



# Interim report 1-9/2020

Posti Group's adjusted operating result improved notably in the third quarter due to fast and agile scaling of operations





## Posti in figures 7-9/2020

Net sales

**EUR 381.2 million**

(EUR 381.2 million)

Adjusted operating result

**EUR 16.9 million**

(EUR 11.5 million)

Number of personnel at the end of period

**~20,600**

(~20,200)

**posti**

# Financial highlights

## 7–9/2020

- Net sales were at the previous year's level, EUR 381.2 (381.2) million.
- Adjusted EBITDA was EUR 47.1 (40.5) million, or 12.4% (10.6%) of net sales.
- The adjusted operating result improved to EUR 16.9 (11.5) million, representing 4.4% (3.0%) of net sales.
- The operating result improved to EUR 17.1 (10.1) million, representing 4.5% (2.6%) of net sales.
- Parcel and eCommerce and Logistics Solutions together almost 60% (54%) of total net sales.



# Operational highlights 7–9/2020

**Fast and agile scaling of operations to new market environment**

**Adjusted operating result 4.4% of net sales**



**Parcel volumes in Finland and the Baltics +21%**

**Number of parcels going through parcel lockers +67%**

**Excellent efficiency improvement in Freight Services**

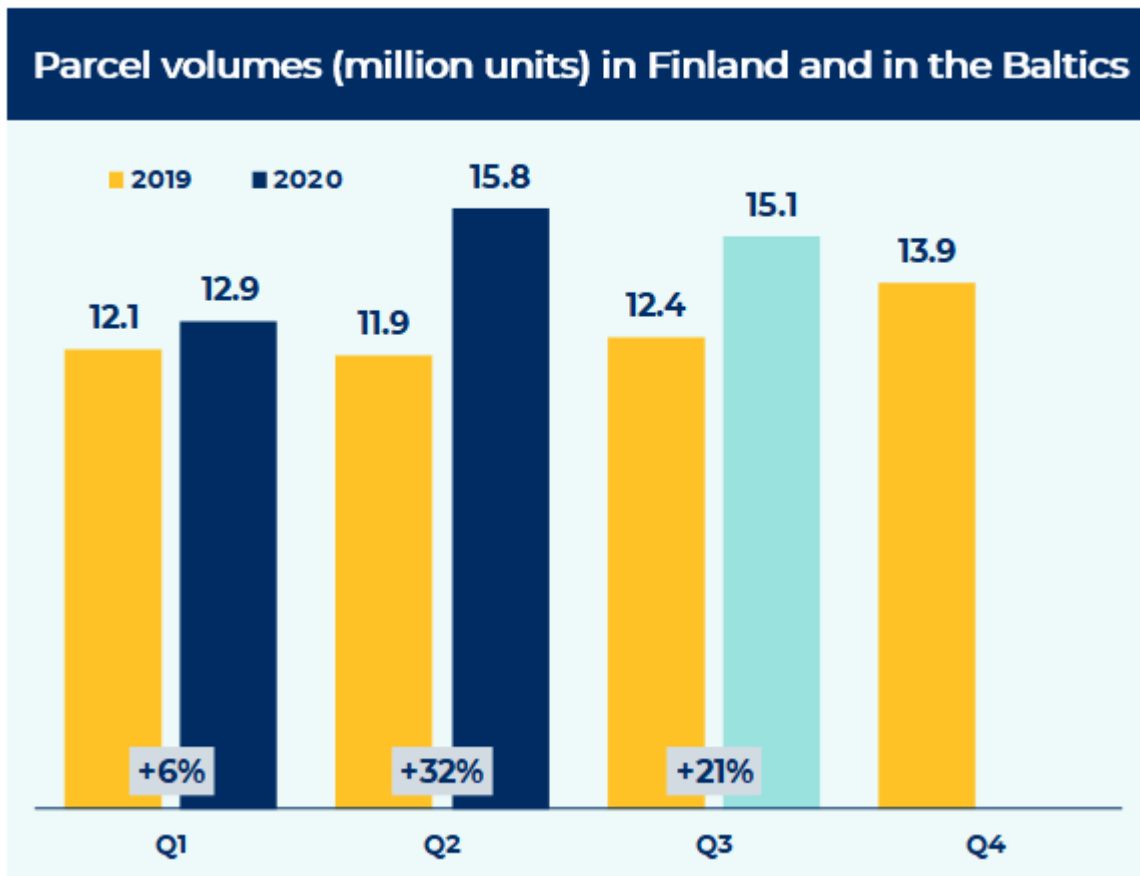


**Addressed letter volume -20%**

- We can be very pleased with our third quarter results, despite the impact of COVID-19 pandemic.
- Posti's employees have shown excellent teamwork and dedication during these difficult times.
- Group level profitability level not yet sustainable so we must continue our transformation journey.
- Significant investments needed to seize the opportunities created by the eCommerce boom.
- OmaPosti service has over 900,000 monthly users and it has been taken in use by 1.4 million Finns.
- Using of renewable Neste MY diesel in light delivery fleet paves our way toward zero emissions by 2030.
- New operating model to better meet the changing customer needs and improve cost structure.



# Parcel volumes keep growing



The number of parcels going through Posti Parcel Lockers 7-9/2020

**+67%**

Freight volumes\* 7-9/2020

**-2%**

\* Measured in waybills

Parcel volume growth in Finland and in the Baltics 7-9/2020

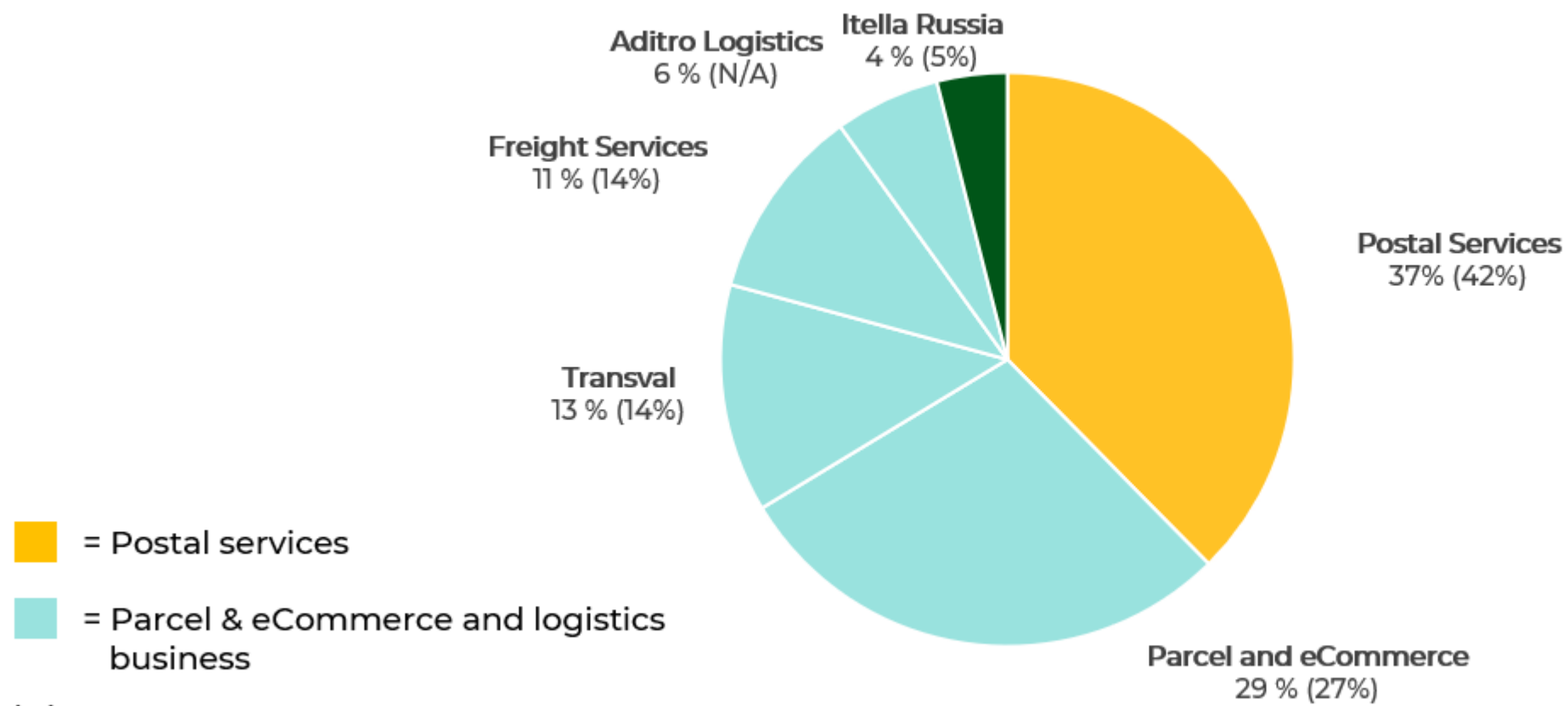
**+21%**

Addressed letter volumes 7-9/2020

**-20%**

# Parcel & eCommerce and logistics business already almost 60% (54%) of net sales in Q3

In Q3 2020, the Group's net sales totalled EUR 381.2 million



■ = Postal services

■ = Parcel & eCommerce and logistics business

(%) = share in Q3 2019

# Continuing our renewal and focusing on core

- In September, we divested our home care services provider Posti Kotipalvelut Oy to Stella Care Oy.
- After the reporting period on October 28, we announced the divestment of Posti Messaging Scandinavia to Ropo Capital.
- These are important steps in our path to continue our renewal and to focus on our core businesses.



# Business Environment



**posti**



# We have managed the COVID-19 situation well, but the need to accelerate our transformation continues



**Finnish GDP -4.5% in 2020**  
**Swedish GDP -6.5% in 2020**  
**Russian GDP -6% in 2020**



**COVID-19 pandemic has continued to accelerate the growth of eCommerce and the declined of mail volumes**

- During the pandemic, protecting the health of our personnel and customers in different countries has been our number 1 priority.
- We have succeeded well in managing the COVID-19 situation and mitigating its impact to our operations.
- Our exceptional circumstances working group is now planning, how to manage the busy Christmas season even in a case of rising number of coronavirus infections.
- Managing the impact of coronavirus pandemic has now become a part of Posti's normal risk management and it is taken care of by each business as part of the daily management of their operations.

*Sources: Finland's Ministry of Finance and World Bank*

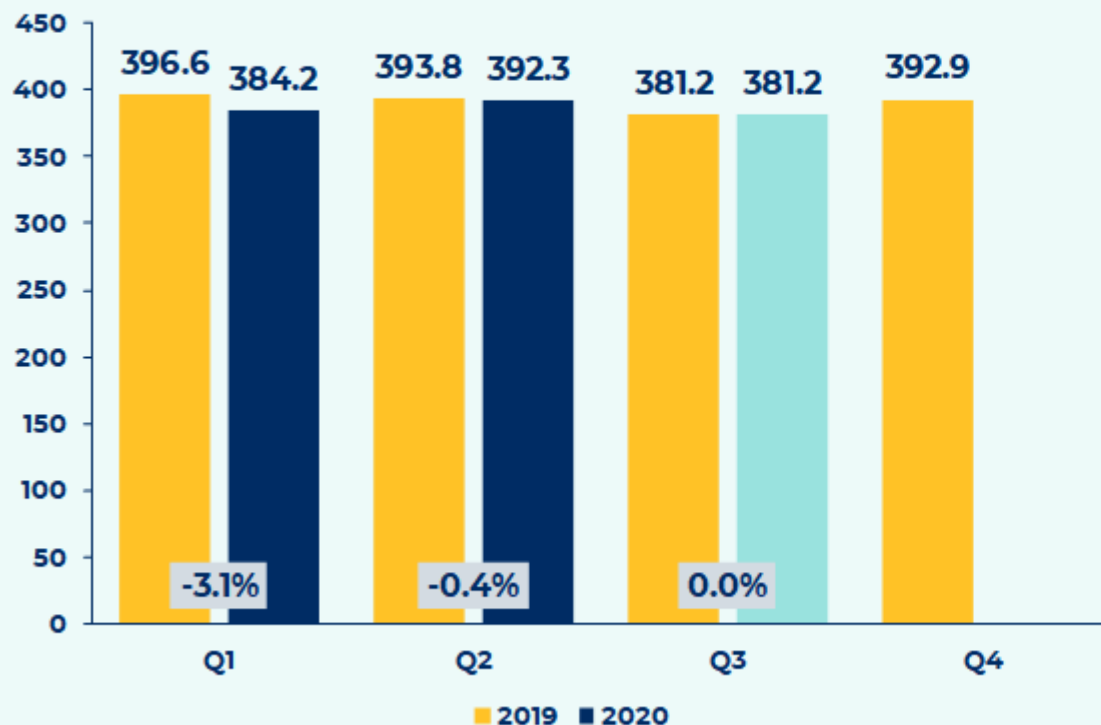
# Financials



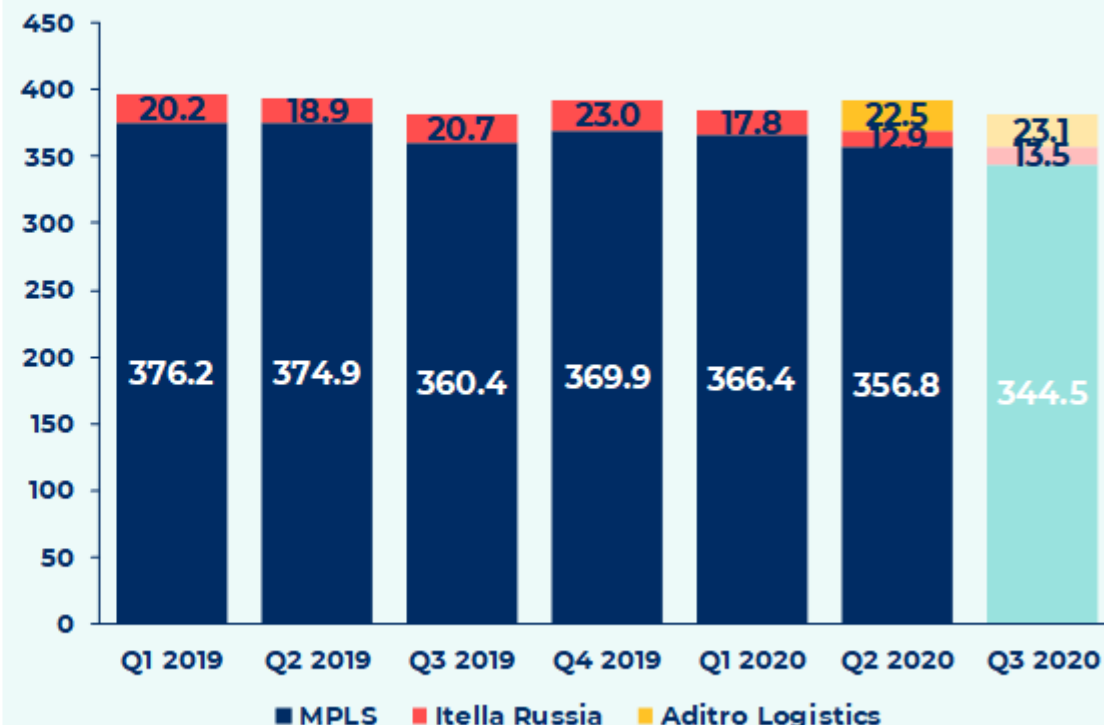
# Posti Group's Q3 net sales

Q3 net sales, EUR 381.2 (381.2) million, at the previous year's level

### Group's net sales of continuing operations, EUR million

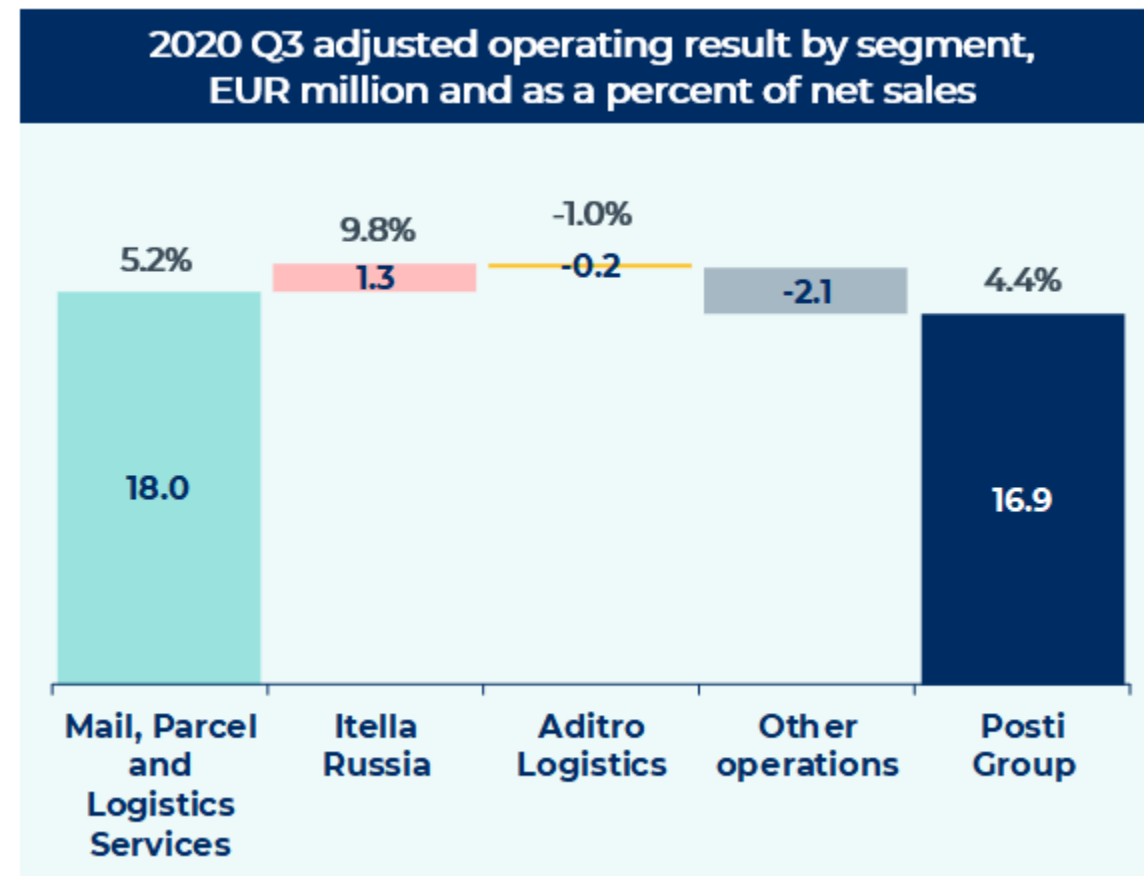
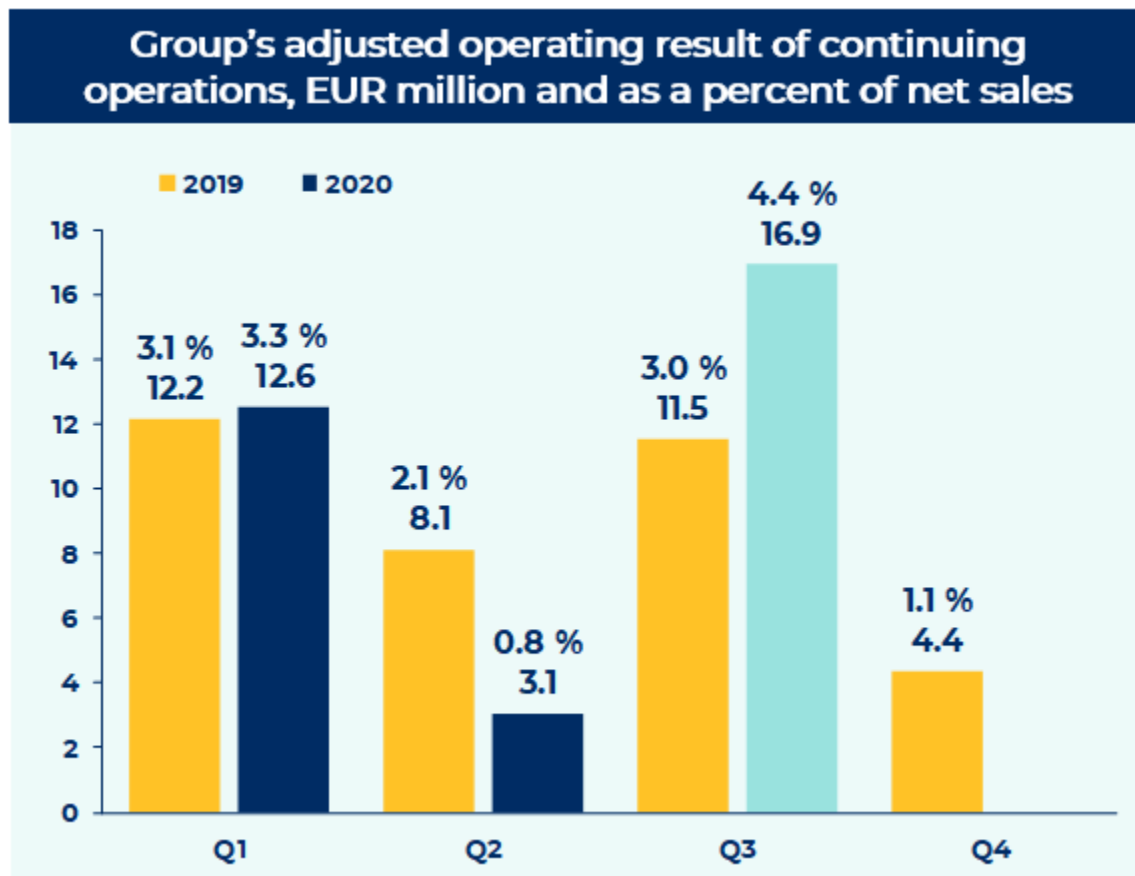


### External net sales by segment of continuing operations, EUR million



# Posti Group's Q3 adjusted operating result

Q3 adjusted operating result increased by 47% to EUR 16.9 (11.5) million



# Posti Group's key figures

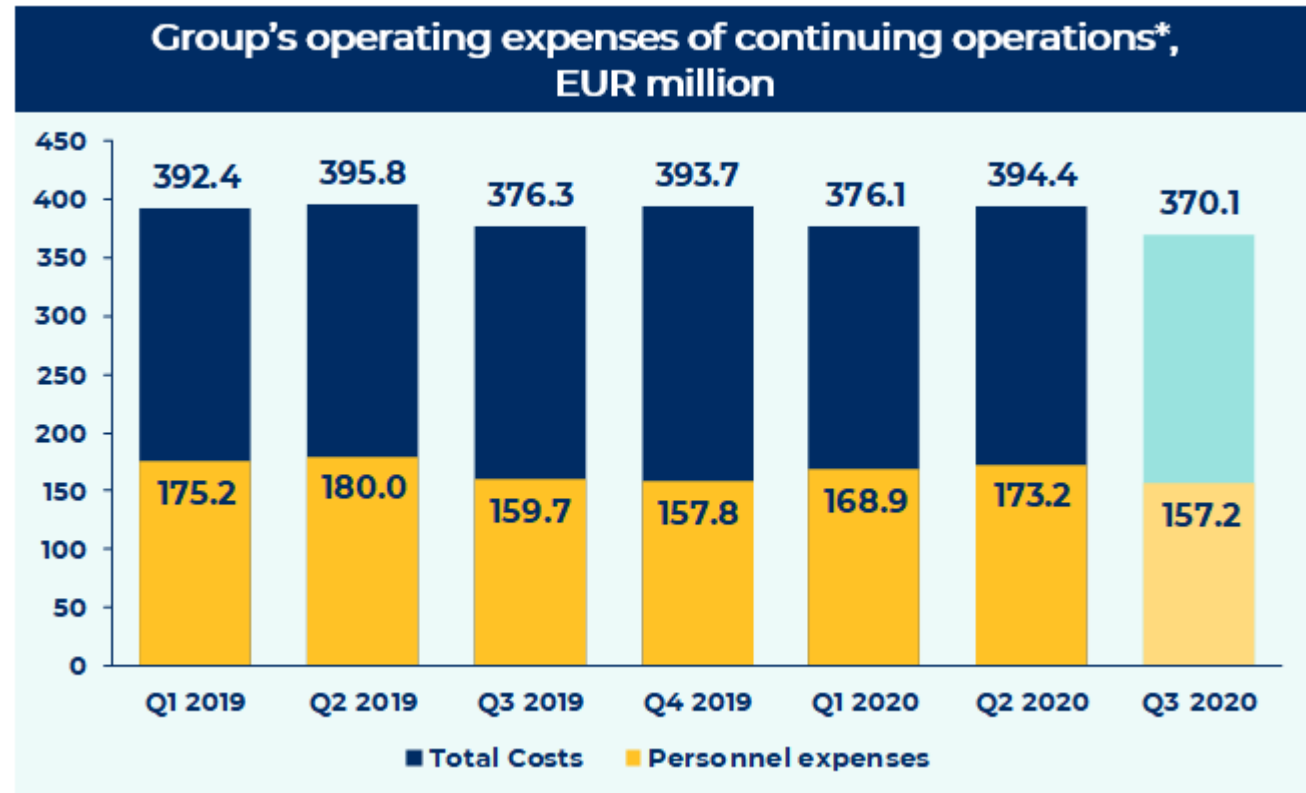
	7-9 2020	%	7-9 2019	%	1-9 2020	%	1-9 2019	%
<b>Net sales, EUR million*</b>	<b>381.2</b>		<b>381.2</b>		<b>1,157.7</b>		<b>1,171.6</b>	
<b>Adjusted EBITDA, EUR million*</b>	<b>47.1</b>	<b>12.4%</b>	<b>40.5**</b>	<b>10.6%**</b>	<b>122.4</b>	<b>10.6%</b>	<b>118.3**</b>	<b>10.1%**</b>
EBITDA, EUR million*	47.3	12.4%	39.0	10.2%	121.6	10.5%	107.7	9.2%
<b>Adjusted operating result, EUR million*</b>	<b>16.9</b>	<b>4.4%</b>	<b>11.5**</b>	<b>3.0%**</b>	<b>32.6</b>	<b>2.8%</b>	<b>31.8**</b>	<b>2.7%**</b>
Operating result, EUR million*	17.1	4.5%	10.1	2.6%	29.6	2.6%	21.2	1.8%
<b>Result for the period, EUR million*</b>	<b>12.3</b>	<b>3.2%</b>	<b>10.2</b>	<b>2.7%</b>	<b>11.6</b>	<b>1.0%</b>	<b>18.2</b>	<b>1.6%</b>
Return on equity (12 months), %					1.7		8.5	
<b>Return on capital employed (12 months), %</b>					<b>4.0</b>		<b>8.1</b>	
Net debt, EUR million					277.1		168.7	
<b>Net debt / Adjusted EBITDA</b>					<b>1.8x</b>		<b>1,0x**</b>	
Operative free cash flow, EUR million					30.6		2.2	
Gross capital expenditure, EUR million*					111.7		94.0	
Personnel, end of period*					20,586		20,153	
Personnel on average, FTE*					16,266		16,747	

\* Continuing operations

\*\* Restated based on the new definition of special items

# Posti Group's operating expenses decreased

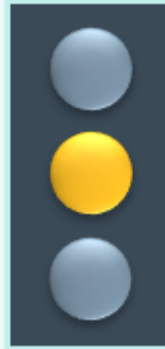
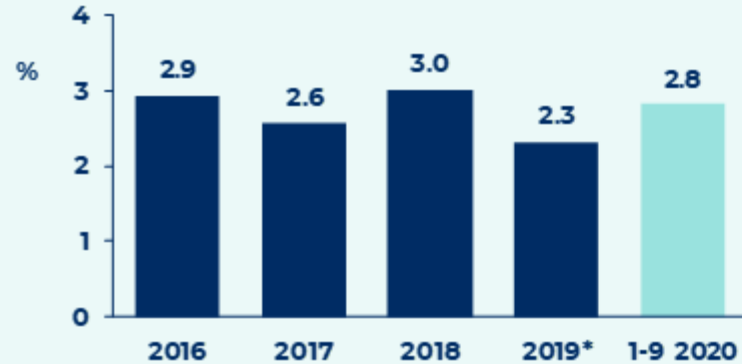
- Several cost saving measures introduced in the second quarter, including temporary layoffs, were bearing fruit in the third quarter
- Personnel on average FTE in Q3 2020 was 16,187 (16,527)



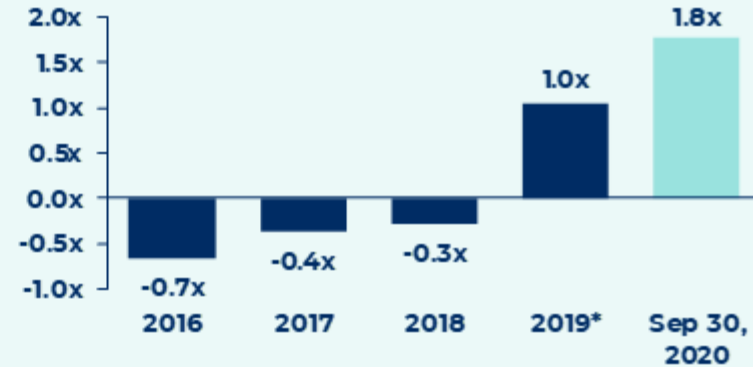
\* includes depreciation and amortization, excludes impairment losses

# Long term financial targets

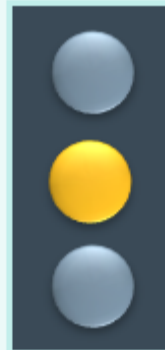
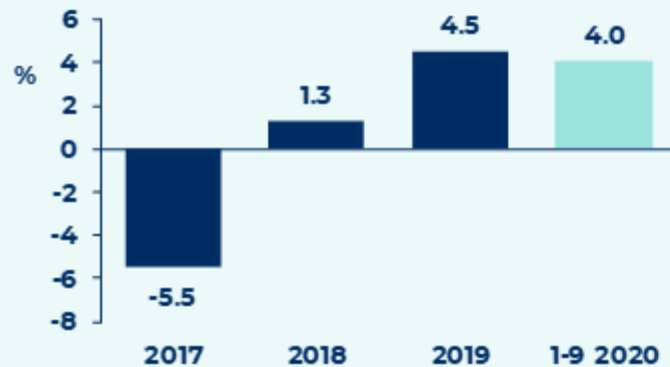
## Adjusted operating result percentage 4%



## Net debt / Adjusted EBITDA\*\* less than 2.0x



## Return on capital employed 10%



## Continuously increasing ordinary dividend



\* Restated based on the new definition of special items

\*\* 2016-2018 is not according to IFRS 16 standard

# Outlook





# Posti's outlook for 2020 (unchanged)

The coronavirus situation makes the macro economic outlook extremely difficult to predict for the full year. Posti maintains its outlook for 2020, but because of these exceptional circumstances, Posti's full-year outlook includes a significant level of uncertainty.

As a result of the increasing market uncertainty and expected impact of coronavirus on the Finnish and global economy, Posti's net sales in 2020, excluding possible new acquisitions and divestments, are expected to decrease from the previous year. The Group's adjusted operating result in 2020 is expected to increase from the previous year, when the postal strike had a significant negative impact on Posti's results

The Group's business is characterized by seasonality. Net sales and operating result in the segments are not accrued evenly over the year. In Postal Services and consumer parcels, the first and fourth quarters are typically strong, while the second and third quarters are weaker.



# Segments



**posti**

# Mail, Parcel and Logistics Services key figures

July-September

EUR million	7-9 2020	% of Net sales	7-9 2019	% of Net sales
Net sales	344.9		360.6	
Net sales change, %	-4.4%		8.4%	
<b>Adjusted EBITDA</b>	<b>41.1</b>	<b>11.9%</b>	<b>38.7</b>	<b>10.7%</b>
EBITDA	41.1	11.9%	38.5	10.7%
<b>Adjusted operating result</b>	<b>18.0</b>	<b>5.2%</b>	<b>14.9</b>	<b>4.1%</b>
Operating result	18.0	5.2%	14.6	4.1%

Net sales, EUR million	7-9 2020	7-9 2019	Change, %
Postal Services	143.4	158.5	-9.6%
Parcel and eCommerce	111.1	101.5	+9.5%
Transval	51.2	51.8	-1.3%
Freight Services	43.3	52.6	-17.6%
Other and eliminations	-4.1	-3.8	
<b>Total</b>	<b>344.9</b>	<b>360.6</b>	<b>-4.4%</b>

- Net sales decreased to EUR 344.9 (360.6) million
  - Increased in Parcel and eCommerce but decreased in other business groups
  - Especially the continued mail volume decline, accelerated by postal strike in the second half of 2019, product mix and COVID-19 lowered net sales
- Adjusted operating result improved to EUR 18.0 (14.9) million
  - The improvement was due to improved profitability in Freight Services as well as in Parcel and eCommerce

# Mail, Parcel and Logistics Services key figures

January-September

EUR million	1-9 2020	% of Net sales	1-9 2019	% of Net sales
Net sales	1,068.6		1,112.1	
Net sales change, %	-3.9%		4.6%	
<b>Adjusted EBITDA</b>	<b>108.3</b>	<b>10.1%</b>	<b>114.7</b>	<b>10.3%</b>
EBITDA	107.6	10.1%	108.7	9.8%
<b>Adjusted operating result</b>	<b>37.3</b>	<b>3.5%</b>	<b>44.4</b>	<b>4.0%</b>
Operating result	36.5	3.4%	38.5	3.5%

Net sales, EUR million	1-9 2020	1-9 2019	Change, %
Postal Services	465.7	513.3	-9.3%
Parcel and eCommerce	335.2	302.1	+11.0%
Transval	151.2	148.0	+2.1%
Freight Services	127.8	158.8	-19.5%
Other and eliminations	-11.4	-10.0	
<b>Total</b>	<b>1,068.6</b>	<b>1,112.1</b>	<b>-3.9%</b>

- Net sales decreased to EUR 1,068.6 (1,112.1) million
  - Increased in Parcel and eCommerce and Transval but decreased in other business groups
  - Especially the continued mail volume decline, accelerated by postal strike in the second half of 2019, product mix and COVID-19 lowered net sales
- Adjusted operating result decreased to EUR 37.3 (44.4) million
  - The decrease was mainly due to the product mix and volume decline of Postal Services
  - The decline was partly compensated by the improved profitability of Freight Services as well as Parcel and eCommerce

# Itella Russia key figures

July-September

EUR million	7-9 2020	% of Net sales	7-9 2019	% of Net sales
Net sales	13.5		20.7	
Net sales change, %	-34.7%		-17.5%	
<b>Adjusted EBITDA</b>	<b>2.8</b>	<b>20.4%</b>	<b>4.2</b>	<b>20.4%</b>
EBITDA	3.3	24.1%	3.0	14.6%
<b>Adjusted operating result</b>	<b>1.3</b>	<b>9.8%</b>	<b>1.9</b>	<b>9.1%</b>
Operating result	1.8	13.5%	0.7	3.3%

- Reported euro-denominated net sales decreased by 34.7% to EUR 13.5 (20.7) million
  - Net sales decreased in Contract Logistics due to restructuring actions of warehouses and the impact of coronavirus situation to Transport
- The adjusted operating result was EUR 1.3 (1.9) million
  - The first positive impacts of closing unprofitable warehouses was already seen in the third quarter 2019 figures

# Itella Russia key figures

January-September

EUR million	1-9 2020	% of Net sales	1-9 2019	% of Net sales
Net sales	44.2		59.8	
Net sales change, %	-26.1%		-22.0%	
<b>Adjusted EBITDA</b>	<b>9.5</b>	<b>21.4%</b>	<b>8.8</b>	<b>14.8%</b>
EBITDA	12.9	29.2%	8.5	14.2%
<b>Adjusted operating result</b>	<b>3.6</b>	<b>8.0%</b>	<b>0.7</b>	<b>1.1%</b>
Operating result	7.0	15.8%	0.3	0.6%

- Reported euro-denominated net sales decreased by 26.1% to EUR 44.2 (59.8) million
  - Net sales decreased in Contract Logistics due to restructuring actions of warehouses and the impact of coronavirus situation to Transport
- The adjusted operating result improved EUR 3.6 (0.7) million
  - The result was positively impacted by the closure of unprofitable warehouses

# Aditro Logistics key figures

July-September

EUR million	7-9 2020	% of Net sales
Net sales	23.2	
Net sales change, %		
<b>Adjusted EBITDA</b>	<b>3.7</b>	<b>16.1%</b>
EBITDA	3.7	16.1%
<b>Adjusted operating result</b>	<b>-0.2</b>	<b>-1.0%</b>
Operating result	-0.2	-1.0%

- Net sales were EUR 23.2 million
  - Aditro Logistics' operations consists of contract logistics, transportation and staffing businesses
  - Especially contract logistics and transportation businesses were impacted by COVID-19
  - The customer mix changes that were carried out as planned during 2020 also impacted net sales
- Adjusted and reported operating result were EUR -0.2 million
  - The result was negatively impacted by the investments in the large warehouse in Arlanda and COVID-19

# Aditro Logistics key figures

January-September\*

EUR million	4-9 2020	% of Net sales
Net sales	45.7	
Net sales change, %		
<b>Adjusted EBITDA</b>	<b>6.5</b>	<b>14.3%</b>
EBITDA	6.5	14.3%
<b>Adjusted operating result</b>	<b>-1.4</b>	<b>-3.1%</b>
Operating result	-1.4	-3.1%

\*As Aditro Logistics was integrated into Posti's financials as of April 2020, the figures in the table are from the period April-September 2020

- Net sales were EUR 45.7 million
  - Especially contract logistics and transportation businesses were impacted by COVID-19
  - The customer mix changes that were carried out as planned during 2020 also impacted net sales
- Adjusted and reported operating result were EUR -1.4 million
  - The result was negatively impacted by the investments in the large warehouse in Arlanda and COVID-19



**Thank you!**

**posti**<sup>®</sup>