

# **POSTE ITALIANE CAPITAL MARKETS DAY**

## **2018 RESULTS & 2019 GUIDANCE**

**DELIVER 2022 ON TRACK**

**MAIL, PARCEL & DISTRIBUTION**

MASSIMO ROSINI - HEAD OF MAIL & PARCEL

# DELIVER 2022: MAIL, PARCEL & DISTRIBUTION

BUILT ON UNRIVALLED DISTRIBUTION NETWORK  
TO CAPITALISE ON E-COMMERCE GROWTH






COMPREHENSIVE NETWORK TRANSFORMATION,  
LEVERAGING JOINT MAIL AND PARCEL APPROACH

CUSTOMER EXPERIENCE IMPROVEMENT  
TO MEET E-COMMERCE NEEDS EVOLUTION

# FINANCIAL TARGETS & KPIs

## MAIL, PARCEL & DISTRIBUTION SEGMENT

€ bn unless otherwise stated

	2017	2018		Var. % YoY	2022	CAGR 17-22
		TARGET	ACTUAL			
<b>SEGMENT REVENUES</b>	3.63	3.5	3.58 	-1%	3.5	-1%
<b>B2C REVENUES</b>	0.24		0.30 	+28%	0.6	+21%
<b>B2C MARKET SHARE</b>	30%		33% <sup>1</sup> 	+3 p.p. <sup>2</sup>	40%	+10 p.p. <sup>2</sup>
<b>PARCELS DELIVERED BY "POSTINI" (M PCS)</b>	35		45 	+30%	>100	+27%
<b>SEGMENT REVENUES/ FTE (€ '000)</b>	60		62 	+3%	68	+3%

# MARKET TRENDS

## STRONG B2C PARCEL GROWTH; MAIL TREND CONFIRMED DESPITE STRONG 2018

### MAIL



Long term mail market trend confirmed

-4.7%

**CAGR 2017-22**  
Market revenues

2018 exceptional mail trend in Italy



**-3% vs -4%**  
(% YoY market revenues)



Mail per capita in Italy lower than EU peers



**50 vs 145<sup>1</sup>**  
2018 figure



### PARCEL

Long term parcel market trend confirmed

+5.2%

**CAGR 2017-22**  
Market revenues

Strong B2C revenue growth continues –  
up to 3 parcels per capita in 2018

+17%

**B2C growth 2017-18**  
Market revenue

Significant online sales increase in Italy as a percentage of  
total retail sales<sup>2</sup>, still below EU average



**2018: 7% vs 12%**  
2017: 4% vs 8%



# **DELIVER 2022: MAIL, PARCEL & DISTRIBUTION**

**OPERATIONAL TURNAROUND –  
COMPLETE NETWORK TRANSFORMATION**

### CLEAR ROADMAP

### STATUS UPDATE

Value chain

Transport

#### TRANSPORT OPTIMISATION

- Enhancement of air cargo connections
- Ground cargo optimisation
- Fleet right-sizing and mix optimisation to save costs and gain flexibility



Sorting

#### SORTING AUTOMATION & STREAMLINING

- New mixed mail and parcel sorting machines, improving efficiency
- New sorting centres for all Group parcels
- Operational excellence, through Lean approach, improving safety and efficiency



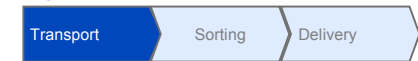
Delivery

#### JOINT DELIVERY MODEL

- Flexible delivery model, based on expected volume mix evolution and client needs
- Joint delivery of mail and parcel, improving efficiency and productivity



**Comprehensive operational turnaround on track in all key areas**

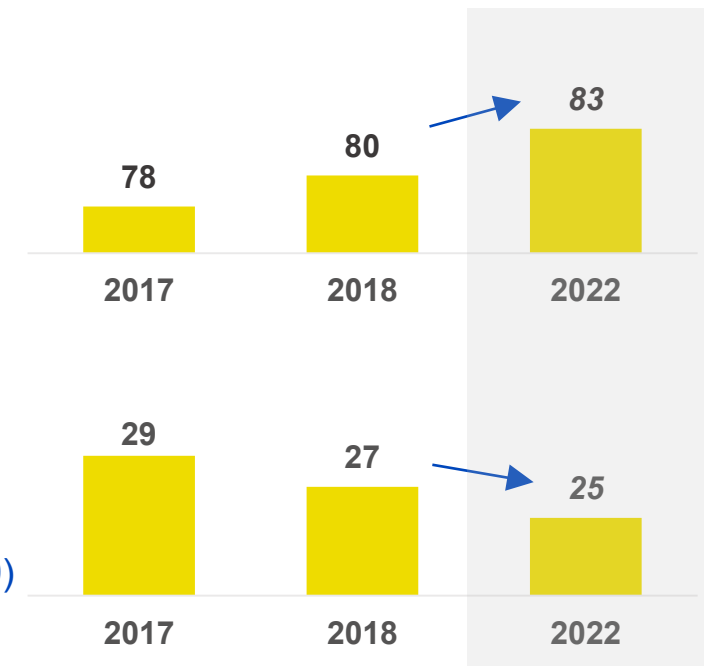


### KEY ACHIEVEMENTS

- Mail & Parcel joint approach also applied to air transport to maximise capacity and efficiency
- 6 air cargo routes in place allowing next day delivery to southern Italy and islands where other players cannot
- Overall cost reduction achieved through fleet right-sizing

### 2018 PROGRESS & TARGETS

#### Vehicles saturation<sup>1</sup> (%)



#### Overall fleet right-sizing<sup>2</sup> ('000)



Further air connection enhancement driven by volume growth



Start ground cargo refocus to optimise long-haul, through advanced IT solutions

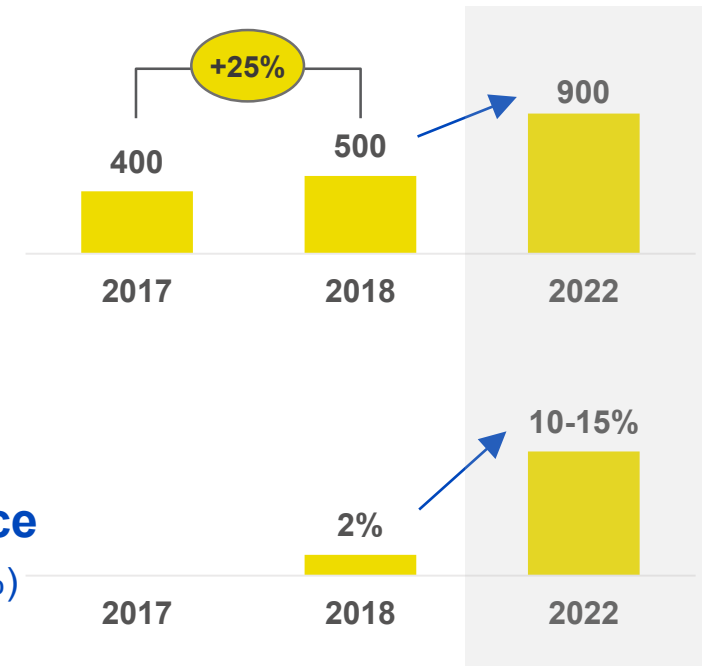
### KEY ACHIEVEMENTS

- 1 new mixed mail and parcels sorting machine delivering 25% increase in automated sorting capacity
- 2 new mixed mail sorting machines providing sorting line reduction and real estate occupancy optimisation
- Lean manufacturing started in 7 out of 10 sorting centres, increasing efficiency and empowering people

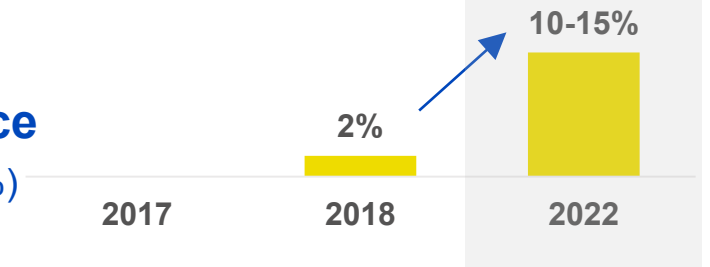
**Union Agreement signed on 8th March '19**

### 2018 PROGRESS & TARGETS

**Daily parcel automated capacity** (k pcs)



**Staff performance improvement<sup>1</sup>** (%)



- 1 new hub for all Group parcels sorting in Bologna
- 4 new mail and 1 parcel sorting machines to improve sorting capacity and efficiency
- Lean manufacturing approach introduction in all 10 sorting centers

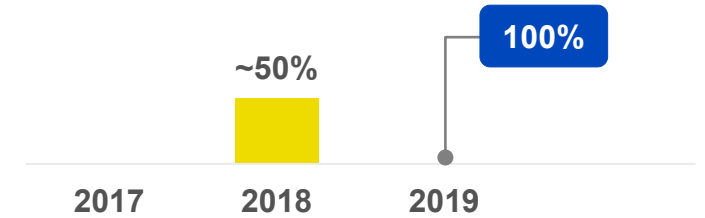


### KEY ACHIEVEMENTS

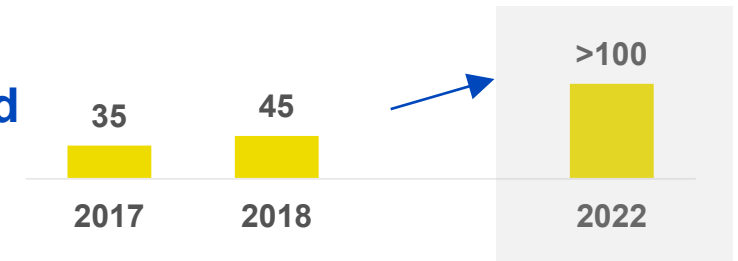
- Joint Delivery Model implemented across half of Italy with afternoon and Saturday delivery, improving productivity, efficiency and customer experience
- Sunday delivery added during Christmas period to meet demand and e-shopper needs
- Introduction of 330 3-wheeled electric vehicles, improving load factor, safety and sustainability

### 2018 PROGRESS & TARGETS

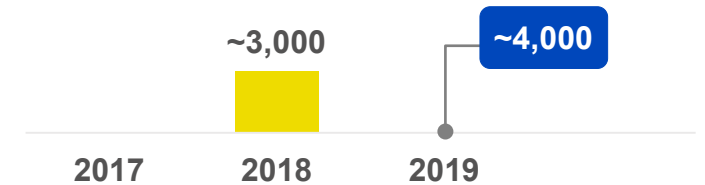
**Implementation update (%)**



**Parcels delivered by "postini" (m pcs)**



**FTE reduction**



Implementation of Joint Delivery Model across Italy



Further enhancement of parcels delivered by "postini" up to 60m

# **DELIVER 2022: MAIL, PARCEL & DISTRIBUTION**

**CUSTOMER EXPERIENCE IMPROVEMENT  
TO MEET E-COMMERCE NEEDS EVOLUTION**

# CUSTOMER CENTRIC APPROACH TO QUALITY

## IMPROVED OFFER BASED ON CUSTOMER NEEDS

### KEY ACHIEVEMENTS

#### PuntoPoste

- **Most extensive alternative delivery network** Punto Poste provides 420 alternative delivery points (Retail outlets, Locker) plus all Post Offices to fit customer needs
- **Increased customer options**  
5 new parcel delivery options (safe place delivery, neighbour delivery, change place and time, hold my parcel during holiday)
- **Improved delivery flexibility**  
Afternoon, Saturday and Sunday deliveries implemented



**FOCUS FOR 2019**



Further PuntoPoste network growth – accelerated with FIT network



New parcel features to meet market needs evolution (i.e. same-day delivery)



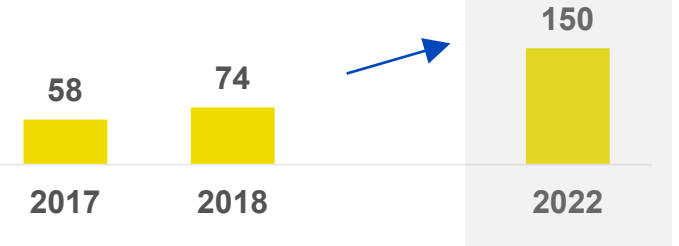
City Logistic – delivery on foot and by bicycle – to be piloted in 2019

### 2018 PROGRESS & TARGETS

#### Alternative delivery points (excluding Post Offices)



#### B2C parcel volumes (m pcs)



Agreement

1

### MARKET DRIVEN BY EVOLVING CUSTOMER NEEDS

- **Faster** – speed enhancement request
- **More options** – driver delivering journey monitoring via GPS
- **More sustainable** – consumers making more socially responsible choices

2

### NEW SERVICE MODELS TO MEET DEMAND

- Shift from centralised warehousing to small urban storage closer to e-shopper
- Dedicated delivery network and advanced IT solutions

3

### FUTURE SERVICES TO DRIVE SATISFACTION

- **Instant delivery** – 1 or 2 hours delivery
- **Scheduled delivery** – time definite delivery

E-SHOPPER EXPERIENCE



E-SHOPPER SATISFACTION: THE KEY FOR MERCHANT LOYALTY

# SPOTLIGHT VIDEO

TRANSFORMING POSTE'S POWERFUL  
PHYSICAL DISTRIBUTION NETWORK

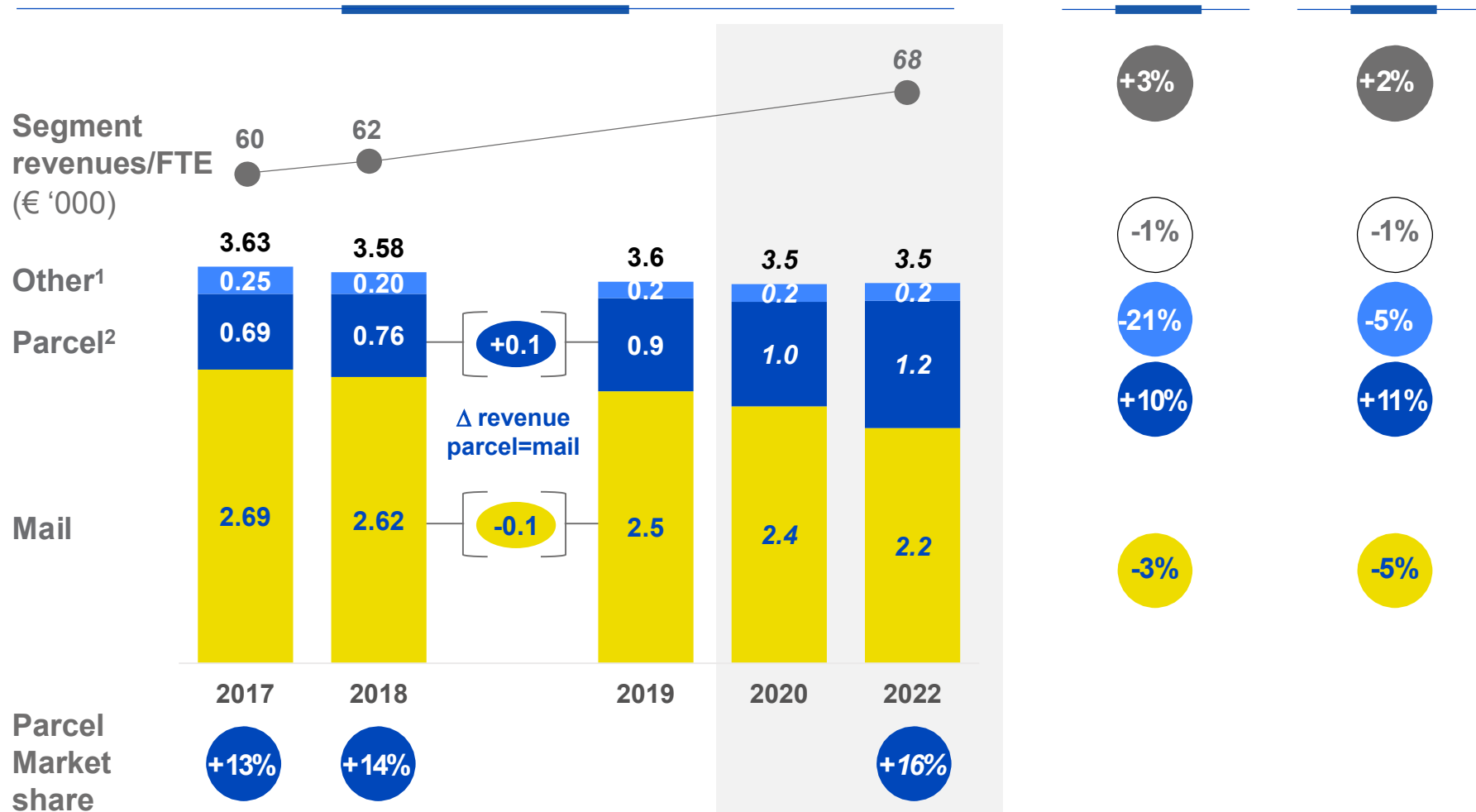
# **DELIVER 2022: MAIL, PARCEL & DISTRIBUTION**

FINANCIALS & KPIs

# SEGMENT REVENUE TARGETS AND COST OF LABOUR EVOLUTION

## SUSTAINABLE BUSINESS MODEL COMBINING MAIL & PARCEL

### MAIL, PARCEL & DISTRIBUTION SEGMENT REVENUE (€ bn)



- Stable segment revenue
- Parcel growth sustained by B2C
- Comprehensive network transformation drives sizeable FTE reduction

# FINANCIAL TARGETS & KPIs

## MAIL, PARCEL & DISTRIBUTION SEGMENT

€ bn unless otherwise stated

	2017	2018	2019	2022	CAGR 17-22
SEGMENT REVENUES	3.63	3.58	3.6	3.5	-1%
B2C REVENUES	0.24	0.30		0.6	+21%
B2C MARKET SHARE	30%	33% <sup>1</sup>		40%	+10 p.p. <sup>2</sup>
PARCELS DELIVERED BY "POSTINI" (M PCS)	35	45		>100	+27%
SEGMENT REVENUES/ FTE (€ '000)	60	62		68	+3%

Significant investments to reach clear and realistic targets



# **DELIVER 2022: MAIL, PARCEL & DISTRIBUTION KEY TAKEAWAYS**

**DELIVER 2022 STRATEGY CONFIRMED**

**NETWORK TRANSFORMATION ON TRACK, PRODUCING TANGIBLE  
RESULTS AND EXECUTION RISK REDUCED**

**STRONG 2018 FINANCIAL RESULTS CONFIRMING HIGH POTENTIAL  
IN B2C GROWTH**

# DISCLAIMER

This presentation contains certain forward-looking statements that reflect Poste Italiane's management's current views with respect to future events and financial and operational performance of the Company and of the Company's Group.

These forward-looking statements are made as of the date of this presentation and are based on current expectations, reasonable assumptions and projections about future events and are therefore subject to risks and uncertainties. Actual future results and performance may indeed differ materially from what expressed or implied in this presentation, due to any number of different factors, many of which are beyond the ability of Poste Italiane to foresee, control or precisely estimate, including, but not limited to, changes in the legislative and regulatory framework, market developments and price fluctuations.

Forward-looking statements contained herein are not a guarantee of future performance and you are therefore cautioned not to place undue reliance thereon.

This presentation does not constitute a recommendation regarding the securities of the Company; it does not contain an offer to sell or a solicitation of any offer to buy any securities issued by Poste Italiane or any of its Group companies or other forms of financial assets, products or services.

Except as may be required by applicable law, Poste Italiane denies any intention or obligation to update or revise any forward-looking statements contained herein to reflect events or circumstances after the date of this presentation.

Pursuant to art. 154-BIS, par. 2, of the Consolidated Financial Bill of February 24, 1998, the executive (*Dirigente Preposto*) in charge of preparing the corporate accounting documents at Poste Italiane, Tiziano Ceccarani, declares that the accounting information contained herein corresponds to document results and accounting books and records.

This presentation includes summary financial information and should not be considered a substitute for Poste Italiane's full financial statements.

Numbers in the presentation may not add up only due to roundings.