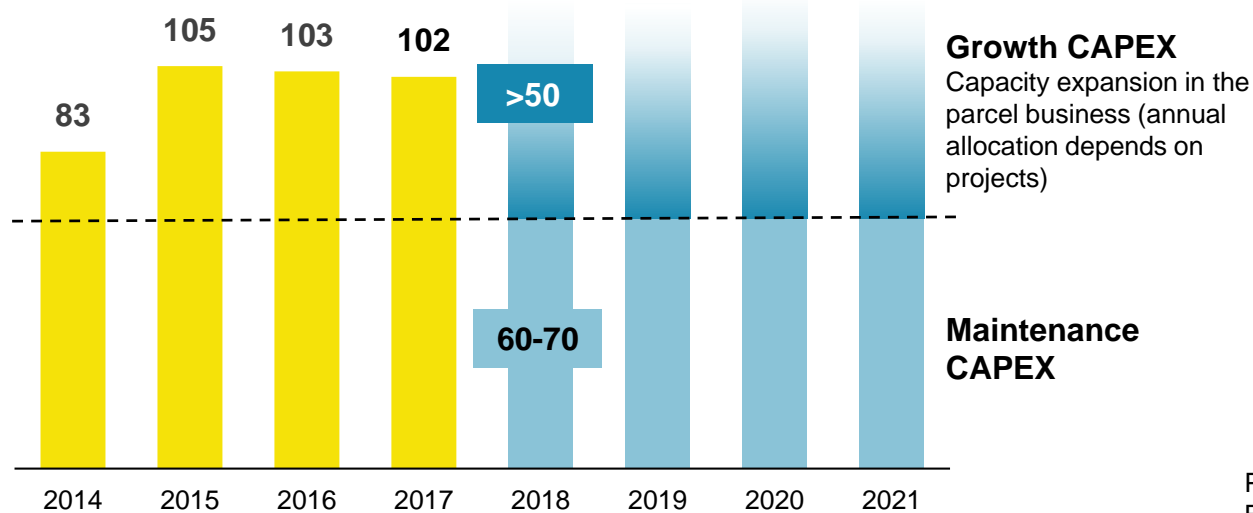
- Operational level: parcel volume rise >20% in H1 2018, revenue of more than EUR 120m
- Ongoing arbitration proceedings along with constructive talks with the family owners regarding an increase in Austrian Post's shareholding



# 3 CAPACITY AND QUALITY DRIVE

## EXPANSION OF PARCEL LOGISTICS IN AUSTRIA

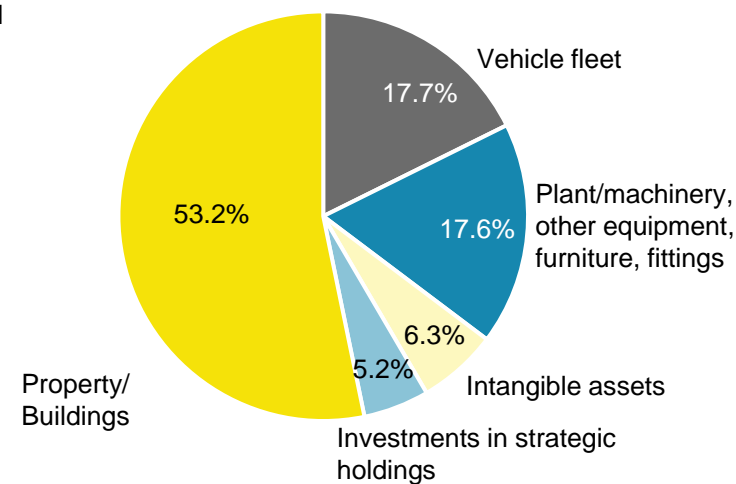
CAPEX (EUR m)<sup>1</sup>



### H1 2018:

- Maintenance CAPEX of EUR 38.2m and growth CAPEX of EUR 29.1m
- Ground-breaking ceremony of Vienna North Parcel Centre on July 10, 2018, completion planned in summer 2019

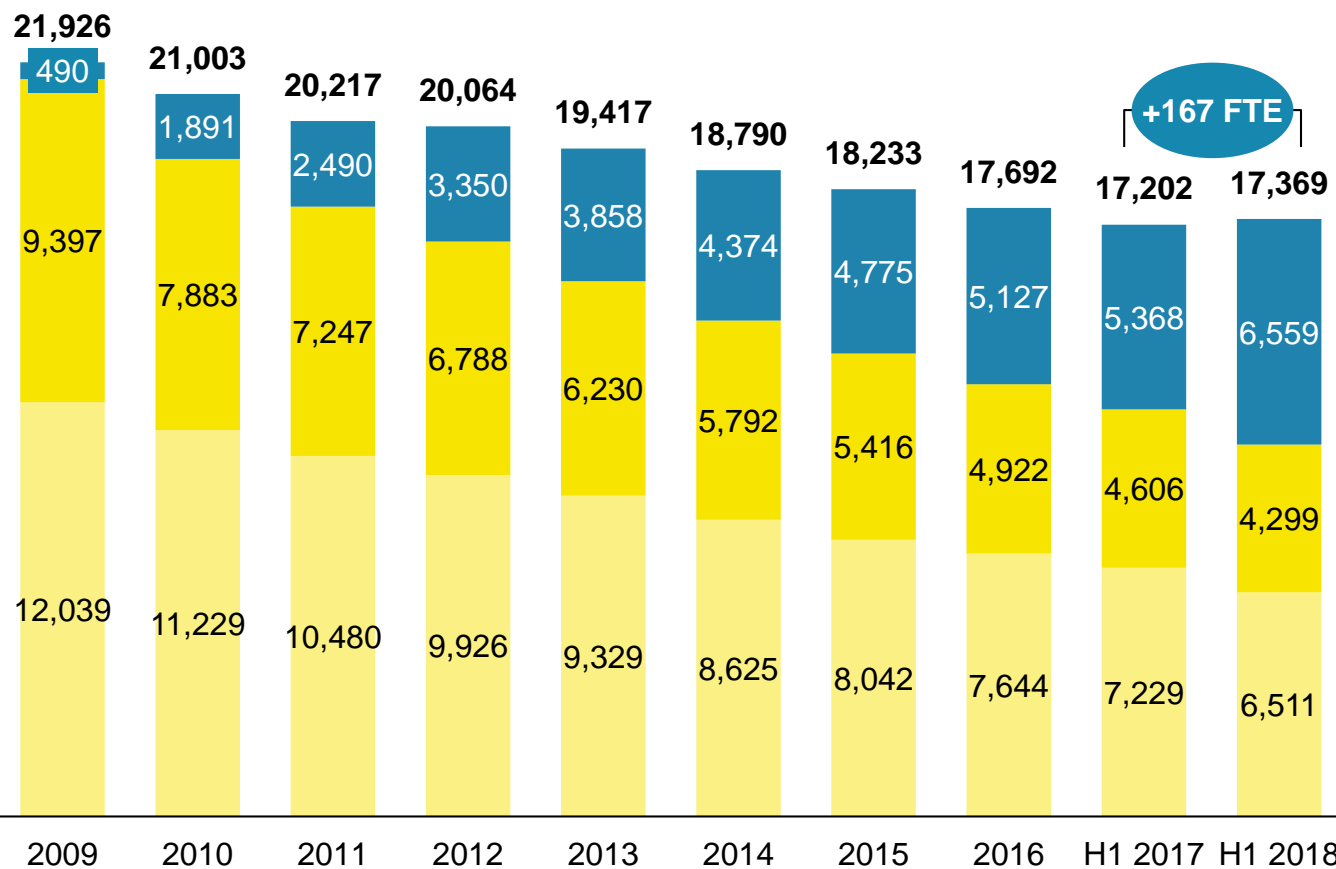
### INVESTMENTS H1 2018



<sup>1</sup> 2014-2017 including CAPEX new corporate headquarters

# 3 STAFF STRUCTURE IN AUSTRIA

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



### Change H1 2017 / H1 2018:

- 718 Civil servants
- 307 Employees old CWA
- +1,192 Employees new CWA

**+167 Employees**

### Medium-term trend:

Ongoing structural change to employees with new collective wage agreement

- New collective wage agreement since 2009
- Old CWA
- Civil servants

# 4 FURTHER EXPANSION OF SELF-SERVICE CUSTOMER SOLUTIONS

**28,159 PICK-UP BOXES**

H1 2018: >1.1m items



**318 PICK-UP STATIONS**

H1 2018: >1.4m items



**391 DROP-OFF BOXES**

H1 2018: >2.4m items



■ Number of solutions  
■ Items/month

**MEDIUM-TERM GOAL TO DOUBLE THE NUMBER OF SELF-SERVICE SOLUTIONS**

# 4 NEW OFFERINGS FOR MORE CUSTOMER SERVICE

## NEW COOPERATION WITH THE RETAIL FOOD CHAIN HOFER (ALDI)

### INSTALLATION OF NEW POST PICK-UP STATIONS IN AUSTRIA



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**3. GROUP RESULTS H1 2018**

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# H1 2018 FINANCIAL INDICATORS AT A GLANCE

	H1 2017	H1 2018	
<b>Revenue</b> (EUR m)	953.7	955.2	Revenue slightly above previous year (+0.2%)
<b>EBITDA margin</b>	15.0%	15.1%	Stable EBITDA margin of 15.1%
<b>EBIT margin</b>	10.7%	11.0%	Good profitability
<b>Earnings/share</b> (EUR)	1.13	1.12	Earnings per share at the prior-year level
<b>Cash flow</b> (EUR m)	108.9	173.4	Strong increase in the cash flow from operating activities due to special payment by BAWAG P.S.K.
<b>Equity ratio</b>	42.4%	39.2%	Increased equity; but equity ratio lower due to higher balance sheet total

# KEY INCOME STATEMENT INDICATORS

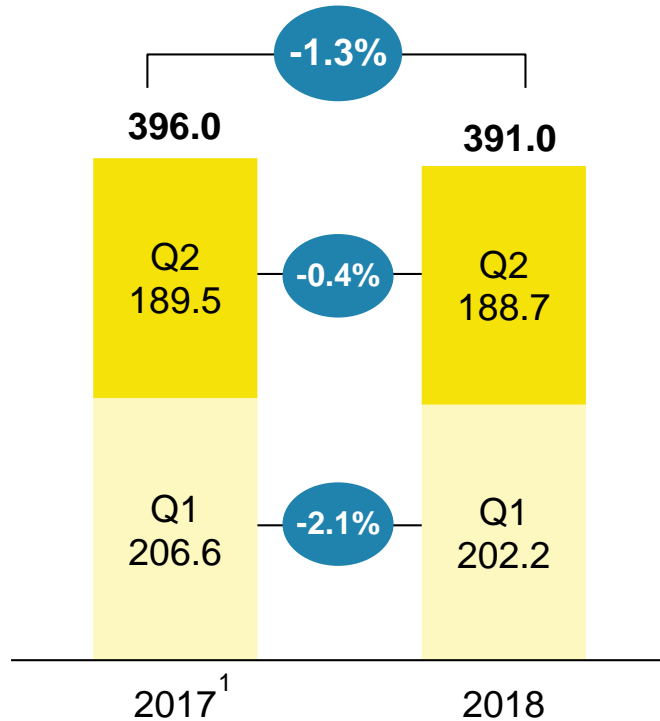
EUR m	H1 2017	H1 2018	%	Δ	Q2 2017	Q2 2018	
<b>Revenue</b>	953.7	955.2	0.2%	1.6	465.0	464.6	+EUR 20.1m one-off income already in Q1 due to dissolution of partnership with BAWAG P.S.K.
Other operating income	27.7	50.9	83.7%	23.2	13.0	16.3	
Raw materials, consumables and services used	-196.3	-206.2	-5.1%	-10.0	-96.4	-102.3	
Staff costs	-514.4	-516.5	-0.4%	-2.1	-251.4	-242.5	Provision of EUR 21.8m for redimensioning of financial services
Other operating costs	-126.7	-137.8	-8.8%	-11.2	-64.4	-67.5	
At equity consolidation	-0.8	-1.3	-69.2%	-0.5	-0.2	-0.7	
<b>EBITDA</b>	<b>143.3</b>	<b>144.3</b>	<b>0.7%</b>	<b>1.0</b>	<b>65.6</b>	<b>67.9</b>	
<i>EBITDA margin</i>	15.0%	15.1%	-	-	14.1%	14.6%	
Depreciation, amortisation and impairment	-41.1	-39.3	4.5%	1.9	-17.7	-19.5	
<b>EBIT</b>	<b>102.2</b>	<b>105.1</b>	<b>2.8%</b>	<b>2.9</b>	<b>47.8</b>	<b>48.4</b>	
<i>EBIT margin</i>	10.7%	11.0%	-	-	10.3%	10.4%	EBIT margin up to 11.0%
Other financial result	-0.1	3.2	>100%	3.3	0.0	1.5	
Income tax	-25.9	-32.3	-24.9%	-6.4	-12.1	-15.8	Higher income tax expense (in part from previous years)
<b>Profit for the period</b>	<b>76.2</b>	<b>75.9</b>	<b>-0.4%</b>	<b>-0.3</b>	<b>35.8</b>	<b>34.1</b>	



# MAIL & BRANCH NETWORK DIVISION: REVENUE DEVELOPMENT H1 2018

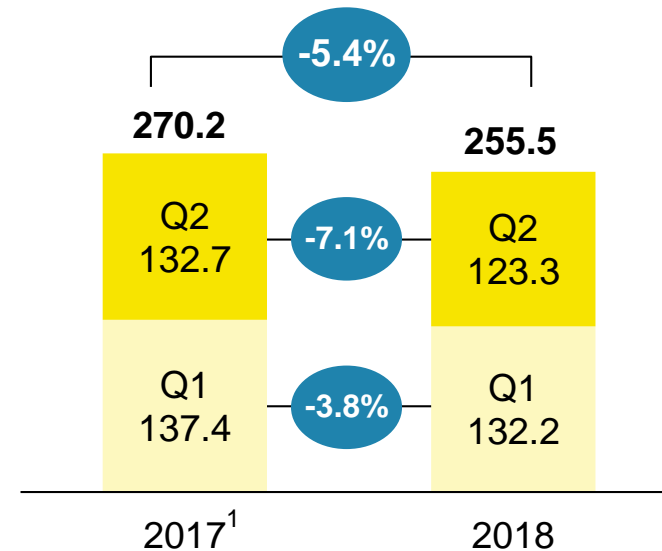
## LETTER MAIL & MAIL SOLUTIONS (EUR m)

- Drop in domestic letter mail volumes of about 5%
- Good development of Mail Solutions due to various additional services (+EUR 2.6m)
- Growth based on increased international e-commerce volumes (+EUR 6.4m)



## DIRECT MAIL/MEDIA POST (EUR m)

- Operating revenue down by about 2-3%
- Decrease in addressed direct mail (volumes negatively impacted by uncertainty related to GDPR)
- Loss in revenue due to pull-out from CEE/SEE market and changed product assignment (-EUR 9.0m)



<sup>1</sup> Adjustment or revenue in segment reporting



# MAIL & BRANCH NETWORK DIVISION: INCOME STATEMENT

EUR m	H1 2017 <sup>1</sup>	H1 2018	%	Δ	Q2 2017 <sup>1</sup>	Q2 2018	
<b>Revenue</b>	<b>721.4</b>	<b>695.0</b>	<b>-3.7%</b>	<b>-26.4</b>	<b>348.8</b>	<b>335.4</b>	Market pull-out in CEE/SEE and changed product assignment -EUR 9.0m
• Letter Mail & Mail-Solutions	396.0	391.0	-1.3%	-5.0	189.5	188.7	
• Direct Mail	203.1	190.9	-6.0%	-12.2	97.2	91.0	
• Media Post	67.1	64.5	-3.8%	-2.5	35.6	32.4	Drop in financial services due to dissolution agreement
• Branch Services	55.2	48.5	-12.1%	-6.7	26.6	23.4	
Revenue intra-Group	47.7	53.0	11.1%	5.3	24.7	25.8	Additional services based on increased delivery of packets and parcels
<b>Total revenue</b>	<b>769.0</b>	<b>748.0</b>	<b>-2.7%</b>	<b>-21.1</b>	<b>373.4</b>	<b>361.2</b>	
<b>EBITDA</b>	<b>158.0</b>	<b>148.5</b>	<b>-6.0%</b>	<b>-9.5</b>	<b>75.9</b>	<b>69.9</b>	Earnings down 4.3% yoy as a result of revenue decline
<i>EBITDA margin<sup>2</sup></i>	20.5%	19.8%	-	-	20.3%	19.3%	
Depreciation, amortisation and impairment	-13.0	-9.7	25.2%	3.3	-4.9	-4.7	
<b>EBIT</b>	<b>145.0</b>	<b>138.7</b>	<b>-4.3%</b>	<b>-6.3</b>	<b>71.0</b>	<b>65.1</b>	
<i>EBIT margin<sup>2</sup></i>	18.9%	18.5%	-	-	19.0%	18.0%	

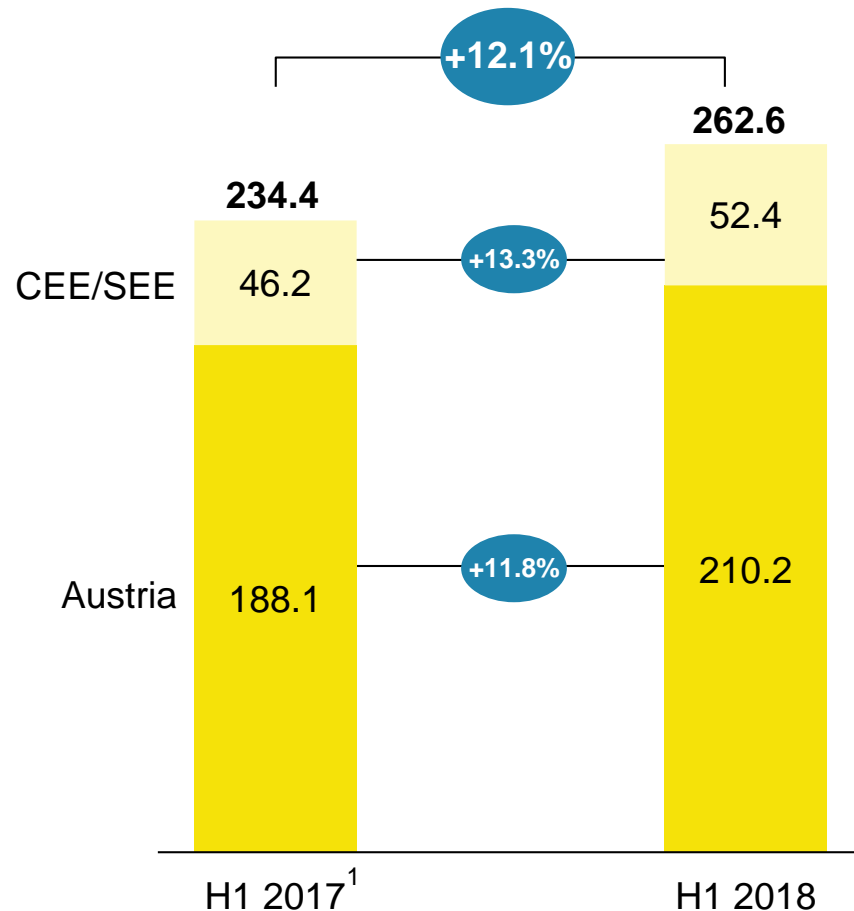
<sup>1</sup> Adjustment of revenue in segment reporting

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



# PARCEL & LOGISTICS DIVISION: REVENUE DEVELOPMENT H1 2018

## REVENUE (EUR m)



### **PARCEL & LOGISTICS DIVISION: +12.1% (Q2: +11.2%)**

- Organic revenue growth in H1 2018 excl. segment change of Weber Escal +9.7% (Q2: +8.6%)

### **SEE/CEE: +13.3% (Q2: +14.2%)**

- Stable development of operating revenue, high price pressure
- Segment change of Weber Escal (+EUR 5.6m; previously Mail & Branch Network Division)

### **AUSTRIA: +11.8% (Q2: +10.4%)**

- Basic revenue trend in H1 2018: double-digit increase; market development driven by good growth (especially large customers)
- Full consolidation of e-commerce enabler ACL as at November 1, 2017 (+EUR 2.8m in H1 2018)

<sup>1</sup> Adjustment of revenue in segment reporting



# PARCEL & LOGISTICS DIVISION: INCOME STATEMENT

EUR m	H1 2017 <sup>1</sup>	H1 2018	%	Δ	Q2 2017 <sup>1</sup>	Q2 2018	
<b>Revenue</b>	<b>234.4</b>	<b>262.6</b>	<b>12.1%</b>	<b>28.3</b>	<b>117.3</b>	<b>130.4</b>	+9.7% revenue increase excl. segment change of Weber Escal, Croatia
• Premium	112.2	123.3	9.9%	11.1	56.9	61.4	
• Standard	104.9	111.8	6.6%	6.9	51.8	54.8	
• Other Parcel Services	17.3	27.5	59.3%	10.2	8.6	14.2	Segment change of Weber Escal +EUR 5.6m and full consolidation ACL +EUR 2.8m
Revenue intra-Group	2.4	2.5	5.6%	0.1	1.1	1.2	
<b>Total revenue</b>	<b>236.7</b>	<b>265.2</b>	<b>12.0%</b>	<b>28.4</b>	<b>118.4</b>	<b>131.6</b>	
<b>EBITDA</b>	<b>27.0</b>	<b>25.8</b>	<b>-4.3%</b>	<b>-1.2</b>	<b>12.2</b>	<b>12.2</b>	
<i>EBITDA margin<sup>2</sup></i>	11.4%	9.7%	-	-	10.3%	9.3%	
Depreciation, amortisation and impairment	-8.0	-5.4	32.2%	2.6	-2.7	-2.7	
<b>EBIT</b>	<b>19.0</b>	<b>20.4</b>	<b>7.4%</b>	<b>1.4</b>	<b>9.6</b>	<b>9.5</b>	EBIT margin of 7.7%, high competitive and margin pressure
<i>EBIT margin<sup>2</sup></i>	8.0%	7.7%	-	-	8.1%	7.2%	

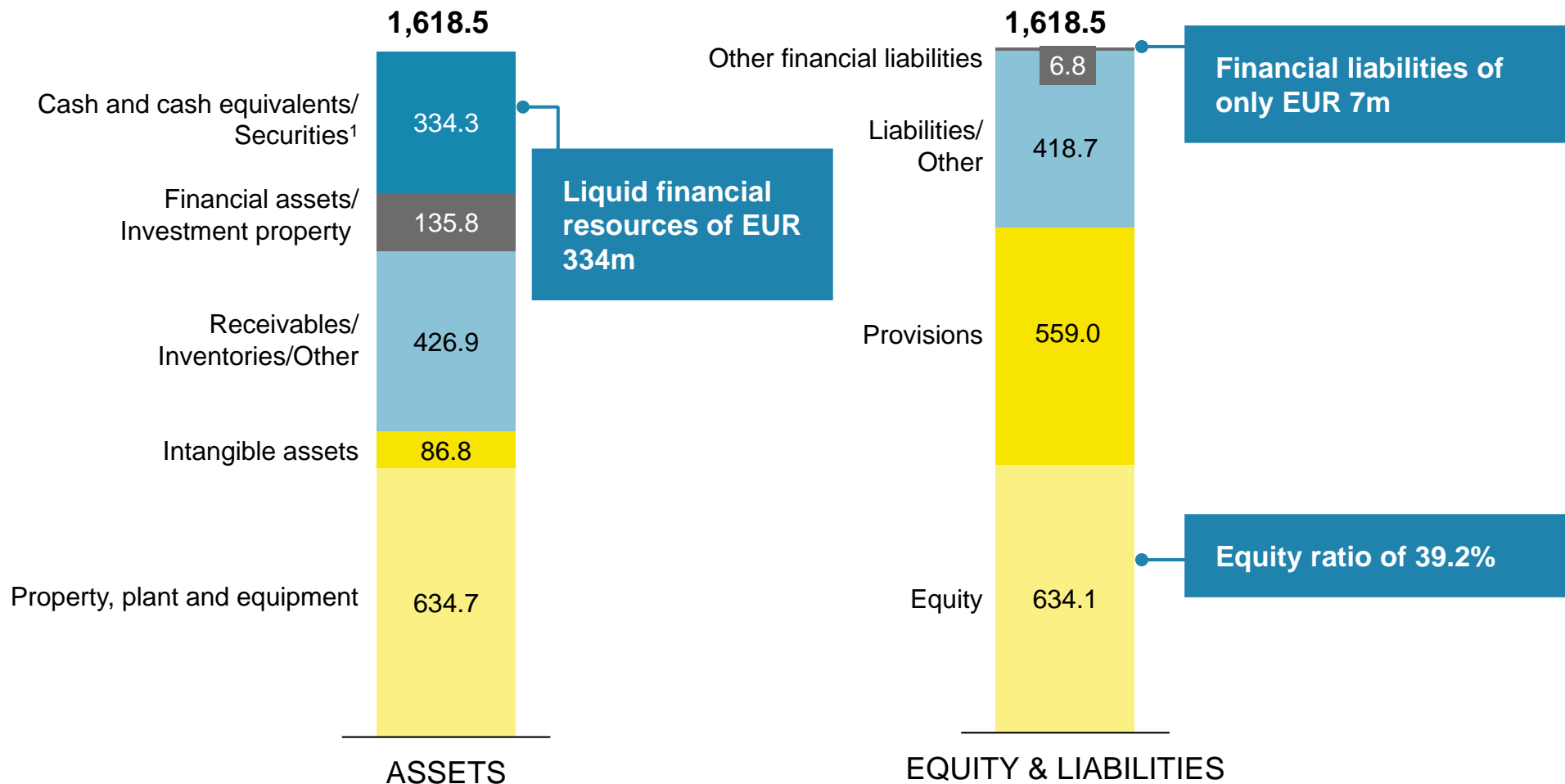
<sup>1</sup> Adjustment of revenue in segment reporting

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

# SOLID BALANCE SHEET STRUCTURE

## BALANCE SHEET AS AT JUNE 30, 2018

EUR m



<sup>1</sup> Securities are recognised on the balance sheet under other financial assets.

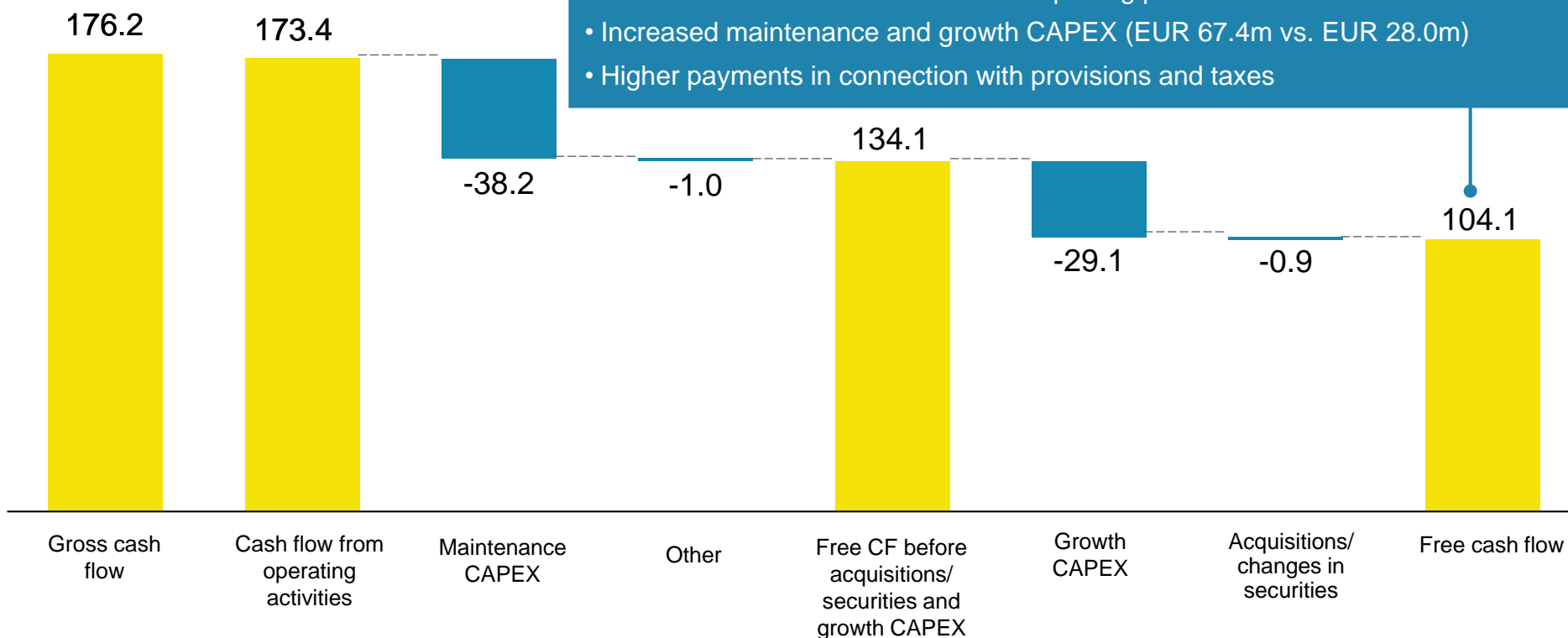
# SPECIAL CASH FLOW EFFECTS IN H1 2018

## CASH FLOW DEVELOPMENT

EUR m

### Free cash flow impacted by special effects:

- Special payment of EUR 107.0m due to termination of cooperation with BAWAG P.S.K. less services rendered in the reporting period to the amount of EUR 20.5m
- Increased maintenance and growth CAPEX (EUR 67.4m vs. EUR 28.0m)
- Higher payments in connection with provisions and taxes



<b>H1 2017</b>	<b>146.3</b>	<b>108.9</b>	<b>-16.9</b>	<b>+1.1</b>	<b>93.2<sup>1</sup></b>	<b>-11.1<sup>2</sup></b>	<b>-18.1</b>	<b>63.9</b>
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<sup>1</sup> Free cash flow before acquisitions/securities and CAPEX new corporate headquarters

<sup>2</sup> CAPEX new corporate headquarters



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**4. OUTLOOK 2018**



# OUTLOOK FOR 2018 UNCHANGED

## Market environment

- Approx. 5% volume decline p.a. of addressed letter mail due to electronic substitution
- Volatile direct mail business, negatively impacted by GDPR
- Double-digit growth on the Austrian parcel market, intense competition and partially own delivery by one large customer as of autumn 2018

## Revenue

- **Group:** ongoing stable revenue development expected in 2018
- **Mail:** Expanded service offering in letter mail delivery (J+1 and J+2/3) as of July 1, 2018;
- **Branch network:** realignment of financial services business (step-by-step dissolution of current partnership by the end of 2019)
- **Parcel & Logistics:** targeted growth of about 10% depending on the market and market share development

## Investments

- Basic investments in the core business of EUR 60-70m p.a.
- Good parcel volume development requires growth investments in the coming years (at least EUR 50m in 2018 to expand sorting capacities as quickly as possible, beyond that the expansion of existing or purchase of new premises is possible)

## Earnings

- Objective of achieving stability in operating earnings
- Ongoing process and structural optimisation

# CONTACT

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## Financial calendar 2018/2019

November 15, 2018

Interim Report Q1-3 2018

March 14, 2019

Annual Results 2018

April 11, 2019

Annual General Meeting

April 23 /May 25, 2019

Ex-day/Dividend payment day

May 16, 2019

Interim Report Q1 2019

August 9, 2019

Half-Year Financial Report 2019

November 14, 2019

Interim Report Q1-3 2019

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