

Martin Seidenberg, CEO GLS Group

Firstly, I would like to say how proud I am to be trusted with the responsibility of guiding the IDS group into the future. It is a privilege to lead a company such as IDS with two great brands in Royal Mail and GLS. I look forward together with the leadership teams in both companies to ensure we deliver on our promises to customers, employees, shareholders and the public at large.

Today however, I will be focussing on GLS, sharing with you more details on its financial performance and the direction and outlook for 2023/24 and beyond.

GLS again had a good year, despite the strong macroeconomic headwinds which have impacted our markets.

We were able to preserve volumes, despite the economic slow-down and lapping a strong prior period, due to COVID tailwinds. Maintaining our volume levels in an environment where consumers faced lower disposable income due to high inflation and increasing interest rates represents a good achievement for the group.

We delivered revenue growth of 8.6%, driven predominantly by a robust pricing strategy. Our high quality services and strong international network allowed us to increase our prices while still maintaining a strong customer base.

Additionally, Operating profit was 403 million euros, slightly exceeding the prior year performance. With these results, we remain around 70% larger in profit terms compared to just three years ago. Our pricing strategy together with dedicated cost containment measures and a full year contribution from our Canadian business Rosenau has led to this good result despite the challenging headwinds.

Diving deeper into our individual markets.

In our Western European markets, which include Germany, Italy, and Spain, we showed good resilience. Despite facing high inflation and labour costs, we managed to increase our revenues and minimize the impact of these challenges.

France achieved an exceptional performance this year. We were able to grow revenue and effectively control costs, resulting in a slight profit. Our best performance in 10 years and reinforces our confidence in the French business!

In Eastern Europe, our business experienced growth in both volume and revenue, despite the war in Ukraine and the general economic downturn. However, inflation was higher in these markets, and we faced increased competition. Nevertheless, we remain enthusiastic about the future growth in this region.

Shifting our focus to North America. As Keith mentioned, the integration of Rosenau into our Canadian operation is progressing well and delivering positive results for the group.

However, our performance in the United States was disappointing. The market conditions were challenging with all players having difficulties. To address this situation, we are implementing strong measures and are already starting to see some positive results. Cost control measures, such as a general headcount reduction have already been successfully

implemented. Additionally, we are capturing new customers with intensified sales activities and are reviewing our service offering in some regions.

Taken together, I am confident that these initiatives will bear fruit in the near future.

Overall, GLS again had a strong year which demonstrates the resilience of our business.

There are various factors which drive this:

Firstly, our business model is designed to adapt well to changes in the economy. We use a flexible business model, which allows us to quickly adjust our operations based on fluctuating demand. This flexibility helps us navigate through different economic cycles.

Secondly, our widespread presence across Europe and North America, along with a balanced customer base serving both businesses (B2B and B2C segments) reduces the risks associated with specific regions or industries.

Thirdly, our local, entrepreneurial approach to business, emphasizes a strong focus on quality, efficiency, and cost control. When market conditions change, our teams are quick to react. They adapt our services and find ways to manage costs without compromising on quality.

And finally, we are implementing strategic initiatives to drive our business and financial performance forward. These include upgrading our network, expanding our portfolio of services, and transforming our last-mile delivery capabilities. These initiatives are key to our growth and success.

I would now like to give you more details on these important initiatives.

Let me start with the investments we are making to upgrade and automate our network.

With high inflation, people shortages and increased wages in all markets, we see new opportunities by investing more into automation and new facilities.

In October 2022, for example, we opened a new state of the art hub in Madrid. This facility will consolidate several smaller sites into one automated centre, eliminating nearly 1 million linehaul miles per year and significantly improving our sorting productivity. Network investments such as the one in Madrid are important as they represent high impact projects delivering good returns while providing high quality service to our customers.

Growing our market position through portfolio diversification and geographic expansion is another key pillar of our strategy. In the past year, we have been actively seeking new opportunities to expand the capabilities of GLS beyond our core business of parcels and to grow our footprint.

In selected Eastern Europe countries, we have expanded our in-country offers, introducing 2-person handling services and same day delivery, whilst in Germany we recently acquired a small fulfilment company. These additions will continue to enhance our service offerings and bolster our e-commerce proposition.

Geographically GLS is always looking for new opportunities to expand our current network footprint. In 2023, we recently entered the Serbian market establishing a new greenfield entity that will strengthen our presence in Eastern Europe and unlock new opportunities.

Finally, we come to our last mile transformation strategy. To succeed in our industry, it is important for GLS to offer customers a variety of delivery options that maximize consumer convenience.

In recent years, we have expanded our Out Of Home services with investments in parcel lockers; adding to our already strong parcel shop network. Additionally, we are focused on building digital solutions to enhance customer experience and improve our efficiency.

In summary, GLS is moving forward! These initiatives illustrate that we are taking action, preparing for the opportunities and challenges that are in front of us. With this in mind, we plan to accelerate our current investment strategy and temporarily increase our capex guidance range to approximately 5% of revenue.

Looking ahead to our guidance for 2023/24 and beyond, there are some uncertainties in the immediate term due to the fragile state of the global economic recovery. Inflation rates are expected to decrease but will remain high compared to recent historic levels. This will continue to impact the cost of doing business for GLS, as wage inflation and other costs rise.

To address these challenges, we have clear priorities in place to guide the business forward and make sustainable investments for long-term growth. For now, our primary focus will be on maintaining price and cost discipline coupled with progressing with our strategic initiatives.

While we remain open to pursuing attractive acquisition opportunities, this will only occur if they demonstrate strong synergies with GLS and create long-term value.

As GLS, we are committed to executing all our initiatives effectively and achieving an operating profit of 500 million euro in 2026/27. This will be achieved by the delivery of our strategic projects, the turnaround in the US, margin uplift in France and network upgrades across our regions.

So, how will this translate into our financial performance in the year 23/24?

Overall, we forecast a return to volume growth, albeit below historic levels, as macroeconomic challenges remain. Price increases are expected to be limited and partly offset, for example by the impact from lower fuel surcharges. We expect that overall revenue growth will be around 3 to 5%.

We foresee a relatively flat operating profit development on an underlying basis with an expected range of around €380m to €400m - as considerable efficiency and cost saving measures should largely mitigate the impact of unavoidable cost increases.

On a reported basis we expect to deliver an operating profit in the range of €350m to €370m, which reflects the temporary impact of our strategic initiatives and investments.

In closing, I am confident that GLS is succeeding in our strategy to position ourselves as a truly digital, sustainable and global player in the parcel logistics market. This is built on our commitment to deliver a globally integrated network, high quality services and a diversified product portfolio.

Thank you very much.