Interim Financial Report
First quarter 2017

Conference call transcript

Brussels – May, 4th 2017
Koen Van Gerven, CEO
Koen Beeckmans, CFO

Transcript of the conference call held on May, 4th 2017 10:00am CET

PRESENTATION

Operator: Ladies and gentlemen, welcome to the bpost First Quarter 2017 Results Analyst Call. I am 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 listen-only mode, and afterwards there will be a question and answer session. I would now like to turn the conference call over to Koen Van Gerven and Koen Beeckmans. Gentlemen, the floor is yours.

Koen Van Gerven: Thank you. Good morning ladies and gentlemen and thank you for joining us. Next to Koen, I have, as well, Baudouin de Hepcée and Saskia Dheedene from our Investor Relations. And, as always, I imagine that you had already the opportunity to read through the materials, so I will summarise the key messages so as to move quickly towards the questions and answers.

On page 3, you can see that the first quarter shows a good start of the year, with solid results. We recorded, again, an outstanding parcel performance, both domestically as well as internationally. Domestic parcel volumes increased by 24.5%, which is, again, a new record for the company. This was driven, of course, by booming e-commerce and our C2C product offering. Domestic mail volumes declined by 4.7% versus a high, and therefore tough, comparable base of -4% in the first quarter of 2016. The good performance in domestic mail was entirely driven by the positive volume evolution in advertising mail, proving that our focused sales approach is paying off. This fully compensated the increase in transactional mail volume decline. Revenues increased by €159.5 million, including the consolidation of DynaGroup since January and Ubiway since December last year.

Organic cost savings remain on track and our productivity improvements were in line with last year. Costs were, however, impacted by the consolidation of new acquisitions, adding €153 million, and also by the growth in our international business, which typically translates in higher transport costs.

All of these results in an EBITDA up €1.1 million versus last year, to reach €176.9 million, which is in line with our guidance. The acquisitions that we have done over the last year still provide additional potential to further grow our EBITDA in the future.

On page 4, you can see that the EBITDA growth was driven by the excellent performance in parcels, as already mentioned, and was further supported by our acquisitions and resilience in domestic mail. Please note that the revenues from DynaGroup have been consolidated in parcels under the renamed Logistic Solutions, previously called Special Logistics. In additional sources of revenue, we'll find the Ubiway revenues under the newly created categories 'Distribution and Retail & Other.'

Before handing over to Koen Beeckmans, I would like to give you an update on two regulatory topics. On the small user basket pricing, we are of the opinion that the regulator's decision not to approve our proposed price increase for 2017 doesn't make sense, nor from an economical, nor from a legal point of view. And from an economical point of view, we all agree that in a network industry facing structural decline in mail volumes and facing an automatic cost inflation, among others the payroll costs, we should have the right to increase our prices to ensure the future of the company, and therefore we will appeal the decision. And we are confident that we have sound legal and economic arguments to rebut the regulatory decision before the court. Secondly, bpost has requested clarification from the BIPT, the regulator, to understand the validity of the framework and the parameters of the decision, so as to be able to introduce a new price increase request for 2018. And thirdly, we are discussing with the parties concerned – amongst others, the regulator, the government and the politicians – the need for a clear and stable regulatory framework. At this stage, there is no reason to change our long-term guidance of €620 million EBITDA by 2020.

The second regulatory point I wanted to briefly comment on is the article that appeared last week in the newspaper *De Tijd* stating that the European Commission requested Belgium to remove restrictive licensing conditions for mail. Indeed, this is not fake news but it is old news. You might recall that the European Commission already challenged these licensing conditions in the past, which is why they opened an infringement proceedings against Belgium in November 2014. And in a recent opinion sent by the Commission to Belgium, now on April 27th, they give Belgium two months to take the measures to remedy the situation, and Minister De Croo confirmed that he will take the concerns of the Commission into account. We're not concerned about this evolution; the postal market is fully liberalised since 2011 and, as we also observe abroad, the main competition is coming from e-substitution rather than from other physical players.

With this, I would like to hand over to Koen for more details on the financials.

Koen Beeckmans: Thank you Koen, and good morning everybody. I am now on slide 5. Revenues and costs are both influenced by the consolidation of our new acquisitions, which is why you see a significant increase in there. EBITDA is up by €1.1 million and EBIT is up €0.3 million versus last year.

Let's now have a look into the different product lines; we are on page 7 with the domestic mail. Koen already mentioned that we faced a tough comparable base against a strong first quarter of 2016. Underlying mail volume decline came in at -4.7% for the quarter, perfectly in line with full year 2016 and with our guidance. In transactional mail, we continued to witness a shift towards cheaper products and ongoing e-substitution. For advertising mail, we booked a positive volume trend of 2.3%, with a strong performance across all focus segments and some specific campaigns. We also benefitted from a phasing effect from the last quarter of 2016 towards the first quarter of 2017, due to the timing of the Christmas holiday, as we also explained last quarter. And finally, the timing of Easter, with Easter Monday falling in the second quarter of 2017 versus the first quarter of 2016, also contributed positively. The good performance in advertising therefore fully compensated the increase in volume decline in transactional mail. In press, we noted a lower volume trend compared to last year, mainly due to periodicals.

Parcels, on slide 8, recorded, again, an excellent performance for this quarter, both domestically as well as internationally. Domestic parcel volumes were up 24.5%, benefitting from boosting e-commerce in Belgium and a very strong C2C trend. Price/mix stood at -3.4%. International parcels contributed €11.4 million in revenue growth, mainly driven by our successful acquisitions and increased flows out of China and the US. However, shipments to China further declined. As from this quarter, we introduced a new revenue category under parcels called Logistic Solutions, which is composed of the Special Logistics revenues and the revenues from DynaGroup.

On slide 9 regarding our additional sources of revenues, first we booked positive evolution in international mail, driven by increased business mail volumes. For Ubiway, we created two new revenue categories, under which we consolidated the sales. Distribution contains Ubiway press distribution, as well as convenience distribution through the two companies Alvadis and Burnonville. Retail and other contains Ubiway, proximity and convenience retail as well as other revenues, which is what we had in the past. These two categories contribute €115.6 million in revenues.

Moving to costs on slide 10, you see that costs were impacted by our acquisitions for €153 million. In addition, the first quarter of last year was positively impacted by the increase of the recoverable VAT rate, creating a negative variance of €4 million with the first quarter this year. Therefore, we have isolated this effect in our cost bridge to make things more comparable. So, on an organic basis and excluding the VAT impact, our costs increased by €1.4 million. Payroll and interim costs went up by €19.7 million, driven by an increase of 1,586 FTEs and interims on average for the quarter, explained by the integration of new subsidiaries. Productivity improvements were on track and in line with last year. Excluding scope changes, transport costs have gone up by €5.4 million, driven by the growth in our international activities. Other SG&A increased by €0.7 million, excluding scope changes, mainly as a result of higher energy costs almost entirely due to the higher fuel price of our vehicles. Without that effect, our SG&A would have been down as well compared to the first quarter of 2016. Finally, organic other costs decreased by €1.8 million.

Moving to cash flow on slide 11, you can see that free cash flow generation was mainly impacted by acquisitions and phasing in our working capital evolution. Cash outflows related to acquisitions were €52.4 million higher than last year. Working capital evolution deteriorated by €42.8 million, mainly due to phasing in payments, of which negative phasing for payments to social security and suppliers.

I'd like to end to end here and hand over to Koen again for some closing remarks.

Koen Van Gerven: Thank you Koen. And I'm pleased to see that in the first quarter we were able to increase our EBITDA; despite the lack of price increase on our small user basket. And with all of this I'm confident that we will again deliver on what we have promised, and therefore I confirm the outlook for this year. I'd like to flag that on this slide, on page 13, we have now explicitly mentioned that the overall price increase on the total domestic mail will on average be +1.5% for 2017.

And with this, we're happy to answer your questions. Please operator, open the lines.

QUESTIONS & ANSWERS

Operator: Ladies and gentlemen if you wish to ask a question, please press 01 on your telephone keypad. The first question is from Ruben Devos from KBC Securities. Sir, please go ahead.

Ruben Devos: Yes, good morning, thanks for taking my questions. I've got three actually. The first one relates to advertising mail. So, you managed to increase underlying volumes of advertising mail by around 2%, which is noticeable, given that you've been in negative territory for years. Could you give an idea of the underlying trends in Q1, so excluding the phasing effects of Christmas holidays and Easter? And also, how did you perceive the take-up of the small and medium enterprise segment in the five sectors you have been targeting in advertising?

Then regarding DynaGroup and Ubiway, you've not disclosed comparables for last year, so we cannot really make an assessment of its performance in Q1. Could you give some flavour on their inter-year phasing, and whether both businesses are tracking well, with your forecast?

And then lastly, regarding domestic parcels, obviously solid performance of 24.5% growth in volumes in Q1 and 17% last year. That looks like bpost has managed to gain market share there, both in B2C and B2B. It's quite reassuring, you know, as PostNL has made some comments at their capital markets day in February, that they would become more aggressive in Belgium, so how would you see the competitive landscape change in 2017, and would you expect increased pricing pressure instead of a pure mix effect that we have seen in the past? Thank you.

Koen Van Gerven: Okay, thank you very much. As far as advertising mail is concerned, indeed we're quite happy on the 2.3% increase, and indeed there are a couple of phasing elements, as we mentioned in our previous call on January. But if we net them out, the good news is that we're still positive, and I think that's the most important part of the message, which means that all overall the approach that we developed to a limited number of segments, firstly where we tried to work not only directly towards our customers, but where we tried to develop an indirect approach to agencies, and then where probably an unserved market in the past, the small and medium market, that the approach is that they continue not only to be developed but that they apparently work. And that's the good news and that's indeed why we will continue to work in the same direction; we're not going to change a winning team. That's on advertising mail.

On the acquisitions that we did, and indeed at first glance there is not a very big impact if you look to the figures, what we can say, and we're not disclosing details of all those things, but they contribute a mid-single-digit figure to the results of the first quarter. But if you look a little closer to the figures of course then we see that, and we have to observe that the major hit that we experienced this year is about the pricing decision that impacts the growth of the revenue and of course the EBIT. And there, let it be clear, with the decision of the regulator, this will be final for this year, so the impact will be there and it will be very difficult on the top line to reverse it in the course of the year. This being said, we could expect that basically we should react on, and we should see an impact on or a reaction on the cost side first.

First of all, quickly responding to the cost aspect of the refusal of this price increase is not that easy, and in my opinion would not be very wise. I've already mentioned the network effect and the fixed costs related to that. Very quickly reacting would not be wise because it would be in a hash-hash. This being said, we will continue to work, as we already did in the past, in improving the efficiencies and work that we can improve the functioning of the network too and we will continue to do it in an organised manner. Next to that of course, as we mentioned in the outlook, we continue to work at the costs in general, and we have what I would call an accelerated cost optimising plan, that already delivers in the first quarter too. Of course, in our cost base, you have to take into account that we run a couple of pilots, in order to develop new types of services that, as you could expect, cost something but don't add much EBIT already. We do have some innovation projects, in terms of start-ups of other formats. We will continue to do that, because we think it's important to prepare the future of the company, but of course they have a cost impact in this year. In terms of the contribution of the acquisitions, as you mentioned, we all know that in terms of margin, they will have a smaller margin, on the one hand, but they will be accretive to EBIT and EBITDA, which is important.

Two additional points on this. In terms of synergies that we expect from acquisitions, and there of course we point to Ubiway and more in particular to the distribution of newspapers and periodicals, but basically it is too early days. There is additional potential of course to realise this, and we work on that, but the full year impact of these things will only be visible as from the years to come, on the one hand. On the other hand, you know that in the convenience retail part, there we expect additional EBITDA contribution too, with therefore, first of all, as we explained, we have to review the portfolio of the products, which will lead to a margin increase. And secondly, as you know, it's about retail. We have to invest to make the shops more attractive in order to beef up the revenue line and the contribution to it. So, all in all, acquisitions, they contribute as expected. They have still potential in the years to come, and the quarters to come, as I explained. But if you look to the figures, I think that the major difference in evolution that you see in top line and in cost line of this year comes from the revenue headwind. That impacts the figures for this year. But, the good news is that it does not impact the outlook that we provided. It does not impact the dividend that we outlooked for this year, and it doesn't impact our ambition as far as the 2020 EBITDA line is concerned.

A long story to give you some comfort and some clarity on the evolution of the revenue line, the cost line, as well as the contribution of the acquisitions. As far as the domestic parcel market is concerned, indeed, I think with the figures that we have put forward, we are quite happy. The competitive landscape evolves, of course. Important to mention and to keep into your mind is that there is a big growth. There is an e-commerce growth that is quite important for the market. So, as we already stated, we don't feel at this moment the price pressure. On the contrary, with a couple of important customers, we were able to increase the price, although you see a negative price mix of course, but this is as in previous quarters entirely due to the evolution of the bigger clients, that evolved faster than the smaller clients. Indeed, we see a couple of players active on the market. Good to mention that we could increase our C2C part, where previously Kiala was quite present, and which we feel somewhat less present on the market today. DPD was very into product development. Probably, we feel them somewhat less in terms of presence on the market than PostNL, as you know, they work in order to increase and to make a footprint in the southern part of the country. But, we are quite happy with the evolution, and although the market share is not measured any more, we feel, and we have the impression, that we gain market share in this fast-growing market.

Ruben Devos: Alright, thank you very much. That was very helpful, Koen. Thank you.

Operator: The next question is from Peter Testa from One Investments. Sir, please go ahead.

Peter Testa: Alright, thank I just had a couple of questions on the cost side, and one on price. Firstly, is if you could give us some understanding of how you benefit in Q1 from the ongoing cost programmes of bpost and whether you would expect a different phasing versus a year over year impact as we go through the year. And maybe on top of that, add some comments on how you expect acquisition costs to work for the year.

Then, on general cost, I was wondering if you could give us a clearer understanding of the impact of wage indexation on 2017, and maybe some thoughts on how fuel prices are impacting your cost base.

And then the question on price was just really a question around why you did not seek to use the bonus that you have accrued over time in managing your price structure this year? Thank you.

Koen Beeckmans: Good morning, Peter. Just on the cost side, as you have seen, our cost base has been impacted by our acquisitions, and we've mentioned that explicitly. And you've seen the amount of 153 million. But, if you look through the numbers, you can see that organically, our cost evolution remains on track, with payroll and interims as well as the other costs decreasing by respectively 3 million and 1.8 million. SG&A was mainly impacted by a 1.8 million increase in the energy costs, and it was almost entirely due to, as we mentioned, the higher fuel price for our vehicles. But without that effect, our SG&A would have been a down as well, compared to the first quarter of 2016. And then, the other costs, as we also mentioned, were impacted by a positive effect last year, resulting from the increase of the recoverable VAT. And we have explained that as well, and we have isolated that in order to make the things more comparable. So, organic cost savings remained on track, and I think that is answering your question. So, productivity improvements were in line with last year. Of course, they were also impacted by the acquisition, and as Koen already pointed out, we just acquired the two fairly large companies, and we are now working with the subsidiaries to integrate them and deliver on the synergies and growth plans we've foreseen. On the indexation and the CLAs, yes, as you know, and that is something we've mentioned last year as well, as of 1 July last year, we had an indexation of the salaries on the Belgian employees. And we are forecasting now also taking into account that in our outlook for this year, that the index will be crossed as well in May, with an effect that in July, the salaries will be indexed again. So, yes, we have taken that into account, and that will hit in as of the third quarter of this year.

Koen Van Gerven: Peter, as far as the pricing is concerned, and I think that it goes to the heart of the matter, but we can't use this saving that we still have in our saving account. Why? As you know, there are a couple of criteria the small-user basket pricing has to comply with. There are five, and

I'm not going to repeat them all. One of them is affordability, and this is, in our reading, a ceiling. And there, we are under the ceiling, and this is why we could accrue part of it, and that we have something in the saving account. And, to us, of course, we should be able to use it. What happened is that another criterion, which is cost orientation was introduced and interpreted by the regulator in a very creative and unseen way. Of course, in our opinion, and in the general opinion, it should be a kind of the floor. Cost orientation in order to prevent companies to apply predatory pricing. The regulator in this case in Belgium, and it is unseen in Europe, decided to interpret this cost orientation as a second ceiling, as a kind of, in our opinion, profit capping. And so, we are not able to use what we still have in the saving account.

And as I said already in my introductory remarks, of course, we don't agree at all. And we are convinced that we have, as I mentioned, strong economical arguments and we have as well legal arguments. And I'm not sure that we have to develop these arguments over here. So, in order to rebut this decision – but unfortunately, that will come only within a couple of years, the outcome of this proceeding that we will introduce to the court of appeal here in Brussels. And therefore, we are not going to limit our actions to only this part; of course, although 2017 is, in my opinion, a closed case as far as this price increase is concerned, we already will prepare the 2018 file, and therefore, we have to understand from them the framework that they will use for this decision. And of course, probably, the framework will be very unlikely to be changed. But in the framework are a couple of parameters, and there we want to be sure of the ones they will apply. So, that a second track we work on. And, although we are not sure that this will go in the right direction, that's why we opened a third track, which in our opinion is very important. We try to convince and to discuss with all parties concerned, being it the regulator, the government, the politicians, that indeed, from investor perspective, it is essential that we can provide a stable, predictable legal framework. And, if we can't make it with the current framework, then we have to convince, we have to explain, that we have to change the framework in order to be sure that this is stable, predictable, and very transparent going forward. So, those are the different lines and the tracks we try to work on. But to make a long story short, no, we can't use what we still have in our saving accounts. Unfortunately.

Peter Testa: Okay, and thank you very much for the answers. On the cost question, my question was slightly different. I know every year you have certain activities that come in terms of phasing. For example, we have the sorting centres project, etcetera, this year. And I was wondering whether you felt there would be a different year-on-year phasing of underlying cost benefits from initiatives, you know, than what we saw in Q1. And maybe some understanding in terms of what you thought you could do in terms of cost synergies in this year from the acquisitions. I was trying to understand that. And then maybe a sort of specific number on how much you thought the indexation will impact costs in the second half of the year.

Koen Beeckmans: Well, on the indexation, on the salaries, that 2%, flat. And then on the phasing of the cost synergies, yes, as usual, of course we follow the same pattern as what we have over the other years. There is one exception, and that is the new Brussel X, our new parcel sorting centre, will be fully operational as of the end of September. So yes, there is – on that a little bit of a phasing.

Koen Van Gerven: So, I already explained on the synergies of the acquisitions, and, while it's not going to be very impactful for this year, as far – and indeed, we have the big sorting centre that should be operational by the end of year, and there I hope and I think it will be very helpful to master the end of year peak. And there, as you know, the end of year peak is very sensitive to us, because we do invest a lot to be sure that the quality is not compromised that we can deliver good quality to have the parcels on the right place under the Christmas tree by the end of the year. And I think that there with the new sorting centre and a better capacity I hope that we can have a better cost structure than we had previous years.

Peter Testa: Great, thank you very much for your answers.

Operator: The next question is from Christopher Combe from JP Morgan. Sir, please go ahead.

Christopher Combe: Good morning. Just a few questions and mostly follow-ups to conversations we had already. With respect to the cost you just mentioned on Brussels X, perhaps you can give us some sense what the parallel costs were likely to be in the fourth quarter from running arguable redundant systems during the peak. And then domestic parcels, is it fair to look at the step-up in growth from Q3 to Q4 and Q1 as mostly taking on board of DHL volumes or would you say is actually underlying market acceleration and additional market share gain? And then lastly, what are your latest expectations with regards to timing of a new postal law and could this not address several of the issues discussed including your appeal on the small user basket pricing? Thank you.

Koen Beeckmans: Yeah on the first one, we've taken into account of course the implementation of all the new flows and the new systems and the new machines etc. So, we've taken that into account. And then on the second question –

Koen Van Gerven: As far as the parcels is concerned, when you take out DHL, but we don't disclose the figures precisely on that. But when you take DHL out, the growth in our opinion exceeds the growth of the market, at least exceeds solidly the growth that the e-commerce market has experienced in Belgium last year. So indeed, although, we don't have final view, but we feel quite comfortable that it evolved well. As far as the postal law is concerned and it's a very tempting idea. And I have to admit that this crossed our mind already. So basically, the last message of the European Commission eventually will speed up the finalisation or the closing of this proceed, and indeed as I already mentioned in my third track on regulatory we will discuss because we feel it's important to have transparent and stable framework, and probably some elements can help to get them in the postal law.

Christopher Combe: Got it. And just one follow-up on DHL. If you look at the overall price mix headwind 3.4%, can you give some sense how much of that reflects the DHL contribution alone or whether or not that's a meaningful factor and what is that number?

Koen Beeckmans: Yeah, you may appreciate that we don't disclose this kind of information.

Christopher Combe: Fair enough, thank you.

Operator: The next question is from Marc Zwartsenburg from ING. Sir, please go ahead.

Marc Zwartsenburg: Yes, good morning. Couple of questions. Maybe also referring to the cost side and can you perhaps because you discussed the wage inflation, the acquisition phasing, fuel, the SUB (small user basket), but can you maybe give a bit of bridge how you think towards your outlook for the full-year, how all these elements work out? So the inflationary impact is I would say 12-13 million negative, and the acquisitions have contributed mid-single digit in Q1 so perhaps 15 million to go. And then you have the other effects. Can you maybe give me a bit of bridge how those elements combined work out? That's my first question.

Koen Van Gerven: Marc, of course, I think that we gave already the essential elements. And I think if you take the outlook that we provided all the elements are provided over there, but I'm not sure that we're going to build the bridge over here.

Marc Zwartsenburg: But the acquisitions how much contribution because you said the mid-single digit figure in Q1 is that then also say 4-5 million per quarter. Is that then bit of the run rate?

Koen Van Gerven: Sorry.

Saskia Dheedene: For the acquisitions, last quarter we said that that would compensate what we miss in small user baskets pricing.

Koen: So that answers your question Marc.

Saskia Dheedene: You can easily calculate that impact.

Marc Zwartsenburg: Yeah exactly, okay. And then perhaps on your FTE development if you strip out all the acquisitions what will be the underlying trend in Q1?

Koen Van Gerven: If we strip all acquisitions basically in terms and then we come to the core activity, first of all we have the increase of the parcels and the other innovative activities. If we strip them out too then we are in terms of cost savings and in terms of productivity gains we are fully in line with what we experienced last year.

Marc Zwartsenburg: So, it's still in decline over 800 FTEs or so. What should I think of be thinking of?

Koen Van Gerven: Basically provided that the computations in detail of all these elements that are influenced by all these evolutions, and that we don't feel comfortable to provide you a very specific figure. I think it is in line. On the whole year is it going to be 800? As you know last year we were slightly below that but we expect that we will continue to work in line with what we did in the previous years in terms of efficiency gains. So, that's the most precise I can be on that Marc.

Marc Zwartsenburg: We don't get, say, a sort of an indication, perhaps also including acquisitions, where your FTEs will roughly end up. The thing is that currently we're missing a bit of guidance on that front?

Koen Van Gerven: We understand, but provided that with the new activities with the acquisitions that we made at different points in time in the previous year and if we continue to walk in that direction it becomes very complicated. And every figure we will provide will be not sufficiently precise to make a correct modelling. So, I think that we are not able to continue to provide a precise figure as far as that is concerned.

Marc Zwartsenburg: Okay and then perhaps on the transactional mail, the trend there declined a bit further. What is your view on that segment going forward when you see the declines are moving to more cheaper products or different set of products?

Koen Van Gerven: I think it's a very good question because of course you know that in the previous quarters, I made reference to volatility even when the transaction mail started to decline more than what we experienced before. And I think it continues to be volatile. Don't read me wrong. But now with three consecutive quarters with a decline above 6%, I think it's fair to say that something is going on in the market and what we observe by talking to our customers is what I would call that we experience in transactional mail, a kind of a second wave. And the second wave comes from the usual suspects being it utility, being it banking and telecom. And so, do we see big initiatives? No, but they continue to push somewhat harder than probably what they did a couple of quarters ago. This being said, there is good news to mention in that area too because what we see is that there is less opt-out so the method where they send you digital, and if you don't want to have digital you have to opt-out, and we see more opt-in. So, it's not all bad news that we have over there. But indeed, we will continue to experience for the quarters to come in my opinion what I would call a second wave, no big initiatives as far as that is concerned. But next to the e-substitution we continue to experience the other things that we mentioned before: the shift to cheaper products, trying to regroup sendings and so on. So, this is what we expect in the quarters to come.

Marc Zwartsenburg: Thank you, and a final one on the small user basket, it's early days, but let's assume that the regulator doesn't take a different stance there, and continues to restrain it at 15% return, and also not using the price buffer going forward. What will the impact then also for your period 2018 to 2020, and how would you then look to your outlook for 2020?

Koen: Marc, it's of course a very good and relevant question, but I don't think that today we are in the position, and I don't want to give the impression that we already in this mood. Not because I don't want to be in this mood, but because I think – and that's why we developed several tracks. And I really want to have a clearer view, and I want to have the outcome on the other tracks, and I'm quite optimistic that we can continue to work to find, as I said, clarity, transparency, predictability on the regulatory framework. So, this is now what I want to work on, and I'm not going to take into account the downside initiative for the moment.

Marc Zwartsenburg: So, the beta plan is not yet being designed, as we take it.

Koen Van Gerven: The B plan is about track two and track three.

Marc Zwartsenburg: I would say, after the alpha restructuring, you have a beta restructuring as well, that will be then plan B, but that's not being designed yet.

Koen Van Gerven: Look, look, we're not going to develop other plans than – we want to concentrate on getting this thing fixed now.

Marc Zwartsenburg: We have the same issues, there's not often clarity about the regulatory framework for the next few years, and there's a lot of acquisitions also moving through the numbers, so the visibility on numbers it's getting a bit more difficult, that's the key message, just wanted to make a statement on that…

Koen Van Gerven: I understand that, and as we evolve, we will see that we can sort it out. But today, it's too early days.

Marc Zwartsenburg: Okay. Any visibility on the timeline there? Is there any… other fixed reaction times as you put forward your complaint and someone needs to react, is there…

Koen Van Gerven: As far as, well, probably as Chris mentioned in the previous question, the timing that's now imposed by the European Commission as far as the postal law is concerned, in my opinion, could be helpful. But I don't expect that we're going to have more clarity before mid-year being before Q3. But of course, you have to understand from our side too, that we want to have clarity as fast as possible.

Marc Zwartsenburg: Of course, yes. Well, thank you for your answers.

Operator: The next question is Edward Stanford from HSBC. Sir, please go ahead.

Edward Stanford: Good morning, everybody. This is probably an overoptimistic question in the first place, but I'm presuming that there is no possibility in your discussions with the regulator for a retrospective application of a price increase, or equivalently, is there the possibility of a catch-up type of price increase in future, or should we assume that that's not possible?

Koen Van Gerven: I admire your optimism, but I'm afraid that we can't walk back in time. And let's see if we have a new framework what we can do. As we said, as we said at our capital market day, price, and that's what we see all over in Europe, price in this kind of business with declining volumes is an important lever. We continue to believe that, and we will take that into account going forward.

Edward Stanford: Thank you.

Operator: The next question is from Damien Brewer from RBC. Sir, please go ahead.

Damien Brewer: Yes, good morning. Just one question, clarification on the transactional mail, obviously down 7% underlying versus your reported six. In terms of that one-percentage-point difference in the way you're looking at your full year guidance, would that include effectively that reversing in Q2, so we should expect to see headline down about 8%-plus, with underlying down a little bit less. If you could clarify that, that would be helpful. Thank you.

Koen Beeckman: Well, first of all, I think we had tough comparables if you compare with last year, and the difference in, well, between the reported and the underlying, as you know, is the correction for the working days. We've explained that, so we don't really see that there will be an impact in the second quarter of that.

Damien Brewer: Okay. So, you don't see any working day impact in the second quarter, even though we've got Easter?

Koen Beeckmans: Yes, yeah, but not on a comparable basis. Again, last year, we had a very good Q2, but even if you take into account the working day corrections, and of course we do that to go to the underlying, we don't really see, if you compare the like for likes, an additional effect or something like that.

Damien Brewer: So just to be clear, you don't see an additional effect on the working days? In Q2? Or what don't you see additional effects on?

Koen Beeckmans: Well, there will be, yeah? But if you correct for it, and that's what we always do to come to the underlying, you neutralise the effect of the working days. So, comparing the like for like, we don't really see, well, things that may indicate that, you know, there may be an impact on that.

Damien Brewer: Okay. So, if the underlying was still running down 6% or, sorry, if the underlying was still running down 7% in Q2, on a reported basis, the headline is going to be down 8%-plus, as the working days swing back, would that be fair?

Koen: Well, that's normally how the working day works, yes. In your example here.

Damien Brewer: Alright, thank you.

Operator: We have no other questions for the moment. Ladies and gentlemen, I would like to remind you that if you wish to ask a question, please press 0 and 1 on your telephone keypad. We have no other questions. Mr Van Gerven, Mr Beeckmans, back to you for the conclusion.

Koen Van Gerven: Okay, so, thank you very much, if there are no further questions, I think the conclusion is that we started off the year quite well. As you understand, the headwinds of pricing were not good news in this quarter, but will not impact as we were quite prudent, too prudent if I heard at that moment some of your comments when we were stating the outlook in the previous quarter, but all this news doesn't impact the outlook that we have for this year that we will continue to work to live up to the promises on what we committed to this year. And I hope to hear you back with the Q2 figures in August, and some of you I will meet in between at our roadshows. Thank you very much for today.

Operator: Ladies and gentlemen, this concludes the conference call. Thank you all for your participation, you may now disconnect.