



Interim Financial Report
Fourth quarter 2016

Conference call transcript

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Koen Van Gerven, CEO

Koen Beeckmans, CFO

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PRESENTATION

Operator: Ladies and gentlemen, welcome to the Bpost Q4 2016 Results Analysts Call. I'm pleased to present Mr Koen van Gerven, CEO and Koen Beeckmans, CFO. For the first part of this call let me remind you that all participants will be in a listen-only mode and afterwards there'll be a question and answer session. I would now like to turn the call over to Koen van Gerven and Koen Beeckmans. Gentlemen, the floor is yours.

Koen van Gerven: Good morning ladies and gentlemen and thank you for joining us. With me, as already said, I have Koen Beeckmans but as well both Baudouin de Hepcée and Saskia Dheedene from our Investor Relations. I imagine that you had already the opportunity to read through the material we posted on our website yesterday evening and we will summarise the key messages so as to move on quickly to the Q&A.

On page 3 you can see that we posted strong results for fourth quarter. We recorded excellent parcel growth both domestically and internationally driven by the end-of-year sales. Domestic parcel volumes increased by 21.7%, the highest quarterly growth ever. This was driven by booming e-commerce and the first results of our non-exclusive partnership with Deutsche Post DHL for B2C last mile delivery into Belgium. Domestic mail volumes declined by 6.4% versus a high comparable base at minus 3.9% in the fourth quarter of 2015. Domestic mail was also impacted by phasing elements of which we're happy to observe the flipside, the positive flipside in January 2017. Normalised revenues increased by €47.8m or €4m when excluding the consolidation of Ubiway since December. Normalised EBITDA was up €4.4m to reach €141.5m thanks to continuous cost control. And our productivity improvements of 699 FTEs and interim for the quarter were in line with expectations.

On page 4 you can see that we have fully delivered on our full-year guidance. At the beginning of 2016 we were faced with the major challenge to absorb the anticipated SGEI reduction of €27m on

the bottom line. Finally we even increased our full-year reported EBITDA by €31.7m and normalised EBITDA by €3.3m to €586.9m. And this is the result of different elements combined. First of all domestic mail volume resilient over the year with an underlying volume decline of 5% which is identical to the year 2015. The slight increase in transactional mail volume decline was fully compensated by the good performance in advertising. In addition we registered excellent growth, volume growth of 17.1% in domestic parcels and saw the positive contribution from various acquisitions which will further support our future growth. Finally, cost savings remained on track with normalised costs declining by €29.5m excluding Ubiway. And this allows us to propose a final dividend per share of €0.25 to the general shareholders meeting. And this brings the total gross dividend per share based on the full-year 2016 results to €1.31 which is an increase by €0.02 or 1.6% and results from a pay-out ratio at 85% for the full-year.

On page five you see the various impacts that I mentioned earlier on our fourth quarter 2016 normalised EBITDA. Ubiway had a flat contribution to our EBITDA as the revenue increase was fully offset by the cost increase including some integration costs that we accounted for in the fourth quarter.

And before handing over to Koen Beeckmans I would like to give a short update on a couple of topics. Regarding M&A you all know that the acquisition of Ubiway closed on 30th November and this transaction allows us to take a major step in our growth strategy within the proximity and convenience sector. In December we also announced a 100% acquisition of DynaGroup in the Netherlands, a transaction which closed early January this year. This deal supports further growth within our parcel business and fits very well into our hybrid network strategy. With DynaGroup we broaden our capabilities to offer high-end deliveries such as same-day or two-man deliveries and we extend our footprint in the Netherlands with a strong local player capitalising on an excellent track record.

In the fourth quarter we have also entered into a non-exclusive collaboration with DHL Parcel for B2C parcel delivery. Concretely this means that we take care of the last mile delivery into Belgium for their B2C parcels. This strategic cooperation allows both DHL Parcel and ourselves to better address the fast-growing B2C e-commerce sector.

On the regulatory side there are two things to mention. Firstly, in November of last year the Brussels Court of Appeal announced a decision taken by the Belgium Competition Authority in 2012 concerning Bpost's pricing policy or the per sender model to be more precise. And therefore Bpost may now recover €37.4m fine already paid in 2013. This has however not yet been recognised in the P&L as the Belgium Competition Authority may still appeal the judgement before the Supreme Court in Belgium.

Secondly, we increased our domestic mail prices 2017 with 1.5% on average and this is in line with 2016 and is the result of price increases on administrative and advertising mail and press. For the items in the so-called small user basket such as stamps and registered letters we're still awaiting the approval from our regulator to increase price. While the price increase on the small user basket is uncertain so far our dialogue with the regulator is ongoing and we remain confident in our capacity to increase prices in the future in line with past practice.

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

Koen Beeckmans: Thank you Koen and good morning everybody. I am not on slide six. 2015 results had been normalised for the sale of a sizeable building which accounted for a profit on disposal of €26.1m. Revenues are up 7.4% as they include the consolidation of Ubiway since December. Normalised EBITDA is up by €4.4m and normalised EBIT is up €5.1m. Income tax was normalised for a non-recurring positive impact of €22.2m related to the liquidation of Deltamedia. The loss on

that participation was tax deductible upon liquidation to the extent it represented previously fiscally paid-up capital in Deltamedia.

Let's now have a look into the different product lines. We are on page eight now with domestic mail. Koen already mentioned that we faced tough comparables against the strongest quarter of 2015. Underlying mail volume decline came in at -6.4% for the quarter while the full-year figure is perfectly in line with our guidance at -5%. In transactional mail we continue to witness a shift towards cheaper products and ongoing e-substitution. For advertising mail we observed that while the advertising budget of our clients remained stable over 2016 there was a clear shift towards the first half of the year

with a concentration of campaigns around the Euro 2016 Football Championship. In addition, the fourth quarter was impacted by phasing of advertising spend towards the first quarter of 2017 due to the timing of the Christmas holidays. We also didn't notice an increase in marketing spend in the fourth quarter, which usually is the case, as we observed that companies didn't spend their full budget. Overall, advertising mail significantly improved its volume trend over the full year from -4.9% in 2015 to -3% in 2016 and that proves that our focus on growth segments is paying off. The good performance in advertising mail, therefore, fully compensated the slight increase in volume decline in transactional mail.

In press, we note a similar trend as in the third quarter with low renewals of newspaper subscriptions but periodicals keeping up well. For the full year, the trend was identical to 2015 at -2.8%.

Parcels on slide nine, recorded an excellent performance for this quarter, both domestically and internationally, driven by strong end of year sales. Domestic parcel volumes were up 21.7% benefitting from boosting e-commerce, a very strong C2C trend and the first results of our non-exclusive partnership with Deutsche Post DHL. Price mix stood at -3.4%. International parcels

contributed €13.1 million in revenue growth, mainly driven by our successful acquisitions and the increased flows out of the US, related to end of year sales. Shipments to China further declined.

On slide 10, regarding our additional sources of revenues, we note a revenue contribution of €43.8 million from Ubiway. On an organic basis, we see that the additional sources of revenues were driven by continued growth in value-added services and in banking and finance. On the other hand, we continue to see the impact of the curtailment of very low margin activities in international mail.

Moving to costs on slide 11, you see that we reduced costs by €0.4 million, excluding Ubiway. The latter contributed for €43.9 million in additional OpEx, including all integration costs that we booked in December as Koen already explained.

Payroll and interim costs went up by €4.2 million, driven by an increase of 675 FTEs and interims on average for the quarter. Productivity improvements were fully on track with a reduction of 699 FTEs and interims. Excluding Ubiway transport costs have increased by €5.1 million, driven by growth in international parcels. Other SG&A and other costs decreased by €5.9 and €0.2 million respectively, both excluding Ubiway. Regarding Ubiway €33.5 million of material costs were booked in other costs for procurement of retail, convenience and press items.

Moving to cash flow on slide 12, you can see that free cash flow generation was impacted by higher cash outflows from investing activities. This results from CapEx and the acquisition of Ubiway generating a cash outflow of €39.9 million. In addition, cash-in from building sales was lower compared to 2015 when we sold a sizeable building in Q4 2015. All in all, this has led to free cash flow being €34.1 million lower than last year. The dividend was already explained so I'd like to end here and hand over to the other Koen for a summary and our 2017 outlook.

Koen van Gerven: Thank you, thank you very much and before taking you through our outlook for 2017 on page 15, we can summarise that 2016 was a year to be proud of. We increased our EBITDA with 3.3 million despite the important cut in SGEI compensation of 22.9 million. With this in mind it is our ambition for 2017 to announce a recurring EBITDA and dividend at the same level as 2016 and with this guidance we remain on track to reach our long-term ambition of at least €620 million EBITDA by 2020.

And looking at 2017 we plan for a growing revenue base, driven by double-digit volume growth in domestic parcels, supported as well by a non-exclusive Deutsche Post DHL B2C partnership. In international parcels, we'll see continued growth supported by the positive contribution of our newly acquired businesses. We expect revenues from Ubiway retail to grow after a year that was impacted by the terror attacks in Belgium. We expect domestic mail to continue to be resilient with a volume decline between 5 and 6% on an underlying basis. While the price increase for 2017 on the small user basket is not yet approved and uncertain, we do not expect any impact on our long term target of at least €620 million EBITDA by 2020.

As already mentioned we remain confident in our capacity to increase prices in the future in line with past practices. The average price increase for 2017 amounts to 1.5% on average on all domestic mail items, resulting from price increases on administrative addressed and unaddressed advertising mail and press. This is at the same level as the average price increase over 2016. On the cost side we'll continue to further optimise our cost base through efficiency gains and a particular focus on SG&A. Nevertheless, we believe our OpEx will slightly increase driven by an increase in transport costs resulting from growth in international parcels. On payroll, we will continue to work on the number of FTEs through productivity improvements and we'll also continue working on the factor cost by optimising our FTE mix, meaning that we replace more expensive contracts with auxiliary postmen. We expect a 2% salary indexation to kick in as of July 2017.

On both the costs and the revenue side we will increasingly see the contribution from our new acquisition such as Ubiway, DynaGroup and the bolt-ons in international parcels.

Finally, we plan for a gross CapEx spend of €90 million with on top a single digit CapEx spend for further business development relating to Ubiway. And with this ladies and gentlemen, we're happy to answer your questions. Please open the lines.

QUESTIONS & ANSWERS

Operator: Thank you. Ladies and gentlemen if you wish to ask a question please press zero one on your telephone keypad. Thank you for holding until we have the first question.

The first question is from Ruben Devos of KBC Securities.

Ruben Devos: Yes, good morning. Thanks for taking my questions. I've got two; the first one comparing your 2020 EBITDA guidance of at least 620 million with the guidance given next year, the difference is that you've excluded the contribution of DynaGroup in your 2020 EBITDA guidance. So I was wondering provided that you'd be banking on doubling of sales and low double-digit margins, that you would be looking at let's say 20 million of EBITDA by 2020. So has there been a particular reason for not upgrading the mid-term guidance?

And the second question, in terms of wage inflation for February, the Federal Planning Bureau has reported a general inflation close to 3% in Belgium. Also for the Health Price Index, it reported inflation of 2.5 while it expected 2.1 initially, so how do you view the inflationary environment in Belgium? And do you have other measures at your disposal, let's say to counter possibly higher than expected wage inflation? Thank you.

Koen van Gerven: Thank you Ruben on the first question, indeed one should expect that we would already progress on our journey towards the 2020 620 EBITDA. But our prudence in terms of outlook for this year has to do with uncertainty that we have on the price increase. As we explained – so we did already a price increase of 1.5% on the all over portfolio, but we still await the approval on the small user basket. To be a little bit technical on that and to be completely clear, so we have to have the approval of the regulator – and this is not new – does the testing. If the – requested price increases, comply with the framework – and it's not a Belgian framework, it's a European framework,

laid down in the third postal directive – and prices have to be compliant with five elements. And we comply and there is clearly clarity that we comply with four out of the five.

And the five are affordability – which is tested in Belgium with what – you know, the price cap. And so we comply – or at least what we ask complies perfectly with the price cap. The second one, it has to be uniform the pricing. It has to be non-discriminatory. It has to be transparent. And of course we all comply with those elements. But the fifth one is, it has to comply with cost orientation. Now this interesting point is that cost orientation is a concept which is not defined, neither in Belgium, neither somewhere else. So – and now the question on the table – and we have a new composition of the regulator in Belgium. The question on the table for this newly composed committee is they want to understand and to check what cost orientation means and they want to check if we comply with that criteria. So apparently they're in the process of trying to define what it is, and we are fully collaborative on that. But I don't have any clarity on how long it will take. And that's the reason we are prudent. So within our outlook we didn't take into account this price increase for this year although we remain confident that in the longer term we will be able to return back to what we did in the past.

This is as far as this question is concerned. Of course if there becomes clarity on this price increase then we will include this with other elements and eventually in the quarters to come that we will make the update as well as eventually a more elaborate update on our longer term outlook by including the precise impact of the acquisitions.

Koen Beeckmans: Okay. And Ruben, on the second question, yes, you're right. In terms of the different element you've mentioned in terms of inflation, the latest update from the plan bureau – and that dates from a couple of days ago – is that the crossing of the health index that forms the basis for the salary increases will be crossed in May. Two months later there will be an effective

salary increase of 2%. So that's as July. And that's what we've taken into account in our outlook. So for the time being, that's – that has been taken into account in what we have mentioned here.

Ruben Devos: Okay, so for the 2% that you've guided, you can be quite – you can be quite certain of that, so that that will effectively be the actual wage inflation by July?

Koen Beeckmans: Quite certain, and we base ourselves on what has been published by the Plan Bureau.

Ruben Devos: Okay, alright, thank you.

Operator: The next question is from David Kerstens, of Jefferies.

David Kerstens: Good morning gentlemen. Three questions please. First of all, you highlighted the acquisitions of Ubiway and DynaGroup and I think combining these would add around 22% to your revenues in 2017. What are the offsetting factors that make you think you've got only a slight increase in revenues in 2017?

Then secondly on the pricing you said you have already implemented an average price increase of all your domestic mail of 1.5% so far this year. What would be the price increase if your small user basket price increase will be approved, and what will be the potential upside to your guidance if this does get approved?

And then finally, can you maybe talk a little bit about the potential of the partnership with DHL in terms of volumes and revenues, and will this all drop straight to the bottom line, or will there also be some additional costs involved? Thank you very much.

Koen Van Gerven: Okay thank you. Thank you, David. Briefly on the three of them, indeed, the revenues will grow and that's at least what we hope. And will grow more than slightly this year. But the word makes reference to the organic base. But I understand that there is some unclarity about that, so – and we will modify this in the documents that will come. But let's be clear about that, it's going to be, of course, a sizeable increase if you take the organic and inorganic together in the figures of this year.

As far as the expected price increase on the small user basket is concerned, look, it's not a surprise that what we asked was fairly in line with what we did in the past. So it was inflation plus something above – above inflation. Which was in perfect continuity with what we did in the past. So I hope we will be able very soon to create clarity on that and as already said we will increase that or we will include it in an eventual revised outlook that we will bring in the quarters to come. As far as the DHL partnership is concerned – and of course we are very happy on that – it's non-exclusive partnership so – and it will have impact, but we don't disclose – because we don't have certainty on committed volumes.

Normally spoken provided that we will bring them in our existing network. Of course there will be some cost associated to that, but of course the density and the scale will help to optimise this and to have – to get a result out of that. Of course we can expect a negative price mix of this type of contract too, because you can imagine and that's what we hope that it will be a big contract, so that the negative price mix will continue. But negative price mix, in terms of – the price will be lower compared to other customers because we hope it will be a sizeable customer.

David Kerstens: And so are they included in your guidance for 3% negative price mix? And –

Koen Van Gerven: Yes, that's what we included, yes, taking out, of course, some hypothesis. Yes.

David Kerstens: Right. Right. Thank you very much.

Operator: The next question is from Marc Zwartsenburg of ING.

Marc Zwartsenburg: Yeah, good morning, Koen and Koen. Actually a bit of a follow up on David's question on the acquisitions and bolt-ons. Can you give us the pro forma numbers perhaps for 2016 so we can work back the model on the impact? And then connected to that, you're guiding for a flat EBITDA while you have quite some revenue additions from all the acquisitions. So can you perhaps explain me why the EBITDA guidance is only for a flat one, while you have some quite significant revenue contribution from the acquisitions. Is there the restructuring cost in there or so, or – yeah, and if so, what should we expect there for, perhaps, 2018, when all of that one-off stuff is out?

That's my first question. The second question: I'd like to understand why all of a sudden there's now an issue with that fifth condition of the small user basket. I think that that condition is in place for years, I presume, and now all of a sudden there's a discussion around the definition of things. I find that a bit weird so I'd like to understand where that comes from, what the background of that is. And then lastly, on your Belgian GAAP net profit, quite a bit of swings in there, versus IFRS and BGAAP net profit in '16. Can you explain me the gap, and perhaps what we should expect also for '17? And what kind of year-end equity reserve do you have? Those were my questions. Thank you.

Koen Van Gerven: Marc, let's start with the follow-up on the famous fifth condition, and indeed, look, I was very transparent and that's what I know. The fifth condition is a concept laid down in the postal directive, I think, cost orientation. My reading of what it means is that basically you have two boundaries. You have a ceiling, and this is affordability, and you have a floor, which has to do with predatory pricing as a dominant player. That's my understanding of cost orientation.

But the problem is that this concept of cost orientation is not defined nowhere. So, probably with a new commission arising with the regulator, they're interpellated by what does it mean and they want to have clarity, which means I'm afraid that they have to develop their own insights and their own model, in order to test this requirement. So, you call it weird. Well, I call it it's a little bit difficult to start doing this now and to block everything, but it is what it is. And I hope that they proceed, and that they come very quickly to the conclusions so that we can move on.

But that's the annoying thing, and that's why, look, it's uncertain. I don't know the time they will take for that, and that's why I'm prudent for this year, remaining confident that we will be able to re-join the pace and the journey that we walk already for the last ten years.

Koen Beeckmans: Okay, Marc, on your other questions, your question on the – on the acquisitions, we have disclosed the numbers for the financial year 2015 for Ubiway, and we closed, as you know, only at the end of November 2016. But we have disclosed the full year 2015 numbers for Ubiway in a press release last year, immediately after the closing. The revenues were at 431 million, of course impacted by whatever happened in Belgium here, the attacks, etc. And the EBITDA over 2015 was 14 million. Regarding Dyna, we have also communicated that Dyna closed, as of January 2017, which means that we will include the numbers for the first time in our Q1 2017 results. We have also communicated the full year numbers for 2015 when the acquisition was done for Dyna, and we've communicated then that revenues were, for 2015, €88.5 million and the EBITDA was at €6.8 million. Okay?

Then, on your second question, flat EBITDA and the 620. I think Koen already answered that question to David. I think, yes, okay, you can call it conservatism. On the other hand, as Koen also explained, we have the uncertain price increase for this year, and therefore we have kept everything stable.

Then, on your last question, the bridge between Belgian GAAP and net profit: well, basically, that's due to two things. First of all, of course the IAS19 impact has been neutralised going from IFRS to BGAAP, because BGAAP does not know this IAS19 principle. And second of all, the difference is coming from the dividends that were not paid at the end of 2016, and that explains the difference between IFRS and BGAAP.

Marc Zwartsenburg: Maybe you're referring that you're prudent with your price impact from small user basket you said slightly above inflation. Could I take, say, 1.5% for that, or should I use a different number? A potential price increase, if it's all improved?

Koen Van Gerven: Above inflation, Marc?

Marc Zwartsenburg: Yes, what is exactly then the number for you?

Koen Van Gerven: Well, no, if you take 1-1.5 above inflation, that would be – that would be what we expect and what we hope.

Marc Zwartsenburg: Okay –

Koen Van Gerven: And this is currently in line, Marc, with what we did in the past, of course, yes.

Marc Zwartsenburg: Okay, because that would still be less than normally what the contribution from Ubiway and Dyna together would be, assuming that 2016 was not worse than '15, or at least not a lot. So, you're, yes, still struggling a bit with – the prudence in the guidance not only coming from then the small user basket. Is that correct?

Koen Beeckmans: No, no, not really, no, no, no, no.

Marc Zwartsenburg: Okay. Would you say that the EBITDAs for Ubiway and Dyna are lower in '16 then, versus '15?

Koen Beeckmans: No, we don't give any guidance on that in '17. The only thing we say that our guidance is '17 is at least what we had in 2016, Marc.

Marc Zwartsenburg: Okay, okay, and then maybe also comment on the fifth condition. I understand the explanation you gave, and that you also don't know what comes out of it, but what I find strange is that this fifth condition is in place for years, and now all of sudden it's an issue. That is weird.

Koen Van Gerven: Marc, we join you, and that's we try to understand how they apply it abroad, and well, basically it's not defined neither in Germany, France and in Netherlands or whatever. So, we are completely aligned that it's a little bit, well, strange, yes.

Marc Zwartsenburg: Okay. And the equity reserve, other Koen,

Koen Beeckmans: On – as you know, in BGAAP, at the end of 2015, we had €97 million in our retained earnings, and we have added €47 million at the end of 2016 to that. So, the total would be around €144 million, which provides us a very nice cushion for the future.

Marc Zwartsenburg: For the dividend, yes. Very good. Thank you very much.

Operator: Thank you. The next question is from Edward Stanford of HSBC.

Edward Stanford: Good morning, everybody. Two questions, if I may. And first, forgive me if I'm being a bit slow here, but just to come back to the number of questions we've had on guidance: I think you've said on the questions that while you're guiding for revenues to be slightly growing, reported revenues will be higher because of the acquisitions. Secondly, just to be trying to ask the same question a different way: your guidance of flat EBITDA, does this include the, let's say 20 million in contribution from the two acquisitions, using the numbers you've declared for 2015? And if so, that's an awful lot of conservatism in terms of the underlying business. So, that's my first question.

Secondly, you've also indicated in your guidance that mail volume gross will decline, will be between five and six per cent, against five per cent achieved in previous two years, and your guidance of around about five per cent, I think, for last year. Does that implicitly assume an acceleration in mail volume decline? Thank you.

Koen van Gerven: Okay, Edward. Taking the last question: if you take back our outlook of last year, I think we were perfectly in line, so it was in the beginning of the year between 5% and 6%; it became gradually more clear last year that the year did evolve very good, so then we adjusted, I think in the third quarter, and we did bring it up to 5%, if my memory is correct on that. So, do we see anything which is fundamentally different from the past? The answer is no. We see that companies continue to work; we see that of course the – the decline is not over, and we will continue to work not only to – to substitute paper to digital, but they are chiselling on their costs, and they are trying to regroup sendings and things like that. So, nothing very different, what we have observed this year, as I already said, there was a slight increase in the decline in the transactional mail, but on the other hand there was a very good evolution of the entire year last year, -3% on advertising mail, And we were very happy on that. So, a combination of both what we hear with our customers brings us to an identical outlook as we had in the beginning of last year.

Then, on the contribution of the two acquisitions, they are indeed in the outlook of 2017 included, so there – you mentioned the number of 20 million, indeed, and again, it points back to uncertainty on the price increase that makes the outlook flattish.

Edward Stanford: Thank you.

Operator: Thank you. The next question is from Christopher Combe at JP Morgan.

Christopher Combe: Yes, hello. Just a few follow-ups, really. And – looking at the guidance on the bridge, can you give us some colour on what you expect from powdered milk and SGEI? I think SGEI will be transitioning to a small tailwind. And with respect to the very strong parcel volume growth, can you tell us if there is scope for exclusivity with DHL? And also, how much of the -3% price mix guidance comes from those volumes alone?

And then lastly, with respect to the small user basket, can you tell us what the price change was last year? And what the impact was from price in that segment in FY 16? Thank you.

Koen Beeckmans: Okay. Thank you for these questions. On milk powder, yes, there is a decline, so we explained that already last year, because of the fact that the last mile distribution in China is getting more expensive, so we were losing margin there, and we have increased in April of last year our prices, which means that yes, we have lost volumes, but to the benefit of our margins. For competitive reasons, we don't disclose the milk powder volumes or revenues. We don't disclose them anymore. Then, on the parcels growth and the partnership with DHL, it is a non-exclusive partnership, and if your question is, can it be exclusive or not? Well, that is – well, it is a non-exclusive partnership that we have negotiated, so – so, yeah. It is what it is. On the SGEI, as you know that, yes, we've disclosed the different amounts – the reductions compared to the previous

years that we would get in our business plan. This is of course subject to volumes and inflations, but in terms of SGEI, compared to this year, it is – or we expect it to be rather flattish. Okay?

Then, on your question of small user basket, what was the price increase on that last year, well, we don't disclose individual price increases on the different elements of our mail products, but we have disclosed of course the average price increase on the total amount of domestic mail last year. Okay?

Koen Van Gerven: Yes, but what we can provide and that can be helpful, so that you can model, is that the small user basket represents more or less 25% of the global turnover of the company. So if you take that as a starting point, I think that you have sufficient elements to do the maths yourself.

Christopher Combe: Okay. And just to clarify on that point, that would be about a third of mail revenue, and if you did 1.5% average last year, would that suggest the – excluding the small user basket, you were well over 2% increase for the remainder? Is that –

Koen Beeckmans: 1.5 is overall.

Koen van Gerven: No, no, it's – it's when – when we talk about 25, then it is 25 on the all over revenue of the company. So you have to start talking from there. The 2.5 billion is all over.

Saskia Dheedene: And also, the 1.5% price increase, Chris, is for the overall domestic mail. So even including the fact that we don't yet have an approval on small user basket, you can already take 1.5% on total domestic mail revenue.

Christopher Combe: Understood. Thank you.

Operator: Thank you. Ladies and gentlemen, I would like to remind you that if you wish to ask a question, please press 01 on your telephone keypad now. We have a next question from Andy Jones of RBC.

Andrew Jones: Good morning. Thanks for taking the question. Just one please. On your overall guidance slide, you mentioned M&A in addition to the 2020 guidance. Any decision must be evaluated on five criteria. Can you just remind us what those five criteria are? Thank you.

Koen Beeckmans: Yes. The five criteria, we have communicated them as well during our capital markets day. The five criteria are that first of all, we are not going to do any wild things. So we are going to stay close to our core business, and our capabilities. And that is what we have done until now. Second of all, it needs to improve our proximity and convenience product offering. Third of all, of course, it needs to be earnings accretive. And, as we explained then as well, the potential margin dilution, we don't really see that as an issue. Maintain, and that's the fourth one, we will maintain a sustainable dividend policy, because we know that we are seen as a dividend share, so we like to – we like to be fully aligned on that as well. And then the fifth criterion is, we like to keep a solid credit rating, therefore we would like to maintain financial solidity. In our balance sheet.

Andrew Jones: Okay. Thank you for the reminder. And just on the EPS accretion point, I think I recall from the capital markets day the suggestion that you might go away and have a think about whether that is the best metric. Have you done any work on that, or are you still committed that that is the best value creation metric that you can think of?

Koen Beeckmans: Well – it's – we've been thinking about that, of course. We listen to all suggestions, and we will take all suggestions into account, when making decisions.

Andrew Jones: Okay. Thank you.

Operator: Thank you. We have a follow-up question from Edward Stanford of HSBC.

Edward Stanford: Hello. Thank you for taking the follow-up. And to change the subject slightly from guidance, looking at the – the regulatory considerations on the small user basket, and your confidence that you – that you will continue as normal, I mean, what are the risks that a new kind of regulatory regime is introduced and that they are slightly harsher on their view of pricing? How do you assess that?

Koen Van Gerven: Well, it's quite a holistic framework, that's the first point, so it's not that – basically one element changes the whole thing. Secondly, a couple of – well, a couple, one of the elements – important elements, which is the price cap, is laid down in a law, so that means that you can't change it overnight, if it should be changed. But this being said, on this element of cost orientation, we don't have clarity. And of course, it can slightly change a couple of things. But, it's – it's whatever we provide is going to be Edward a pure speculation.

Edward Stanford: Okay. Thanks very much.

Operator: Thank you. Once again, as a reminder, if you wish to ask a question, please press 01 on your telephone keypad now. We currently have no further questions, I hand back for the closing remarks.

Koen Van Gerven: Okay. If no questions left, you know, of course if there are questions popping up, you can always get in touch with Saskia and with Baudouin. And on this, I would like to thank you for your attention and your presence, and your questions. We hope to see you soon somewhere around the world. Thank you. Bye-bye.