



**bpost**

**From  
Making elephants dance  
to  
Shooting for the moon**



ADM  
January 24, 2019  
Faculty Club

# Agenda

## **The company at a glance**

How to make elephants dance

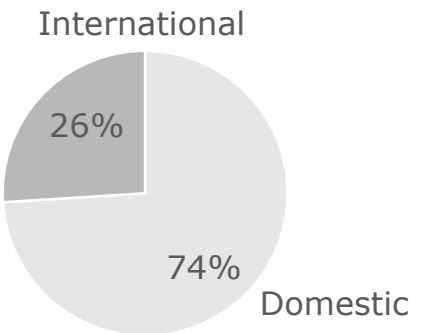
The Strategy going forward

The Moonshot

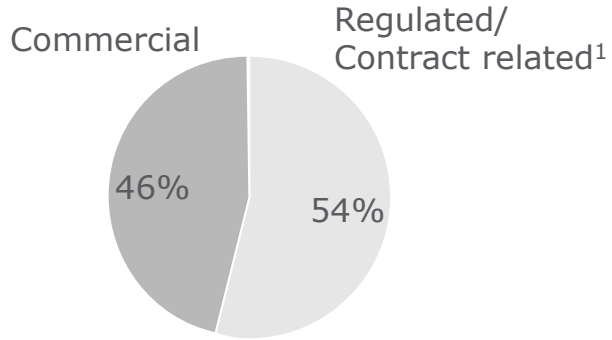
# bpost is an efficient mail operator transitioning towards global eCommerce logistics

2017

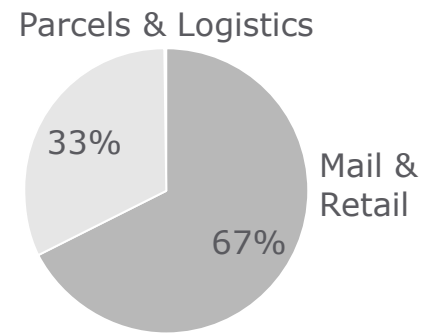
Revenues: €3,024m



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EBITDA	Letters per day (BE)	Parcels per day (BE)	FTE	Point of presence
				
€598m	8.1m	190k	26,908	~2,500 <sup>2</sup>

## Main subsidiaries (Revenue €m)

 Radial

~900<sup>3</sup>



 Ubiway

282



 DYNAGROUP

132



<sup>1</sup> Including revenues from Universal Service Obligation (USO) and Invoice To The State (ITTS, Direct and indirect)

<sup>2</sup> Includes 662 post office, 674 Postpoints, ~1000 Kariboo

<sup>3</sup> \$1082m in 2017 FY. Only €203m (only for 6 weeks in Q4 2017) were attributed to bpost (consolidation of the results as of Q4 2017)

SOURCE: Domestic includes Domestic mail, domestic parcels, other sources of revenues (excl. International mail) and ITTS

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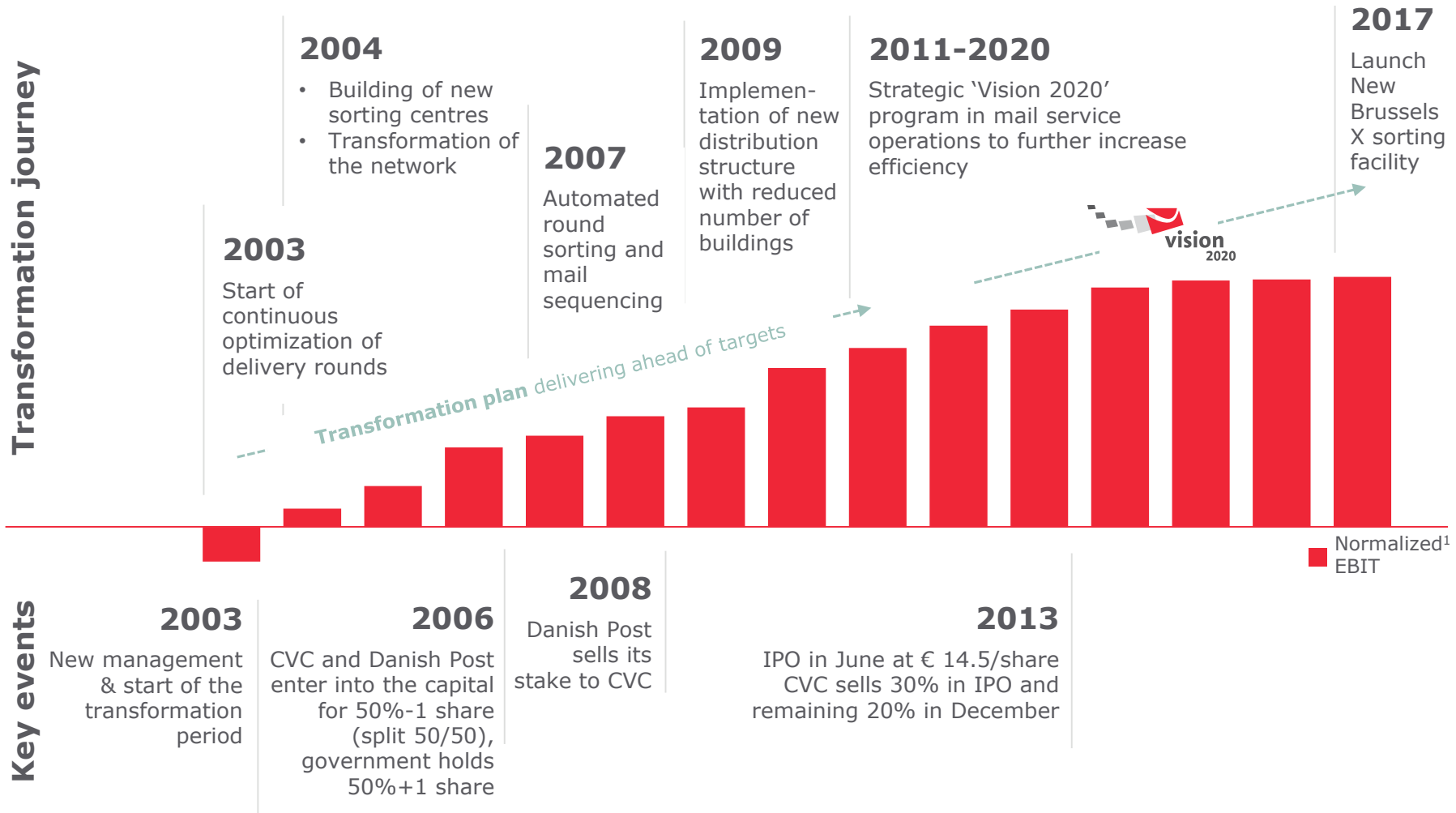
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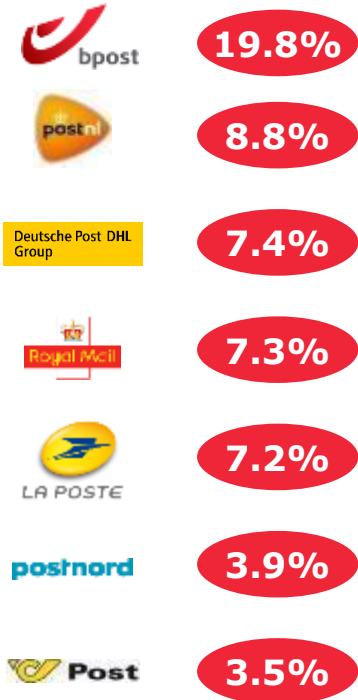
# Continuous improvement is in our DNA. We have a proven transformation track record



<sup>1</sup> Normalized figures are not audited

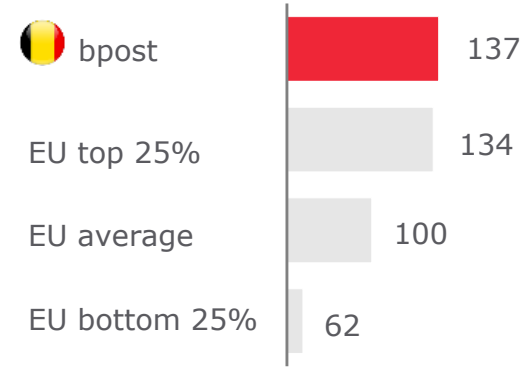
# bpost has delivered distinctive financial performance compared to peers

## EBITDA margin 2017



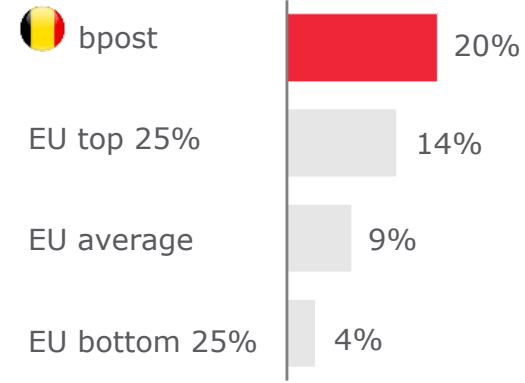
## An EU leader in mail volume per FTE<sup>2</sup>

Thousand items, 2017



## Corporate EBITDA margin<sup>3</sup>

2017



<sup>2</sup> Based on outside-in view bpost, Posten Norge, PostNL, Swiss Post, Austria Post, Royal Mail, CTT, Deutsche Post, Correos, La Poste  
<sup>3</sup> Peers include Post Nord, Posten Norge, PostNL, Swiss Post, Austria Post, Royal Mail, CTT, Deutsche Post, La Poste. EU average includes bpost  
 SOURCE: bpost annual reports

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# Multiple trends disrupt the postal industry, requiring postal operators to transform

Fast-changing consumer requirements & behavior, are driving disruptive trends in the postal landscape



Consumers and businesses receive more & more **electronic communication** & services, thus causing a **decline in mail** volume



**82%** all consumers have **shopped online** over the past 3 months, driving an **increase** in **parcel volume**



Consumers' **needs in parcel** delivery are changing – demanding for **faster**, more **flexible**, **low priced services**



**New technologies e.g.**, self-driving cars, will help deliver convenience & flexibility



# A mail volume decline of 19% over last 5 years puts pressure on bpost's large fixed cost base



**-19%**

cumulative volume<sup>1</sup> decline in last 5 years

**-6.6%**

In 2018Q1<sup>2</sup> vs. -3.5% in 2012

**-266m€**

Loss in domestic mail revenue in last 5 years<sup>3</sup>

bpost's cost base is **mainly fixed** and hence cannot easily adjust to mail decline and reduced drop density:

- **Collect** (e.g., large number of red boxes)
- **Sorting** (e.g., 5 sorting centers with ~150 sorting machines)
- **Transport & Distribution** (e.g., large fleet, fixed mail rounds)
- Etc.



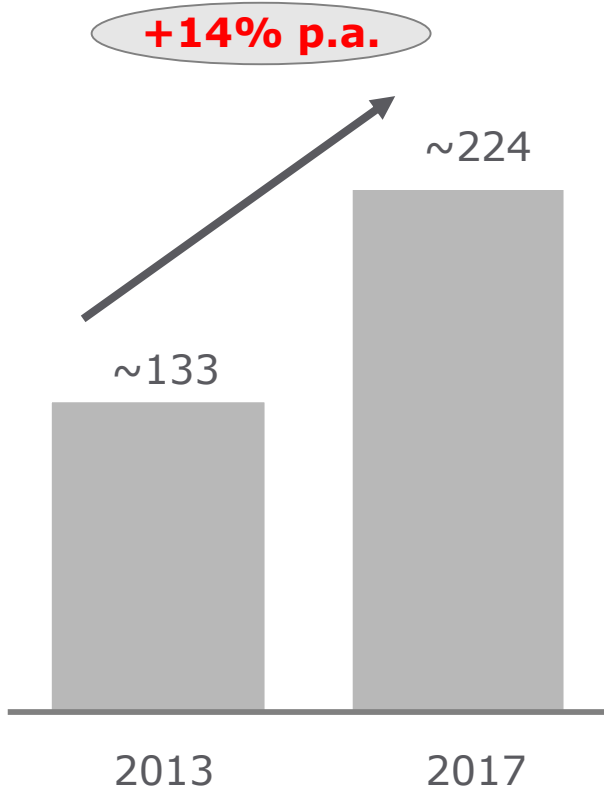
1 indexed 2013; Assuming revenue-weighted average volume decline 2 Underlying mail volume decline 3 excluding price/mix effect  
 SOURCE: Annual reports; SPF Economy



# The promising development of domestic parcels is not sufficient to compensate mail decline

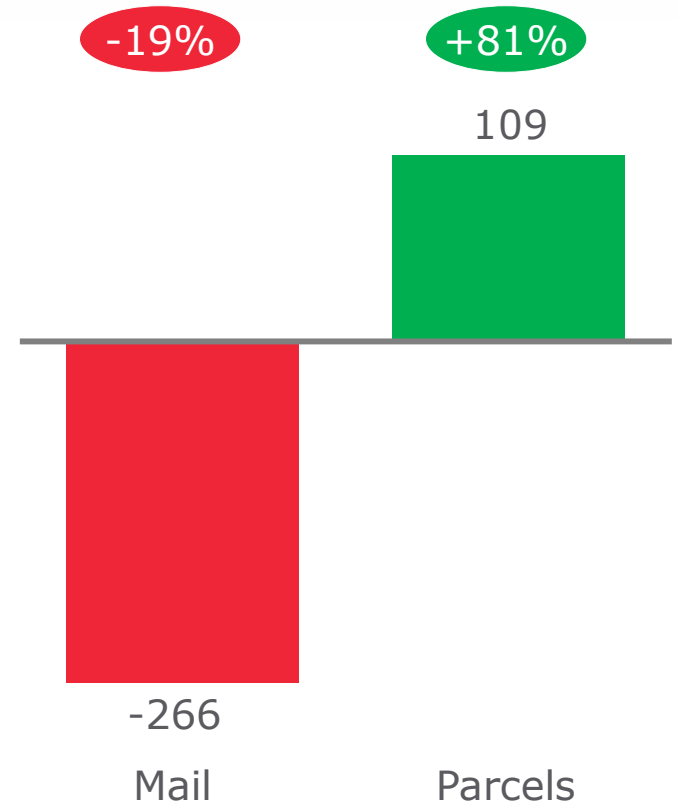
Though eCommerce sales are booming... €bn, EU

... it is not sufficient to compensate mail decline

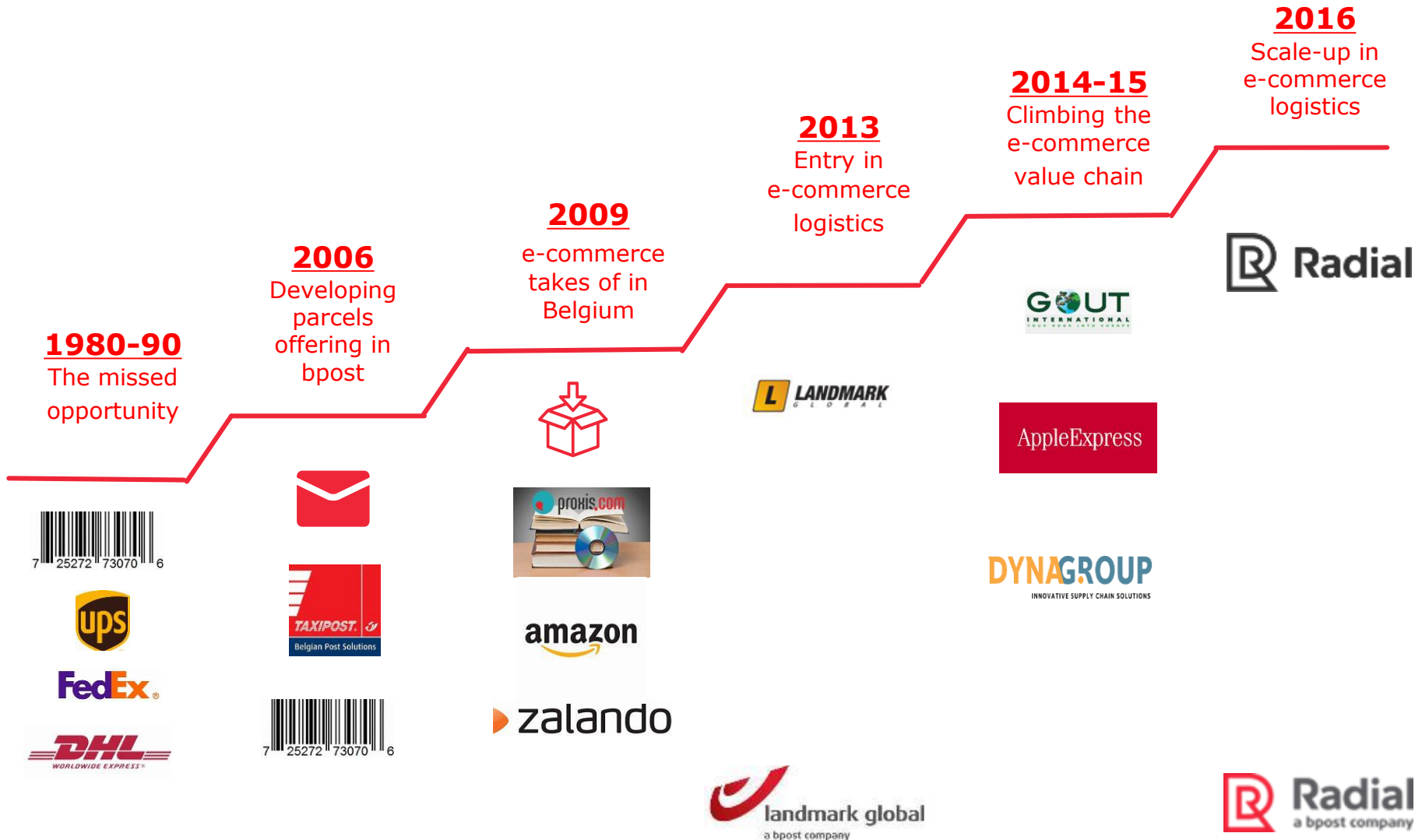


**Volume change, %**  
2013-17,  
domestic

**Revenue change, €m**  
2013-17,  
domestic



# Developing into an e-commerce logistics player in Belgium & beyond is a natural next step for bpost



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## Vision for 2022



Beyond mail, be an efficient global e-commerce logistics player anchored in Belgium”



**Share of revenues  
generated in  
parcels & logistics**

~60%



**EBIT**

Progressive profit  
generation



**Efficient  
provider**

of mail universal,  
retail & public  
services

# bpost will deliver on 3 strategic aspirations

## 1

**Mail services** to citizens and State remain core and **will continue to generate profit** with a more **adapted distribution model**



## 2

Drive profitable growth in **parcels in BeNe** and **e-commerce logistics** in Europe



## 3

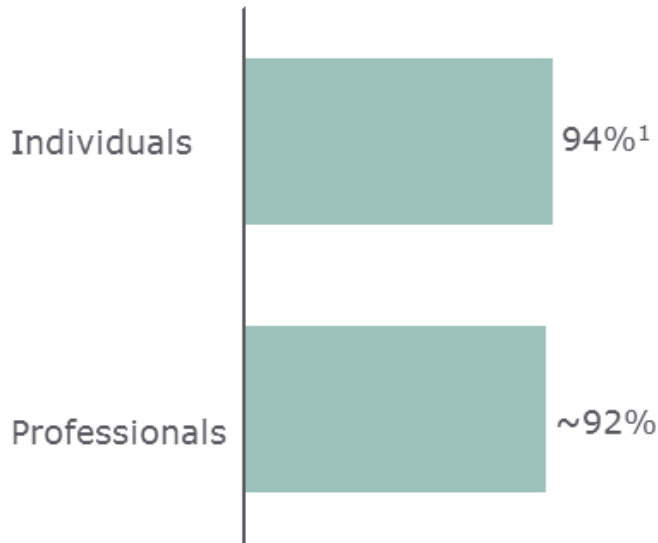
Optimize **Radial** to deliver on the investment thesis in the promising **North American e-commerce** market



**CASH GENERATION  
& DIVIDENDS**

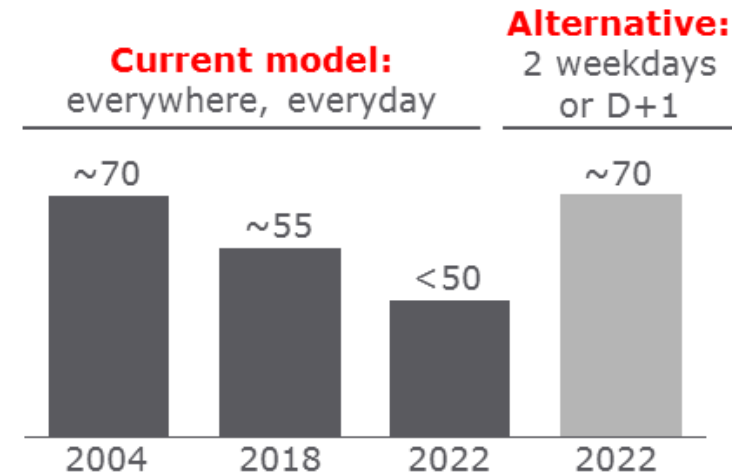
# bpost will evolve towards a differentiated offering to accommodate changing customer needs

## Acceptance for D+3-4<sup>1</sup>



## Optimizing drop density

Share of houses receiving mail on any given day, %













































<sup>1</sup> Based on a bpost study with 1,000 households & 500 businesses (<200FTE) interviewed in Feb 2015



# The alternative distribution model will only reduce delivery frequency of non-prior mail

 Mail  
  Parcel  
  Prior mail  
  Newspaper

**Round A, e.g. Knokke** 
←
→
**Round B, e.g. Heist** 

	Round A, e.g. Knokke	Mail center	Parcel center	Round B, e.g. Heist
<b>Monday</b>	   	 Mail center	 Parcel center	  
<b>Tuesday</b>	  			   
<b>Wednesday</b>	  			  
<b>Thursday</b>	   			  
<b>Friday</b>	  			   
<b>Saturday</b>	 			 
<b>Sunday</b>				

**Δ vs. Today**

-  • D+1 only for prior
-  • D+2/3 for non-prior

  • No change<sup>1</sup>

1 Until end of 2020 D+1; for 2021 on, negotiations are on-going with Government (Cleopatra 2 project) for which there are two options: D+1/2 at higher cost as periodicals will have to be delivered in dynamic rounds or D+2/3 at more economic cost as it can be included in CouReg rounds.  
 2 Except if specified otherwise in SLAs





## New partnership with DHL Parcels NL will allow to cover the full BeNe region and to capture important cross-border flows

### Purchasing behavior

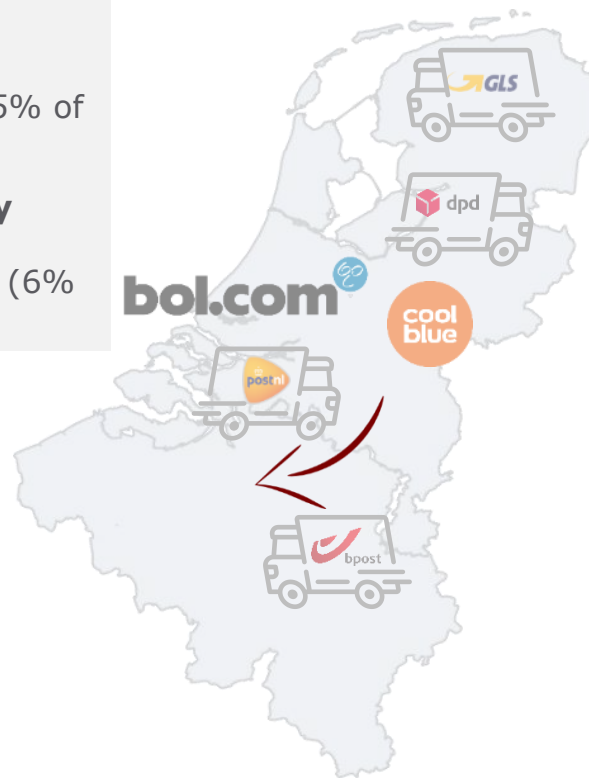
- **NL** is the **most important import country** to BE (~25% of import flows)
- **BE consumers mainly buy from NL players** such as Bol.com (7%) and Coolblue (6% of BE online sales)

### Large NL-based e-commerce players

- Looking for a **BeNe wide offering with regards to last mile**
- **Benchmarking prices on a BeNe level**

### Competitive offering

- Very **competitive & dynamic** region with many large players such as PostNL, DHL, DPD, FedEx



Launched in **June 2018**



# THE BENELUX COURIERS

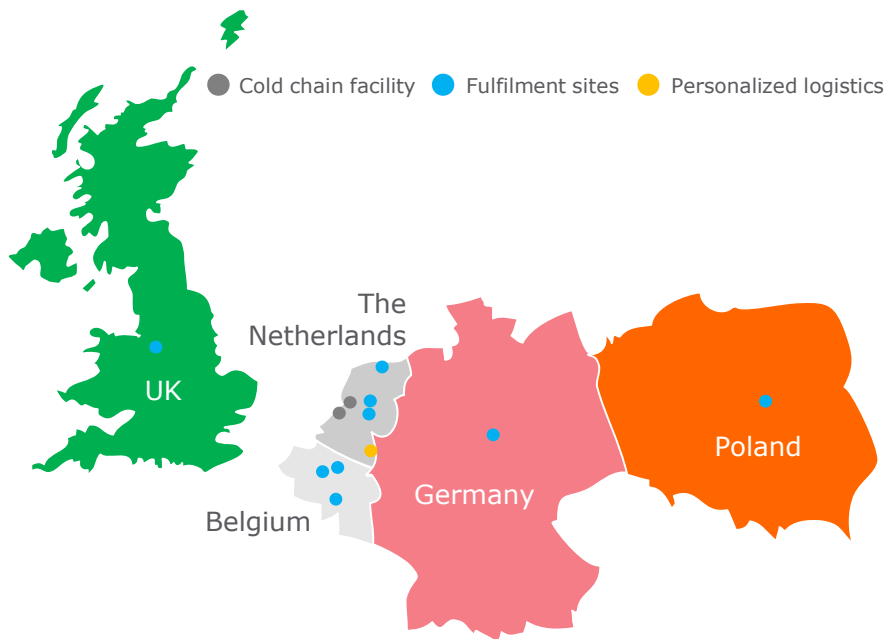
FOR YOUR E-COMMERCE





# Supported by acquisitions, bpost has initial assets in Europe along the entire value chain of e-commerce logistics

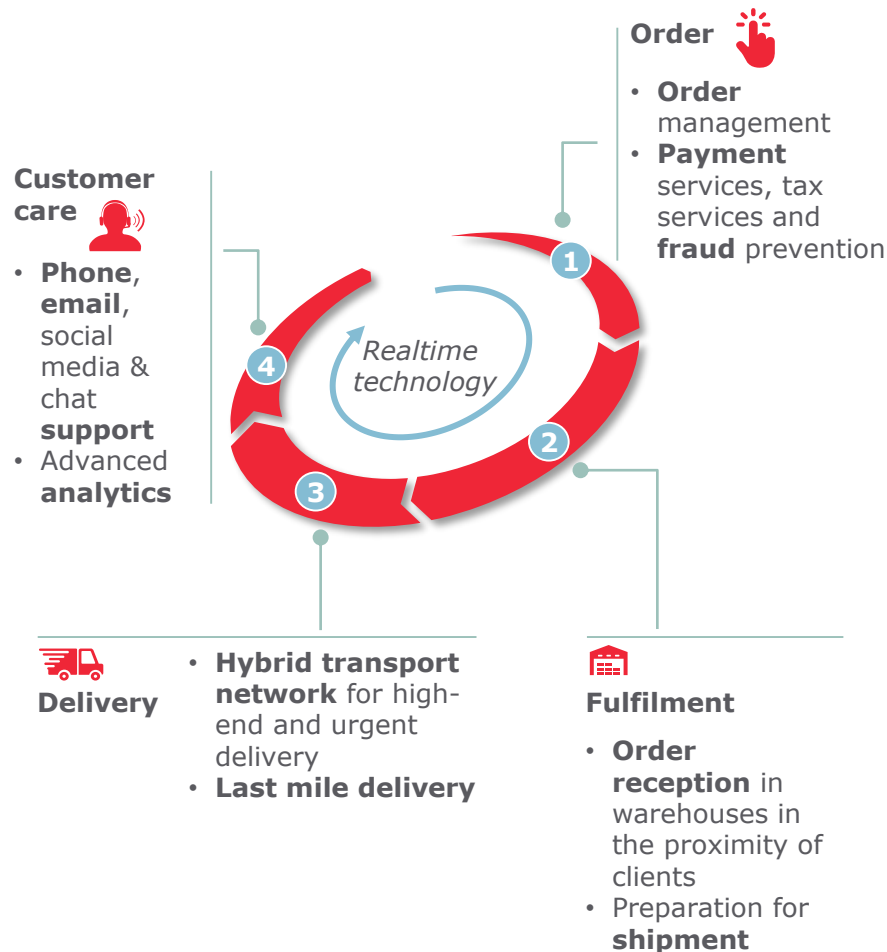
## E-commerce logistics operations in Europe



~€130m pro forma<sup>1</sup>  
2017 revenue  
5 countries

9 fulfilment centers /  
facilities<sup>2</sup>  
>600 employees

## E-commerce logistics offering



<sup>1</sup> Assumes FY17 revenue from new acquisitions (Radial, Leen Menken); excludes Active Ants as only acquired in 1Q18

<sup>2</sup> Including Leen Menken and Active Ants, excluding bpost sorting centers



# In 2017, bpost acquired Radial, an integrated eCommerce logistics solutions provider...

## High-level description

### Origin

#### 2016 merger of

- **eBay Enterprise** active in web services
- **Innotrac** active in order processing & fulfilment, call centers



### Strategy

Radial is repositioning itself

- From a **large webstore provider** to an **integrated eCommerce logistics solutions provider**
- With a particular focus on **mid-size customers**
- **And a push on cross-selling across the value chain**



## Key numbers

**6,700** employees (FTEs) of which 6,100 US

**25,400** alternative work force hires during peak

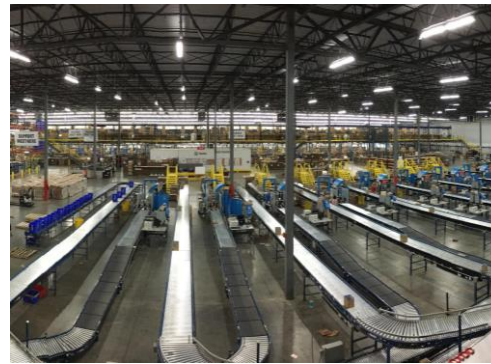
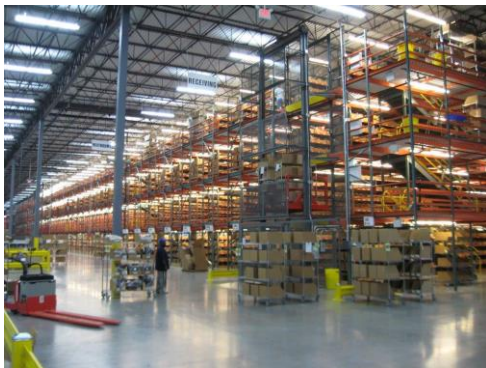
**1,082** 2017 revenue (\$m)

**57** 2017 EBITDA (\$m)

**24** fulfillment centers (13 million sqf.)

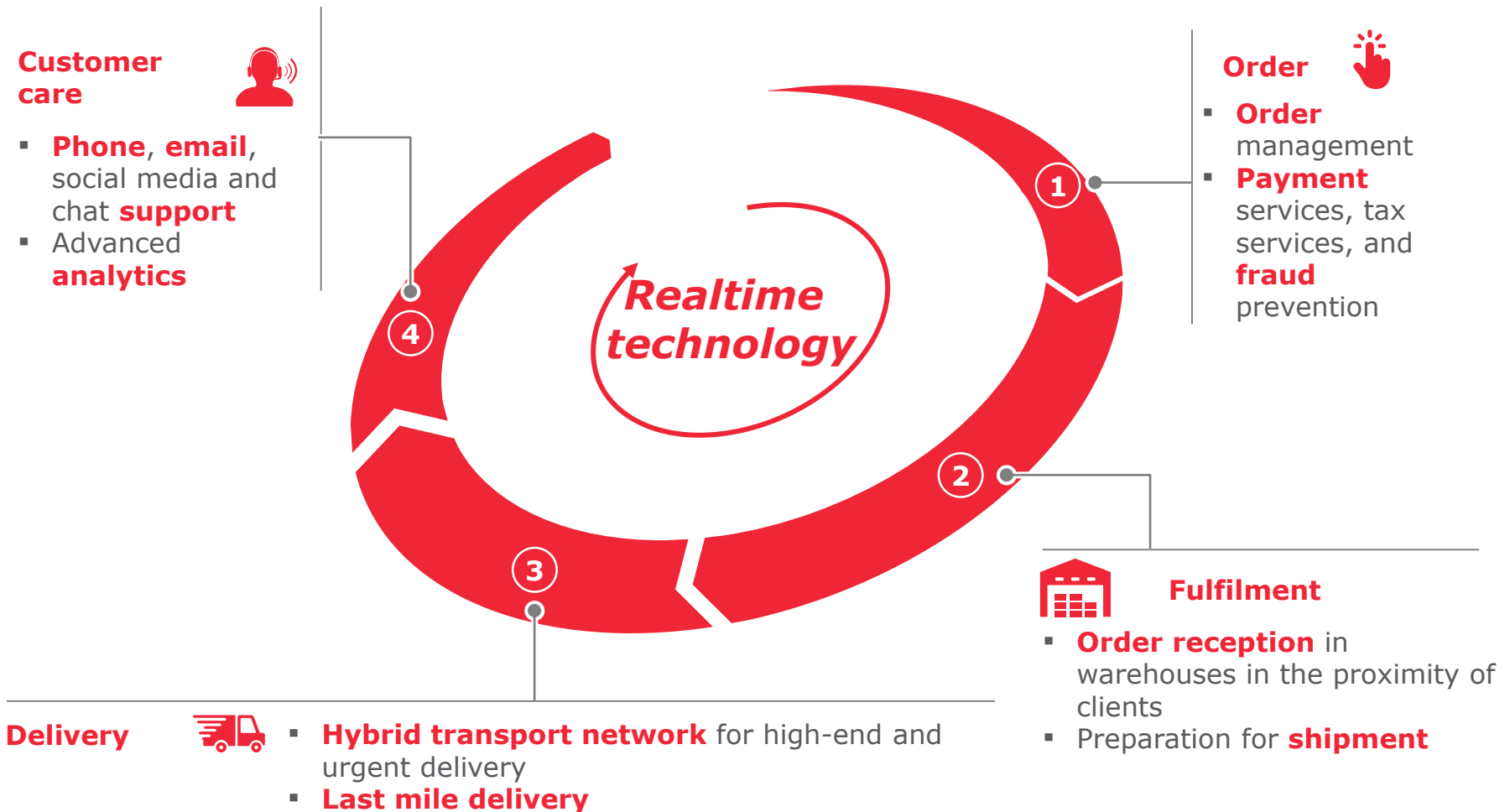
**295** million units shipped (1m/d during peak)

**\$6.2** billion in orders processed





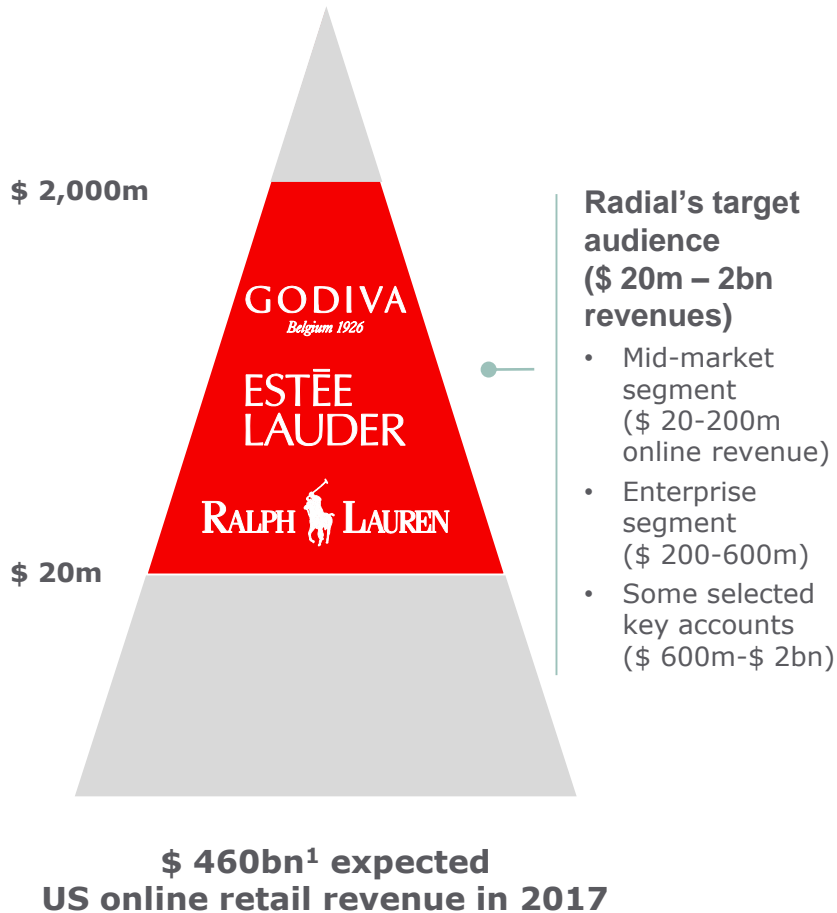
# Radial offers multiple services across the entire e-commerce logistics value chain



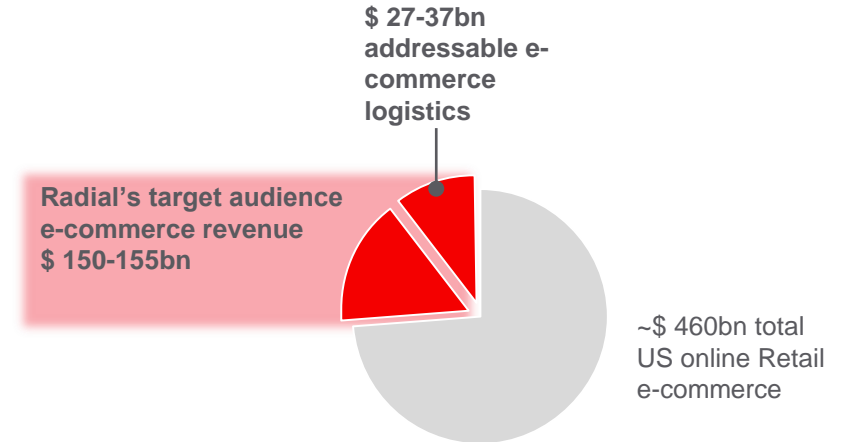


# Radial North America market dynamics and competitive landscape

## Online revenue e-tailers, US



## Addressable e-commerce logistics sector



## Independent e-commerce logistics providers

Revenue per e-commerce logistics provider \$m, 2016-17	Owner	Year of acquisition
Genco 1,524	FedEx	2015
DHL e-commerce 1,385	DHL	
OHL 1,350	GEODIS	2015
Radial N. America 1,014	bpost	2017
Digital River 309	SIRIS Capital Group, LLC	2015
Ingram Micro 194	INGRAM	
Newgistics 164	pitney bowes	2017
Speed commerce 120	GARRISON INVESTMENT GROUP	2016
Trade Global 86	Singapore POST	2015
Jagged Peak 74	Singapore POST	2015

<sup>1</sup> Source: Forrester Data, Online Retail Forecast, 2017

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