



Interim Financial Report Second quarter 2018

Conference call transcript

Brussels – August, 9th 2018

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Transcript of the conference call held on August, 9th 2018 10:00am CET

PRESENTATION

Koen Van Gerven: Good morning Ladies and Gentlemen. Welcome to our second quarter 2018 results call and thank you for joining us. With me I have Henri de Romrée, bpost CFO, as well as Baudouin de Hepcée and Saskia Dheedene from Investor Relations. I imagine that you already had the opportunity to read through the materials we posted on our website last night. We will summarize the key messages so as to move on to Q&A quickly.

On page 3, our results for the second quarter are in line with the management team's expectations and the longer term guidance that we gave at the Capital Markets Day in June. This is of course a quarter where 2017 acquisitions do impact the comparison; for example the contribution of Radial added 196 million euro in revenues for the second quarter.

Otherwise we enjoyed a moderate mail volume decline at -4.1%. Partly because the same quarter last year had seen a sharper decrease at -6.7%. And partly explained by a positive impact of specific mailings related to GDPR and Mifid.

We had a solid organic growth in parcels. The domestic parcels volume growth stood at +25.8% for the second quarter, and as expected we are impacted by a negative price/mix which is fully mix related.

The cost side shows an increase organically for an amount of €21.7 million excluding one-offs. Part of this increase is welcome as it's linked to growing parcels and international activities. The other part of the cost increase will either not going to occur again in the

next quarter or is being addressed by the set of initiatives we presented at the Capital Markets Day to structurally address our cost base.

Net net, we report an EBITDA of €140.4 million and BGAAP net income of €82.6m. This is in line with our guidance. It's important to note that the second half and the last quarter are and will continue to be seasonally the strongest. As parcels keep growing the seasonality factor will become more important than in the past.

With these elements in mind, I can confirm the 2018 outlook to generate an EBITDA at the low end of the € 560-600m range and to pay at least €1.31 of gross dividend per share.

Moving to page 4, if we look at our EBITDA bridge, there are some one-offs both this and last year. Excluding these, EBITDA is down 10% which is better than 20.8% at Q1.

You can see the revenue impacts we discussed as well as the cost inflation. Radial contributed a positive 2.3 million euro to our second quarter EBITDA which is slightly better than expected and in line with the full year target of around €17m or \$23 million.

Going to slide 5, we have provided some more detail on Radial's financial performance over the second quarter of 2018. Top line at 196.1 million euro was slightly above the second quarter of 2017. Fulfilment & transport revenues have increased by 7.9% year-over-year but this was partly offset by the webstore phase-out. In the second quarter the growth from existing customers, new business and clients that signed in 2017 outpaces the loss from clients terminating with Radial.

EBITDA at 2.3 million euro was better than expected in a highly seasonal business driven by higher volume from existing clients, better than budgeted productivity and tight SG&A cost control. EBITDA was however below last year as a result of the webstore phase-out, which is a higher margin business as well as an increase in charge backs resulting from more fraud activity.

Looking at Radial with EBITDA contribution of €2.3m we stand in line with the plan Pierre Winand detailed at the CMD and most of you will remember that refuelling the revenue base is the main driving force to achieve the medium term EBITDA potential.

Before handing over to Henri for the financials, I would like to provide you an update on some initiatives that we launched.

Firstly, the team is at work in the new business unit organization structure with bottom-line responsibility and with the specific list of projects that we presented you at the Capital Markets Day. I feel a positive energy across the teams. The new segment reporting is under development and will strengthen the culture of accountability even further. In the meanwhile, we are also working on the short term cost initiatives which are showing early signs of improvements on absenteeism and sorting productivity in parcels. This gives us confidence that the business will be ready for the busiest period of the year.

I am also pleased that, on July 4, bpost successfully issued a €650m long-term bond with a coupon of 1.25% to secure the financing of its growth. This 8-year bond issuance was comfortably oversubscribed. The transaction will serve to refinance the acquisition of Radial at attractive financial conditions.

On that note I hand over to Henri for more details on the financials.

Henri de Romrée: Thank you Koen. I am now on slide 6. With regards to the group financials, we show both a reported and normalised basis. There is no change to how we normalise items. As previous quarters EBIT was normalized for non-cash amortization charges on several intangible assets that were recognized following the purchase price allocation for de Buren, DynaGroup and Ubiway. These charges positively impacted reported income tax. That effect has been normalized here as well.

Moving to slide 7, I will go through the current structure of reporting. As you remember from the CMD I have been working on a new segment reporting down to EBIT which will better reflect our performance and align it internally and externally. Koen mentioned the positive effects to our management team spirit as we are embracing the reporting. I said to you I would pilot test it before releasing it and this is ongoing and is so far satisfactory. I am sure you are as keen as I am to see it in practice.

From a revenue point of view, the 32.7% growth in Q2 is really a combination of largely organic growth in mail and parcels and consolidation effects elsewhere, mainly Radial.

Let's now have a look into the different product lines. We are on page 8, for domestic mail,

The underlying mail volume decline came in at -4.1% for the quarter. Transactional mail volume for the quarter is decreasing -3.2%. There are mainly two effects to comment. On one hand 2Q17 was the worst comparable base for the transactional mail at -9.9%. On the other hand we benefited from a positive impact of specific mailings, like GDPR or MIFID II, in the second quarter. In advertising mail we had a weak quarter at -7.8% due

to continued competition on the advertising market and the expected campaigns for the World Cup did not materialize. The press trend at -2.5% is in line with previous quarter and supported by an easy comparable as well. You should note the 15.1 million positive impact from price and mix as the new postal law was in full effect during the second quarter.

Parcels, on slide 9, recorded again a very strong performance domestically with volumes up 25.8%. This was driven by strong e-commerce and C2C online sales. As we grow, we really have a change in mix which leads to an effect of -6.2% fully mix related. International parcels revenues increased by 4.3 million euro driven by higher revenues from Europe and the US despite a negative exchange rate impact. The growth in Logistic Solutions, beside the Radial contribution already discussed by Koen, is mainly driven by the consolidation of Leen Menken and Active Ants.

On slide 10 regarding our additional sources of revenues, we booked a revenue increase of 21.5 million euro in International Mail mainly as a result of the consolidation of Imex & Mail Inc acquired in January this year. Value Added Services added 3.2 million euro to the top line driven by the management of cross-border traffic fines on behalf of the Belgian State. Revenues from Banking and Finance decreased by 6.9 million euro as a result of lower revenues from bpost bank savings accounts due to the low interest rate environment and lower revenue from financial transactions managed on behalf of the State. You remember that we flagged this at the CMD as a long term trend. Retail and Other revenues declined by 1.3 million euro due to lower sales of bpost retail products not fully compensated by higher sales at Ubiway Retail.

Moving to costs on slide 11, the evolution of our cost base has got all my attention with several factors coming into play. We first have the impact of consolidation which is of course significant and we put more detail in the appendix as to how they flow through the different cost lines.

Our organic costs, excluding one-offs, were up 21.7 million euro. When an important part of our business is growing, as it is the case in domestic parcels and international activities, it naturally causes certain costs to increase with volumes.

In domestic parcels this was exacerbated with an increase in payroll & interims due to additional FTEs, in certain SG&A linked to NBX for example or with fleet and transport costs for a total amount of 8.3 million. The increase of +7.4 million in the remaining transport costs is driven by the growth in international activities, both mail and parcels.

The evolution of the other SG&A amounts to € +9.8 million. You should consider that close to half of those cost increases should not occur again as an increase of € +3.4 million is due to positive elements last year which now play out negatively. In addition, the higher rental costs related to NBX will not reappear in the quarter to quarter comparison. The remaining uplift is due to higher energy costs mainly resulting from increased fuel price and higher projects related costs, which is mainly phasing.

So as you can see when it comes to costs, it is either non-recurring or being addressed with the initiatives that we presented at our capital market days.

Moving to cash flow on slide 12, the main impact versus last year is a 60 million tax prepayment which occurred in the second quarter this year rather than the third quarter last year.

Our gross capex stood at 25.1 million for the second quarter, and 39.5 million for the first half which is in line with our guidance of 140 million for the full year. I would also mention that there was little change in our financing costs in Q2 but I am pleased that we refinanced the Radial acquisition bridge loan with a EUR 650.0 million long-term bond with a coupon of 1.25% to secure the financing of its growth taking advantage of the A credit rating. As we said in June it is our intention to maintain credit metrics compatible with a solid intrinsic investment grade rating.

I'd like to end here and hand over to Koen again for some closing remarks.

Koen Van Gerven: Thank you Henri. We are now on page 13, the outlook is unchanged for this year. The second half and last quarter will be the busiest ones for the company. I reiterate that the mid-term plan we shared back in June is one that gives us confidence to deliver earnings which can sustain the current level of dividends. I also reiterate the message from first quarter and the Capital Market Day that the dividend for 2018 is to be at least the same level as 2017 which was 1.31 per share.

And with this, we are happy to answer your questions. Please open the lines.

QUESTIONS AND ANSWERS

Ruben Devos (KBC Securities): Yes, good morning. Thanks for taking my questions. First one I got is on the parcel division. So in the press release, it was mentioned that the price increase for parcel delivery was fully offset by product decline mix. Could you give a bit of flavour on that price increase? Was that purely for standard parcel delivery or other value-added services related to parcel delivery? Has that been raised in the smaller corporate segment, let's say, C2C or maybe in negotiations with the larger workshops? And the second one on mail and the potential price increase for 2019. If I'm not mistaken, you typically draft the price proposal in August for the small-user baskets for next year. So the question is, have you already submitted that proposal? And then secondly, I was wondering on what grounds could BIPT potentially object the price proposal? I mean, the price cap formulate is relatively straightforward with basically the key parameter being the expected negative volume trends. So could that be a cause for disagreement or what could be the risk, let's say, for potential rejection? Thank you.

Koen Van Gerven: Thank you, Ruben, for the question. As far as parcel price increase is concerned, I think there is nothing special. It is broadly about increase with inflation. As far as the bigger customer is concerned, the very small ones those are even the ones that are announced at the start of the year, so nothing special as far as that is concerned. For this year, as far as the price file in 2019 is considered, indeed you're right. We have to introduce the file before the end of June.

What we did, the file is, as far as we are concerned, completely compliant with the new postal law. But it will be the first time that the regulator has to address the question for price increase in that framework, and until now we didn't have any reaction on that but we

are happy to enter into discussions if there are questions for clarification as far as that is concerned.

Ruben Devos: All right, and if I can just add one more. I believe at Q1 conference call, you shortly discussed the new cost savings program called Accelerate. I believe it was said that ring-fencing of certain expenses would lead to savings ranging between €5 million to €20 million. The range is relatively broad, let's say. So just wondering whether you already have more visibility on that and also for the Accelerate programme in general, could you share what your ambitions are beyond 2018?

Koen Van Gerven: Indeed, with the challenges that we have of course which are on the cost level, we were addressing it, what I would call, in the short-term with a couple of particular initiatives as well as of course the longer term which is more important from a structural point of view. And those things we addressed of course during the Capital Markets Day with the important programmes.

But to come back on what do we do in the shorter term, I can give you a couple of example of the things that we work on, for example, a more granular workforce planning were basically especially in the support functions we want to be sure that we capture fully the potential from natural attrition. And so before that we replace someone who leaves the company, We make the assessment on can we gain or can we take potential in productivity gains or can we solve the gap that is created if it has to be filled again by internal mobility. That's one of the examples.

We went and we continued to go on a very granular level through our procurement requirements. A very important part is optimisation of transport costs, where we of course work with a lot of third parties – air, roads, and so on – and across different geographies. And we have promising outcome as far as that is concerned, too. As you know, we continue

to work on the operations and the improvement in the sorting operations, both in mail and parcels. I'll have to give you an example which is related to the parcel machine. We were able to increase the number of parcels per container, which gives a positive productivity effect in operating the machine – but another positive effect in the number of containers that we have to transport. Those are a couple of examples. They are not only on the cost side, the productivity side. As well on the top-line side, so we try to capture more discount leakage in the SME segment in terms of mail and in terms of parcel sales.

So there are a couple of initiatives that we outlined that are on track and that are in ramp-up and start to deliver. That will help us to realise the guidance and the ambition that we have for this year.

Ruben Devos: Okay, thanks for some granularity on the costs. But just to come back on that range, is that confirmed, reiterated, or should we look at a different phasing for some costs to go beyond 2018? You know, referring to the € 5 to €20 million?

Koen Van Gerven: Look, this is – it's all included in the guidance for this year, as far as this year is concerned. And, of course, it will continue next year as those are the things where we have to have continuous attention on. But sure that it is included in the guidance we discussed during the Capital Markets Day.

Ruben Devos: All right. Thank you very much.

Marc Zwartsenburg (ING Bank): Yeah, good morning. A couple of questions. To start with Radial, can you also share with us how much lower the EBITDA was in Q2 versus Q2 last year, please?

Koen Van Gerven: Marc, thank you for the question, but as you know, we - the EBITDA is impacted, of course, year on year this year by the out-phasing of the web stores, but – that’s the first component. The second component is that we have higher costs related to the fraud chargeback. But we don’t – we don’t disclose the figure of last year.

I think this year the good news is that the EBITDA is slightly higher than what we had in our budget and what we expected, and – which is related to a better top line. This is explained – and this is good news, of course – by the growth – our current – our existing customer base. We indicated a figure of a growth of 7.9% on the current business. What we observe next to that is that the growth of our existing customers and the business of the new customers that they derived, and probably signed last year, outpaces what we lose of the churn of the customers leaving. Part of it is due to the fact that the customers that decided to leave tend to leave slower than what we expected, so that’s why we confirm the result of Radial and the ambition of Radial as it is foreseen in the budget, because of course they will start leaving and that would impact us further down the road during this year.

Marc Zwartsenburg: Let me come back on the 7.9% that is from current business, that means that this is existing clients but also the new client wins? Is that also the new client wins in 2018 – is that also included?

Koen Van Gerven: Yes, indeed. So the – the two are included in this 7.9%. So – but yes.

Marc Zwartsenburg: And so, on the churn rate, so that was – that’s phasing in a bit in the second half, and so we should assume that in the second half the top line is a bit weaker than currently, and that’s why you keep your –

Koen Van Gerven: All over the year we keep the figure that we had and what we said. So probably to compensate the better performance in terms of top line in the first half year we expect the decline's going to be a little bit steeper in the second half of the year.

Marc Zwartsenburg: So it's not that we have to assume a lower churn rate because these clients in the end found out that things were improving at your end and that they want to stay? It's just a phasing effect?

Koen Van Gerven: Be my guest. But I – I am not – well, I am not sure it works that way.

Marc Zwartsenburg: Okay, okay.

Koen Van Gerven: If someone is reconsidering something, I will be happy to talk.

Marc Zwartsenburg: Yeah. And the question about the EBITDA, the trend was more to get a bit of a sense for the phasing around the quarters through the year. Because we know

Koen Van Gerven: No, it's not going to help from that perspective, Marc.

Marc Zwartsenburg: Okay, okay, okay. Then another question – and this is a technical one. On slide four and slide six, the EBITDA on the second quarter 2017 differs. One is adjusted and one is normalised. But is that because in the adjusted, the one-off is still in there and on the normalised not? Or how should I see that? Slide four and six, that is. Second quarter 2017. 144, which excludes the positive one-off, and then the normalised,

which is still the 159.3. So I should not read anything into that? That's normalised, not taken out?

Henri de Romrée: No. No.

Marc Zwartsenburg: Okay, okay. Then on SG&A, it's down 21.7 in the first half, excluding acquisitions. You already mentioned some – some effects from ring fencing, but I think there's some other elements like rental cost, etc., also. Could you give us a little bit of building blocks for what we could expect for the second half in terms of year-on-year increase in SG&A? A ballpark number. And what are the moving parts there?

Koen Van Gerven: Marc, perhaps take and I will go through to slide 11 where we have the build-up. And indeed, I will try to walk you through the build-up of our SG&A or cost evolution. Let's take it in that way, because we try to flesh it out a little bit, because we know it's important, both for us, as for you.

If we take the increase and we decompose it – of course, part of the increase of cost we welcome because it's related to the growing business and has to do with the domestic parcels, the 8.3 that you see over there, as well as the transport, 7.4, which is mainly related to the growing international activities. Both we welcome and they provide a positive margin. To give you confirmation on that, if you take the domestic parcels, 8.3, in another slide you can see the increase – 9.6, I think – and so there is a margin. Those – I'm at peace with those two, although we always continue to work on that.

Then if we look to payroll and interim, there the good news is positive, but I'm not satisfied with that. It should be bigger. And there – we know that we have a couple of challenges that we address, and there we see good news, although there is still work to do, and they have to do with productivity. We already elaborated in a previous call the challenge that

we have with the new parcel sorter, as well with absenteeism. So we made progress, but we expect that we can continue to make it better in the second half of the year.

And then we have the remaining, the 9.8, which is mentioned over there, and which is a kind of mixed bag of things. Important to mention there is that half is about what I would call things that will not occur going forward. There are a couple of smaller one-offs that we did enjoy last year that we don't have this year again. Then we have quarter-to-quarter comparison – for example, the rent of New Brussels X was not in there fully last year. We started to rent in June. So in the quarter to come, it's not going to reappear anymore. Then there is a part of this 9.8 which is what I would call phasing. So related to projects we started somewhat earlier, but that will disappear over the year.

And then, there are a couple of things that we have to address and that we address. It has to do with energy and then the things already I elaborated on with the first question. The cost structure where we have a couple of initiatives to see that we can improve, that we can get costs out. And there, as I already mentioned, it's ramping up and it walks in the right direction.

Marc Zwartsenburg: So half of that – that €9.8 is not coming back. Then we have to –

Koen Van Gerven: No, we – no, this is – well, we expect this in the quarters to come this is not going to appear any more. For the reasons I mentioned. The one-offs and the quarter-to-quarter comparison and the phasing.

Marc Zwartsenburg: Yes, so that €5 million - €5 million of that is not coming back. Then we have productivity improvements at NBX and lower absenteeism

Koen Van Gerven: Yes and that – that should play in the payroll & interim.

Marc Zwartsenburg: Exactly. And then we'll have –

Koen Van Gerven: Absenteeism.

Marc Zwartsenburg: And how big is that building block? Absenteeism? I think you mentioned a number, how much the impact was in Q1.

Koen Van Gerven: Well, it – look, what I can tell about absenteeism and you remember Q1 was – we had the worst month we ever had, in March. And we're above where we were in previous years, so we started a programme and then the promising thing is if we look to the numbers today, then the months April, May and June were below the medium of what we did see in the last three years. Which, to me, is a good sign. Of course, it's hard work. There's a couple of different things that we – that we try to – to improve. We have a close follow-up. We have much more analytics that we try to work on and to use. We do certificate verification in a more profound way. But it starts to pay off.

To be honest, I don't have a figure in the top of my head what and how we have to calculate it and we have to see it if we can compare it to previous years. But it starts to move in the right direction.

Marc Zwartsenburg: Okay, and then a last one, perhaps. Can you provide us with an update on the sale of buildings where you gave also a guidance for the Capital Markets Day of more than €100 million proceeds? What's the timing and what kind of – because that's proceeds, but for the EBITDA we need the gains. What should we expect, based on latest numbers?

Koen Van Gerven: Yes. There are – and, of course, it's on the market. First of all, I think we can confirm the figures and it was a figure over a two-year period, 2018/2019 that we mentioned in the Capital Markets Day. I think there is no reason not to confirm this figure today. There are two big buildings that are on the market. It's the old Brussels X and then, the Munt Centre, the headquarters here in Brussels, that are on the market. But it's too early to have a solid indication whatever – where it brings us to. So everything in terms of pricing would be either speculation or not be wise to disclose this kind of thing. But my understanding is with the situation of the market we're confident that we can confirm this figure.

Marc Zwartsenburg: But is it key for your outlook statement for this year? Did you budget some of the proceeds for this year already?

Koen Van Gerven: It would be, yes. It would be welcome that – that one would be finalised or we have clarity on that for one, yes.

Marc Zwartsenburg: Okay.

Koen Van Gerven: One is taken into account this year.

Marc Zwartsenburg: Okay, okay. Clear. Thank you very much for the – for all the details. Thank you.

Ruairi Cullinane (RBC Capital Markets): Hi, Ruairi Cullinane, RBC. I just – I have one question that slightly follows on from the previous question, which is scope for one-offs in H2, perhaps beyond the property sales. Clearly you're going to need to deliver EBITDA

growth in H2, quite significant EBITDA growth to deliver the bottom-end of your EBITDA range after a 17% decline in normalised EBITDA in H1. You touched on the changed seasonality of the business but could you give us any guidance on scope for one-offs in H2?

Henri de Romrée: We don't expect to have significant one-offs in H2. So what makes us confident about our guidance? Except building, but, as you know, year-on-year, we often have a building sale but what makes us confident about our guidance for end-of-year is again, as Koen mentioned, seasonality, the full-year impact of the price increase.

In the first semester we just had a few months, whereas in the second semester we'll have a full-year effect of the price increase. And on top of that we have a wide array of cost savings measures that have been launched at the beginning of the year and will bear fruit between now and the end of the year. So all those elements combined make us confident that we can reach the low-end of our range for the end of the year.

Ruairi Cullinane: Okay, great. I had a second question on the tax rate over the next couple of years. So H1 tax rate is considerably above the headline Belgian rate. Clearly as your Belgium profits exceed your Group profits, I was wondering if you could let us know by how much you expect your Belgium profits to exceed Group profits this year and next under your core business plan. And secondly, how likely you think you are to be able to book DTAs relating to your Radial losses?

Henri de Romrée: So there are many questions in your question. So first, as you know, the effective tax rate for the Belgian GAAP – the Belgian GAAP profit is 29.6% and this is the one that is relevant for dividend payments. And we expect to enjoy such a tax rate by year-end. You have of course noticed that the effective tax rate with regards to our Group

profits and at Group level for the first quarter and for the second quarter and the first semester is higher than that. But it will converge to the statutory rate of 29.6% towards end-of-year as we are able to start to book deferred tax assets linked with the – mainly with the Radial acquisition. So on that, we are on track.

Again, as I said, we – with regards to the overall Belgian GAAP profit, I'm not going to guide on a number for the Belgian GAAP profit by end-of-year, but we are comfortable that within our dividend policy we'll be able to pay our dividend based on the BGAAP profit. You have noticed as well that we – our BGAAP this year – our BGAAP profit for the second quarter are higher than our IFRS profit, whereas it was the opposite last year. And this is due to a few effects that will continue and still be there by year-end. You have, of course, one effect that has to do with how we take into account in IFRS and BGAAP the performance of our subsidiaries.

So last year we had to deduct from our IFRS profit €9.9m of performance from our subsidiaries and this year we had a negative impact of those subsidiaries in IFRS which we had to correct, which created a €12 million delta.

And then, the most important effect had to do with what is it that we had to book last year for our employee benefit related to transport cost. As you may remember, we have been able to review some of the benefits and hence take €25m out of a provision last year. This was really due to a structural change in the way we were compensating some transport costs for employees.

Koen Van Gerven: Retired employees.

Henri de Romrée: For retired employees, indeed. This year we don't have that anymore and, therefore, that €25.3m difference falls directly into our BGAAP profit. And, again, this is something that will stay for the – for the – for the full-year.

Ruairi Cullinane: Okay, great, thank you.

Mark McVicar (Barclays): Good morning, everybody. I have just two questions. When you – first question, when you updated the – the guidance with Q1 and then the Capital Markets Day did you already know that we were going to get the provision release coming into the reported numbers? Or has that sort of come along since? And can you just confirm that that release is definitely part of the profit that – from which the dividend will be calculated?

Henri de Romrée: So, Mark, you – you refer to the one-off we have outlined for the – for this Q2, which is a reversal of provision that deals with an old litigation.

We had positive evolution in the case which has put us in a position where we had to indeed reverse that provision. This was planned so for this year and that was included in our guidance.

Mark McVicar: Okay, that's very clear. And then my other question was, obviously at the point of purchasing Radial when you updated the numbers I think again with Q1, you talked about there being sort of restructuring charges, internal restructuring charges that would run through 2018 and a little bit of 2019. You know, where, if anywhere, do I see them in the Q2 number and what is your expectation for the year?

Henri de Romrée: I think Mark what you should see in the Radial number is that if any charges they have been already included. And I think both – I think what you see is what you get. So the guidance we have given you for the full-year Radial and for the years to come includes any of those charges. So you should not take them on top or deduct further

so everything we have communicated so far for me is a clean and new trajectory for Radial. That includes whatever charges we would need to take into account.

Mark McVicar: So all of those originally anticipated one-time charges are essentially just coming through in the normal – in the Radial numbers as you are reporting them, yes?

Koen Van Gerven: That's right, Mark.

And you make reference to the run-down of the webstore business.

And, basically, that part of the business going to disappear and that is – it will appear in a lower EBITDA and that's the reason why the EBITDA is different from what we had last year. That's one part. And, of course, related to that are a couple of IT costs that have to be organised in another way. And those are included in the normal costs that you have in the figures and the guidance that we provided.

And as we told you, it is going to be 2018/2019 effect, which is going to be very front-loaded. So the big chunk of this run-down of Radial that we will still have to absorb was during this year and there is a small tail and it has to do with the maturity of contracts that will come in, but a very small tail, that will come in 2019.

Mark McVicar: Okay, got it. So the – okay. So everything is in that number and therefore as you get through those obviously the – you know, the – that helps the planned lift in Radial, doesn't it? You know, taking your guidance out towards 2022, yes?

Koen Van Gerven: That's right.

Mark McVicar: Lovely, thank you both very much.

David Kerstens (Jefferies): Good morning, gentlemen. I just wanted to ask on your mail volume evolution, first of all regarding your advertising mail. It was down 7.8%, pretty much in line with the development in the first quarter, despite the success of the Red Devils at the World Cup. You mentioned the increased competition, but I was wondering if there were any negative GDPR effects in your advertising mail. And I know you highlighted the positive GDPR effects in your transactional mail. I was just wondering what – why it is. How does the GDPR effect exactly work?

Koen Van Gerven: Thank you for the congratulations on the Red Devils, to start with. But indeed, advertising mail – and I have to admit it's a disappointing evolution, of course. And as you know, we expected that we would have some phasing related to the World Cup which didn't materialise, let's be clear. So we're diving in it and very honestly it's too early to have a good view on what's going on. Is it related to GDPR and to the problems eventually as to having reliable databases? It's not what I hear when I listen to my customers.

So – but we have to understand and certainly what's for sure is that our competitor, in unaddressed, which is BDand who was last year, as you know, or probably not in a selling mode and normally spoken the commercial attention is a little bit less. They were challenged by a couple of quality issues. Clearly they're now back in the game and we feel it. So that's probably part of explanation but we have to deep dive to better understand. And then another element, what I hear is that as far as mail expenses are concerned companies start to look more to a global envelope and if there is an increase for one of the reasons in the transactional part they try to compensate in the advertising part. So there are a couple of tendencies but we have to better understand because we're not very happy with that figure. And we will come back on that later in the quarters to come.

David Kerstens: Okay and the GDPR effect on transactional mail, why is that booked on the transactional mail and not on the advertising mail?

Koen Van Gerven: No, because it – it's related by letters that were sent out by companies to get approval or to get confirmation on the opt-in or the opt-out or the confirmation on the data.

David Kerstens: So higher priced, higher priced mail.

Koen Van Gerven: yes, that's right. And this was of course transactional mail because it is about – it's not advertising mail. Many companies did it in spam. A lot of this spam – by email. A lot of this mail came in spam, so – but the other ones they decided to do it in a solid way by mail, by paper mail.

David Kerstens: And then regarding your guidance for full-year 2018, which you leave unchanged, so the volume decline of up to 7%. Whereas comparatives are becoming more favourable in the second-half, only slightly more favourable. Why would you expect then a weaker development in the second half of the year than what you've seen in the first half of the year? Are there any other factors to bear in mind?

Koen Van Gerven: David, a fair question. I think that – and that's not new. The volatility between quarters becomes even bigger. What we did try to do is take some distance and to see how does this year look compared with last year. And if you take the first half of the year we are broadly in line with – in terms of decline with what we've experienced last year if you take out the positive effect of this, what I would call, one-offs as far as transactional mail is concerned in the second quarter. I think I can disclose this figure. If

we take out those things related to what I would call one-off mailings in the second quarter in transactional mail, it counts for 1.9% in the second quarter.

But if you bring it on a – on the half-year basis and you compare the first half year of 2018 with what we had in 2017 then we come out almost on an identical decline of 5.8/5.7% in decline. And this brought us to the conclusion, look, why if we have the same evolution last year than this year there is no reason to believe that it's going to be completely different this year. So no reason to change the guidance. We keep up to 7% in terms of decline.

David Kerstens: Great, thank you. And maybe if I may a quick follow-up on the Radial revenue development. I understand year-to-date Radial revenues are relatively stable. Does it mean that you have been able to offset the – well, did you already see the churn of 19% that you highlighted as an expectation at the Capital Markets Day in the first half of the year? And were you able to fully offset that with new customers? And is this tracking ahead of expectation, clearly, compared to the guidance you provided back in June? Or is it going to get worse?

Koen Van Gerven: Well, I think it's too early to cry victory, David. And as I said, indeed, we outpace with the growth of the current customers and the new ones that we signed last year and that arrive. With that growth, we did outpace the decline of the customers that are on the leave, because they are part of the churn. What I said before, the churn customers, so those that were scheduled to leave this year and they will do it gradually, the ramp-down, to say so, or the speed they leave, is slower than what we expected. But it means that in the second half of the year their disappearance will be bigger and what's for sure is that they will be away next year. So I don't expect any impact from what we see today to next year.

David Kerstens: Okay, great. Thank you very much.

Dominic Edridge (UBS): Yes, hello there. Just a couple of questions. Firstly on the domestic parcel. I think you highlighted the 9.6 and then the direct costs of 8.3. That implies a contribution margin of around about 14% or so. Is that a good figure to think about in terms – I know that's not considering what's going on, on the letter side, where costs are moving across – but is that sort of where you see your contribution ratio from the growth of domestic parcels continuing going forward?

And the secondly, just a follow up on Radial, again. Could you just say – I mean it doesn't sound as though you're changing your view, that it's going to be at least twelve months before we sort of get back to maybe some decent growth at Radial. Is there any reason why – are there any signs of maybe you keeping customers or new customers coming along since – in the last few months? That you could sort of say, there may be some green shoots there. Thank you very much.

Henri de Romrée: Well, on the domestic parcel side, as you rightly pointed out, it's very difficult to give at this stage a very clear contribution to profit as we share a lot of our cost. As I told you during the Capital Markets Day, what we expect is to have a profit contribution of parcels to be in line with what you see in the industry, somewhere in between 7% and 9%. That's what we expect to see and we don't see yet, and we are working on it, what you would call some kind of an operational leverage, where growth in revenues brings additional profit with some kind of a gain in scale.

So that we don't see yet. So, I think the number you quoted seems to be on the too high side for me, but again, we will meet again on the exact numbers for our full year when we report a full year 2018 number. So that we can recalibrate the exact numbers for us in terms of profitability for parcels.

Koen van Gerven: As far as Radial is concerned, Dominic, I would be very happy to think in the same direction as you, but I think that we have to be realistic. We work hard. What we see today in terms of churn. The churn is there but they leave a little bit slower. It is what it is. On the other side, the arrival of new customers, actually are customers that we did sign last year. As you know, Pierre explained it on Capital Markets Day, there is a big lead time between talking to customers, concluding new customers and then start working for them. So this is the good news of last year.

This being said, we continue to work and as you know, the challenge was having a good pipeline, start to sell and sign contracts and that of course positive effect we would start to see from next year. What I can say is we make progress but it's fairly in line with what we told you in the Capital Markets Day and there is no reason to believe that it's going to be completely different.

Dominic Edridge: Thank you very much.

Edward Stanford (HSBC): Good morning everybody. Just one question, please. I think if I read your comments correctly about advertising mail, you expressed some expectation that things might improve in Q3. A, is that the right interpretation? And B, if it is, why are you hopeful? Thank you.

Koen van Gerven: It's simply because we know from a couple of mailings that there is going to be a phasing. But that's not very important, so don't overestimate it. But this is because these campaigns are already booked and there was some hesitation between Q2 and Q3 and, finally, they were booked in Q3.

Edward Stanford: Thank you.

Henk Slotboom (the IDEA): Good morning. Three questions, if I may. First of all, on Ubiway and retail. What exactly is playing there? Could you provide some further background on that? The second question relates to the last mile in parcels, especially in domestic parcels. You booked impressive growth in volumes and we've been hearing more and more from competitors like DHL but also Post NL here, in the Netherlands, that the last mile, the final delivery, is really becoming a bottle neck at this stage. I know you have a slightly different system than them, but maybe you can fill me in whether you see the same problems there.

And then, about the outsourcing of the last mile in the Netherlands to DHL. It has not so much to do with the second quarter results, but am I right to assume that this basically puts you into a situation whereby you continue to look for acquisition opportunities, bolt-on acquisition, in the Netherlands in – call it the niche part here, like the Active Ants part, like Leen Menken, and leave the rest – the bulky 2C stuff – to DHL. Am I right to assume that? Thank you.

Koen van Gerven: Let's take DHL first, perhaps first and then we will work our way up. Well, basically, there are a couple of thoughts that I can share with you about that. I think we consider – and that's what we explained during our Capital Markets Day – more and more, and it's because our customers walk in that direction, they consider the BeNe market as one market. So it was important that we have an integrated solution for them and we had good experience built in the last mile with DHL in Belgium and there was the opportunity to extend this partnership to the Netherlands.

This being said, to us it was the most optimal solution to move into the direction of having a solution, an integrated solution, for standard parcels at an economic equation. So where you don't lose money because you don't have sufficient density. And we will continue to

work on that. Does it exclude that we don't consider other possibility in the Netherlands? Never say no. So we will continue to see.

But, indeed, we are more comfortable with what you call niche solutions. The reason is because the value and the price that you can get – the value creation and the price that you can get – is higher and so the handicap of the lower density is more quickly compensated as far as that is concerned.

The second question was about bottlenecks in parcels in the last mile. Indeed, you made reference with the fact that we have as always and we will continue to do that, to have as much as possible an integrated delivery of mail and parcels, which is very helpful, especially in the less dense areas. And, as you know, we're well equipped for that because most of our rounds are car rounds.

We observe a couple of challenges, which are not specific to us. First of all, the labour market, and we have to find sufficient labour. And that's something that we have to continue to work on, especially in the northern part of the country. And the second challenge is, of course, to get organised as good as possible for the end-of-year period, because the peak in the period becomes more explicit and more explicit, so the challenges to get it organised in a decent way are quite impressive. And on Ubiway?

Henri de Romrée: On Ubiway, I think in short we can say that we are close, very close, to our expectations for this year. You know that there are two important segments with Ubiway. One is press distribution; on that one we have, indeed, volume decline as we expected, as we can compensate partly with price increase as we expected.

And, as you know, we are able to restructure that activity together with other press distribution activity, with the historical press distribution activity. On the retail side, I think we mentioned last time that we had started working on it and

we start to see on the pure retail side that there is, indeed, on the Ubiway side a positive evolution with growth on the retail side picking up for the second quarter. It was compensated by some adverse evolution on the traditional bpost retail business. But again, this is not really material and, therefore, Ubiway, where we stand today, in a year we can say it's broadly in line with our expectations.

Henk Slotboom: Okay. Thank you very much.

Sumit Mehrotra (Société Générale): Hi, Sumit here from Société Générale. Just a couple. On the new X/Y delivery format that we discussed in CMD. How are you progressing with that, will it fit your internal plans and external stakeholders and the timelines for the project that you have in mind? And, secondly, just a small clarification. Any gains from the building sales? Are they already built-in to the EBITDA guidance for the full year? For H2, for example. Thank you.

Koen van Gerven: On the X/Y or the alternative distribution, let's call it that way. We are still at project mode, then we start to ramp up and do the analysis that we do. That's the first thing and, indeed, it's part of the work of Kurt's team. Very important, the stakeholder management and I had the opportunity to have a hearing session in parliament. And part of this new distribution model was part of the explanation I gave. Of course, average change is always a little bit difficult. But they understood the challenges that we have. They understand the importance and they are all with me in terms of the importance of qualitative USO without burden for the government. So I think they understand the frame and, now, we will have to start working. As far as I know, from planning perspective, Kurt would like to and considers to have a couple of first pilots in the course of 2019, but that's not sufficiently precise, where we're going to do them in time

and in geography. As you know, this is our way of working. we always apply. We try to have a good model. We try to pilot, we try to learn from it. It helps us to engage in discussions with the unions. And then, afterwards, we do the rollouts. So we're comfortable of where we are in that project today.

As far as building sales is concerned – go ahead, Henri.

Henri de Romrée: So far, building sales, they are indeed included in our guidance. You'll remember that, at the Capital Markets Day, we mentioned that we had – we were expecting €100 million of cash proceeds from building sales in '18 and '19, which doesn't means bottom line contribution. But we have significant building sales in the pipeline for '18 and '19. We have a share of that, that is indeed included in our guidance. I'm not going to give you a definite amount for this year, but as Koen mentioned, we are well on track at this stage for those building sales to materialize as planned, as we have, I would say, a portfolio of buildings, two big ones, but other smaller ones. And, again, this is well underway and, therefore, we are confident that this will bring the expected contribution to the profits in 2018.

Sumit Mehrotra: Thank you.

Koen van Gerven: Okay, I would like to thank everybody to be with us. And we will continue to work and we will hear you back at our Q3 call or during the roadshows that we will start to do, as from September.

And for those who didn't enjoy their vacation yet, enjoy your vacation that is still to come.

Thank you.