



Capital Markets Day Parcels

Focus on our Potential

Liesbeth Kaashoek

Director Parcels & Logistics Solutions



Speakers today



Liesbeth Kaashoek
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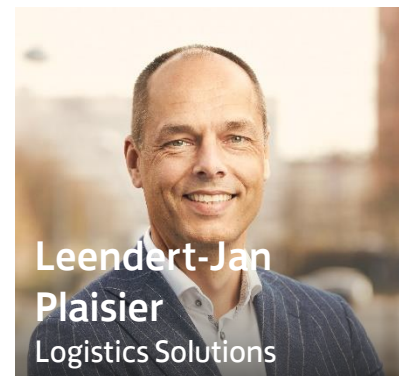
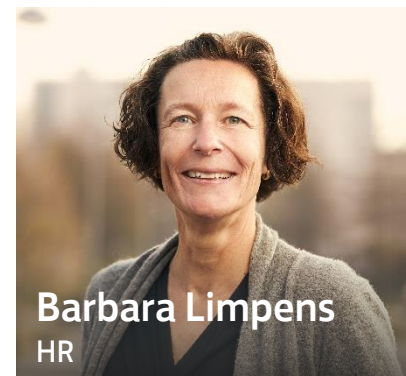


Carlos Mendes Aguiar
Commercial



Iris van Wees
Operations

Full Team



Agenda



E-commerce market has grown substantially in recent years



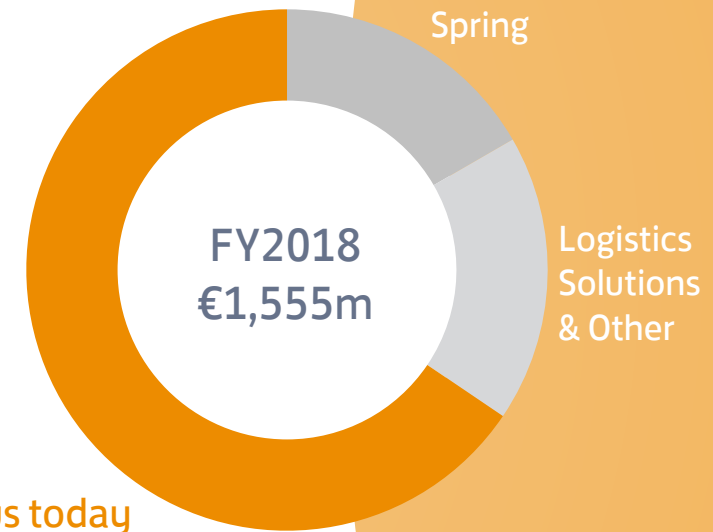
PostNL has enabled e-commerce to grow



We expect strong e-commerce growth going forward and anticipate specific trends



We improve the balance between volume growth, profitability and cash conversion



Focus today
Parcels Benelux

E-commerce market has grown substantially in recent years



We have enabled e-commerce to grow



Going forward, we anticipate specific trends and continued growth



We improve the balance between volume growth, profitability and cash conversion

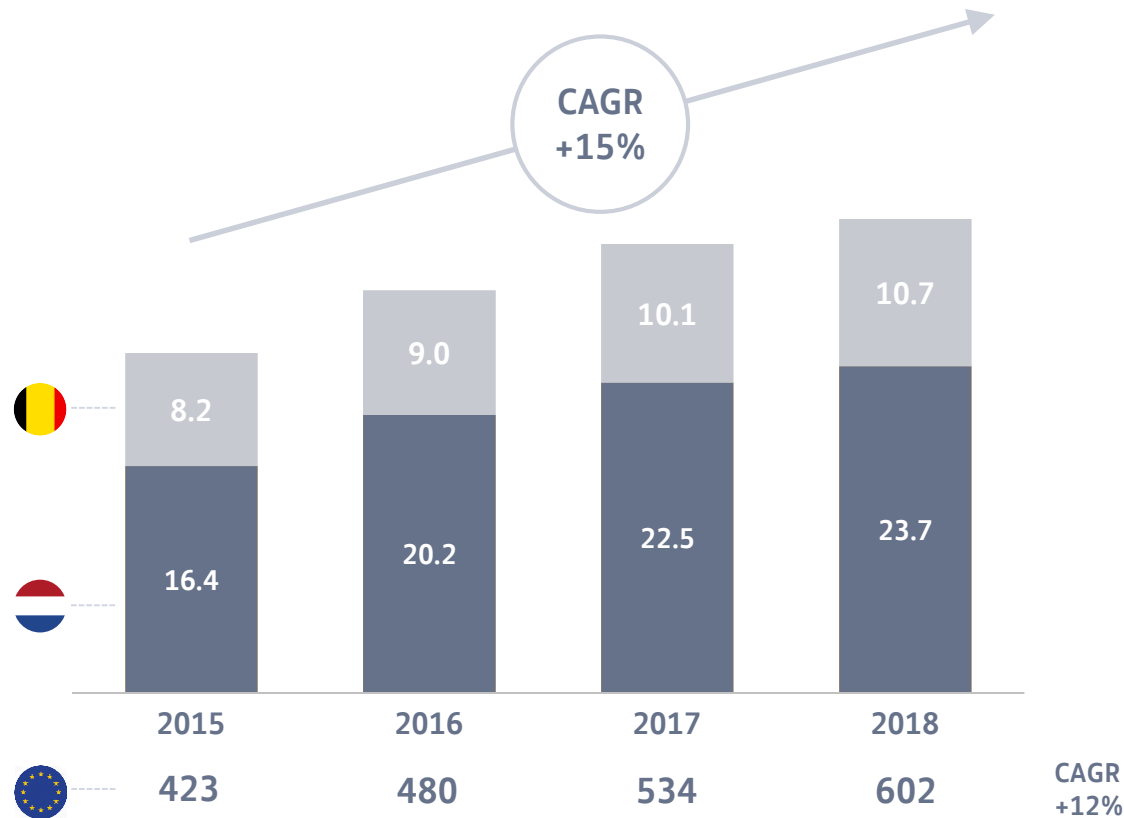


E-commerce market has grown substantially in recent years

Impressive growth in e-commerce spending in Benelux

Benelux retail e-commerce spending 2014-18

(€ billion)



E-commerce growth in Benelux supported by

- Internet penetration**
 Consumers have easy internet access. Internet penetration in NL at 98% and BE at 86% (EU average: 87%)
- Mobile commerce**
 58% of online shoppers in NL and 46% in BE use mobile devices to purchase goods online.
- Logistics**
 NL and BE high-rated logistics infrastructure for delivery of goods (NL #2, BE #4 in LPI)*

Source: Thuiswinkel Monitor, BeCommerce, GFK, Logistics Performance Index, Eurostat, CBS
 *: Aggregated Logistics Performance Index 2012-18, with 163 participating countries

Benelux consumers embrace e-commerce, with preference for home delivery

Netherlands

Total number of purchases



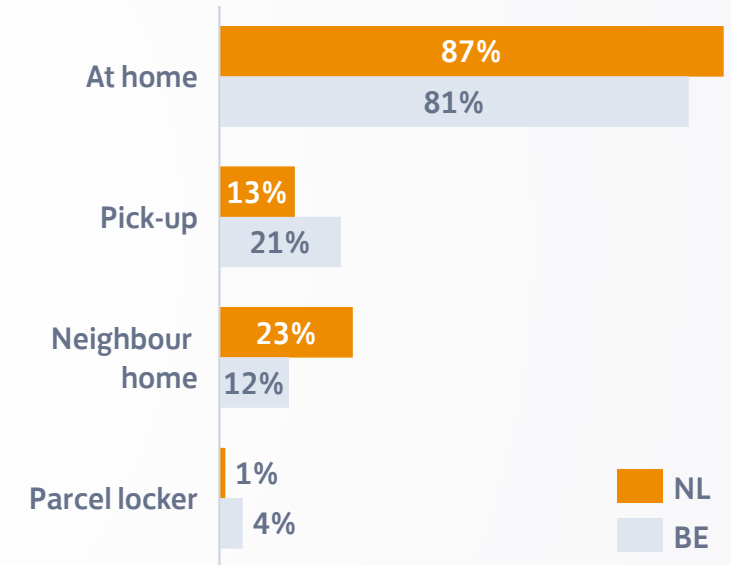
Belgium

Total number of purchases



Home delivery preferred

Preferred delivery option in NL and BE²



>90% of Benelux consumers¹ buys online

Source: Thuiswinkel Monitor, BeCommerce, GFK, CBS, IPC

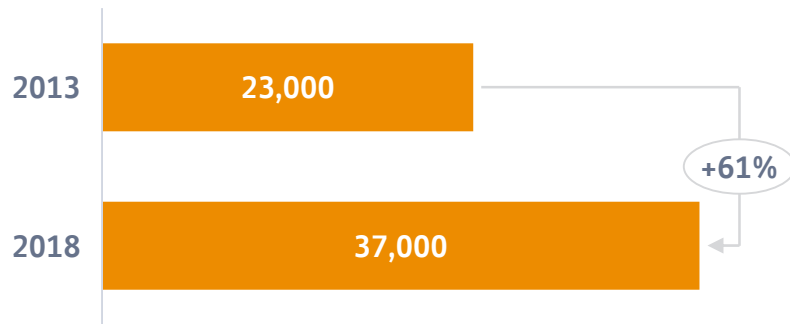
¹ > 15 years old

² multiple answers possible

Online retail market characterised by many players and free-of-charge next-day delivery

webshops still growing rapidly

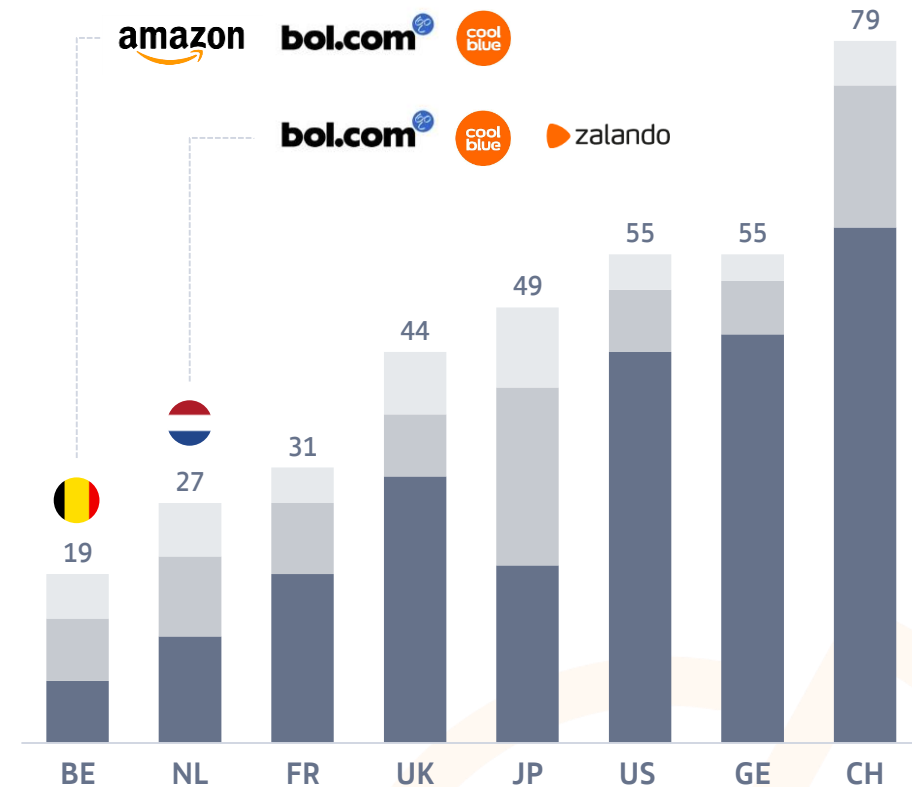
Dutch webshops registered with Chamber of Commerce



Source: Chamber of Commerce NL

NL and BE markets relatively fragmented

Market share top 3 (%)



Source: ING economisch bureau (2019)

E-commerce market has grown substantially in recent years



We have enabled e-commerce to grow



Going forward, we anticipate specific trends and continued growth



We improve the balance between volume growth, profitability and cash conversion



We have enabled e-commerce to grow



We help customers grow

We have developed value-added services with our partners

Examples

- Developing new products and services with our customers, such as Sunday delivery and return-on-demand
- Wine delivery through gentle handling and smart sorting solutions
- Integration bol.com fulfilment and PostNL sorting depot

Customers using our value-added services are growing faster

Growth 2018 (%)



We enable consumers to shop more by receiving deliveries quickly, conveniently and reliably



7 days a week, 5 evenings and in specific time slots



Late-night shopping, same-day delivery, rerouting solutions and easy return services



Digital interactions with our senders and receivers, 4.4m accounts



Strong retail network in Benelux with around 4,250 retail points, scan & go solutions





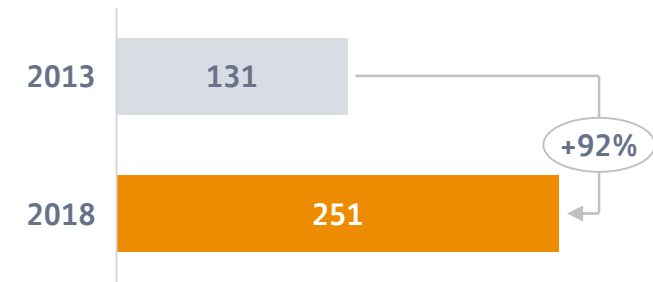
We have a web-based network and achieved substantial efficiencies in recent years

We have transformed into a flexible web-based network, close to our consumers and allowing late cut-off times for our customers



... and achieved strong efficiency gains

Scaling our networks
parcels (m)



Strong efficiency gains

+30% more parcels handled per sorting depot than originally planned

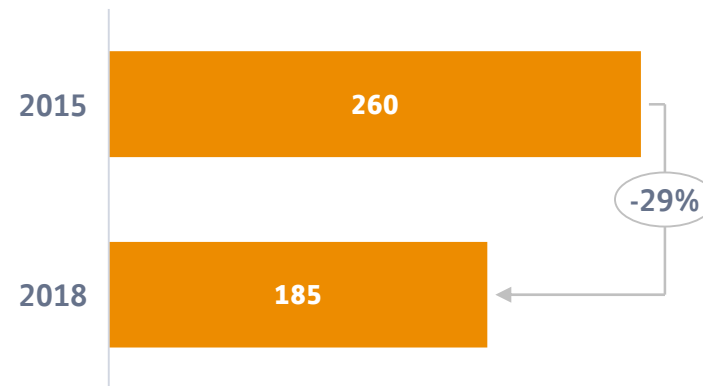


We are on track for emission-free last-mile delivery by 2030

Overall emissions reduced

Scope 1, 2 & 3

Emissions in kilotonnes CO₂



What we did so far

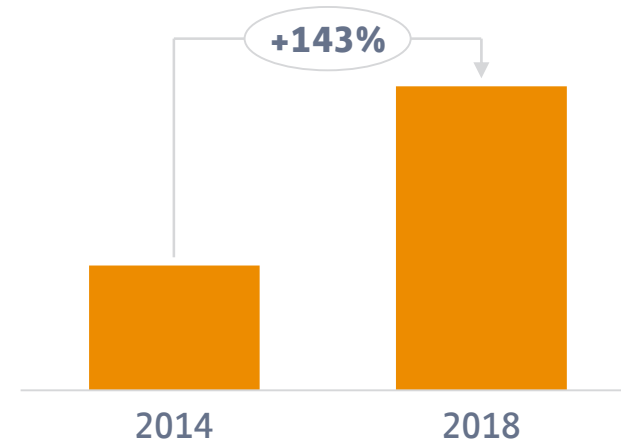
- Solar panels at 19 depots
- BREEAM certification for 4 depots (2018)
- Electric distribution from 3 depots
- Approximately 44% of own fleet on sustainable fuels
- City logistics programme and (e)-bike delivery in over 12 cities
- Sustainable packaging initiatives



Our people make the difference

We have invested in strong growth of own personnel to develop a sustainable workforce

Total number of own deliverers



88% employee loyalty PostNL
of our employees indicating that they expect to stay

Parcel deliverers are highly appreciated by our receivers



8.5 score of our parcel deliverers by receivers

What we do

- Continuous dialogue with our personnel and contract partners
- Stimulate people working for mail business to switch to parcels
- Optimise working conditions
- Specific measures for our elderly employees to keep them fit for work till their pension
- Our partners must demonstrate to us that they make fair payments to their employees
- We employ people with a distance to the labour market

Our Logistics Solutions complement our parcel business by offering additional services in the Benelux area



Time-definite

Offering time-specific e-commerce services like instant delivery or return-on-demand



Fulfilment

Fulfilment services for small & medium-sized e-tailers



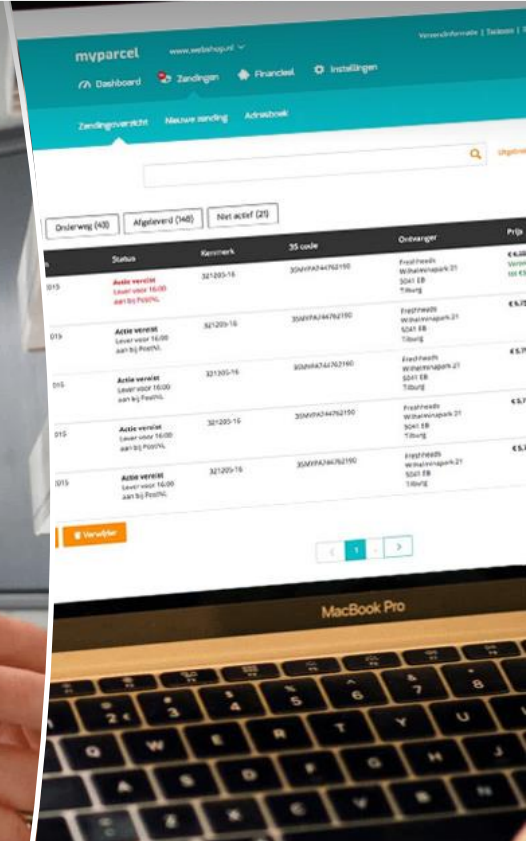
@Home services

Delivery, installation and exchange of large and heavy e-commerce goods (e.g. furniture and white goods)



Tailored networks

Collection, sorting and distribution networks with industry-tailored solutions



Shipping platforms

Shipping platforms helping small businesses to easily ship both parcels and freight

Spring helps our parcel business with cross-border solutions

Gateway to Europe
Offering postal gateway solutions into Europe for customers in Asia and Americas

Cross-border solutions
Providing global cross-border mail and e-commerce solutions

Strategic focus Spring

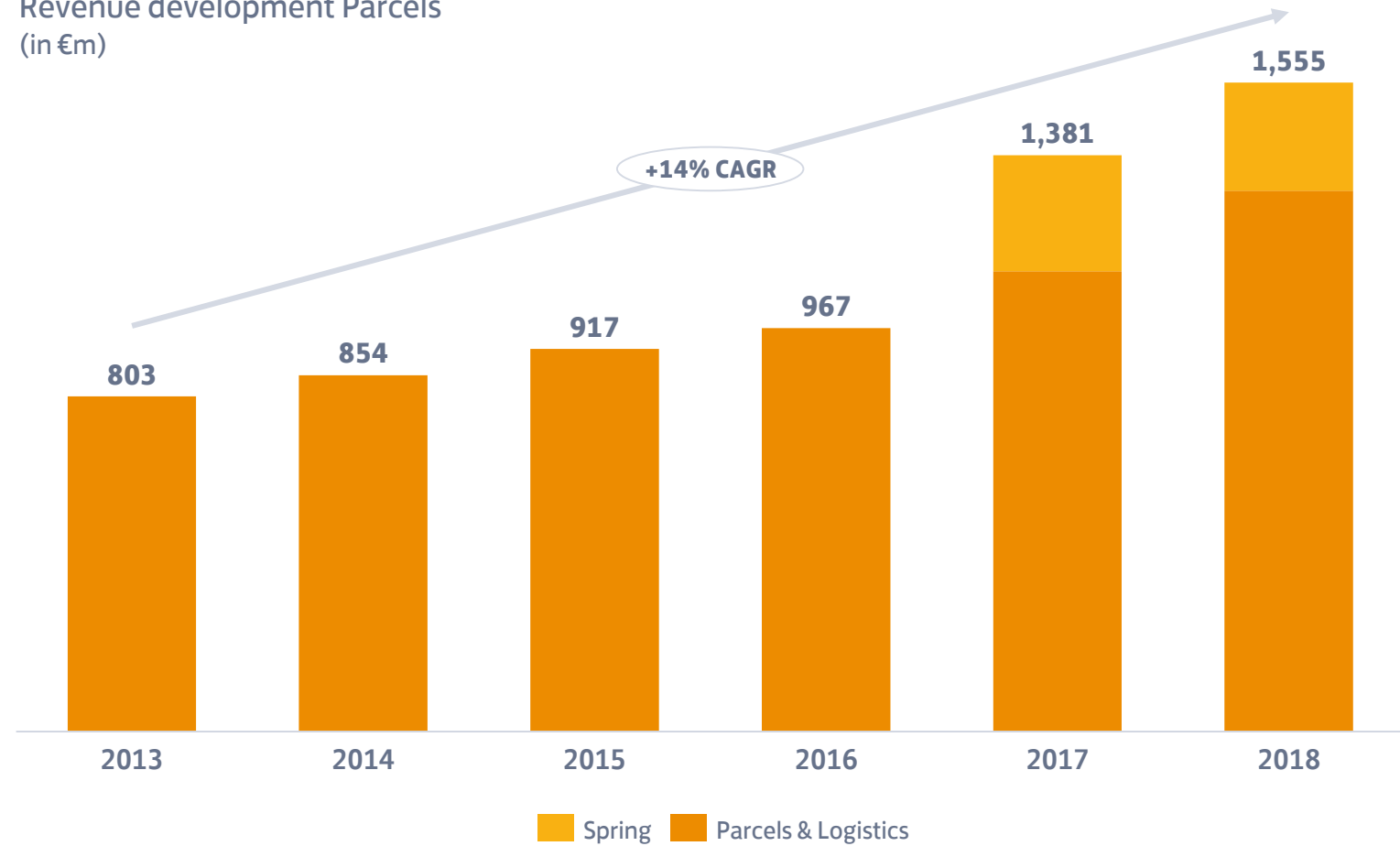
1 Offensive strategy to complement gateway

2 Increase development speed and innovation

3 Transition to e-commerce service provider

Through our strategy we achieved strong revenue growth

Revenue development Parcels
(in €m)



E-commerce market has grown substantially in recent years



We have enabled e-commerce to grow



Going forward, we anticipate specific trends and continued growth



We improve the balance between volume growth, profitability and cash conversion



Going forward, we anticipate specific trends and continued growth

We foresee specific trends impacting the e-commerce business going forward



Consumer in control



Digitisation and growth of platforms



Seasonality



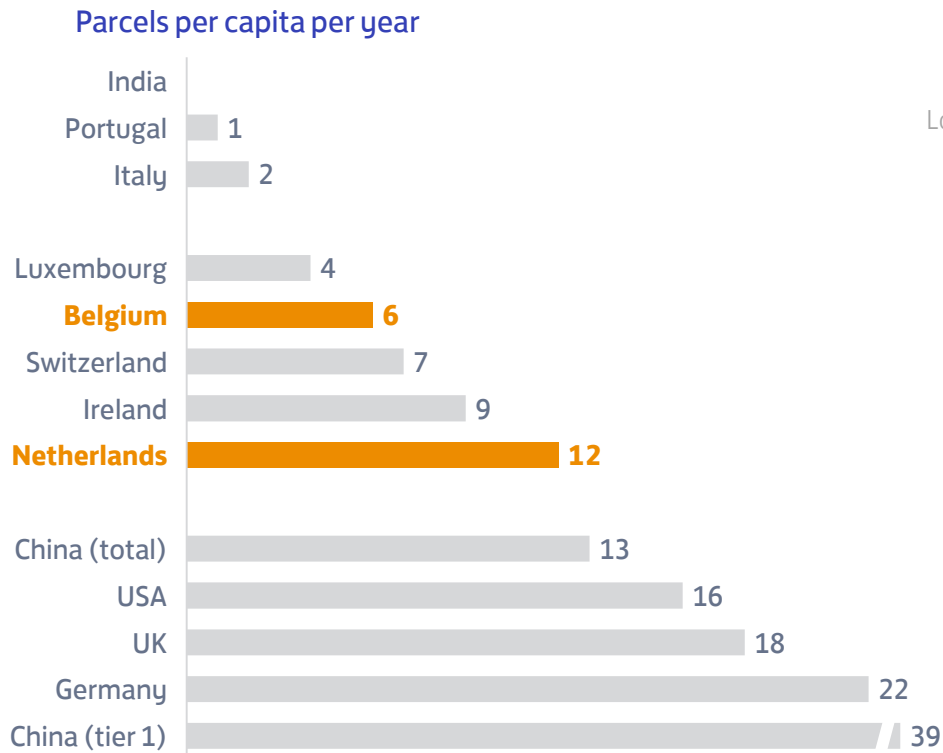
Tight labour market



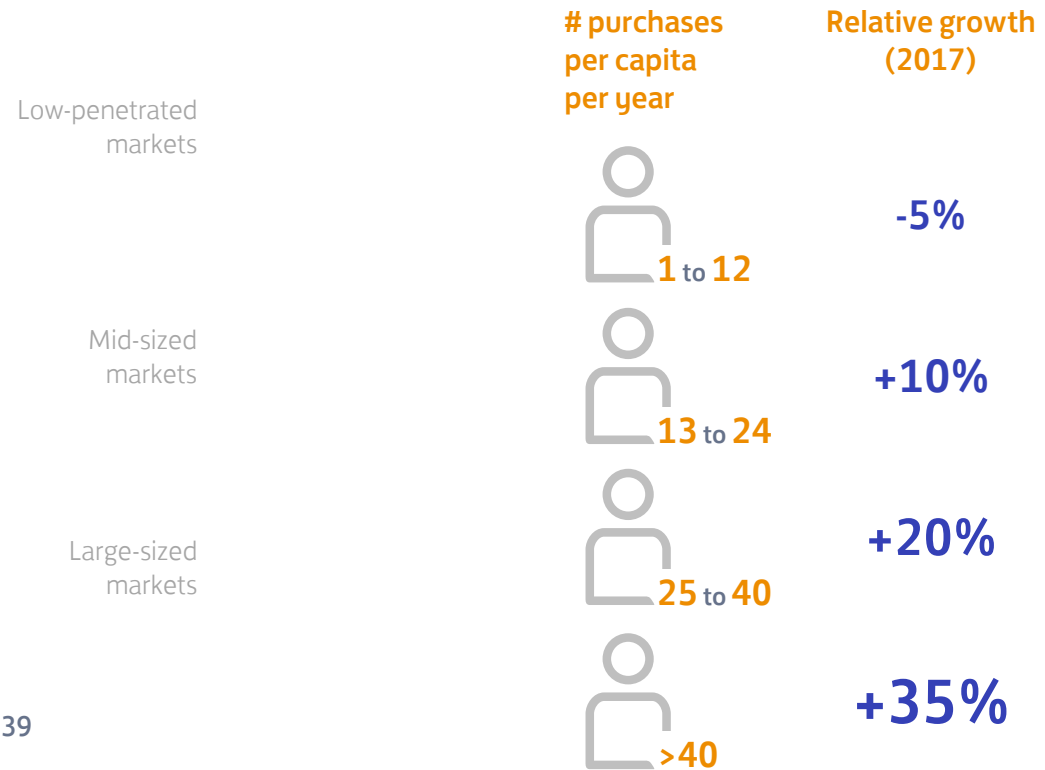
Sustainability

We expect Dutch and Belgian e-commerce market to continue to grow

Room for further growth, in contrast to other countries



Strong growth of 'heavy users' reveals growth potential



Source: Statistics Netherlands (CBS) 2018

And promising new markets coming online



B2B e-commerce

- B2B e-commerce market embarking on growth
- Needed B2B capabilities in place, in combination with Parcels and Logistics Solutions



Food

- Only 4% of food market is online; great potential for further growth
- Capabilities in place to capture growth using different parts of our networks



Health

- Transition in health will fuel online growth
- PostNL has developed key capabilities for health market, especially with our Logistics Solutions

Our strategic outline

Being the leading e-commerce logistics company in Benelux



Balance volume and value



Innovate and optimise our network



Being the favourite deliverer

Resulting in improved balance between volume growth, profitability and cash conversion

Being the leading e-commerce logistics company in the Benelux area

Our commercial focus

1
Capture future growth

2
Improve value through yield management

3
Be the favourite deliverer

Improving balance volume and value through yield management

- Enable further market growth
 - Bring new markets online
 - Expand in Belgium

 - Balancing volumes
 - Pricing policy on peak and dimensions
 - Customer value management

 - Be a business partner for our customers
 - Deliver most convenience to consumers
 - Lead through innovations
- 

Being the leading e-commerce logistics company in the Benelux area

Our operational focus

1 Invest in new capacity and innovate our network

2 Optimise our supply chain and reduce costs

3 Be the favourite deliverer

Expanding our network through smart investments and continue to reduce costs

- Introduce small parcel sorting centre
- Improve utilisation of network
- Balance our network

- Optimise collection, transport and network control
- First-time-right
- Time spend per stop

- Being a good employer
- Consumer focussed deliverer
- Reduce our environmental footprint

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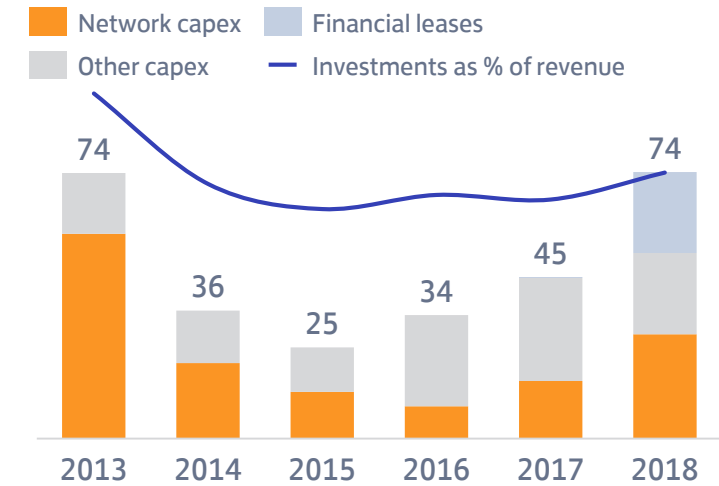
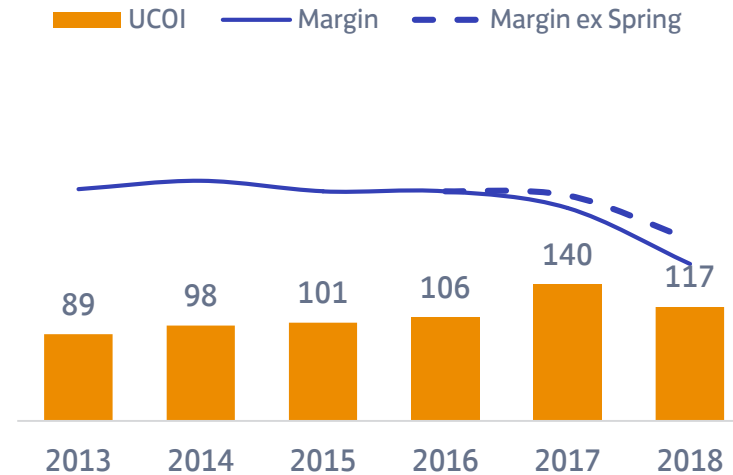
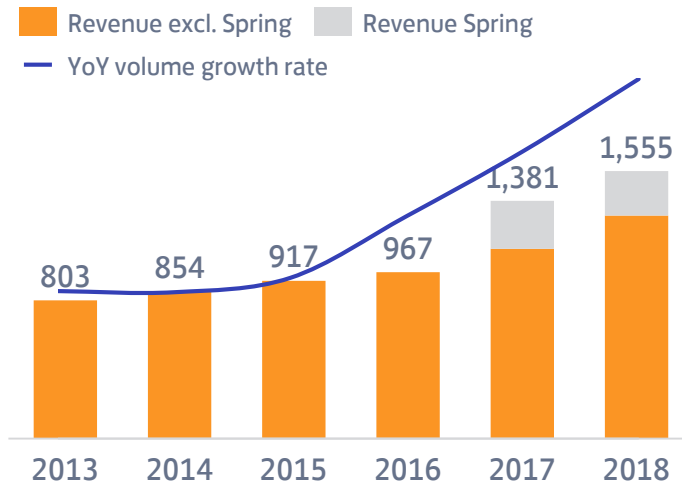


We improve the balance between volume growth, profitability and cash conversion



We improve the balance between volume growth, profitability and cash conversion

Accelerated growth in e-commerce drives performance and investments



Accelerated growth in revenue

- Growth in e-commerce market main driver
- Volumes almost doubled since 2013 (94%)

Downward trend in margin development

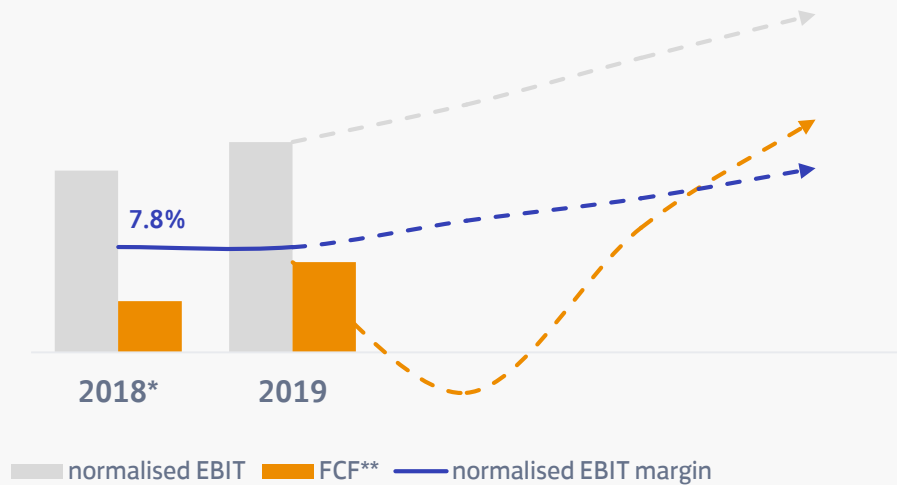
- Negative price/mix effect due to customer mix
- Operational efficiencies offset by increased labour costs, due to sustainable delivery model, shift in labour mix and CLA increases
- Additional capacity and IT costs to accommodate accelerating volume growth
- Steep decline in UCOI contribution for Spring in 2018

Accelerating growth required investments

- New infrastructure with 18 depots designed in 2010 for a capacity of 170m parcels
- Acceleration volume growth as of 2016 required expansion of network
- Additional depots opened in 2018, bringing total to 22 (volume 2018: 251m)

Parcels to show better balance between growth, profitability and cash flow

Step-up in investments necessary to improve margins and accommodate continuing strong growth



* Normalised EBIT 2018 equals underlying operating income as published in 2018, adjusted for restructuring-related costs

** Including tax proxy based on statutory tax rate

Shaping the growth of e-commerce

- Improving balance between volume and value
 - Revenue growth (assumed 10%-12% CAGR 2018-22)
 - Volume (assumption ~14% CAGR 2018-22)
- Improve margin in Parcels
 - Yield management
 - Focus on efficiency and managing capacity
 - Continuous development of excellent services and network solutions to drive customer success

Improvement of cash flow

- Increase in profitability
- Investment in network to accommodate further growth results in overall lower capex requirement
- Strict working capital management to limit increase in working capital as percentage of revenue
- Free cash flow in 2019 and 2020 includes final payments of unconditional funding obligation and transitional plans, thereafter significantly less cash-out for pensions

Being the leading e-commerce logistics company in the Benelux area

Further balance between volume growth, profitability and cash conversion

Balance volume and value

Innovate and optimise our network

Being the favourite deliverer

Our commercial focus

Improving balance volume and value through yield management

Capture future growth

Improve value through yield management

Be the favourite deliverer

Our operational focus

Expanding our network through smart investments and continue to drive lower costs

Invest in new capacity and innovate our network

Optimise our supply chain and reduce costs

Be the favourite deliverer

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