

# AUSTRIAN POST

## INVESTOR PRESENTATION Q1 2018

Walter Oblin/CFO  
Vienna, May 16, 2018



# **1. HIGHLIGHTS AND OVERVIEW**

2. Strategy Implementation

3. Group Results Q1 2018

4. Outlook 2018

## HIGHLIGHTS Q1 2018



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



**Revenue:** Group revenue up slightly by 0.4%; drop in letter mail (-3.5%) more than compensated by parcel growth (+12.9%)



**Earnings:** EBIT increase of 4.3% to EUR 56.7m based on solid revenue development and cost discipline

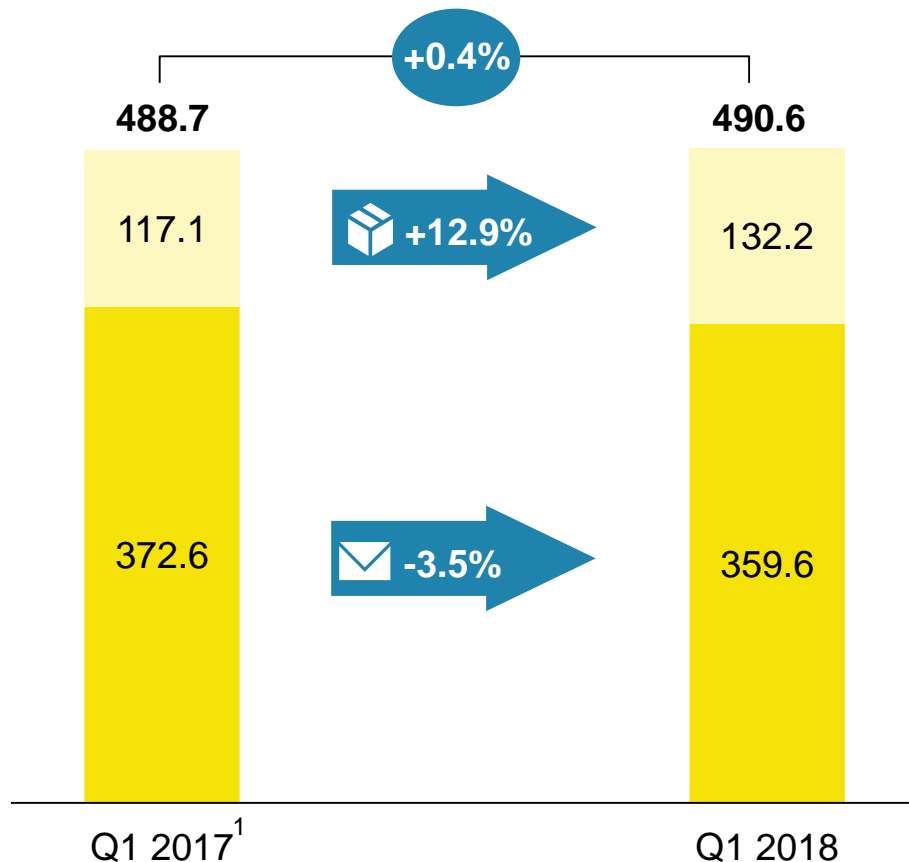


**Outlook 2018:** Further aiming for achieving stable revenue development and operating earnings

# SLIGHT REVENUE IMPROVEMENT THANKS TO PARCEL GROWTH

## REVENUE DEVELOPMENT

EUR m



### GROUP: +0.4%

- Slight revenue increase as a result of strong parcel growth

### PARCEL & LOGISTICS: +12.9%

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

### MAIL & BRANCH NETWORK: -3.5%

- 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

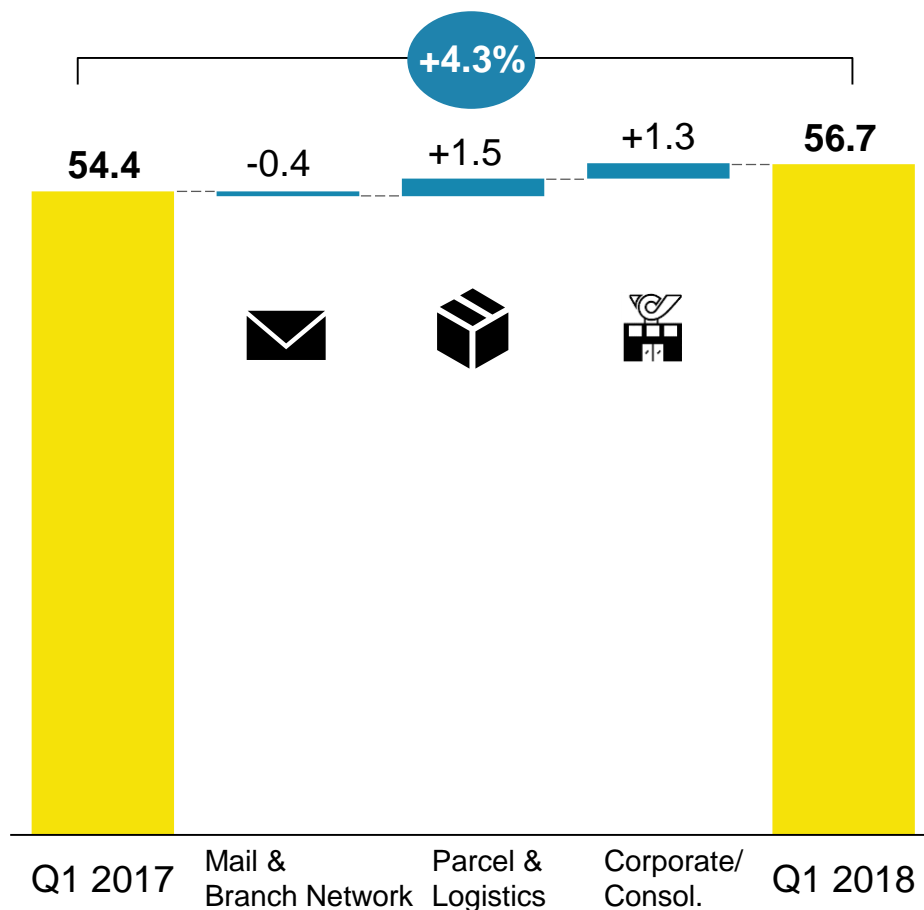
 Parcel & Logistics

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

# IMPROVED OPERATING EARNINGS (EBIT)

## EBIT DEVELOPMENT

EUR m



### MAIL & BRANCH NETWORK:

- EBIT down by EUR 0.4m in Q1 2018
- Provisions for redimensioning financial services (-EUR 22.1m) mostly offset by one-off income from dissolution of cooperation with BAWAG P.S.K. (+EUR 20.1m)

### PARCEL & LOGISTICS:

- EBIT increase of EUR 1.5m in Q1 2018 against the backdrop of good revenue development and intense competition

### CORPORATE:

- EBIT up by EUR 1.3m in Q1 2018

1. Highlights and Overview

## **2. STRATEGY IMPLEMENTATION**

3. Group Results Q1 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



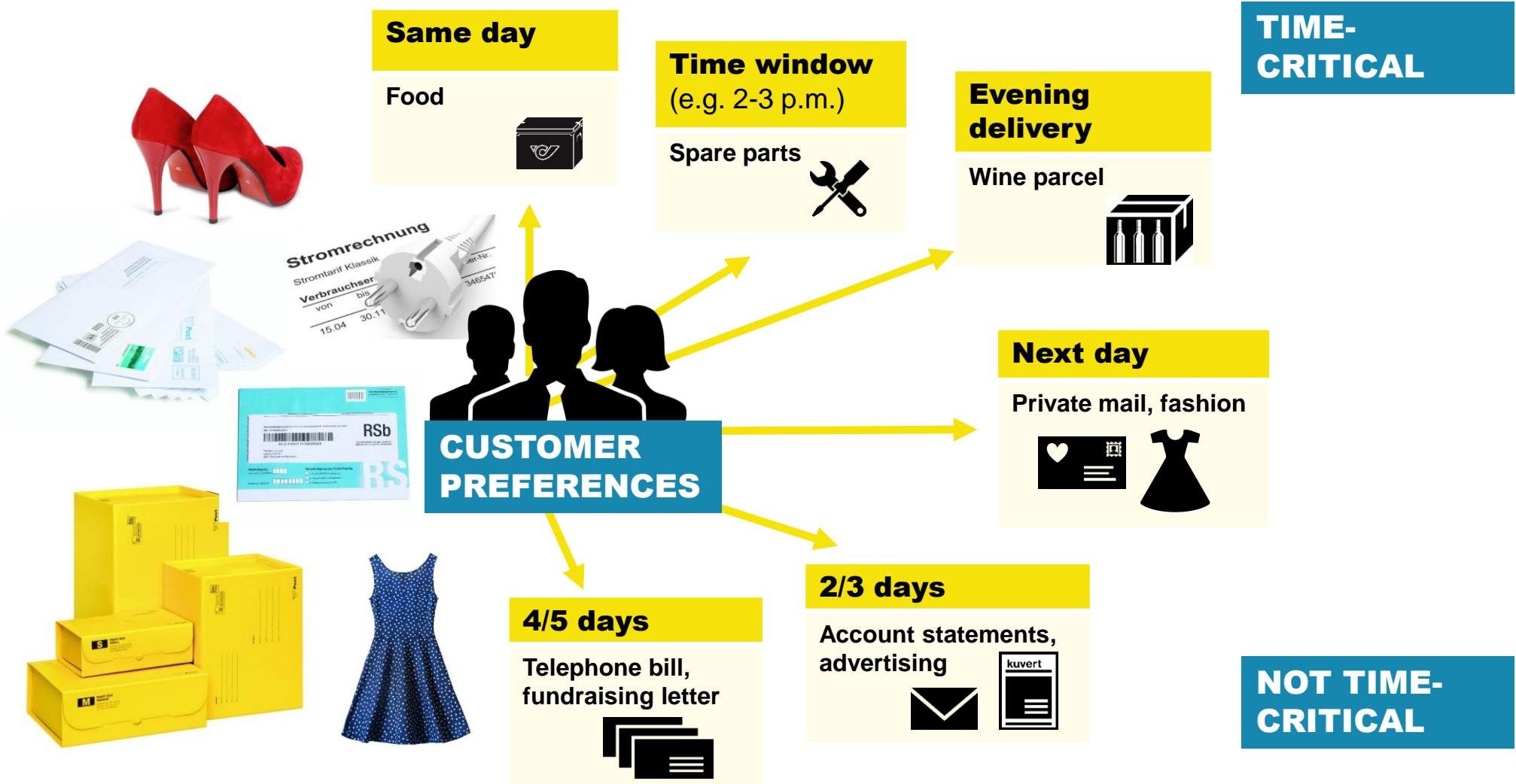
## 4. CUSTOMER ORIENTATION AND INNOVATION

Promotion of self-service solutions and service improvements



# 1

## CHANGED NEEDS IN LETTER AND PARCEL DELIVERY





# 1

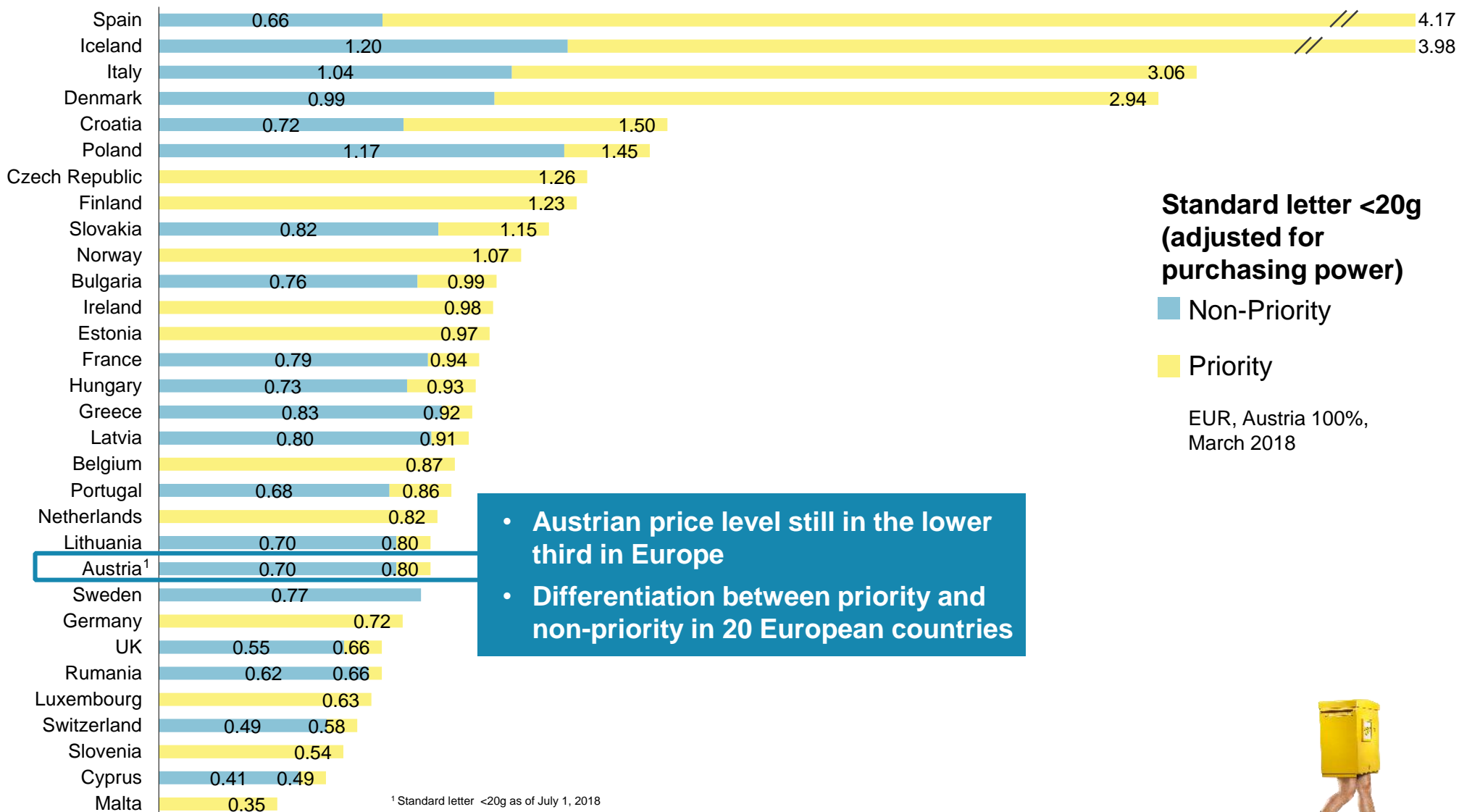
## NEW PRODUCT PORTFOLIO: OFFERING TAILORED TO SPECIFIC CUSTOMER PREFERENCES

Postal rates in EUR



	Previous offering	New product offering as of July 1, 2018		
		<b>PRIO</b> Universal service J+1 day	<b>ECO</b> Universal service J+2/3 days	<b>ECO BUSINESS</b> Not 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	-

# 1 INTERNATIONAL TREND: PRIORITY AND NON-PRIORITY RATES IN EUROPE



# 1 E-COMMERCE PARCEL BUSINESS REQUIRES EXPANDED RANGE OF SERVICES

## E-COMMERCE ON-BOARDING, WAREHOUSING & FULFILLMENT



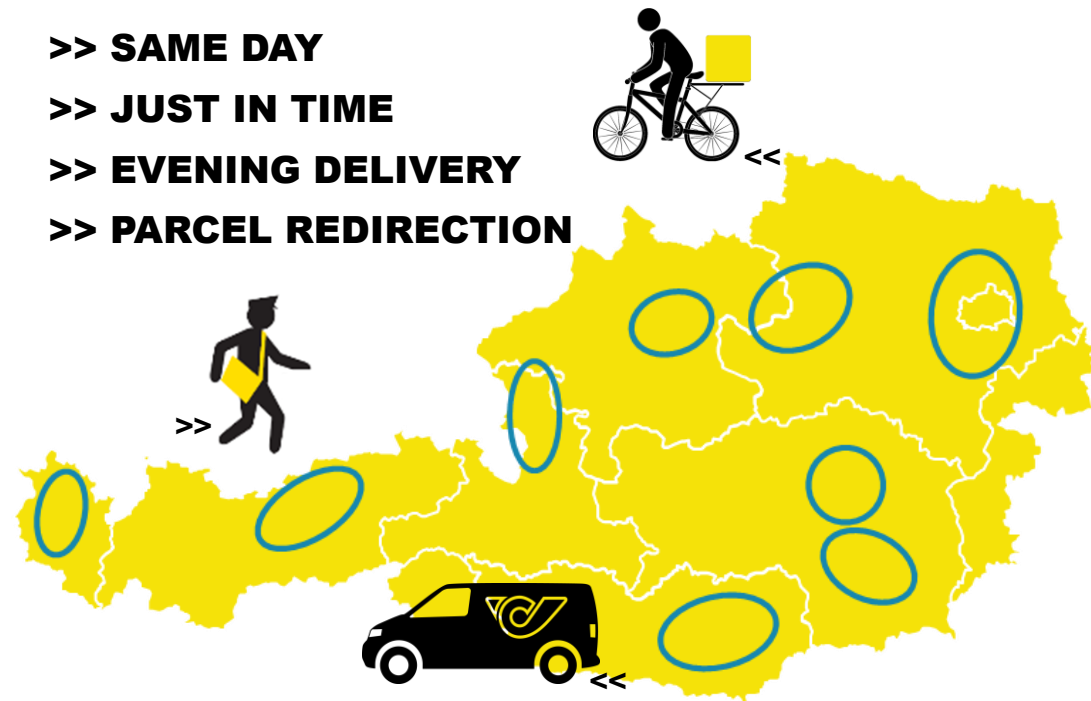
- ACL and shopping.at as e-commerce enablers
- Post Systemlogistik offers warehousing and Fulfillment
- Customers have confidence in Austrian Post's services:



## AUSTRIA-WIDE DELIVERY SERVICE

### SPEED ACCORDING TO CUSTOMER PREFERENCES

- >> **NEXT DAY**
- >> **SAME DAY**
- >> **JUST IN TIME**
- >> **EVENING DELIVERY**
- >> **PARCEL REDIRECTION**



Joint delivery of letters, packets and parcels throughout Austria

Additional parcel delivery in populated areas carried out by own parcel delivery staff

# 2

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

## 1,790 POSTAL SERVICE POINTS

- **38m CUSTOMER CONTACTS** p.a. in company-operated branch offices
- **19m CUSTOMER CONTACTS** p.a. at postal partner offices



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

### POSTAL PRODUCTS

- Acceptance of parcels and letters
- Comprehensive consulting offering for postal services

### TELE-COMMUNICATION & RETAIL GOODS

- Stable development of retail goods and philately
- Good earnings situation of telecommunications in a highly competitive market
- Post Energy Cost Calculator established on the market, strong growth with 36,000 contracts p.a.

### 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 of banking consultancy services, counter transactions remain unaffected
- Talks held with potential new national and international partners

# 2 GROWTH IN SELECTED MARKETS

## GROWTH FOCUS ON PARCEL & LOGISTICS

### GERMANY

#### Austrian Post International:

- Growth in international letter mail business, revenue up 8.0% in Q1 2018

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

- Joint venture in pharmaceutical wholesale
- Q1 2018 revenue of over EUR 100m



### CEE/SEE

#### Focus on profitable parcel growth

- Further positive organic volume development
- Strong competition and price pressure

#### Exit from the letter mail business completed

### AUSTRIA

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

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

- Operational level: parcel volume increase Q1 2018 >16%, Q1 2018 revenue of EUR 62m
- Ongoing arbitration proceedings relating to share increase; also bilateral talks
- Top priority: preserve value of the investment

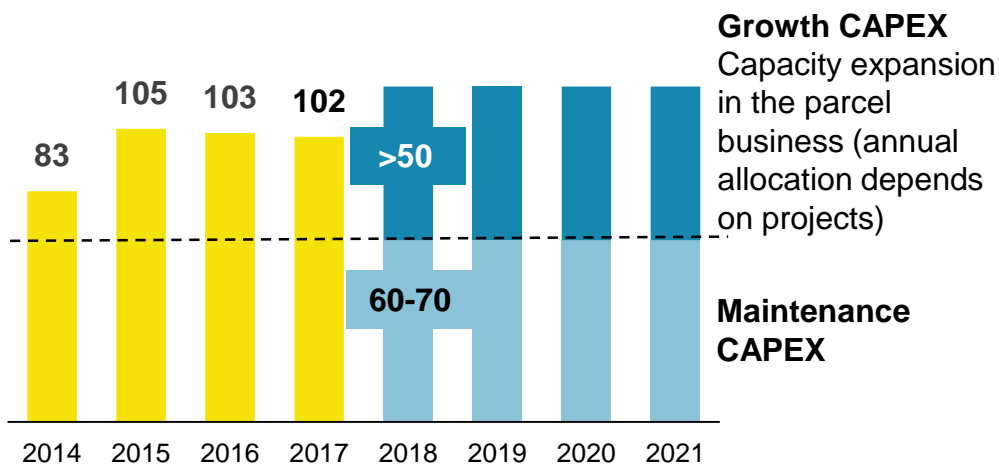
# 3 CAPACITY AND QUALITY DRIVE

## PLANNED EXPANSION OF PARCEL LOGISTICS IN AUSTRIA

### TARGET BY 2021:

- Doubling of sorting capacity to 100,000 parcels/hour
- Volume development from 97m parcels in 2017 to 150m parcels, even in the case of partial own delivery by individual large-volume shippers

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

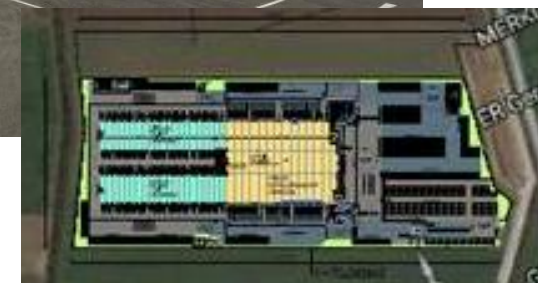


<sup>1</sup> 2014-2017 incl. CAPEX for new corporate headquarters

➔ Growth investments of > EUR 50m in 2018

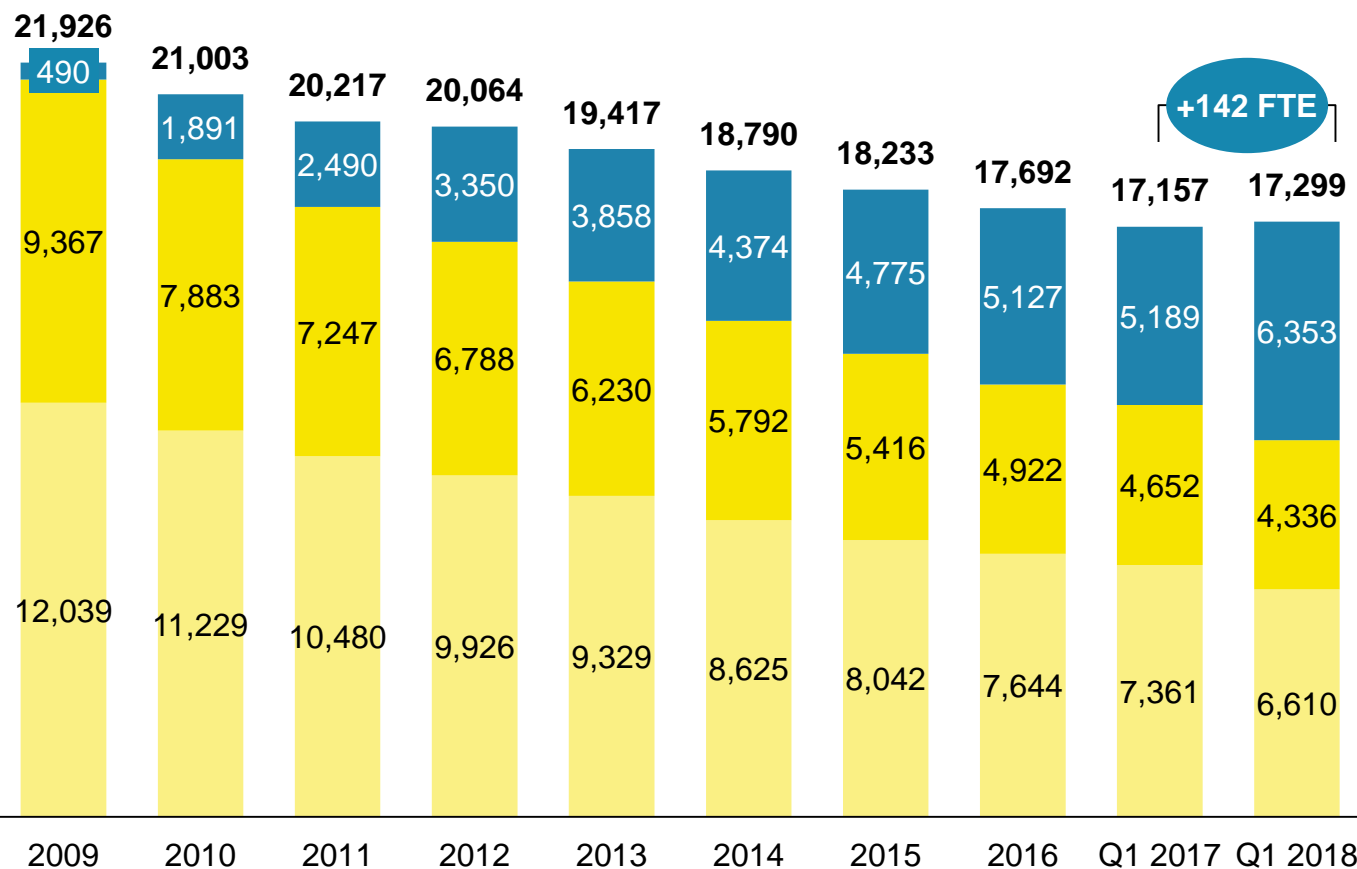


New logistic center Hagenbrunn, North of Vienna



# 3 STAFF STRUCTURE IN AUSTRIA

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



**Change Q1 2017 / Q1 2018:**  
 -706 Civil servants  
 -316 Employees old CWA  
 +1,164 Employees new CWA  


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**+142 Employees**

**Medium-term trend :**  
 Ongoing structural change

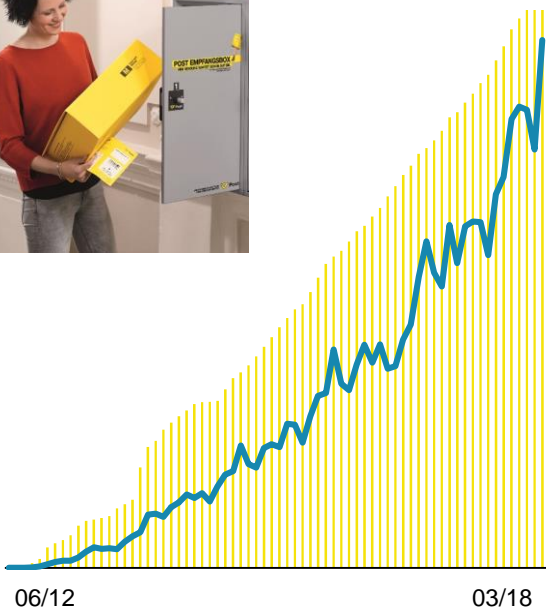
■ New collective wage agreement (CWA) since 2009  
 ■ Old CWA  
 ■ Civil servants



# 4 FURTHER EXPANSION OF SELF-SERVICE CUSTOMER SOLUTIONS

**25,729 PICK-UP BOXES**

Q1 2018: >550,000 items



**313 PICK-UP STATIONS**

Q1 2018: >686,000 items



**387 DROP-OFF BOXES**

Q1 2018: >1,138,000 items



■ Number of solutions  
■ Items/month

**MEDIUM-TERM DOUBLING OF NUMBER OF SELF-SERVICE SOLUTIONS**



# 4 NEW OFFERINGS FOR MORE CUSTOMER SERVICE

## PICK-UP SERVICE



About 150 pick-ups per week

- Pick-up of postpaid parcels by delivery staff
- In person or from any desired location
- Online bookable for EUR 2.50

## SERVICE EVALUATION AND DAMAGE REPORT WITH THE POST APP



>3,000 evaluations/week

95% are satisfied or very satisfied

- 4-step evaluation system in the Post App; automatic feedback channel after delivery, direct forwarding to customer service if necessary
- Uncomplicated damage report

**ONGOING FURTHER DEVELOPMENT OF THE PRODUCT AND SERVICE OFFERING TO ENHANCE CUSTOMER BENEFITS**

1. Highlights and Overview

2. Strategy Implementation

**3. GROUP RESULTS Q1 2018**

4. Outlook 2018

## Q1 2018 FINANCIAL INDICATORS AT A GLANCE

	Q1 2017	Q1 2018	
<b>Revenue</b> (EUR m)	<b>488.7</b>	<b>490.6</b>	Slight year-on-year revenue increase
<b>EBITDA margin</b>	<b>15.9%</b>	<b>15.6%</b>	Stable EBITDA margin of 15.6%
<b>EBIT margin</b>	<b>11.1%</b>	<b>11.6%</b>	Slightly higher profitability
<b>Earnings/share</b> (EUR)	<b>0.60</b>	<b>0.62</b>	Earnings per share above prior-year level
<b>Cash flow</b> (EUR m)	<b>61.8</b>	<b>175.9</b>	Cash flow from operating activities above Q1 2017 due to special payment BAWAG P.S.K.
<b>Equity ratio</b>	<b>45.1%</b>	<b>42.0%</b>	Increased equity, but equity ratio lower due to higher balance sheet total

# KEY INCOME STATEMENT INDICATORS

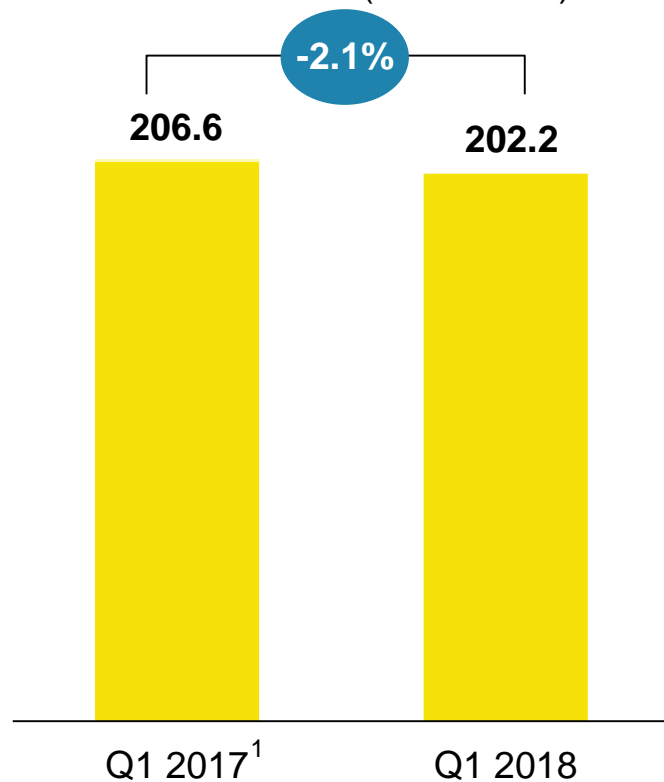
EUR m	Q1 2017	Q1 2018	%	Δ	
<b>Revenue</b>	488.7	490.6	0.4%	2.0	+EUR 20.1m in one-off income from dissolution of cooperation with BAWAG P.S.K.
Other operating income	14.8	34.6	>100%	19.9	
Raw materials, consumables and services used	-99.9	-103.9	-4.0%	-4.0	
Staff costs	-263.0	-274.0	-4.2%	-11.0	Provisions of EUR 22.1m for redimensioning of financial services
Other operating costs	-62.3	-70.3	-12.9%	-8.0	
At equity consolidation	-0.5	-0.6	-12.5%	-0.1	
<b>EBITDA</b>	<b>77.7</b>	<b>76.5</b>	<b>-1.6%</b>	<b>-1.3</b>	
<i>EBITDA margin</i>	15.9%	15.6%	-	-	
Depreciation, amortisation and impairment	-23.4	-19.8	15.5%	3.6	
<b>EBIT</b>	<b>54.4</b>	<b>56.7</b>	<b>4.3%</b>	<b>2.3</b>	
<i>EBIT margin</i>	11.1%	11.6%	-	-	EBIT margin up to 11.6%
Other financial result	-0.1	1.7	>100%	1.8	
Income tax	-13.8	-16.5	-19.7%	-2.7	
<b>Profit for the period</b>	<b>40.4</b>	<b>41.8</b>	<b>3.5%</b>	<b>1.4</b>	



# MAIL & BRANCH NETWORK DIVISION: REVENUE DEVELOPMENT IN Q1 2018

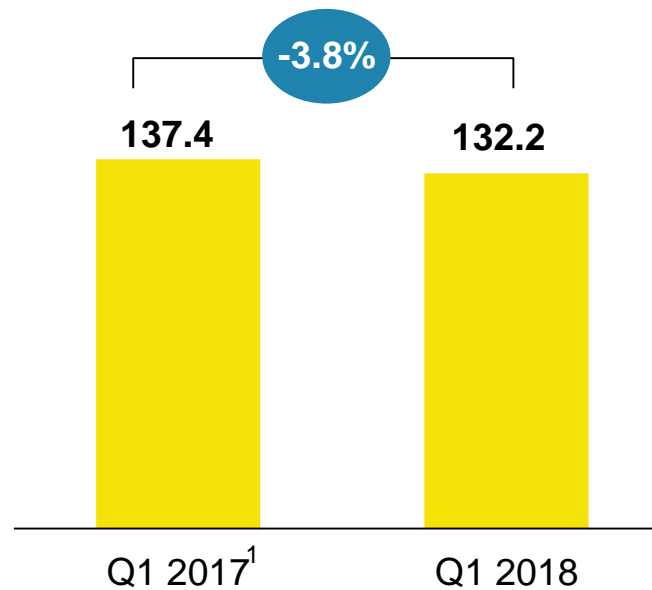
## LETTER MAIL & MAIL SOLUTIONS (EUR m)

- Drop in letter mail volume of about 5%
- Good development in mail solutions and international letter mail
- Exit from CEE/SEE (-EUR 1.3m)



## DIRECT MAIL/MEDIA POST (EUR m)

- Seasonal effect: weaker advertising period in the Easter week, this year already in Q1 (2017 in Q2)
- Positive election effects in Q1 2018 (+EUR 1.6m)
- Exit from CEE/SEE (-EUR 3.3m)



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



# MAIL & BRANCH NETWORK DIVISION: INCOME STATEMENT

EUR m	Q1 2017 <sup>1</sup>	Q1 2018	%	Δ	
<b>Revenue</b>	<b>372.6</b>	<b>359.6</b>	<b>-3.5%</b>	<b>-13.0</b>	Revenue decline in Q1 2018 due to lower letter mail and direct mail volumes
• Letter Mail & Mail-Solutions	206.6	202.2	-2.1%	-4.3	
• Direct Mail	105.9	100.0	-5.6%	-6.0	
• Media Post	31.5	32.2	2.2%	0.7	Drop in financial services in line with the unbundling agreement
• Branch Services	28.6	25.2	-12.0%	-3.4	
Revenue intra-Group	23.0	27.2	18.2%	4.2	Additional services based on increase in joint delivery of packets and parcels
<b>Total revenue</b>	<b>395.6</b>	<b>386.8</b>	<b>-2.2%</b>	<b>-8.8</b>	
<b>EBITDA</b>	<b>82.1</b>	<b>78.6</b>	<b>-4.3%</b>	<b>-3.5</b>	
<i>EBITDA margin<sup>2</sup></i>	20.8%	20.3%	-	-	
Depreciation, amortisation and impairment	-8.1	-5.0	38.1%	3.1	
<b>EBIT</b>	<b>74.0</b>	<b>73.6</b>	<b>-0.6%</b>	<b>-0.4</b>	Stable EBIT thanks to cost discipline and synergy effects
<i>EBIT margin<sup>2</sup></i>	18.7%	19.0%	-	-	

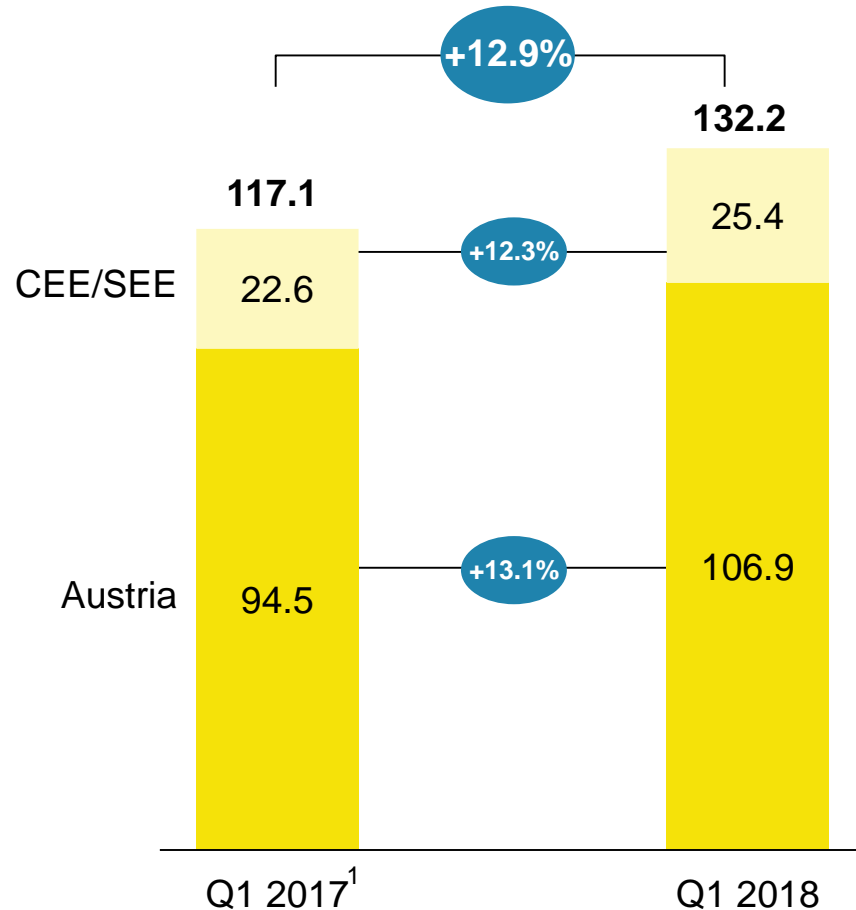
<sup>1</sup> Adjustment of revenue in segment reporting

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



# PARCEL & LOGISTICS DIVISION: REVENUE DEVELOPMENT IN Q1 2018

## REVENUE (EUR m)



### PARCEL & LOGISTICS DIVISION: +12.9%

- Organic revenue growth of 10.8% in Q1 2018 excl. segment change of Weber Escal

### SOUTH EAST/EASTERN EUROPE: +12.3%

- Segment change of Weber Escal (+EUR 2.6m; previously in the Mail & Branch Network Division)
- Stable revenue development, intense price pressure

### AUSTRIA: +13.1%

- Continuation of basic double-digit upward revenue trend in Q1 2018; market growth driven by disproportionately high growth on the part of large customers
- Full consolidation of e-commerce enabler ACL as at November 1, 2017

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



# PARCEL & LOGISTICS DIVISION: INCOME STATEMENT

EUR m	Q1 2017 <sup>1</sup>	Q1 2018	%	Δ	
<b>Revenue</b>	117.1	132.2	12.9%	15.2	10.8% increase in revenue excl. segment change of Weber Escal, Croatia
• Premium	55.3	61.9	12.1%	6.7	
• Standard	53.1	57.0	7.2%	3.8	
• Other Parcel Services	8.7	13.3	53.6%	4.6	+EUR 2.6m due to segment change of Weber Escal and +EUR 1.3m related to full consolidation of ACL
Revenue intra-Group	1.3	1.3	3.1%	0.0	
<b>Total revenue</b>	118.4	133.5	12.8%	15.2	
<b>EBITDA</b>	14.7	13.6	-7.7%	-1.1	
<i>EBITDA margin<sup>2</sup></i>	12.4%	10.2%	-	-	
Depreciation, amortisation and impairment	-5.3	-2.7	48.8%	2.6	
<b>EBIT</b>	9.4	10.9	15.6%	1.5	EBIT of EUR 10.9m and EBIT margin of 8.1%
<i>EBIT margin<sup>2</sup></i>	7.9%	8.1%	-	-	

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

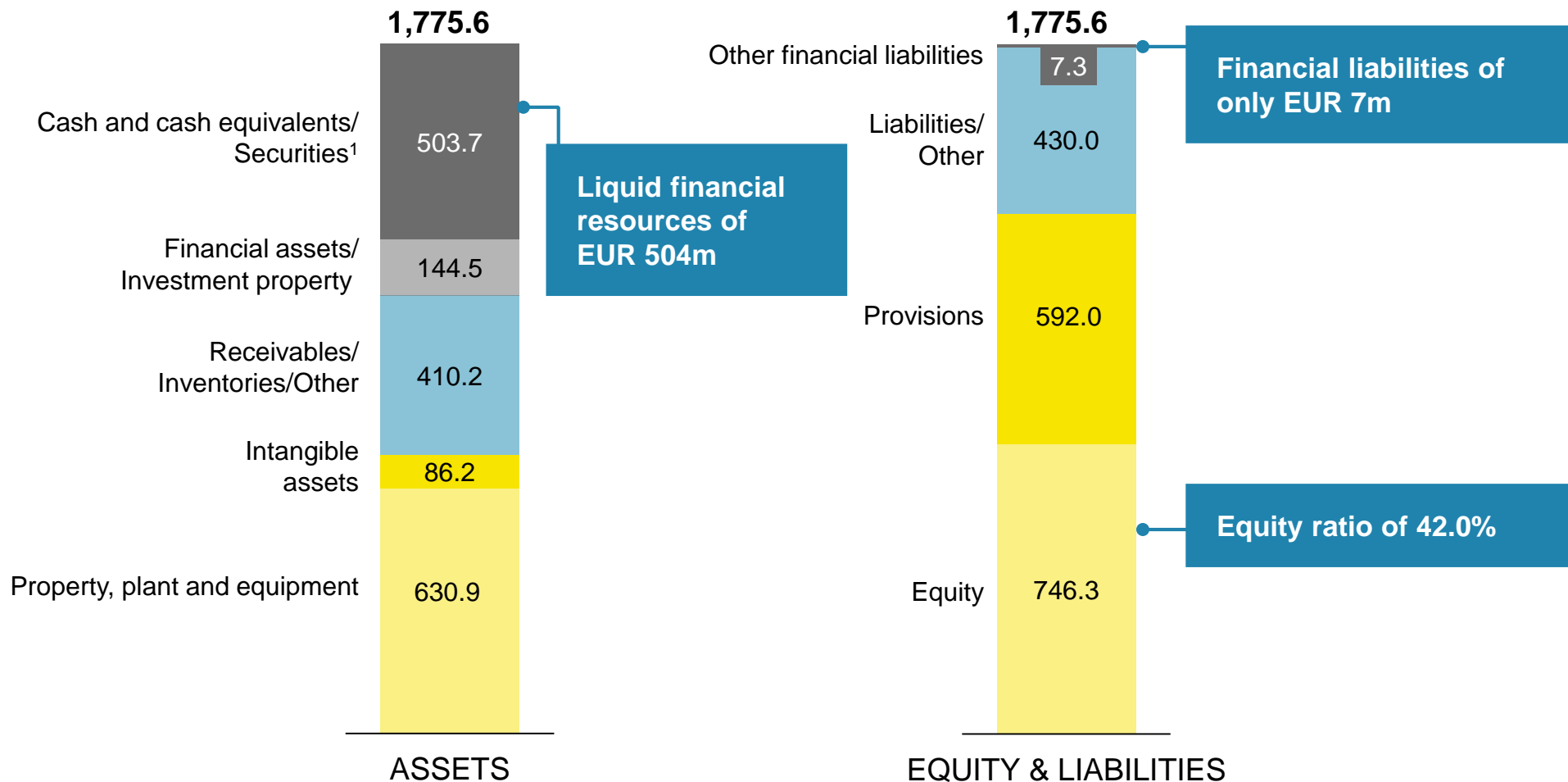
<sup>2</sup> EBIT margin / EBITDA margin in relation to total revenue



# SOLID BALANCE SHEET STRUCTURE

## BALANCE SHEET AS AT MARCH 31, 2018

EUR m

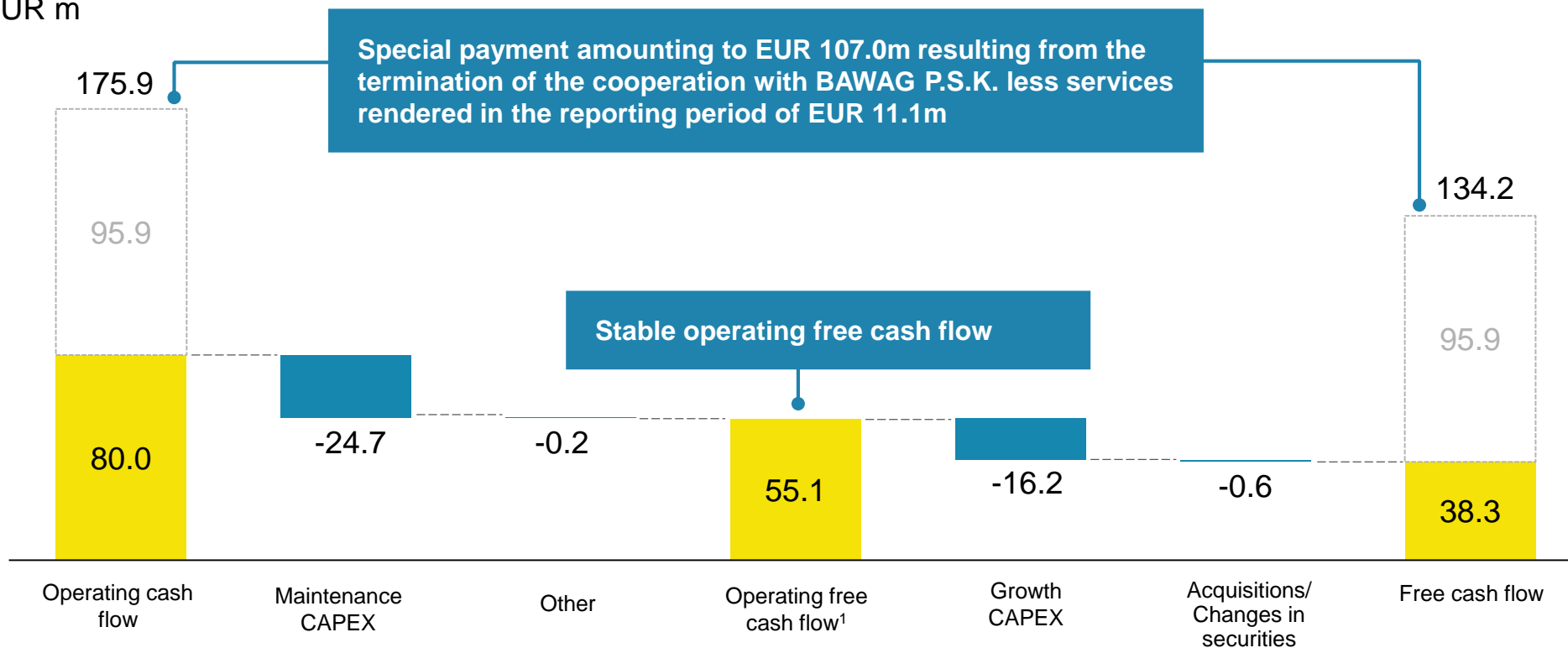


<sup>1</sup> Securities are recognised on the balance sheet under other financial assets.

# SPECIAL CASH FLOW EFFECT IN Q1 2018

## CASH FLOW DEVELOPMENT

EUR m



Q1 2017	61.8	-7.4	+0.8	55.2	-7.3 <sup>2</sup>	-17.6	30.2
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<sup>1</sup> Free cash flow before acquisitions/securities and Growth CAPEX; Q1 2018: excluding special effects BAWAG P.S.K. of EUR 95.9m

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

1. Highlights and Overview

2. Strategy Implementation

3. Group Results Q1 2018

**4. OUTLOOK 2018**



# OUTLOOK 2018

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## Market environment

- Approx. 5% volume decline p.a. of addressed letter mail due to electronic substitution
  - Volatile direct mail business in the course of the year
  - Double-digit growth on the parcel market, intense competition
- 

## Revenue

- Group: stable revenue development continues to be expected in 2018
  - Mail: Expansion of service offering (J+1 and J+2/3) as at July 1, 2018; Branch network: realignment of financial services business (step-by-step dissolution of current partnership to be essentially completed by the end of 2019)
  - Parcel & Logistics: targeted double-digit growth, dependent on the market share development
- 

## Investments

- Basic investments of EUR 60-70m p.a. in the core business
  - 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)
- 

## Earnings

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

# CONTACT

## Austrian Post

Investor Relations

Rochusplatz 1, 1030 Vienna, Austria

Website: [www.post.at/ir](http://www.post.at/ir)

E-mail: [investor@post.at](mailto:investor@post.at)

Telephone: +43 57767-30401

## Financial calendar 2018

August 10, 2018

Half-Year Financial Report 2018

November 15, 2018

Interim Report Q1-3 2018

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