

POSTE ITALIANE

Q1 2025 FINANCIAL RESULTS

Rome, 8 May 2025

Giuseppe Esposito

Good afternoon and welcome to Poste Italiane's First Quarter 2025 Results Conference Call.

In a few moments, the CEO - Matteo Del Fante - will take you through some opening remarks and then the CFO - Camillo Greco - will cover the financials.

As usual, the presentation will be followed by a Q&A session where you can ask questions, either via phone or through our webcast platform. For any topics we won't be able to cover today, please do contact the Investor Relations team who will provide any clarifications you might require.

With that, over to you, Matteo.

Matteo Del Fante

Good afternoon, everyone, and thank you for joining us today for our Q1 2025 results call.

We are pleased to report a very strong start to the year, with record first-quarter revenues and double-digit year-on-year EBIT growth. These results are yet another demonstration of the solidity of our business model, disciplined execution and our continued ability to adapt and grow in a dynamic environment.

All business units contributed to a solid 5% year-on-year revenue growth, totalling 3.2 billion euros. This performance was driven by strong Net Interest Income, continued momentum in parcels, strong net inflows in investment products and Postepay Services ecosystem growth.

On the profitability front, Adjusted EBIT came in at 796 million, up 13% year-on-year, with a net profit of 597 million, a remarkable 19% increase compared to the same period last year.

Ongoing expense management remains a key focus as we continue to successfully mitigate inflationary impacts, while cost increase came from expanding businesses.

Our balance sheet remains extremely solid, supporting our upgraded dividend policy. Solvency 2 ratio remains well above 300%, including the dividend accrued on Q1-25 results and the impact of the first 500 million of additional remittance from Poste Vita to the parent company.

As announced, we will pay the balance of our 2024 dividend of around 970 million euros at the end of June, bringing the total dividend for the year to 1.4 billion, equivalent to 1 Euro and 8 cents per share.

As you know, at the end of March, we signed an agreement to acquire from Vivendi 15% of TIM's ordinary shares - a transaction that is expected to close in Q2-25 - bringing our total stake in TIM to 24.8% of the voting capital. With this long-term, strategic investment we plan to support the consolidation of the Italian telco market. We are advancing on several workstreams to generate synergies between Poste Italiane and TIM. We have signed an MOU with TIM for a new MVNO contract, expected to start from the beginning of 2026.

Let's move to Group financial results on Slide 4.

We have posted record first-quarter revenues at 3.2 billion-euro, up 5% year-on-year.

Adjusted EBIT for the quarter is at 796-million-euro and net profit is at 597-million-euro, up 13% and 19% respectively. These figures are the highest we ever reported in a first quarter.

On Slide 5, the strong underlying revenue momentum across all our business segments continues into the new year. In Mail, Parcel and Distribution, revenue growth was driven by increasing parcel volumes. The anticipated decline in mail volumes is effectively mitigated through ongoing re-pricing actions.

In Financial Services, revenues increased by 6% year-on-year to 1.4 billion, supported by record-level NII and solid commercial performance.

Insurance Services delivered strong profitability in both the life and protection segments. Revenues rose 11% in the quarter, reflecting higher CSM and Risk adjustment release. Postepay Services' unique and integrated ecosystem of everyday services delivered growth in both revenues and profitability. Payment revenues benefitted from an overall increase in card usage by our clients.

The telco customer base remains solid and stable, while the number of energy clients has almost doubled year-on-year, reaching around 800 thousand clients.

Let's go to slide 6 and EBIT evolution by segment.

Mail, Parcel and Distribution reported an adjusted EBIT of 25 million for the quarter, in line with our full-year guidance. Financial Services operating profitability is up 31% to 260 million driven by record NII and overall strong revenue trends.

Insurance Services EBIT is up 9%, supported by both Life Investments and Protection. Finally, Postepay Services double-digit EBIT growth to 133 million is driven by resilient top-line performance and stable costs.

Let's move to a more detailed review of our numbers by our CFO.

Over to you, Camillo.

Camillo Greco

Thank you Matteo and good afternoon everyone. Let's move to slide 8 on Mail, Parcel & Distribution.

Revenues totalled 949 million, up 2% year on year.

Mail revenues at 520 million are slightly down by 3%, in line with the trend that we anticipated with our FY-25 guidance in February.

In addition, a year-on-year comparison on mail revenues is unfavourable this quarter as Q1-24 benefitted from positive one-off items. Let me also remind you that mail revenues will benefit from the new USO pricing from April 2025 with an estimated positive impact on revenues of around 3 million-a-month.

Parcel revenues were up 7% to 393 million, with growth recorded across customer segments.

Distribution revenues from other business units are up 4% in the quarter, reflecting positive commercial trends across the Group.

Adjusted EBIT at 25 million in Q1-25 is well in line with the guidance provided for the full year.

Let's look at volumes and tariffs on slide 9.

Parcel volumes were up 9% supported by strong market positioning across all customer segments, with 40% of items now delivered via the postal network. We have also recorded a 70% increase in deliveries through the Punto Poste network, leading to delivery efficiencies both in terms of costs and lower CO₂ emissions.

Preliminary trends emerging from April numbers show an acceleration of parcel volume growth vs Q1.

Looking at pricing, the average tariff remains broadly stable as the volume growth is spread across customer segments. Moving to Mail. The volume trend is in line with expectations, and preliminary April data show an acceleration of registered mail volumes compared to Q1-25.

Finally, the higher mail average tariff to over 1 euro reflects ongoing re-pricing actions across both regulated and market products. As already mentioned, the new pricing on regulated products effective from April is expected to generate an additional 3 million revenues per month.

Moving to Financial Services on Slide 10.

Gross revenues for the quarter came at 1.7 billion, up 7%.

Net interest income came at a record 666 million in Q1, up a strong 13%, benefitting from management yield enhancement actions combined with a supportive rates environment.

Postal Savings distribution fees amounted to 441 million, up 3% year-on-year supported by improving gross inflows. Consumer Loans distribution fees reached 71 million, up 14% versus Q1-24, driven by higher margins.

Asset management revenues resilient at 44 million in Q1, with higher assets under management compensating lower upfront fees.

Finally, adjusted EBIT came in at 260 million, reflecting the positive revenue trend.

Moving to Slide 11.

TFAs reached 596 billion, up 5 billion in the three months from the end of 2024.

Let's look at each component:

We reported strong 1.6-billion net inflows in investment products confirming the positive trend in Life insurance where net inflows reached 0.9 billion, continuing to outperform the market;

Deposits were up, benefitting from higher balances from PA clients and resilient retail deposits at 58 billion, confirming the stickiness and loyalty of our customer base; Postal Savings net outflows were driven by high maturities, mitigated by new commercial initiatives.

Moving to Slide 12.

Insurance Services revenues amounted to 442 million in the quarter, up 11% year-on-year.

We continue to have positive net flows in Q1-25 supported by newly launched products and strong commercial effort, continuing to outperform the market. Our lapse rate of 8.6% reflects proactive client portfolio rebalancing, as also demonstrated by the positive net flows. Let me highlight that in Q1-25 around 40% of our lapses have been reinvested into new Life insurance products.

Life, Investments & Pension revenues are up 10% to 400 million in Q1, driven by a higher CSM and Risk Adjustment release.

Protection revenues were up a strong 22% in the quarter, supported by higher gross written premiums, up 19% to

371 million in Q1 and strong profitability. Let me remind you that Q1-25 Protection numbers are exactly on a like-for-like basis, with no change in perimeter.

The combined ratio was 83% in Q1, while we confirm our FY25 guidance of about 85%.

Adjusted EBIT of 378 million is up 9% compared to Q1-24, supported by both Life Investments and Protection.

On slide 13, we show the CSM evolution in the quarter.

Normalised CSM growth is strongly positive at 3.6% annualised, up from 2.5% in 2024, with a strong increase in new business value and expected return more than compensating the quarterly release.

Group CSM at the end of the quarter is at 13.6 billion, providing strong visibility on the division's sustainable profitability going forward.

Let's look at the Solvency ratio evolution on Slide 14.

Poste Vita Group's Solvency 2 was 305 percent at the end of March 2025, well above the managerial ambition of circa 200% through the cycle. This ratio already embeds the 100% remittance of net profits for the period to the parent company, as well as the impact from the first 500 million additional remittance which will be paid next June.

The decline was mainly related to the negative impact from economic variances, driven by the increase in rates and BTP spread in the first quarter, while the internal capital generation of the business fully covers the foreseeable dividend accrued in Q1-25.

The decline in both rates and spread observed in April resulted in an improvement of our Solvency 2 ratio, that currently stands between 305% and 320%.

Moving to Postepay Services on Slide 15.

Revenues rose by 5% year-on-year to 398 million in Q1 as our unique everyday ecosystem continues to drive top-line and profitability growth.

Payments revenues are resilient at 284 million in the quarter, supported by higher transaction value and growth in total number of ecosystem transactions at 9%, proof of the increase in card usage by our clients. This performance offsets the decline in instant payment revenues following recent EU regulatory changes. Total transaction value is up 6% year-on-year, impacted by a tough comparison with Q1-24, which benefitted from seasonality. Preliminary transaction value data for April already shows encouraging signs of acceleration vs Q1-25, with 15% transaction value growth.

Telco revenues grew 2% in Q1 versus last year, supported by our stable client base and the new fibre offer.

Finally, energy revenues are at 32 million, reflecting positive market trends and a solid customer base evolution currently standing at around 800 thousand clients, twice the Q1-24 base. Adjusted EBIT grew a strong 13%, to 133 million in Q1, underpinned by solid top-line performance and stable costs.

On to slide 16, let's look at workforce evolution.

Since the end of 2024, the average headcount rose to 120 thousand, in line with higher FTEs supporting our 2025 target and consistent with business growth.

This figure includes approximately 1,200 additional temporary workers engaged during the Q4-24 peak period, when we managed significantly higher volumes compared to the previous year. More importantly, the profitability per FTE continued to improve with the value added per FTE growing by 4%, at 87,000 euro.

HR costs per FTE are up 1% to 47,800 euro as a result of variable compensation.

Moving to Group HR costs on Slide 17.

In Q1, ordinary HR costs increased by 3% to slightly over 1.4 billion due to higher FTEs and variable compensation as already mentioned.

In the quarter, ordinary HR Costs on Revenues are slightly down to 41%.

Moving to slide 18.

Non-HR costs increased by 62-million year-on-year, mainly driven by 36 million of additional variable costs reflecting higher business volumes, while fixed COGS decreased by 3 million. D&A are up by 29 million in line with the increasing investments driving our continuous transformation. In general, our focus on cost and capex discipline across all divisions remains laser sharp and protecting the bottom-line profitability, as well as cash flow, remains our top priority. Thanks for your time, let me hand over to Matteo for a wrap up.

Matteo Del Fante

Thank you, Camillo.

In our Strategy Update in February we outlined 2025 targets and confirmed our strong commitment to generate sustainable profitability growth and deliver compelling shareholders' remuneration.

We are off to a solid start this year across the board, with our record performance in the first quarter and look forward to delivering strong results in 2025 and beyond. We continue to build upon strong momentum with a clear commitment to generate long-term value for our stakeholders. Our group maintains a robust balance sheet, supporting our upgraded dividend policy based on a 70% payout ratio, implying a 2024 dividend balance of 75 cents per share - equivalent to around 970 million euros - to be paid at the end of June.

Our recent acquisition of a significant stake in TIM underscores our commitment as a long-term industrial shareholder focused on driving value creation and supporting the consolidation of the Italian telecommunications market. We expect to generate strong synergies with this transaction and we have already signed an MOU for a new MVNO contract which will be active from January 2026.

In summary, we are focused on disciplined execution. This record quarter is the first step in delivering the targets we have laid out and that's all supported by a sustainable and

highly diversified business model which allows us to deliver predictable earnings growth.

Finally, I want to thank again our dedicated employees, whose hard work, commitment and professionalism are key to the strong results we continue to achieve.