

# AUSTRIAN POST Investor Presentation Q1 2019



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Vienna, May 16, 2019





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## 1. HIGHLIGHTS AND OVERVIEW



2. Strategy Implementation

3. Group Results Q1 2019

4. Outlook 2019

# HIGHLIGHTS Q1 2019



## Revenue

- Revenue up by 0.4% to EUR 492.5m
- Mail decline of 1.4% compensated by 6.7% parcel growth



## Earnings

- EBIT rise of 1.3% to EUR 57.4m due to solid revenue development and cost discipline



## Investment programme 2018-2021

- Completion of first parcel distribution centre (Hagenbrunn) in the summer of 2019
- Ground-breaking ceremony for second parcel distribution centre (Kalsdorf/Graz) in March 2019 – planned completion mid-2020



## Outlook 2019

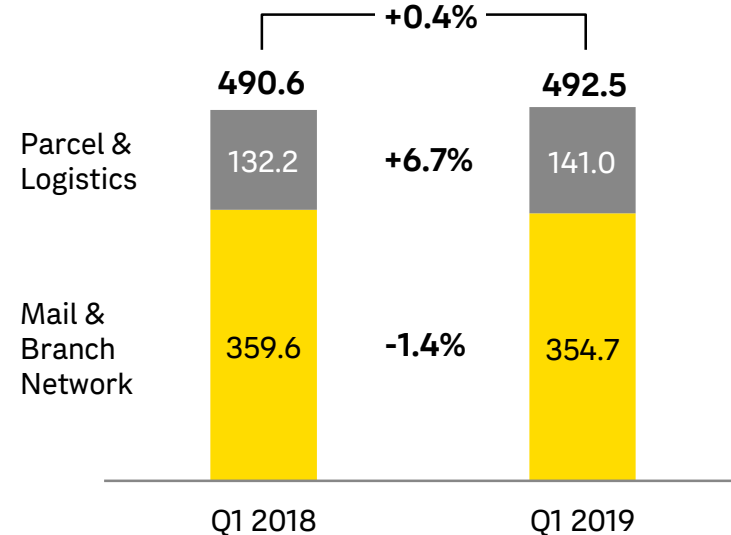
- Still aiming for stability in revenue and operating earnings in the core business

# SLIGHT REVENUE IMPROVEMENT THANKS TO ROBUST MAIL BUSINESS AND PARCEL GROWTH



## Revenue development

EUR m



## Group: +0.4%

- Slight revenue increase due to mail decline and good parcel growth

## Parcel & Logistics: +6.7%

- Ongoing positive e-commerce trend, increase in revenue despite own delivery by a large customer in Vienna

## Mail & Branch Network: -1.4%

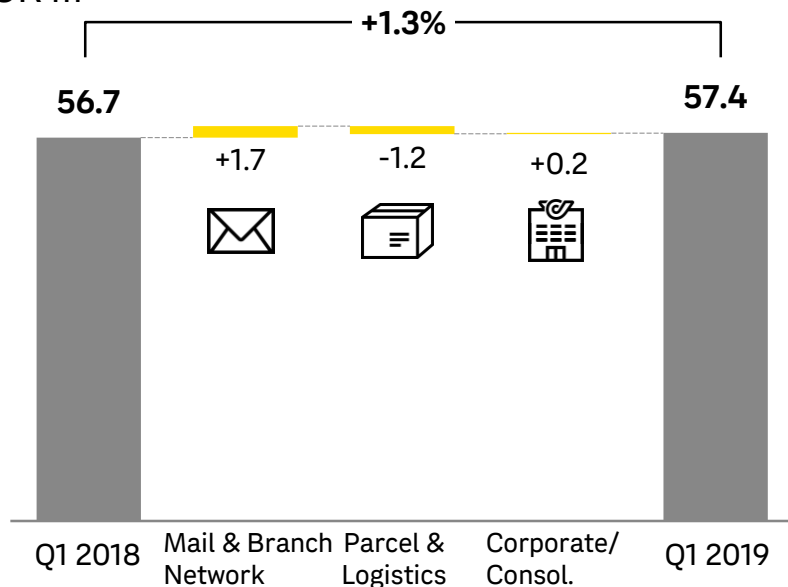
- Continuing letter mail volume decline
- Positive effects from elections and new product/rate structure
- Decrease in addressed/unaddressed direct mail
- Decline in financial services revenue related to gradual redimensioning in 2019

# IMPROVED OPERATING EARNINGS (EBIT)



## EBIT development

EUR m



### Mail & Branch Network:

- EBIT increase of EUR 1.7m in Q1 2019
- Drop in revenue compensated by high cost discipline

### Parcel & Logistics:

- EBIT negatively impacted due to additional costs to avoid capacity bottlenecks in the logistics network

### Corporate/Consolidation:

- Slight EBIT improvement of EUR 0.2m in Q1 2019
- Less need to allocate staff-related provisions



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1. Highlights and Overview



**2. STRATEGY IMPLEMENTATION**

3. Group Results Q1 2019

4. Outlook 2019



# CLEAR STRATEGIC PRIORITIES



## 01 Defending market leadership in the core business



Safeguarding market position in a competitive environment

## 02 Profitable growth in selected markets



Focusing and performance enhancement

## 03 Enhancing efficiency and flexibilisation of the cost structure



Expansion of logistics infrastructure and process optimisation

## 04 Customer orientation and innovation



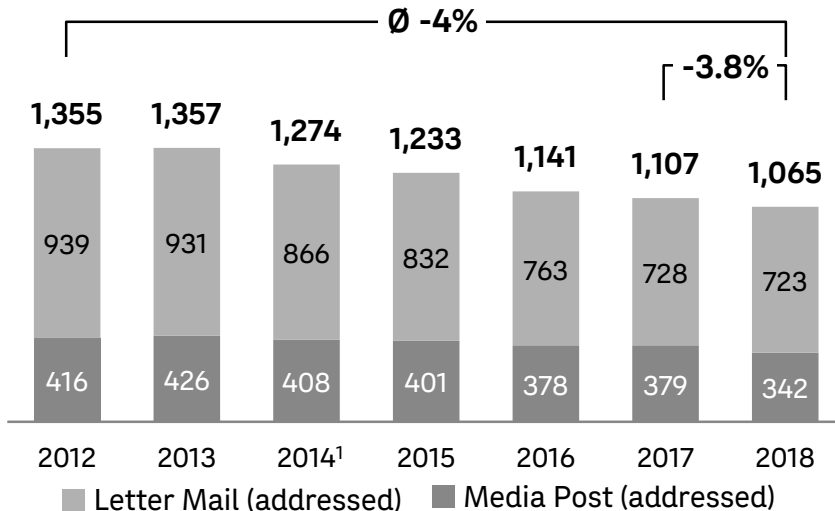
Promotion of self-service solutions and service improvements

# 01 LETTER MAIL IN AUSTRIA



## Letter Mail/Addressed Media Post (millions of items)

- Basic trend of electronic substitution continues



<sup>1</sup>Adjusted reporting due to automated calculation

## Current Letter Mail trends Q1 2019

- Volume decline due to e-substitution (operating decline Letter Mail about 3.5%, annual expectation about 5%)
- New product structure as at July 1, 2018 is well received - 40:60 volume split between PRIO (next-day delivery) vs. ECO (2-3 days delivery)
- Positive effects in Q1 2019 from elections and special mailings (banks, insurance companies)



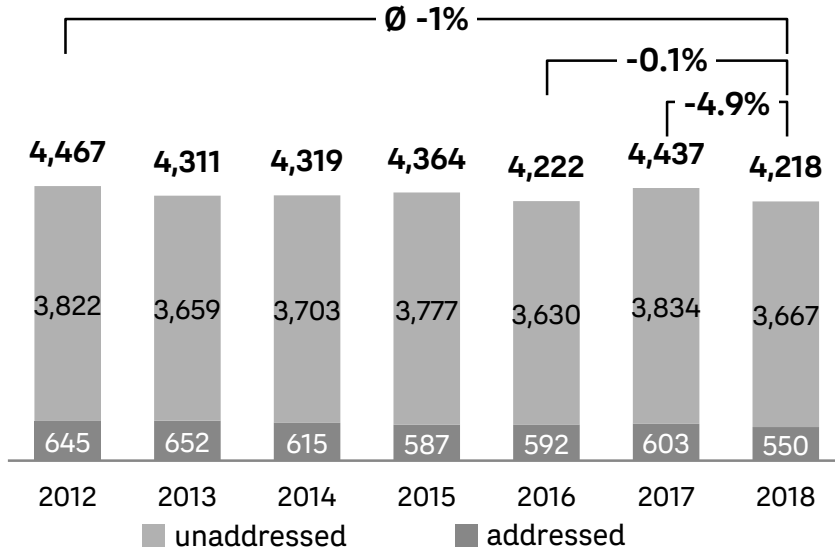


# 01 DIRECT MAIL IN AUSTRIA



## Direct Mail/Unaddressed Media Post (millions of items)

- 2018 direct mail volumes back to 2016 level after positive special effects in 2017



## Current Direct Mail/Media Post trends Q1 2019

- Volume decline in Austria about 4%
- Structural decline in addressed volumes (due to GDPR) as well as with newspapers and magazines
- Unaddressed Direct Mail negatively impacted by decline in retail sales and shift effects relating to Easter holidays



# 01 PARCEL & LOGISTICS BUSINESS IN AUSTRIA



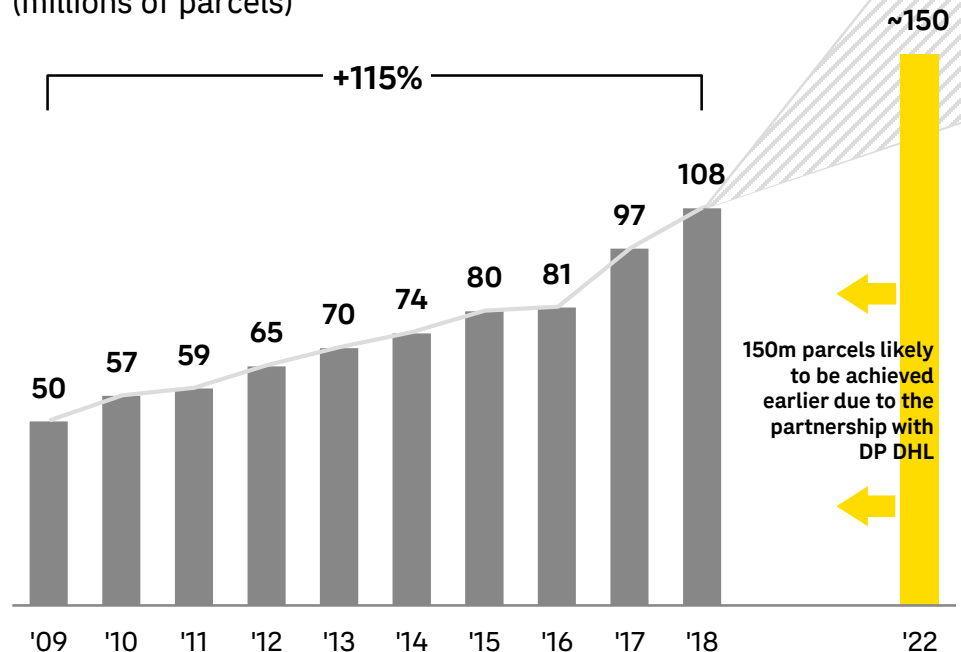
## Market development Q1 2019

- Austrian parcel market shows good growth in the high single-digit range
- Intense competition, ongoing own delivery by a large customer in Vienna
- High demands with respect to delivery speed

## Volume forecasts

- Short-term target: 150m parcels p.a.
- Medium-term target: doubling of volumes and sorting capacity

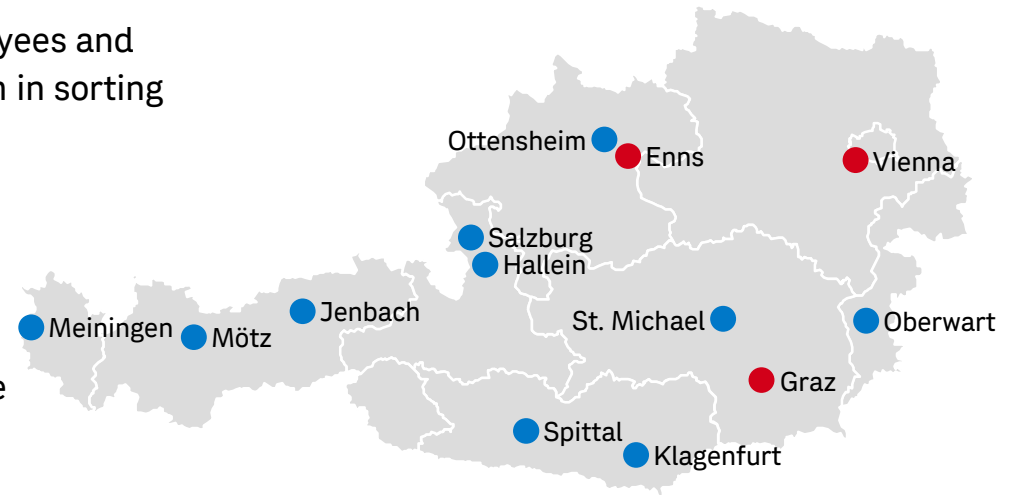
Parcel volumes of Austrian Post  
(millions of parcels)



## 01 AUSTRIAN POST AS A DELIVERY PARTNER OF DEUTSCHE POST DHL GROUP



- Austrian Post will become a delivery partner of the Deutsche Post DHL Group in Austria
- Talks initiated with competition authorities in Austria; decision expected by mid-2019
- Austrian Post plans to take about 200 employees and selected sites (investments of about EUR 15m in sorting technology)
  - 10 delivery bases (rented)
  - 3 distribution centres (rented)
- Preparations on the part of Austrian Post to start delivering parcels on behalf of Deutsche Post DHL Group in the summer of 2019



## 02 GROWTH IN SELECTED MARKETS

### Growth focus on Parcel & Logistics



#### GERMANY

##### Austrian Post International

- Intense competition in the international mail business, revenue of EUR 12.8m in Q1 2019

##### AEP (51% share, at-equity consolidation)

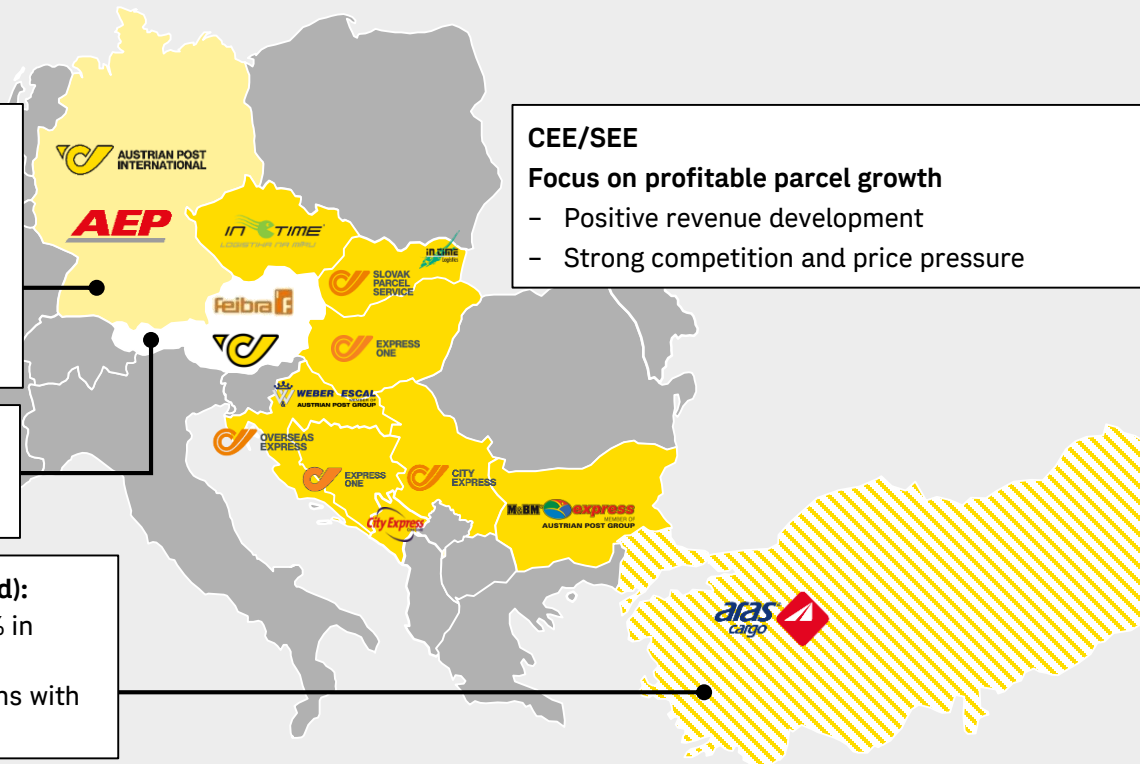
- Pharmaceutical wholesale joint venture
- Revenue up by 12.2% in Q1 2019 to EUR 113.7m

#### AUSTRIA

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

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

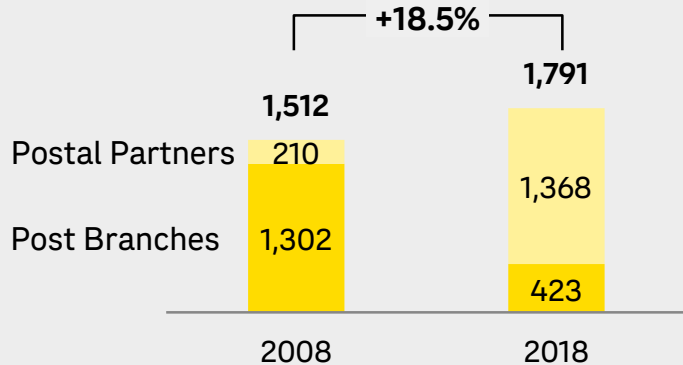
- Operational level: parcel volume increase of 5% in Q1 2019, revenue of EUR 49.7m in Q1 2019
- Ongoing arbitration proceedings and discussions with family owners about increased shareholding



## 02 AUSTRIAN POST BRANCH NETWORK: 1,800 POSTAL SERVICE POINTS TO PROVIDE A FOCUSED SERVICE OFFERING



Postal Service Points of Austrian Post



### 1. Postal Products

### 2. Telecommunications and retail goods

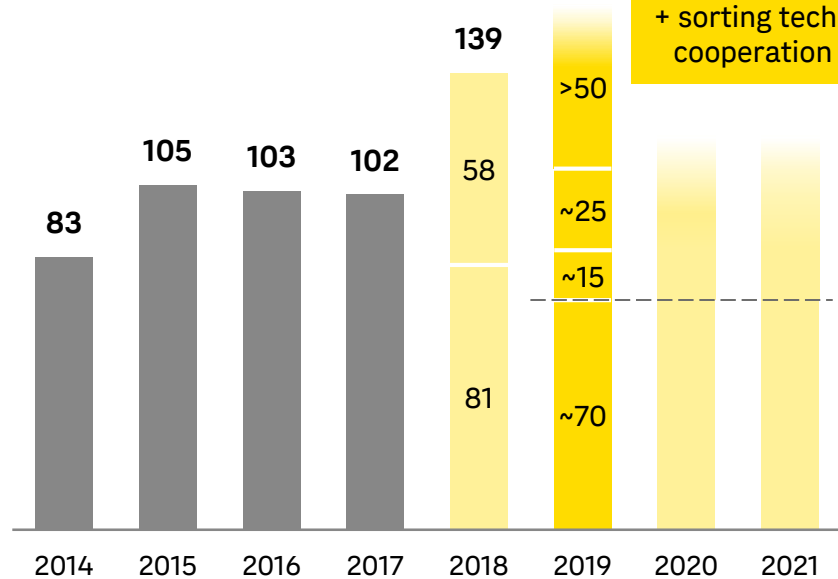
### 3. Financial Services

- The objective is for Austrian Post to continue offering financial services after 2020
- First step was taken thanks to partnership with GRAWE Banking Group
  - Austrian Post acquires 80% of Brüll Kallmus Bank (GRAWE Banking Group)
  - Contribution of EUR 56m via capital increase following regulatory approval
  - Independent, nationwide financial services offering, development of a service offering with additional partners

# 03 CAPACITY DRIVE 2018-2021

## Increasing volume forecasts lead to an accelerated investment programme

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



2019: Growth CAPEX of more than EUR 50m planned;  
 + properties - about EUR 25m  
 + sorting technology due to DHL-cooperation about EUR 15m

**Growth CAPEX**  
 Parcel capacity expansion (annual allocation depends on projects)

**Maintenance CAPEX**

HAGENBRUNN PARCEL CENTRE (LOWER AUSTRIA)



**IN OPERATION  
 SUMMER 2019**

KALSDORF PARCEL CENTRE (STYRIA)



**IN OPERATION  
 MID-2020**

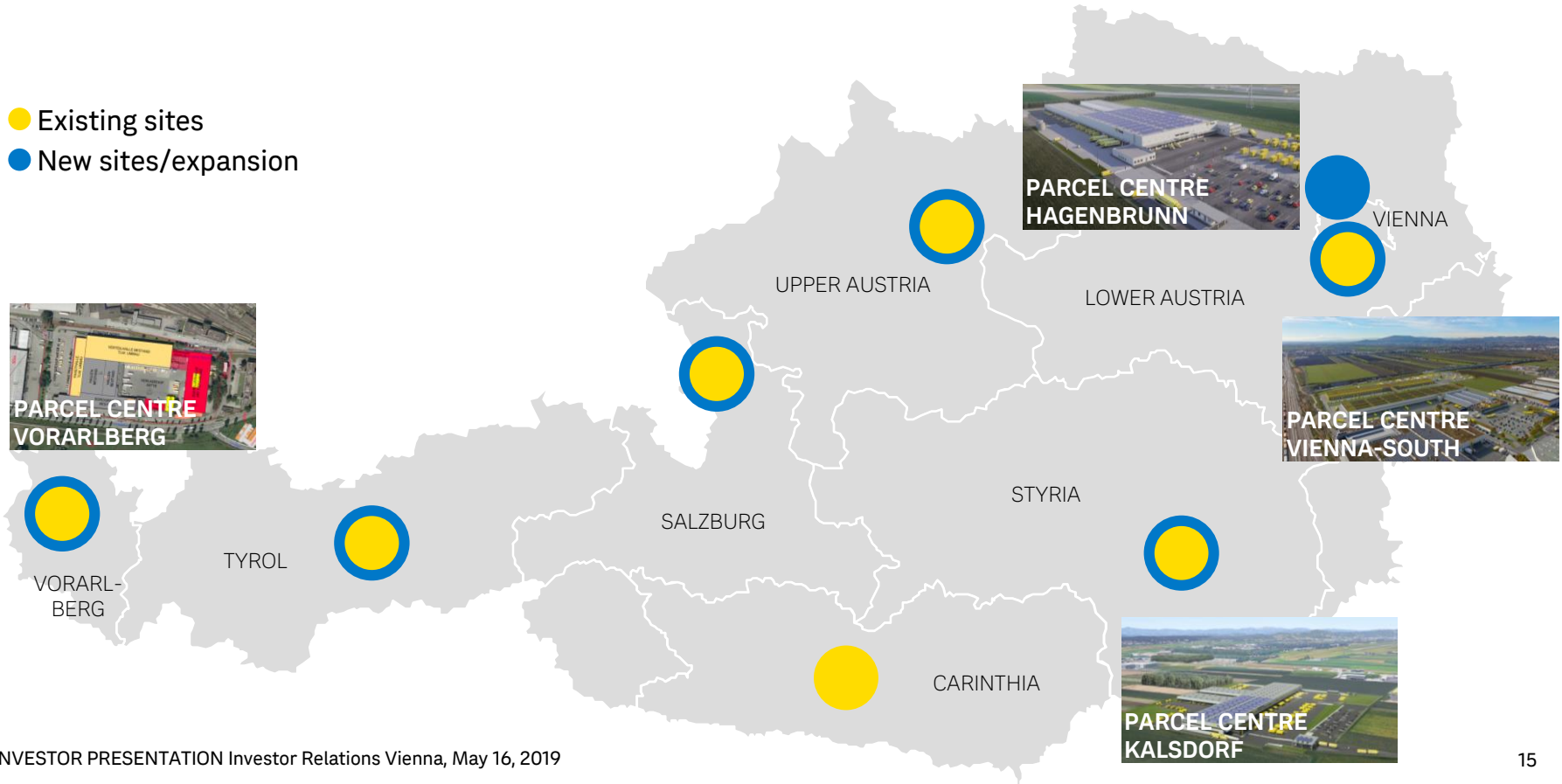
<sup>1</sup> 2014-2017 incl. CAPEX new corporate headquarters



# 03 EXPANSION OF LOGISTIC INFRASTRUCTURE IN AUSTRIA



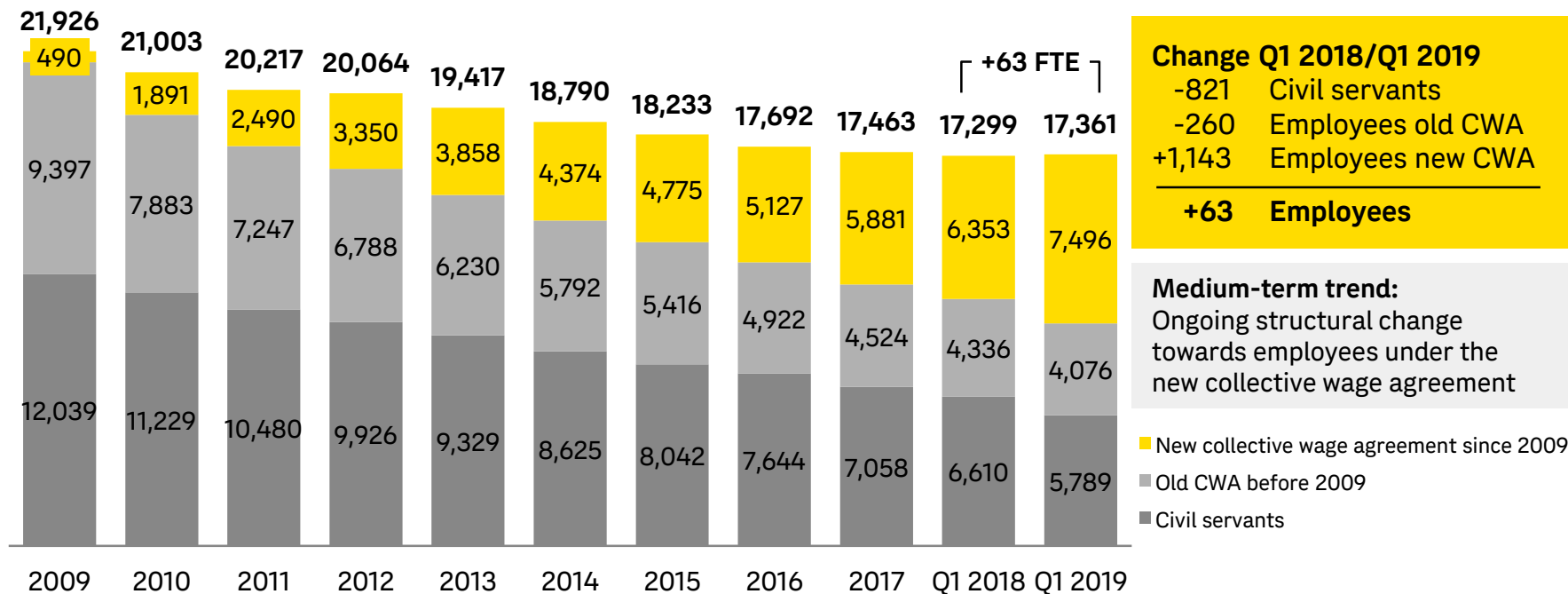
- Existing sites
- New sites/expansion



## 03 STAFF STRUCTURE IN AUSTRIA

### Full-time equivalents in the Austrian core business

(average for the period)

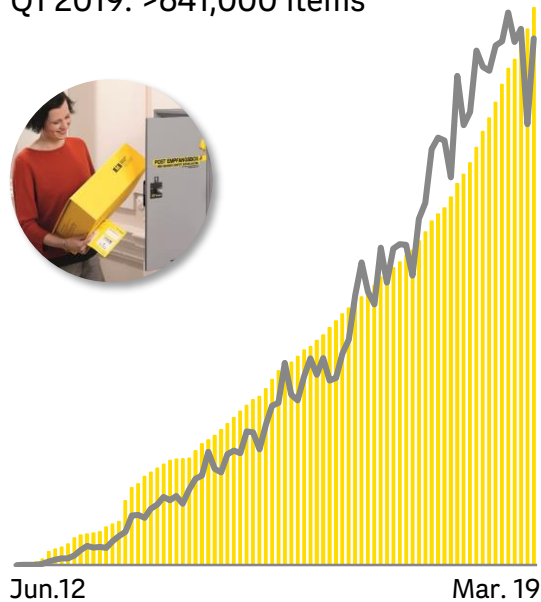


# 04 SELF-SERVICE AS A COMPETITIVE ADVANTAGE

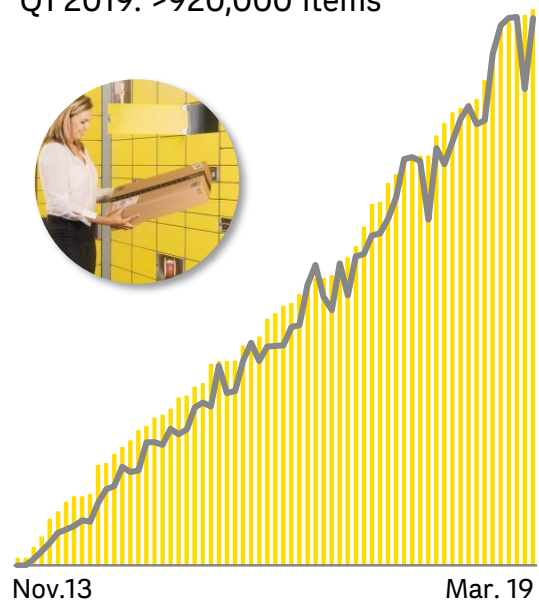
## Steady increase in usage



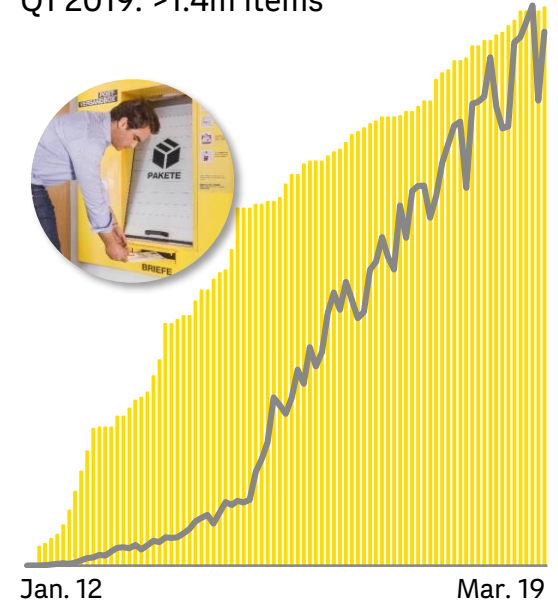
**37,612 pick-up boxes**  
Q1 2019: >641,000 items



**51,274 boxes at pick-up stations**  
Q1 2019: >920,000 items



**416 drop-off boxes**  
Q1 2019: >1.4m items





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1. Highlights and Overview
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# FINANCIAL INDICATORS AT A GLANCE



	Q1 2018	Q1 2019	
<b>Revenue</b> (EUR m)	490.6	<b>492.5</b>	Revenue slightly above prior-year level (+0.4%)
<b>EBITDA margin</b> (%)	15.6	<b>17.2</b>	Higher margin due to IFRS 16 (shift from expenses to depreciation/amortisation)
<b>EBIT margin</b> (%)	11.6	<b>11.7</b>	Stable profitability
<b>Earnings/share</b> (EUR m)	0.62	<b>0.64</b>	Improved earnings per share
<b>Cash flow</b> (EUR m)	55.1	<b>60.8</b>	Operating free cash flow of EUR 60.8m
<b>Equity ratio</b> (%)	42.0	<b>37.2</b>	Lower equity ratio due to IFRS 16 (balance sheet extension)

# KEY INCOME STATEMENT INDICATORS



EUR m	Q1 2018	Q1 2019	%	Δ	IFRS 16 effects	
<b>Revenue</b>	<b>490.6</b>	<b>492.5</b>	<b>0.4%</b>	<b>1.9</b>	-	Revenue increase implying mail decline and good parcel growth
Other operating income	34.6	21.0	-39.3%	-13.6	-	Q1 2018: EUR 20m one-off income from dissolution of cooperation with BAWAG P.S.K.
Raw materials, consumables and services used	-103.9	-110.3	-6.1%	-6.4	-	
Staff costs	-274.0	-251.7	8.1%	22.3	-	Stable wages and salaries, higher need to allocate provisions in Q1 2018
Other operating costs	-70.3	-66.3	5.6%	4.0	+8.1	
At equity consolidation	-0.6	-0.7	-8.2%	0.0	-	
<b>EBITDA</b>	<b>76.5</b>	<b>84.6</b>	<b>10.7%</b>	<b>8.2</b>	<b>+8.1</b>	
<i>EBITDA margin</i>	<i>15.6%</i>	<i>17.2%</i>	-	-	-	IFRS 16 effect: Drop in rents/leases of EUR 8.1m, increased depreciation and amortisation of EUR 7.7m
Depreciation, amortisation and impairment	-19.8	-27.2	-37.7%	-7.4	-7.7	
<b>EBIT</b>	<b>56.7</b>	<b>57.4</b>	<b>1.3%</b>	<b>0.7</b>	<b>+0.4</b>	
<i>EBIT margin</i>	<i>11.6%</i>	<i>11.7%</i>	-	-	-	Q1 2019: Valuation effect of stake in FinTech Group AG of EUR 5.4m
Other financial result	1.7	3.4	>100%	1.8	1.1	
Income tax	-16.5	-17.5	-6.0%	-1.0	-	3.5% increase in the profit for the period
<b>Profit for the period</b>	<b>41.8</b>	<b>43.3</b>	<b>3.5%</b>	<b>1.5</b>	<b>-0.7</b>	



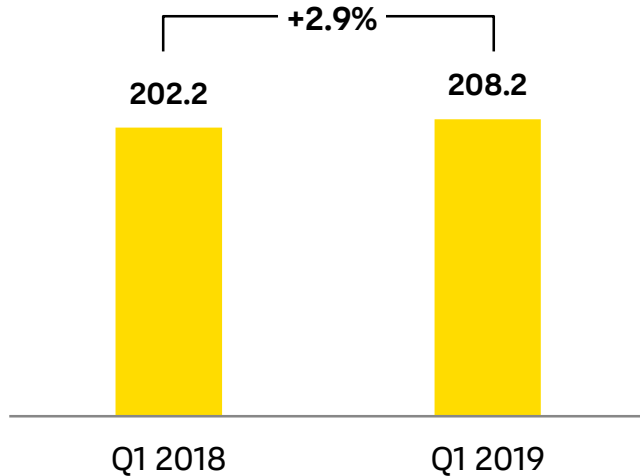


# MAIL & BRANCH NETWORK DIVISION: REVENUE DEVELOPMENT IN Q1 2019



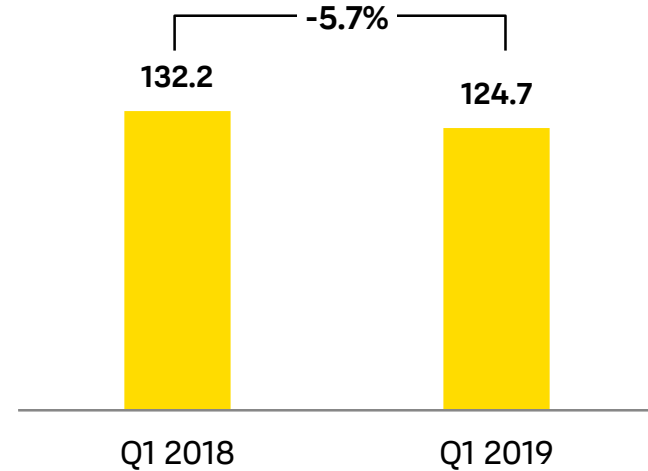
## Letter Mail & Mail Solutions (EUR m)

- Operating volume decline Letter Mail in Austria of about 3,5%, annual expectation of about 5%
- Revenue increase in Q1 2019 due to new product/rate structure and positive effects (elections)



## Direct Mail/Media Post (EUR m)

- Volume decline in Austria of about 4%
- Revenue decline for Addressed Direct Mail in Austria due to GDPR
- Unaddressed Direct Mail negatively impacted by decline in retail sales and shift effects relating to Easter holidays





# MAIL & BRANCH NETWORK: INCOME STATEMENT



EUR m	Q1 2018	Q1 2019	%	Δ	
<b>Revenue</b>	<b>359.6</b>	<b>354.7</b>	<b>-1.4%</b>	<b>-4.9</b>	<p>Positive effects from elections and new product/rate structure</p> <p>Uncertainty due to GDPR and decline in retail sales</p> <p>Gradual redimensioning of financial services offering in 2019</p>
• Letter Mail & Mail-Solutions	202.2	208.2	2.9%	6.0	
• Direct Mail	100.0	94.0	-6.0%	-6.0	
• Media Post	32.2	30.7	-4.7%	-1.5	
• Branch Services	25.2	21.8	-13.3%	-3.4	
Revenue intra-Group	27.2	29.7	9.2%	2.5	
Total revenue	386.8	384.4	-0.6%	-2.4	
<b>EBITDA</b>	<b>78.6</b>	<b>81.1</b>	<b>3.2%</b>	<b>2.5</b>	
<i>EBITDA margin<sup>1</sup></i>	<i>20.3%</i>	<i>21.1%</i>	-	-	
Depreciation, amortisation and impairment	-5.0	-5.8	-15.4%	-0.8	Higher EBIT related to high cost discipline and synergy effects from integrated delivery
<b>EBIT</b>	<b>73.6</b>	<b>75.3</b>	<b>2.4%</b>	<b>1.7</b>	
<i>EBIT margin<sup>1</sup></i>	<i>19.0%</i>	<i>19.6%</i>	-	-	

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

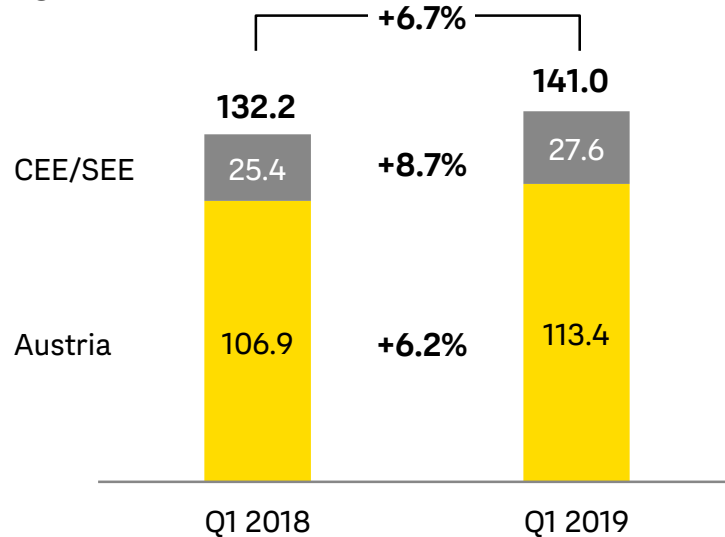


# PARCEL & LOGISTICS DIVISION: REVENUE DEVELOPMENT IN Q1 2019



## Revenue development

EUR m



### Parcel & Logistics Division: +6.7%

- E-commerce trend as the basis for further revenue growth

### South East/Eastern Europe: +8.7%

- Positive revenue development in Slovakia, Hungary and Croatia

### Austria: +6.2%

- Good revenue growth despite own delivery by a large customer in Vienna
- Good development with existing customers and new customer acquisition



# PARCEL & LOGISTICS DIVISION: INCOME STATEMENT



EUR m	Q1 2018	Q1 2019	%	Δ
<b>Revenue</b>	<b>132.2</b>	<b>141.0</b>	<b>6.7%</b>	<b>8.8</b>
• Premium	61.9	68.9	11.2%	6.9
• Standard	57.0	58.0	1.9%	1.1
• Other Parcel Services	13.3	14.1	6.1%	0.8
Revenue intra-Group	1.3	1.1	-19.4%	-0.3
Total revenue	133.5	142.1	6.4%	8.5
<b>EBITDA</b>	<b>13.6</b>	<b>13.7</b>	<b>0.8%</b>	<b>0.1</b>
<i>EBITDA margin<sup>1</sup></i>	<i>10.2%</i>	<i>9.6%</i>	<i>n.a.</i>	-
Depreciation, amortisation and impairment	-2.7	-4.0	-47.1%	-1.3
<b>EBIT</b>	<b>10.9</b>	<b>9.7</b>	<b>-10.8%</b>	<b>-1.2</b>
<i>EBIT margin<sup>1</sup></i>	<i>8.1%</i>	<i>6.8%</i>	-	-

Revenue growth despite own delivery by a large customer in Vienna

Decline of EBIT margin to 6.8% due to additional costs to avoid capacity bottlenecks in logistics network

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

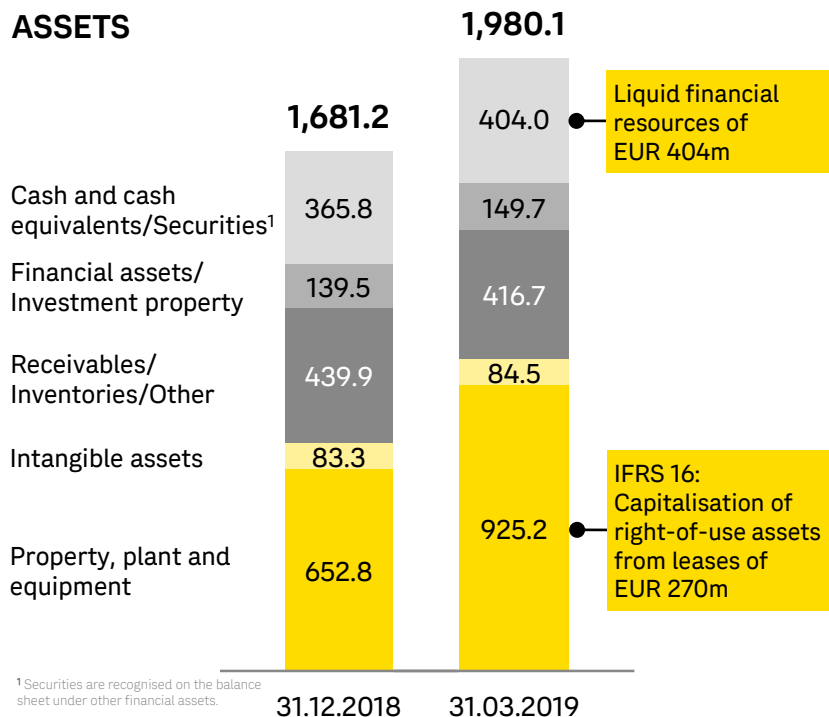
# CHANGE IN BALANCE SHEET STRUCTURE DUE TO IFRS 16



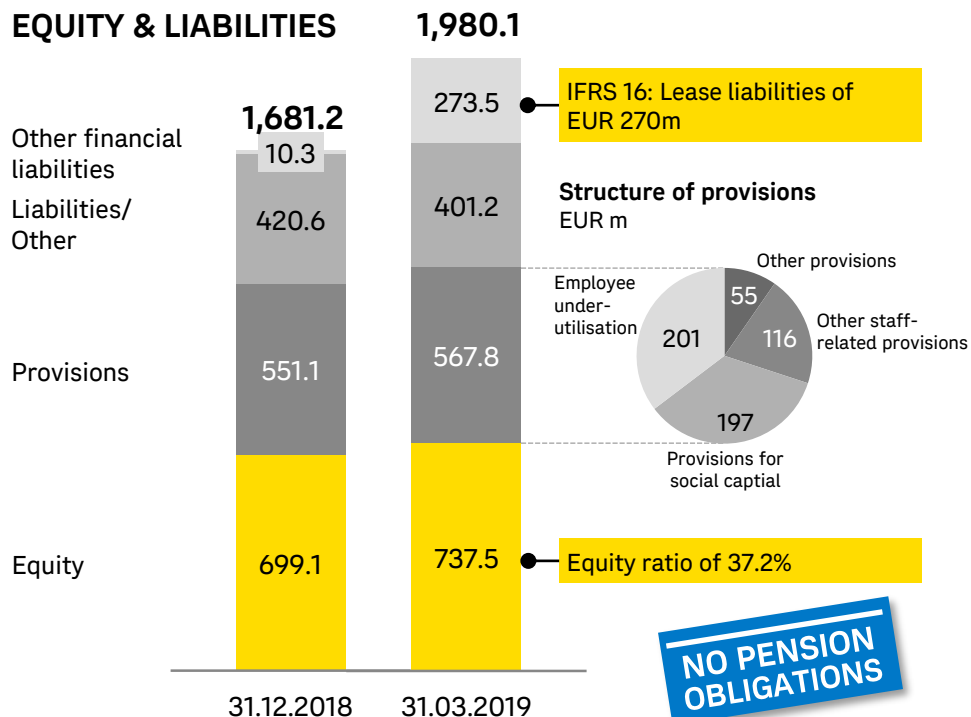
## Balance sheet as at March 31, 2019

EUR m

### ASSETS



### EQUITY & LIABILITIES



**NO PENSION OBLIGATIONS**

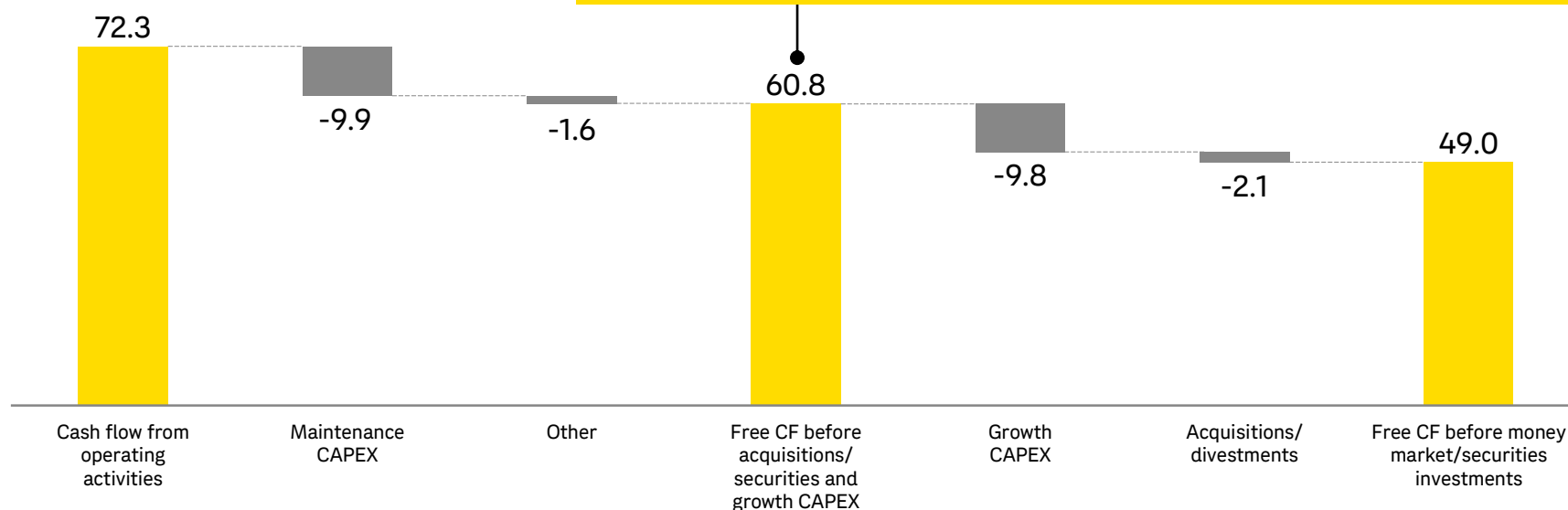
# ROBUST CASH FLOW IN Q1 2019



## Cash flow development

EUR m

**Operating free cash flow of EUR 60.8m**  
 - Financial service fee of EUR 7.7m for Q1 2019 already included in cash flow of 2018  
 - IFRS 16-effect: Expense of EUR 8.1m included in cash flow from financing activities



<b>Q1 2018</b>	80.0 <sup>1</sup>	-24.7	-0.2	55.1 <sup>1</sup>	-16.2	-0.6	38.3 <sup>1</sup>
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<sup>1</sup> Less special effects of EUR 95.9m relating to BAWAG P.S.K.





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# OUTLOOK 2019



## Market environment

- Up to 5% annual decline in Addressed Letter Mail volumes
- Structural decrease in Direct Mail volumes, also affected by data protection regulations
- Growth in the parcel market against the backdrop of intense competition and demand for high quality; ongoing own delivery by a large customer in Vienna



## Revenue

- Stable to slightly higher revenue expected for 2019, depending on the start of the planned cooperation with Deutsche Post DHL Group
- Assuming a further increase in parcel revenue and a drop in mail revenue



## Investments/CAPEX

- Parcel volume forecasts have led to acceleration of growth investments
- Growth CAPEX in excess of EUR 50m, additional property purchases of EUR 25m to be expected and investments in sorting technology due to the cooperation with DHL of EUR 15m to be expected
- Basic investments (maintenance CAPEX) of about EUR 70m
- Important first step for future financial services business: agreement on EUR 56m capital increase following the regulatory approval



## Earnings

- Target of generating stable operating earnings in the core business

# CONTACT



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## Financial calendar 2019

August 9, 2019

November 14, 2019

Half-Year Financial Report 2019

Interim Report Q1-3 2019

### Disclaimer

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