

## Business Update Call

### Company Participants

- Guido Maria Nola, Chief Financial Officer
- Matteo Del Fante, Chief Executive Officer, General Manager & Director

### Other Participants

- Manuela Meroni

### Presentation

#### Operator

Good afternoon. Welcome and thank you for joining Poste Italiane Consolidating the Italian Main Market Conference Call. As a reminder, all participants are in a listen-only mode. After the presentation, there will be an opportunity to ask questions. (Operator Instructions)

At this time, I would like to turn the conference over to Mr. Matteo Del Fante, Chief Executive Officer and General Manager of Poste Italiane. Please go ahead, sir.

#### Matteo Del Fante {BIO 6237992 <GO>}

Good afternoon, and thanks for joining us. And here with me, the CFO, Guido Nola; the Head of the Logistic, Massimo Rosini; and Massimiliano Riggi, Investor Relations.

As you know, last week we published our third quarter and we confirm Mail decline has a trend. Indeed the trend is more pressing in Italy where e-substitution has been faster than other countries in Europe and the lockdown made it even heavier.

Today, we're pleased to announce the Nexive [ph] a transaction that aims to tackle the trend and to ensure the long-term sustainability of the national postal service in Italy. Yesterday night we signed a preliminary agreement to acquire Nexive, the second postal operator in Italy. The acquisition is in line with what experience in other countries in Europe, which already see the presence of strong National Mail Champions dominating on their own markets.

The acquisition of Nexive that would enable Poste to benefit from economies of scale, guarantee in the service to all customers across Italy, while preserving our first levels. The transaction falls under Article 75 of law decree number 104 of last summer, signing and closing are expected by the end of January next year subject to potential specific measures that the national antitrust authority may prescribe within 30 days of

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authorization period, also say -- also taking into account the overall sustainability of the transaction for Poste Italiane.

Slide number 3 provides an overview of the low provision which allows the acquisition. In particular into Article 75, the acquisition of Nexive is a concentration responding to relevant general interest of the national economy involved in companies operating in markets, characterized by labor intensive services or of general economic interest, which suffered losses for the last three financial years and that could create and feeds their activity. Also, as a result of the health emergency.

In light of the above the acquisition of Nexive is consider as materially authorized so with prior notification to the Italian antitrust of measures to prevent the risk of bond and some effects on final users. Again, the authority then has 30 days to possibly request further additional measures also taking into account the overall sustainability of the transaction for Poste Italiane.

Let's move to Slide number 4, where we can see the acquisition, rationale and the main advantages for all our stakeholders. As most countries in Europe have already experienced a consolidation in the mail market appears the only viable option to preserve the continuity and overall sustainability of the postal service.

With that in mind, Poste Italiane appears the sole systematic player in Europe, capable to carry out the such consolidation obviously in the interest of all stakeholders. With the purpose of ensuring reliable postal services across the country.

It can indeed capitalized upon economies of scale and leverage on distinctive Joint Delivery Model. It is also the only player and we are only player that has the resources needed to effectively invest in innovation. As mentioned before, this transaction is in the interest of all stakeholders. It guarantees the provision of reliable postal services across Italy. It creates a sustainable value and it preserve workforce levels.

On Slide number 5, we focus on specific features of the Italian mail market, namely its high fragmentation with some 3,000 operators across the country and the extremely low leverage volumes of sent. The sustainability of the sector is factor undermined by the lower penetration of mail compared to other countries. In 2019 in Italy, each resident received less than one mail item per person in week.

Looking at mail per capita, in fact Italy display less than 50 items per year compared to Germany with the 171 and UK with 153, more than three times than Italy. Poste Italiane has a market share of 82% in terms of volumes-wise. All other European incumbents have a much higher market share among all Royal Mail, 99%, and French La Poste, 97%. In addition, please bear in mind that Italy has complex geography and population distribution compared to other countries, which impact the logistic chain increasing overall cost.

On Slide 6, the structural contraction of the mail business is evidenced and known to you. As anticipated decline in mail volume has been particularly steep in Italy. As shown in the

bar chart on the top, the Italian mail market shrunk on average by 8 percentage point here from 2013 to 2018, twice as fast as other countries on average. In the same period in Germany, the trend was flat, while Spain and UK record a decline of 4% and France posted a reduction of 6%.

On the lower chart, we focused on the acceleration of the e-substitution as a result of restrictive measures adopted by European Government facing the COVID-19 emergency. After several years of structural decline around 5% on average, 2020 is expected to be material impacted by approximately an additional 15% reduction in mail volumes. In other words, this means that mail decline has been accelerated by around three years.

In this scenario, bear in mind that Poste Italiane one single business mail item sent is what only EURO.30 on average in terms of revenues when you look at no registered mail. This is what we get to collect, sort, move, sort again and deliver an item across the country, this is definitely not sustainable in the long-term.

Here we have summarized on Page 7, the key figures of the transaction. In 2019, Nexive revenues were approximately EUR200 million compared to Poste Italiane EUR3.5 billion. In the same period, Poste delivered some 2.0 -- Poste Italiane 2.7 billion items with a market share of 82% compared to Nexive 350 million items equivalent to a 12% market share.

Finally, transaction overview. The timeline starts with yesterday's signature of the heads of agreement and the consequent filing of both undertaking under Article 75. As mentioned, the concentration is considered as materially authorized, Italiane Antitrust Authority has then 30 days to potentially require further measures, also take into account the overall sustainability of the transaction. Provided that the condition and transaction unmet, we expect the signing and closing by the end of January 2021.

In the preliminary agreement has signed yesterday, the parties agreed on a Nexive enterprise value of EUR60 million, whilst the final price will be determined upon completion of the due diligence process. Both intends to fund the acquisition entirely by cash with zero impact on its dividend policy, given the size of the transaction and group strong cash profile.

To conclude, this acquisition would allow Poste to benefit from significant economies of scale. The deal will be key to shorten the timing to reach back even in the Mail, Parcel and Distribution segment, which has been delayed by the impacts of lockdown.

Thank you for joining us, and now we will open to some questions. Thank you.

## Questions And Answers

### Operator

(Question And Answer)

We will now begin the question-and-answer session. (Operator Instructions) The first question is from Manuela Meroni with Intesa Sanpaolo. Please go ahead madam.

**Q - Manuela Meroni** {BIO 1782610 <GO>}

Yes. Hello. Thank you for the presentation. I would like to know if you can share with us some more details about the Nexive? You said that the revenues of EUR200 million, can you please split it between mail and parcel? And then looking at the main number, it looks to me that the price per unit of Nexive is lower compared to your price per unit. So I'm wondering if you also expect to and some revenue synergies together with the cost synergies that I think could be linked to the (Technical Difficulty) sharing of the same infrastructure network?

**A - Guido Maria Nola** {BIO 20719012 <GO>}

Sorry. Taking my mask off. Hi, this is Guido Nola. Yes, you're completely right on the first point. They have a lower price per item because they are much more focused on unregistered mail, that's the bulk of their business, and hence the price per unit is -- it is lower. On revenue synergies, I think it's a bit early to say, as COO said today in the press release, we are about to start the second phase of due diligence which is about to start given that we just filed today and was supposed to start with the signature preliminary agreements. So that we'll form part of our next work for the next 30 days.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Yeah. And just to add that the valuation we performed to get the formal approval from our Board of Directors was based purely on sharing with the seller cost synergies, because this is what at this point we're talking about, and we wanted to take this as a conservative stance because everything that can come from the revenue side of the feature is it would be basically on the top.

**Q - Manuela Meroni** {BIO 1782610 <GO>}

Mails and parcel revenue?

**Operator**

And Ms.Meroni, your line is open.

**Q - Manuela Meroni** {BIO 1782610 <GO>}

Yes. I'm wondering if you can also tell us the split the between a main revenues and parcel revenues of Nexive?

**A - Guido Maria Nola** {BIO 20719012 <GO>}

Yeah. It's 90% mail, and 10% parcel.

**Q - Manuela Meroni** {BIO 1782610 <GO>}

Thank you.

## Operator

Gentlemen, there are no more questions registered at this time.

### A - Matteo Del Fante {BIO 6237992 <GO>}

Okay. If there are no more questions, I thank everybody for the time and we keep working and we will keep you posted. Thank you very much. Bye.

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