**Interim Financial Report**
Fourth quarter 2022

Conference call transcript

**Brussels – February, 24th 2023**
Philippe Dartienne, CEO a.i.
Koen Aelterman, CFO a.i.

Transcript of the conference call held on February, 24th 2023 10:00am CET

## PRESENTATION

**Operator:** Hello and welcome to the bpost Fourth Quarter 2022 Analyst Call. My name is Laura and I will be your co-ordinator for today's event. Please note, this call is being recorded and for the duration of the call, your lines will be on listen-only. However, you will the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any point, please press star zero and you will be connected to an operator.

I will now hand you over to your host, Mr Philippe Dartienne, bpost CEO, and Mr Koen Aelterman, bpost CFO, to begin today's conference. Thank you.

**Philippe Dartienne:** Good morning ladies and gentlemen. Welcome! I am pleased to present our fourth quarter and full-year 2022 results as CEO ad interim of bpost Group. Welcome to all of you and thank you for joining us. With me, I have Koen Aelterman, our CFO ad interim, as well as Antoine Lebecq from Investor Relations.

We posted the materials on our website last night. We will walk you through the presentation and will then take your questions. Two questions each would ensure everyone gets the chance to be addressed in the upcoming hour.

Let's go to the highlights of the full-year results.

On page 3, you see that our group adjusted EBIT stood at €278.5 million, in line with our initial guidance communicated on 24th February 2022, before the world changed. I am pleased with this great achievement as, despite persisting macro-headwinds and market disruptions faced throughout the year, bpost managed to absorb close to €40 million of the downside risk pressures with the successful implementation of our mitigating actions. This included increased sales efforts, price increases and cost reductions which remain key for 2023.

Beyond the P&L, our strict financial discipline is also reflected in our CAPEX. I'll come back to that in a second.

Let me share with you the key highlights of 2022 for each of our business units and we'll then get in more details to the fourth quarter results.

Our Belgium segment contributed for €198.3 million to the group adjusted EBIT with a margin of 9.0%, well within the guided range of 8-10%. Belgium was faced with the effects of six consecutive automatic salary indexations and the change in Night Shift regulation, corresponding in total to €80 million of additional costs versus 2021, but also with high energy prices, the Amazon insourcing and a post-Covid parcel volume normalisation. Mitigation measures were taken to offset these headwinds, targeting both top-line and costs. On top-line, mid-year price increases were implemented and an enormous commercial effort allowed us to replace, on a full-year basis, the volumes lost from Amazon in 2022. On costs, the focus on productivity and aligning resources to the reduced demand has allowed for an FTE reduction of roughly 800 FTEs or 3.2%. These mitigation measures have allowed us to remain within the guidance range and show the resilience of our Belgium business.

At E-Logistics Eurasia, adjusted EBIT stood at €27.4 million with a margin of 4.5%, below the initial guidance. As discussed during Q3, this reflects the inflationary pressures on costs and the margin dilution from the lower top-line. Indeed, Asian cross-border activities were still heavily impacted by the new VAT regulation in the first half of the year and did not recover as anticipated, and Dyna's performance is still lagging. On the positive side, the expansion momentum continued at Radial Europe and Active Ants and we enjoyed a healthy top-line growth of +17% in 2022.

At E-Logistics North America, adjusted EBIT stood at €86.9 million with a margin of 5.2% in line with initial guidance. At constant perimeter and excluding the favourable FX impact of 12%, the 5% increase in revenues reflects Radial's top-line growth which was driven by the customers launched in 2021 and continued growth at our other North America businesses. Specifically to Radial, even in a worsening market condition in second half, expected to persist in 2023, 2022 has been another year in which we saw an improvement in the underlying EBIT of the business. I will also come back to that.

Finally, CAPEX ended up at €164.4 million, below the guided envelope of €250 million. Some has been pushed into 2023 but this underspent also reflects our financial discipline in a disrupted market environment, in line with our set of mitigation actions implemented in 2022.

In terms of dividend, our results allow us to propose a dividend per share of €0.40 gross to the General Shareholders Meeting. This corresponds to a pay-out of 33% of the IFRS net profits, within the 30-50% range foreseen in our dividend policy, as we adjusted for the significant non-cash impacts in 2022, notably linked with IAS19.

Moving now to page four with our quarterly results. We are pleased to report that thanks to our operational planning and a good execution of the peak, we delivered a strong quarter despite the ongoing and even stronger inflation headwinds and record-low consumer confidence.

Our Group operating income for Q4 at €1,302 million, increased by 3% or €39 million, when excluding the deconsolidation of Ubiway, reflecting higher revenue across all our segments.

Our Group adjusted EBIT stood at €77 million with a margin of 5.9%. Unsurprisingly, due to the lasting inflationary pressure on costs and macro-economic trends, EBIT was down -12.7% on last year, but the preparation of the peak and the optimal alignment of our resources to customers' needs has borne fruit, especially in Belgium and in North America.

Again, when excluding Ubiway impacts, Belgium adjusted EBIT of €41.6 million reflects, at constant perimeter: on the one hand, higher operating income from Retail and Value-Added Services, slightly lower Mail revenues and most remarkably higher Parcels revenue;

and on the other hand, higher OPEX due to the six salary indexations of +2% each, partly mitigated by continued FTE reductions and the elimination of the second distribution rounds during peak, and higher energy costs.

At E-Logistics Eurasia, adjusted EBIT remained roughly stable year-over-year at €5.4 million, reflecting: on the top-line, the expansion momentum at Radial Europe and Active Ants, higher Asian cross-border sales and the integration of IMX since July this year; and on costs, higher payroll and volume-driven transportation costs.

At E-Logistics North America, operating income was up +2.9% but while FX provided a tailwind, sales in US dollars decreased by -7.1%, reflecting the impact of lower peak volumes with a mixed performance across our customers, and the impacts of some terminated contracts. At the same time, in reaction to this exogenous factor and in line with the commitment taken in 3Q, we successfully adjusted our cost base to the top-line and we strengthened our variable labour management during peak. Adjusted EBIT was €43.1 million with a margin of 7.7%. This is almost 13% up year-over-year when rebasing last year's Q4 with the non-repeating one-offs relating to the cyber insurance recovery and the one-time concession from a vendor.

I would now like to hand over to Koen for more details on the financials of the fourth quarter.

**Koen Aelterman:** Thank you Philippe and good morning to you all. For your reference, you find on page 5 an overview of the key financials for the quarter, both reported and adjusted.

Philippe already mentioned our group top-line and EBIT. Our adjusted net profit amounts to €83.0 million. Similar to the previous quarters, the net profit benefited from net financial result increasing by €22 million year-over-year, mainly related to IAS19 employee benefits, in line with higher discount rates and thus a non-cash impact.

Allow me to move directly to the details of Belgium on page 6.

At Belgium, when excluding the impact of Ubiway, we see that external revenues increased by €12 million to €570 million.

Looking by sub-segment, Domestic Mail recorded an underlying mail volume decline of -7.5% for the quarter, against -8.9% in Q4 2021. This impacted revenues by -€21 million, further compounded by a working day impact of -€0.9 million, yet mitigated by a positive price and mix impact of +€13 million as well as €5 million of additional revenues from Aldipress, which was acquired on 30th September 2022. Altogether, Domestic Mail revenues remained nearly stable year-over-year.

Note that the Transactional Mail revenues were in the 4th quarter of 2021 supported by the COVID-19 communications, with an impact of around €8 million. This was no longer the case in 2022.

Parcels Belgium recorded an increase of €6 million in revenue, or +4.7%. Excluding the impact of Amazon's insourcing, parcel volumes were up +7.5% year-over-year. The volume trend is supported by our existing customers and our successful hunting plan, notably with the launch of bol.com in November.

It should be noted that this volume growth occurred under unfavourable market conditions that have continued to deteriorate since the beginning of the year, reaching their peak in the fourth quarter. In Belgium, inflation reached its highest level at 12.3% in October, while consumer confidence reached its lowest level of the year at -27, well below the level of -16 observed in March after the start of the war in Ukraine. Online retail sales – adjusted for inflation – declined by 11% year-over-year in the fourth quarter.

When including the Amazon impact, parcel volumes were still +1.5% above last year, meaning that on a full-year basis the lost Amazon volumes are now fully compensated. To put things in perspective, parcel volumes remain 54% above the pre-pandemic fourth quarter of 2019. The price/mix stood at +3.3% in Q4, in line with the previous quarter.

Similar to what we observed in the previous quarter, Proximity and convenience retail network revenue increased organically by €4 million, due to the new Management Contract which came into force in 2022. In this sub-segment, the deconsolidation impact of Ubiway, as from the month of March, was -€36.6 million in the quarter.

Value-added services increased by €5 million, mostly resulting from higher revenue from Fines solution.

Let’s move to the P&L of Belgium on page 7.

On the costs side, again excluding Ubiway, operating expenses increased by €21 million year-over-year, mainly due to the persisting inflationary pressure.

We have indeed recorded higher payroll costs per FTE, reflecting the impact of each of the +2% salary indexations of November 2021, February, April, June, September and December 2022; as well as the change in Night shift regulation and a premium paid to our employees to alleviate the pressure on the purchasing power; as well as higher energy costs.

These impacts were mainly mitigated by the elimination of the second distribution rounds, which come with lower density and thus at higher costs; and the FTE reduction of around 810 FTEs year-over-year, again excluding the Ubiway impact.

Moving now to E-Logistics Eurasia, on page 8.

External operating income was up €14 million, reflecting the continued strong growth in e-commerce logistics and the integration of IMX at Cross-border.

Looking at the revenue development per sub-segment, we see that in E-commerce logistics, Radial Europe and Active Ants’ sales were up +19.5% year-over-year, driven by our existing customers’ expansion and by recent customer onboardings, as announced with our Q2 and Q3 results.

At Dyna, similar to the previous quarters, sales were down versus last year. This was due to the lower volumes in 'one and two-man delivery' network at DynaLogic, driven by the lower consumer spending in white goods, and less devices to be repaired at DynaFix.

The strong growth momentum at Radial Europe and Active Ants did offset Dyna’s development with a combined increase of €5.5 million in revenue for the sub-segment.

Cross-border revenue increased by €8 million, or +9.7%. This top-line development is driven by both the consolidation of IMX since July this year, and the growth of our Asian sales, where despite the lasting supply chain disruptions in China, we saw the benefits of some recent customer wins.

Let’s move to the P&L of Eurasia on slide 9.

Operating expenses increased by €14 million, or 9%, mainly explained by higher transport costs in line with higher Fulfilment and Cross-border activities as well as the IMX integration; higher payroll costs from inflation and recent sites openings, in line with our expansion and the strategic development initiatives for Radial Europe and Active Ants; and partly offset by lower material, interims and transport costs at Dyna, in line with lower volumes as just explained.

Moving on to our North America E-Logistics business, on page 10.

The operating income of E-commerce logistics increased by €16 million, but was down -7% at constant exchange rate.

At Landmark, we recorded a continued volume growth from existing customers and new customers won in 2021, while, at the same time, we started to see the first impacts of Amazon’s insourcing of part of its volumes.

At Radial, top-line decreased by 9% year-over-year as the consequence of different factors. In line with North American market pressure, Radial recorded lower peak volumes with a mixed performance across customers, notably in Clothing and Cosmetics. Besides that, on the supply side, the US e-commerce logistics market has shifted from an under-capacity to an overcapacity, which put some additional pressure on our volume development. Finally, we also had the impact of some terminated contracts, including the one we discussed already in Q3.

Radial revenues amounted to $480 million in this quarter. This is 9% below the fourth quarter of 2022 yet even after this year's post-COVID normalisation, still +36% on the 'pre-pandemic' 2019.

Moving to the P&L on slide 11.

Focussing on the performance at constant exchange rate, we see that while the top-line decreased by 7.1%, our operating expenses decreased by 6.6%. However, it should be noted that last year, Radial US benefitted from two one-offs positively impacting OPEX; notably the cyber insurance recovery and the one-time concession from a vendor.

When rebasing last year with the aforementioned one-offs for a total of €7.8 million, E-Logistics North America adjusted EBIT increased by €5 million to €43 million. At constant exchange rate, it means that despite €43 million lower top-line, EBIT actually still increased by €1 million, reflecting the strong improvement in operational performance.

Our labour costs were favourably impacted by a wage rate impact and a stronger variable labour management. Thanks to strong preparation and execution during the peak, we managed to align capacity to demand and realise productivity gains.

Phillipe, I know you wanted to take the opportunity of the 2022 results to put Radial's performance over the past years in perspective.

**Philippe Dartienne:** Indeed, Koen. Thank you. Let's indeed pause now on Radial specifically, and you can go and see that on slide 12.

As Radial's performance has been impacted by a number of one-offs in the previous years, notably since the ransomware attack of October 2020, we wanted to take this opportunity to look back and see the continued progress made at Radial. We see on the page the evolution of Radial's key performance metrics, in local currency and excluding the one-offs we shared with you in the previous quarters and years.

Radial's annual revenues grew by 50% over the past 4 years, even when including the post-COVID normalisation, and the EBIT margin progressively improved from -3.1% to +3.6% through operational efficiency and peak plannings.

Operationally, Radial is a top tier e-commerce logistics operator in North America, with a network of 26 fulfilment centres, and offers 60% next-day and 99% 2-day delivery capability to US consumers.

Radial is now firmly established and well-positioned to face the challenges of the changing market conditions.

**Koen Aelterman:** Thank you, Philippe. Moving on to the Corporate segment, on page 13. External operating income decreased by €3 million year-over-year from lower building sales. More importantly, operating expenses slightly decreased by €8.2 million, reflecting continued cost management measures and efforts on overhead reduction. Regarding FTEs, a 4.5% decrease partially offset the impact of the six salary indexations of +2% as discussed earlier. OPEX development also includes €2.5 million of costs related to the 'press concession' compliance review.

Then we move to the Cash Flow on slide 14.

The main items to flag here are the following. Cash flow from operating activities before changes in working capital remained stable year-over-year. Change in working capital and provisions increased by €135 million. As explained in the previous quarter, this is notably due to the compensation schedule of the Management Contract. Whereas last year we received €80 million in Q3, this year we received €99 million in early Q4. We also received, in this quarter, €37 million which we would have received under the previous Management Contract in the first quarter of 2023.

Additionally, we have deferred into the first quarter of 2023, the Q4 payments of the payroll withholding tax for €31 million, making use of a measure granted by the Belgian government in the context of the energy crisis.

Cash outflow from investing activities decreased by €37 million to €47 million, mainly from lower CAPEX. Down to €51.4 million, our CAPEX continue to be directed towards our E-logistics expansion in Europe and in the US, and the optimisation of our domestic network in Belgium.

Let’s now have a look at 2023.

**Philippe Dartienne:** Thank you Koen. Before sharing our outlook for 2023, I would like to walk you through our Management priorities for this year, which support the Group ambition to be a global e-commerce & logistics service provider, with a sustained anchor in Belgium, and to be recognised as a sustainable reference.

The focus of Management operating as a collegial team is clear and we continue to execute on our strategic plan.

In Belgium, the focus of Jos Donvil and his team is to develop the target operating model and the supporting organisation, based on client-centricity and translating in higher quality and flexibility. Beside the business transformation, Jos and his team will also prepare for the future of the press concessions, on which I will update you in a minute, and he will also increase the wellbeing of our employees so as to improve current absenteeism levels.

In E-logistics Eurasia, Kathleen Van Beveren will continue to execute on the growth plans of Radial Europe and Active Ants. Kathleen will also grow our commercial Cross-border activities and will launch the execution of a multi-year turnaround plan for Dyna.

In North America, adjusting to changed market conditions, Henri de Romrée and his team will develop and execute on the commercial pipelines across our entities, notably Radial and Landmark Global. Henri will also implement, at Radial, a network-wide lean operating model, driving further margin improvement.

The Group will pursue its M&A ambitions for our E-commerce logistics activities in Europe and North America, but also for our Cross-Border businesses. We have a strong balance sheet. We, therefore, do not exclude transformative acquisitions if such opportunities arise in the market, which would allow us to further accelerate on our transformation and build scale.

Across the Group, we will also continue to execute on our sustainability strategy. In this regard, bpost has been selected, since last week, as part of the new Euronext BEL-ESG stock index, tracking the business[erratum:Brussels]-listed companies demonstrating the best practices in these fields; a great recognition of our global ESG strategy.

Let me now update you on the press concessions and share with you the recent developments since we last talked in mid-December.

First, as a reminder, the Belgian government decided in November 2022 to extend the ongoing concessions for the distribution of newspapers and periodicals in Belgium until 31st December 2023 at the conditions that apply for 2022, as specified in the current concessions. The process of submission of the extension to the European Commission for approval under the State aid rules has started.

Secondly, and rightly so, there is a lot of questions around the financial impacts, notably from a fine, and our ability to participate in ongoing and future tender procedures. As said previously, we want to be as transparent as possible in this matter and we are today in a position to share with you the following updates.

Regarding the investigation of the Belgian Competition Authority, bpost has fully cooperated with the ongoing investigation, but the risk of the imposition of a fine will depend on the findings made by the BCA. Subject to further findings of the BCA investigation, this risk is currently assessed as possible but not probable.

Based on the information currently at our disposal, you will have seen that bpostgroup has not taken a provision related to these matters.

You probably also read in the press that on 1st February 2023, the Belgian Government announced its intention to conduct a governmental audit into the compensation for the current press concession. Here, the question is 'Could bpost have to repay an overcompensation?'

Well, whilst the costs associated to the service were reviewed and scrutinised – on one hand, on an ex-ante basis in the context of the European Commission's State aid review; and on the other hand, on an ex-post basis by the College des Commissaires as part of the annual approval of the accounts – bpost is currently unable to assess the risks associated to this audit and its potential findings, given that bpost has not yet received any information regarding to the scope of the audit. Any findings of over-compensation could lead to a claim for reimbursement of a part of the revenues charged for the service.

As to our capacity to participate in tendering procedures, it is probable that considering the self-cleaning measures taken by the company, the contracting authorities will consider that bpost has demonstrated its reliability, and will therefore allow bpost to participate in ongoing and future tendering procedures.

And lastly, to conclude on the potential impacts of the ongoing investigation, bpost has also taken measures of cooperation with the public prosecutor so as to reduce any risk of criminal enforcement.

Third and last point, now what about 2024 and beyond? Recent press articles dated 10th February 2023 refer to an agreement reached by the government on a new tender for the period 2024-2027. The government has announced its intention to reduce the budget attributed to the press concessions and to adapt the tender specifications in function of this reduced budget. bpost expects this new tender to be launched soon and upon receipt of the RFP and its requirements, we will assess whether an offer can be submitted that is financially sound.  bpost judges itself well-placed to win such a tender process, in which case operational and financial impact will depend on the tender specifications.

This finally brings me onto our outlook for 2023.

In 2023, while the transformation of the group, of course, continues, we will activate all levers on sales, pricing, cost and productivity to face the ongoing market pressures and prepare for any rebound.

The Group total operating income is expected to grow by a mid-single-digit percentage, while the Group adjusted EBIT is expected to range between €240 million and €260 million, based on current macro-economic assumptions.

For Belgium, we expect total operating income to grow by 3-5%, when excluding the deconsolidation of Ubiway.  We notably plan for a mail volume decline of 8-10%, offset by price increase and mix impacts; while our parcels revenues will be driven by a mid-single-digit percentage volume growth and a mid-to-high single-digit percentage price/mix.

Adjusted EBIT margin is expected to range between 6.5% and 8.5%, which reflects higher payroll costs from the full-year impact of the five salary indexations of 2% in 2022 and the ones of 2023, but also higher energy costs, partly mitigated by efficiency gains in operations and continued cost reduction initiatives.

For E-Logistics Eurasia, we anticipate a low-digit [erratum: low double digit] percentage growth in total operating income, relying on our continued growth of Radial Europe and Active Ants, and the growing Cross-border commercial activities, including the development of new lanes, and more than offsetting the structural decline in Cross-border Postal activities.

In 2023, at Radial Europe and Active Ants, we expect to have a scale-up of our sales organisation and some start-up costs for new customers, as well as a negative mix effect at Cross-border.  The adjusted EBIT margin is thus expected to range between 3% and 5%.

For E-Logistics North America, assuming a EUR/USD rate of 1.08 for 2023, we expect top-line to slightly decrease compared to 2022. This reflects, on the one hand, a decline in top-line at Landmark Global due to Amazon's insourcing and some general price pressures; and on the other hand, a lower growth momentum at Radial in current market conditions and overcapacity, as explained by Koen, leading to price pressures.

Similar to our guidance for 2022, adjusted EBIT margin is expected to range between 4% and 6% in 2023, with price pressure on top-line and higher OPEX and D&A from new sites being mitigated by a tighter labour management, a favourable wage rate impact and some continued costs measures.

For Corporate, inflationary pressures will impact our Belgian payroll costs. While our cost containment and overhead reduction measures remain in place, savings will be reinvested in the ongoing transformation of the Group. Note that we also foresee some OPEX from the ongoing 'press concession' investigation.

The gross CAPEX envelope in 2023 is expected around €200 million, of which a part is a phasing of the 2022 underspent.

We are now ready to take your questions. Operator, please open the lines.

## QUESTIONS AND ANSWERS

**Operator:** Thank you. As a reminder, ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad. Thank you. We'll now take our first question from Ivar Billfalk-Kelly at UBS. Your line is open. Please go ahead.

**Ivar Billfalk-Kelly (UBS):** Thanks very much. Maybe if we start with press concessions, because I think that's on top of everyone's mind. Can you please help us quantify the profit that you've earned in the press concession – that's over the period that's under investigation, to try and help us quantify any excess earnings that you might have earned over the period? And, secondly why you say it's not probable, but it is possible. Have you had any guidance from advisors in respect of what a potential fine might look like?
And then secondly, in the North American business, given that we seem to be at the start of an inventory destocking phase in the US and in past terms, we've seen retail inventories drop by at the 10%, if that were to materialise again, I mean, what incremental pressure would that pose on your revenues and earnings? And in that sort of scenario, would you be able to keep revenues flat versus impressions last year? Thank you.

**Philippe Dartienne:** I suggest that Koen, you take the questions of Ivar mostly on the press concessions. I think most of them [inaudible].

**Koen Aelterman:** Sure. I'm not sure I fully understood the third question. The line was not that great, so we might need to come back to that, but let me start with the press concessions. So I think your first question was the amount received in the past years in the event that there would be any overcompensation, let me come back to that in a moment. But just on the amount, to answer your question, we get somewhere between

€165 million and €170 million per year, which you can also find in our annual reports of the past years.

In terms of the overcompensation risk, I think it's important to stress again what Philippe said, that the amounts, in fact they are already audited, ex-ante by the European Commission whenever there is a notification process, and on an ex-post basis by the College des Commissaires, which actually consists of the court of audit and our own auditors.

At the moment, we have no visibility on what the new governmental audit would be about. So it's very difficult to pronounce ourselves on the risk, but I want to stress that in fact, these figures are already audited. So take that for what it's worth, but given that we have not taken a provision here as well, it gives you some indication on how we assess this risk.

**Philippe Dartienne:** And also, sorry to be a bit heavy on that one, in that case, there will be an adjustment as a result of audit, it would not be for the full concession but for the amount deemed ‘overcompensated’. So it’s not the full amount. Would something emerge from that audit, it would certainly not be for the full amount.

**Koen Aelterman:** Exactly. Then, your second question was around a potential fine and I think I’ve seen the figure of €430 million circulating a bit, both in the press and in the different analysts’ reports.

First, let me stress that as of the start of this, bpost has been collaborating with all the competent authorities in order to protect our best interest. So, that's been the way we've been approaching this. Should, at the end of the day, there still be a fine, it's important to highlight that the €430 million, which is circulating, is in essence, is a cap. It's maximum 10% of the Group revenue worldwide. Although, in general, competition authorities try to make sure that you cannot estimate reliably a fine, we do see from past practices that it

is typically based on a number of factors: the concerned revenue, the duration of the offense, any aggravating or attenuating circumstances. And when we look at the potential fine with these factors in mind, we are in a very different ballpark than the €430 million.
And then on the North America question, I don't know whether you understood it, Philippe, but if not, I know it would be great if you could repeat it. The line was not great.

**Ivar Billfalk-Kelly:** Absolutely. Sure. I'll follow up on the first one as well. I appreciate the revenues were in the region of €175 million or so, but just in terms of the profits that were earned, because that would help us engage, whether there was any overearning or not.
But the second question in terms of North America was whether if we have a severe downturn and given that we're at the start of an inventory destocking phase in the States, in the past, we've seen them fall about 10%. I mean, did you make any allowance for a scenario like that in the guidance that you provided?

**Koen Aelterman:** So in terms of our macroeconomic assumptions for the US, but in fact, similarly for all the markets we are active in, we're starting off from a GDP growth which is flattish. But on top of that, we expect a lot of inflationary pressure, which obviously will impact purchasing power and so weigh more heavily on the bpost activities than on others. In terms of inventory destocking, that would not necessarily be a bad event for us because it would still generate activity in our fulfilment centres. So there's no specific downside case foreseen for that in our guidance to date.

**Philippe Dartienne:** And we are not seeing it so far.

**Koen Aelterman:** Exactly.

**Ivar Billfalk-Kelly:** And sorry, on the earnings for the press concession, can you quantify that please?

**Koen Aelterman:** So I cannot give an exact number and additionally, again, it's relating to any overcompensation which is something which will be assessed by the audit and thus unrelated in essence to the margin we have on this officially.  I think I shared last time that the concession, it has a reasonable margin limit of 7.5% and that bpost was currently below that limit.  So that's the only thing I can share at this stage.

**Ivar Billfalk-Kelly:** That's very helpful, thank you very much.

**Operator:** Thank you.  We'll move on to our next question from Frank Claassen at Degroof Petercam.  Your line is open.  Please go ahead.

**Frank Claassen (Degroof Petercam):** Yes, good morning.  My two questions please. First of all, on the payroll cost, you've indicated that you had a headwind of €80 million in 2022.  What would be roughly the number for 2023, given, say, the full year effect of the 2% – the six steps of 2% and the upcoming steps?

And then secondly, also on Radial.  Previously you talked about customer contract values you won.  Can you elaborate on that?  And also maybe on the churn, did you see many customers leave?  And what kind of impact does that have?  Thank you.

**Phillippe Dartienne:** Thank you, Frank, for the question.  I'll take one on the payroll and we will jointly answer the one on Radial with Koen.  On payroll, so yes, we mentioned an amount of €80 million in 2022.  In 2023, we expect something around that, the same amount.  In fact, it's two effects, the full year impact of what we have, the six and the five

2% increase in 2022, that translates again into additional cost in 2023, plus the expected increases as a result of the evolution of the general index in 2023. So, roughly, it's around €80 million also in 2023.

**Koen Aelterman:** So, it does mean that from a cost pressure perspective, it'll be very similar in 2023 as it was in 2022.

Then on the Radial question, you asked around ACV, we signed in 2022 for $94 million of new ACV which is below what we signed in 2021 and 2020. But there's a big difference there in 2020 and 2021, a lot of the ACV was also coming from cross sell or big expansions at existing customers. In 2022, the amount we signed was almost exclusively new customers, fully new customers. So those customers we do expect to onboard over the course of 2023, together actually with some of those we still signed in 2021, which were delayed also into 2023.

In terms of the churn, so we have seen a significant number of clients churn linked to the general market context. There are some contracts which come up for renewal at certain points in the year. And given that the market has shifted, as we mentioned, from that under-capacity to overcapacity – sorry, the other round. Sorry.

**Philippe Dartienne:** Yes, from under-capacity to overcapacity.

**Koen Aelterman:** Indeed. It means that there is a much bigger driver to tender at this stage to take advantage of any cost savings that might be gained. And we are seeing that to some extent. We're also seeing that customers who have a combination of in-house and outsourced fulfilment, that obviously they tend to pull-back volumes in-house in order to leverage as much as they can, their own fixed cost base. So, we mostly see those effects at play, which reflect the market circumstances and not necessarily anything Radial specific.

**Frank Claassen:** Okay. Thank you very much.

**Operator:** Thank you. We'll take our next question from Marco Limite at Barclays. Your line is open. Please go ahead.

**Marco Limite (Barclays):** Hi, good morning. Thanks for taking my questions. I've got a few questions on the parcel volumes in Belgium. First question is on your outlook of mid-single-digit volume growth. Given that clearly all the, let's say, new customer growth from 2022 will annualise in 2023, I'm just wondering, what's your assumption for underlying volume growth for 2023? As to me, it seems that the mid-single-digit volume growth is mainly driven from annualisation of new customer acquisition.

Second question is on pricing for the parcel volumes. In the letter business, you're increasing prices by double digit, you're now guiding for parcels price/mix mid-single digit, high-single digit. So just wondering, what's your assumption on pricing growth for parcel and why repricing in parcel is below mail repricing?

Third question very quickly, what's the exit rate on parcel volume growth in January?

And the, fourth question is if you can guide us on what's your assumption about corporate centre EBIT loss, included in your guidance? Thank you much.

**Koen Aelterman:** Okay, let me start perhaps, so with parcel volumes in our outlook. There were multiple sub-questions. Let me maybe start with the annualisation, what you mentioned on the new customers onboarded. It's important when we look at the year-over-year comparison to realise that in Q1, Amazon was still ramping up its insourcing, so that will still year-over-year be a negative impact in the first quarter. While for the new customers onboarded, many of them – or it was a progressive onboarding throughout the year, I should say, where even as of Q2, we had some of those new customers onboard. So a part of that impact was already, again, in our numbers already of this year. But obviously, there will still be a positive impact from that next year.

In fact, then that links your underlying volume question in terms of the volume growth we foresee, it's still mostly from those – let's say a bit more than half of that is actually expected to come from the hunting plan while the other – the remaining part is from the underlying parcel growth we foresee.

Then let me just check, because I wrote down your questions. I think there was the price mix effect on parcels you were wondering about. So I think here I'll refer also back to what we communicated already in the Q3 results on this because it has not changed. First for parcels, we need to distinguish between prepaid parcels and contractual parcels. For prepaid parcels, the formula is controlled by the price cap – it's approved by the regulator, and it's a price increase of 13% in line with the inflation rate we see in Belgium. For contract parcels, there is some more flexibility. But generally speaking, most of our contracts foresee a price increase, which is 80% of transport sector specific index. That price increase would be 10.7%, but we already passed on part of that with the mid-year price increase in 2022. So the remaining price effect would be close to 8% in 2023.

And then finally, for our biggest contractual customers, there are typically some other clauses in the contracts with fixed price increases over time, which will not fully cover the inflation levels. So that leads to the overall price mix effect we're guiding on.

Then I think you asked around parcel volumes in January.

**Philippe Dartienne:** Let me take this one, Koen. So parcel volume on January grow by low to mid-single-digits percentage, in line with our expectation. But also, we need to keep in mind that January 2022 constitutes some high comps as we were still preceding the start of the war in Ukraine and Amazon was still progressing ramping up its insourcing until March 2022.

**Koen Aelterman:** And then the final question was on corporate. So we don't guide specifically on the number for corporate, although I'm sure you can, by difference, get a very good estimate. The big effects there are obviously that just like all other Belgium activities, that will be impacted by the cost pressure. So the €80 million mentioned by Philippe just before is also partly impacting corporate. On top of that, we expect lower building sales because we have – in the past we've done a number of sale and leaseback transactions because we typically had buildings which we were going to exit on relatively short timeframes. Looking at our portfolio today, we don't have many of those left, so we're putting a stop to that sale and leaseback programme. So that will impact the revenues there.

Then finally, there's the costs linked to the ongoing press concession investigation and some related measures we're taking in terms of reinforcing compliance and so on, which will weigh on that result. We will continue to work on overhead reduction as we've always communicated. But in light of the things I've just mentioned, you will understand that that will not offset at an EBIT level, fully the negative impacts. So I hope that answers the questions.

**Marco Limite:** Yes. Thank you very much.

**Operator:** Thank you. Once again, ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad. Thank you. We will now take our next question from Henk Slotboom at the IDEA. Your line is open, please go ahead.

**Henk Slotboom (the IDEA):** Good morning, gentlemen. Thanks for taking my questions. First of all, in the CAPEX, the €200 million, I believe you said it's partly catching up with the shortfall in 2022, but if we look at the economic climate in general, then basically in the US, there is already some overcapacity. What is triggering you to upgrade the CAPEX budget again to the €200 million, and where do you expect to spend it?

My second question relates to the North American business. The name of Amazon pops up again, this time in relation with the Landmark operations. How sensitive or how dependent is the US operation on Amazon? I wasn't aware that Amazon was a client of you there as well. So perhaps you can shed some light on that. Those were my questions. Thank you.

**Philippe Dartienne:** Okay. We'll take both – we complement each other. So, Henk, on the CAPEX, as mentioned earlier, we have some rollover from 2022 to 2023 because we have a strict financial policy and we do not want to build in advance, capacity that could remain unfilled, waiting for potential customers. And especially as you rightly pointed out, if we have overcapacity in the US, we will not build, in advance, capacity.

This being said, we still have some new customers coming in and if and when these customers are coming in some CAPEX are needed, and then we will invest. So in other words, if I would use an analogy with other businesses, we will not build merchant warehouse, but we'll make the investment when the contracts are there.

We also have existing installation that requires some maintenance CAPEX, and of course we need to continue investing in them to protect the efficiency and also the assets themselves. So the portfolio in fact is totally – the portfolio of activity requires different profile of CAPEX. Sometime we have to build it beforehand. Typically, in Active Ants, like we did in the UK, we have to build in advance, but it's not the majority of our business.

The majority of the CAPEX requirement of our business are triggered when we sign a contract before onboarding customers.

**Koen Aelterman:** And to add to that, within the €200 million, there is, I would say, one sort of an exceptional CAPEX, I would almost say.  We have an opportunity in the US to put our balance sheet at work.  There were two sites over there where we've been for a very long time, where we expect to remain for a very long time, which came on the market, and where we are doing – we are purchasing those site outright instead of keeping the ongoing lease agreements.  And that is an investment of around €35 million.  So that explains most of the difference between what you see in 2022 and 2023.  So this is really putting our cash to work to improve our returns.

**Philippe Dartienne:** And it's maybe a different way of working compared to the past because we do not prevent ourself from opportunistic investments.  Of course, it needs to be related to our core activities.  We would not do so for administrative buildings, but where we believe – this kind of business is based on logistics, is based on location.  When we are a prime location with good numbers of existing or potential customers, and as Koen mentioned it, we believe we are going to stay in the long run, we consider we are creating more value by investing ourselves rather than paying it  to a third party.  Because also, when you are renting this kind of stuff, at the end of the contract, you're exposed to a price increase at renewal of the lease, but also you have to continue paying.  While you are the owner, you could enjoy, for nearly endless period, these kind of assets because basically, they require very limited maintenance investment as well.

**Koen Aelterman:** Exactly.  Okay.  And then adding just one more point, you also asked where is the CAPEX being spent.  Phillippe already referred to the maintenance part of it.

Within our Ecommerce logistics businesses, automation is also highly important in order for us to reach the productivity improvement. So that's where another part of the CAPEX is going.

Moving to your second question on North America and the importance of Amazon in that. So Amazon is a customer of Landmark Global which you can probably estimate more or less in terms of size by looking at the specific number we disclosed from Radial and the total for North America, as the bulk of what remains is in essence Landmark Global. And within that, Amazon represents in the normal time, somewhere between 25% to 30% of the revenue. So it's a very significant amount.

In our outlook our expectation is for Q1 and Q2 to be at a similar level as Q4 was, meaning in about 50% decline. Whereas as of Q3 and Q4, we are even expecting those volumes to drop down to zero. So that would be a very significant top-line hit. Now, there as well, we see that over the past years, we've had strong commercial efforts where we are getting new clients onboard. So there, as well, we will be able to compensate. And part of it, at the North American level, is also compensated by Radial.

If you look a bit quarter per quarter, it means that for the North American results, we will see for LGI, the negative impact increasing throughout the year, while for Radial to be exactly the opposite as customers are onboarded, where we expect more negative results in Q1, which will then gradually improve throughout the year.

**Henk Slotboom:** Okay. That's very clear. Thank you very much.

**Operator:** Thank you. Will now take our next question from Joachim Aske at DEFA Endeavour. Your line is open, please go ahead.

**Joachim Aske:** Hi there. I got two questions. So prior to the concession you ended up in, you plan on having a capital market day during the second half of this year. Could you talk a bit about your OMEGA project and how you see your ability to bring out efficiency of your business in the next two to three years and potential scope?

And the second one is, what is the impact during 2022 from the low utilisation of newly open centres, especially Radial Europe and Active Ants? And what would the impact have been if those have been at the average utilisation level?

**Koen Aelterman:** So I'm not sure I fully captured the first question. Would you mind repeating that one?

**Joachim Aske:** Sure. So you have the OMEGA project with kind of revamping the Belgium Mail and Parcel business, and I'm curious on the – what potential you see in wringing out efficiencies here and the potential scope of that over the next two to three years.

**Koen Aelterman:** So in terms of longer-term guidance than 2023, I'll once again need to refer you to our Capital Markets Day, which as I'm sure you'll understand, in the current circumstances and with the uncertainty surrounding the macroeconomic situation, the press concession and in absence of a new CEO, we are pushing back to the moment where we have a new CEO on board. So I won't comment on that. Maybe just on the OMEGA model specifically, in fact the OMEGA model was envisaged back in 2021 when I would say the sky was the limit in terms of parcel volume growth.

**Philippe Dartienne:** What do you mean by that is "more than compensating the decrease of the mail activity".

**Koen Aelterman:** Yeah, exactly. We see today that that parcel growth is slightly going to be somewhat slower. So it means that the plan we had with OMEGA, it'll also be implemented at a much lower pace. However, this is why, as part of the priorities for next year, Jos and his teams will be looking at how to optimise within the current market circumstances, so with the much bigger share of mail still as compared to parcel. And with that focus on flexibility, quality that we need to have throughout the network.

You can see though that from OMEGA, the elements which were relevant in the current context, we are implementing them. We spoke about the 800 FTE reduction we had in 2022. We will continue along those lines with operational improvements in 2023. But the overall timeline for the implementation is something to be adapted and with new measures to be implemented.

Then on the newly opened centre, so I will not give a specific impact on that, but just in general, I think it's important to – and here I can refer back to something we shared in the past. Our overall margin target for these E-commerce logistics businesses is in the 5% to 7% range. If you look at where our numbers are today, you will see that we still have a ways to go towards that, which illustrates the impact of those ramping-up costs, which are, by the way, not only linked to those new centres which are not yet fully occupied, but also to the front loading we are doing in terms of sales capacity to be able to sustain the growth trajectory we have in mind for the next couple of years.

**Joachim Aske:** I'd like to follow up on that one. So if you take your existing centres, is the performance there matching that margin goal?

**Koen Aelterman:** That depends very much on a centre-by-centre basis, depending on to what extent their capacity is indeed utilised.

**Joachim Aske:** Thank you.

**Operator:** Thank you.  There are no further questions.  Thank you.  I'll now hand it back to the CEO, Philippe Dartienne for closing remarks.  Thank you.

**Philippe Dartienne:** I would like to thank everybody in the call for having taken the time to be with us this morning, and for your interesting questions.  We will hear from you at the conferences we're going to attend in London beginning of March.  Please note that we will release our Annual Report 2022 on 16 March.  We look forward to staying in touch with you and our first quarter results will be released in May.  Thank you very much.  Have a great day.

**Operator:** Thank you.  Ladies and gentlemen, this concludes today's call.  Thank you for your participation.  Stay safe.  You may now disconnect.

[END OF TRANSCRIPT]