

# 4Q & FY14 RESULTS PRESENTATION

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**THE PEOPLE NETWORK**

17 February 2015

# 2014 overview

- Outlook turnaround and transformation strategy announced in 2014
- Building blocks in place
- 2014 performance influenced by restructuring charges, one-off charges and valuation allowances, reflecting the scale of the transformation underway and needed at TNT
- 2015 a year of transition
- Year on year improvement expected from 2016 onwards
- Full benefits of Outlook to be realised between 2018 and 2019

# 4Q14 Outlook update

## Focus on profitable growth

- Move More by Road
- Drive sales from four priority industries
- Serve more SMEs even better
- Increase profitability Domestic and AMEA

- Road and air service upgrades in Germany, Italy
- Roll-out of industry service propositions, e.g., Inbound to Production, to leverage TNT's vertical industry expertise
- Revenues from SMEs up in all segments, supported by marketing and commercial initiatives
- Improving performance International AMEA, Brazil

## Invest in operational excellence

- Realise the Perfect Transaction
- Increase efficiency and productivity in Network Operations
- Transform IT and Global Business Services
- Prioritise Health & Safety practices

- Acceleration of investments in transport infrastructure (4Q CAPEX 4.9% of group reported revenue)
- Higher service quality (on-time performance) in 2H14, supported by 'Perfect Transaction' and 'Perfect Depot' initiatives
- Started simplification of IT systems

## Organise to win

- Local Customer Focus, Global Business Services
- Integrated European Express organisation, focused Domestic organisation
- Strengthen leadership performance culture

- New structure and segmentation in place: International Europe, International AMEA, Domestic, Unallocated
- Strengthened management team with new hires
- Indirect cost savings to support profitability

# 4Q14 overview

## Group

- Reported revenues €1,787m (+1.6%), reported operating income €(53)m (4Q13: €79m positive) impacted by restructuring charges and implementation costs (€70m), non-cash goodwill impairment (€32m), TNT re-launch (€22m)
- Comparable revenue growth (adjusted for disposals and foreign exchange) 3.2%, adjusted operating income €50m (4Q13: €59m) due to lower yields
- 4Q operating income includes the impact (€5m) of the change in accounting treatment for the PIS/COFINS taxes in Brazil (without impact on net income); net income impacted by non-recurring tax expenses of €77m, of which a €67m non-cash valuation allowance on deferred tax assets
- Period end net cash €449m (4Q13: €469m)

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## Segments

- International Europe: comparable revenue growth of 1.1%, hiding strong variations between regions, lower operating income due to TNT re-launch and lower yields
- International AMEA: better revenue and operating income performance in all units
- Domestic: comparable revenue growth of 3.2%, positive volume developments offset by lower yields

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## Outlook financials

- 4Q14 restructuring-related charges and restructuring-related implementation cost of €70m
- 4Q14 CAPEX €88m
- 4Q14 TNT re-launch €22m

# Preliminary notes

## New reporting segments

- New reporting structure: International Europe, International AMEA, Domestic, Unallocated
- Better visibility into the respective performances of our international and domestic activities
- Goodwill impairment charge of €32m

## Reclassification of PIS/COFINS taxes

- Brazil local taxes (PIS/COFINS) going forward accounted for as an adjustment of revenue and affected cost, instead of taxes on profit
- For the FY14, this change resulted in €33m lower revenues (of which €11m in 4Q) and €17m lower reported operating income (of which €5m in 4Q)
- No impact on net income
- 2013 and 2014 comparative figures have been restated to reflect this change in accounting policy

## FX treatment of adjusted operating income

- New definition of adjusted operating income from constant foreign exchange rate to respective foreign exchange rate

## Tax reassessment

- In the process of completing the assessment of its 4Q14 results, TNT reassessed its tax assets and liabilities. As a consequence, TNT's net income includes non-recurring tax expenses of €77m
- These include a €67 million non-cash valuation allowance on deferred tax assets

## TNT relaunch

- TNT re-launch of €22m has been allocated to the reportable segments at divisional level

# 4Q & FY14 statement of income

<i>(€m) @ respective rates</i>	4Q14	4Q13	%chg	FY14	FY13	%chg
Revenues	1,787	1,758	1.6	6,680	6,904	-3.2
Operating income	(53)	79		(86)	9	
Net financial expense	(9)	(6)	-50.0	(24)	(22)	-9.1
Results from associates and JVs	1	1		7	22	-68.2
Income taxes	(74)	(43)		(87)	(131)	
<i>Effective tax rate</i>	-121.3%			-84.5%		
Profit / (loss) for the period	(135)	31		(190)	(122)	

- Comparable revenue growth (adjusted for disposals and foreign exchange) +3.2% (FY14: +1.8%)
- 4Q14 operating income includes one-off charges of €103m: €70m of restructuring charges and implementation cost, €32m in goodwill impairments, €1m in software impairment
- FY14 operating income of €(86)m impacted by net one-off charges of €296m, mostly related to the restructuring of TNT
- Reported ETR impacted by tax one-offs

## 4Q & FY14 statement of cash flows

<i>(€m) @ respective rates</i>	4Q14	4Q13	%chg	FY14	FY13	%chg
Cash generated from operations	131	139	-5.8	246	474	-48.1
Net cash from operating activities	110	112	-1.8	106	360	-70.6
Net cash from / (used) in investing activities	(82)	13		(117)	(26)	
Net cash from / (used) in financing activities	13	(1)		(33)	(30)	
Total changes in cash	41	124		(44)	304	
Net cash	449	469	-4.3	449	469	-4.3

- Cash CAPEX €88m in 4Q, or 4.9% of revenues (FY14: €199m, or 3.0% of revenues)
- Trade working capital improved to 7.4% of revenues in 4Q14
- Period end net cash €449m (4Q13: €469m)

# International Europe

<i>(€m) @ respective rates</i>	4Q14	4Q13	%chg	FY14	FY13	%chg
Revenues	723	717	0.8	2,743	2,722	0.8
Adjusted operating income	24	49	-51.0	118	120	-1.7
Avg daily cons ('000)	244	248	-1.6	239	243	-1.6
RPC (€) (at constant FX @avg13)	45.0	44.4	1.4	45.4	43.8	3.7
Avg daily kilos ('000)	8,447	8,290	1.9	8,184	8,034	1.9
RPK (€) (at constant FX @avg13)	1.30	1.33	-2.3	1.32	1.33	-0.8

- Comparable revenue growth (adjusted for foreign exchange) was 1.1% in 4Q, hiding strong variations between regions
- Revenue development affected by overall pricing pressures, the impact of the situation in Russia, and lower revenues from UK International and France International
- Decrease in adjusted operating income attributable to lower revenues in some markets, impact of Belgian strikes, but also to investments in the future (TNT re-launch, improved service coverage)
- Growing revenues from SMEs, supported by investments in sales resources



# International AMEA

<i>(€m) @ respective rates</i>	4Q14	4Q13	%chg	FY14	FY13	%chg
Revenues	258	242	6.6	906	1,061	-14.6
Adjusted operating income	22	5		51	24	
Avg daily cons ('000)	66	75	-12.0	60	90	-33.3
RPC (€) (at constant FX @avg13)	56.0	49.8	12.4	59.6	46.1	29.3
Avg daily kilos ('000)	1,243	3,522	-64.7	1,167	6,708	-82.6
RPK (€) (at constant FX @avg13)	2.96	1.06		3.09	0.62	

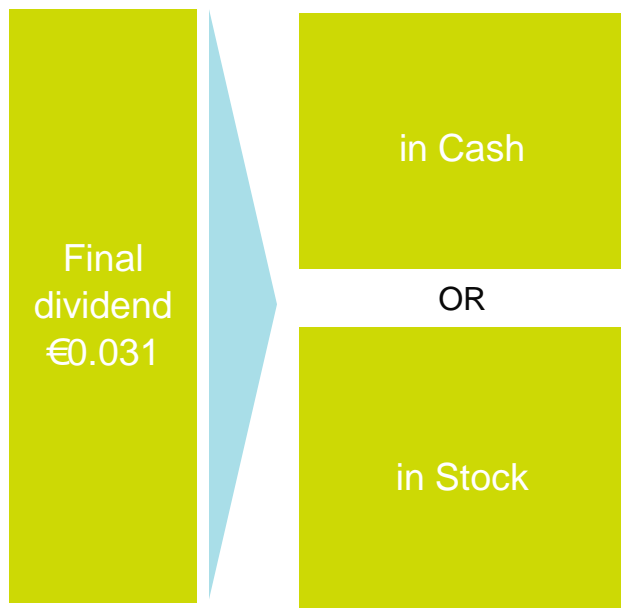
- Comparable revenue growth in 4Q (adjusted for disposal of Hoau and foreign exchange) was 9.0%
- Better revenue and operating performance in all units
- Adjusted operating income more than quadrupled in 4Q to €22m
- Strong acceleration of sales growth to SMEs
- Higher intercontinental volumes, especially from China to Europe

# Domestics

<i>(€m) @ respective rates</i>	4Q14	4Q13	%chg	FY14	FY13	%chg
Revenues	690	656	5.2	2,547	2,566	-0.7
Adjusted operating income	9	10	-10.0	66	51	29.4
Avg daily cons ('000)	673	650	3.5	634	642	-1.2
RPC (€) (at constant FX @avg13)	15.3	15.5	-1.3	15.9	15.7	1.3
Avg daily kilos ('000)	14,255	13,915	2.4	13,343	13,336	0.1
RPK (€) (at constant FX @avg13)	0.72	0.73	-1.4	0.76	0.75	1.3

- Comparable revenue growth (adjusted for foreign exchange) was 3.2%
- Positive volume developments offset by lower yields reflecting higher volume-related costs as well as pressure on sales prices, due to intense competition, particularly in the UK and France
- Pick-up in revenues from SMEs

# 2014 dividend



Final dividend of €0.031 per share

Total dividend €0.08 per share, representing 40% of FY14 normalised net income – in line with dividend guidelines

Profit / (loss) for the period	€(195)m
Attributable to shareholders	
Adjustments (net of tax)	
+ Goodwill impairments	
+ Restructuring	
+ Implementation costs	
+ PPE impairments and depreciation	
+ Legal settlement provision	
- Profit on sale of Fashion NL	
+ Non-recurring tax expense	
<b>Normalised Net Income</b>	<b>€109.5m</b>

Normalised net income based on FY14 profit adjusted for one-offs (after tax)

# 2015 guidance

- For 2015, TNT expects a continuation of adverse trading conditions, particularly in Western Europe
- TNT expects 2015 to be a challenging year of transition marked by the progressive ramp-up of new and upgraded facilities and other transformation projects, such as the outsourcing of IT
- TNT anticipates restructuring charges between €10m and €15m in 1Q15

# Outlook agenda and guidance for 2018-2019

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<b>EBIT</b>	Adjusted EBIT margin guidance per Segment for 2018-2019: <ul style="list-style-type: none"><li>• International Segments: 8-10 %</li><li>• Domestic: 4-5 %</li><li>• Unallocated: ~(0.5)% (of group revenue)</li></ul>
<b>CAPEX</b>	€800-900m of CAPEX investments during 2015-2017 period
<b>Cost reduction</b>	€250m of cost reductions to be realised by 2018 (vs baseline 2014), achieving a net cost reduction of €125m by 2018
<b>Restructuring charges</b>	€250-300m planned restructuring charges for 2015-2017
<b>Cash position</b>	Manage positive net Cash position
<b>Dividend policy</b>	Maintain current dividend policy

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## Assumptions underlying Outlook execution

- Revenue growth at a minimum in line with GDP growth from 2016 onwards
- The plans assume no major adverse economic developments going forward



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**THANK YOU**