Quadient (formerly Neopost) rolls-out its strategy and announces growth in sales and a solid current operating income[1] in the first half of 2019

- **First half-year of 2019 sales at €557 million, up by 5.5%, i.e. up 2.3% organically[2]**
- **First half-year of 2019 current EBIT[1] at €93 million (+2.3%)**
- **First half-year of 2019 net attributable income at €47 million**
- **Upgraded sales growth outlook for 2019, outlook for recurring operating income[1] refined between €180 and €185 million[3] and confirmation of cash flow expectations**

Paris, September 24, 2019

Quadient, a leader in business solutions for meaningful customers connections through digital and physical channels, today announced €557 million in consolidated sales for its first half -year of 2019 (period ended July 31, 2019), up 5.5% on the first half-year of 2018. Organic growth stood at 2.3%, excluding currency and scope effects linked to the acquisition of Parcel Pending and the divestments of Satori Software and Human Inference.

Major Operations (83% of total sales), gathering the Group's four major solutions across the two main geographies, *i.e*. North America and the Main European countries, show a 1.1%-organic growth in total sales. This performance was driven by the 5.3% organic growth in North America, where each of the four major solutions is showing growth. The segment of the Main European countries recorded a 3.3%-decrease in sales, excluding currency and scope effects.

Moreover, Additional Operations (17% of total sales) posted a 8.2%-organic growth. This growth reflects the good performance in each one of the four major solutions in the other geographies[4] while the other solutions are declining.

The share of recurring revenues in total Group sales remains high and stands at 69%.

Geoffrey Godet, Chief Executive Officer of Quadient, commented: ***"A few months after having unveiled our ambitious strategic plan for the four years to come, we are very pleased to see that some of our initiatives are already paying off, as evidenced by our fifth consecutive quarter of positive organic sales growth. Synergies between our Major Solutions are starting to materialize. The slight growth recorded in our current EBIT before acquisitions-related expenses results from the combination of a tight control of our cost base and higher go-to-market, R&D and innovation efforts dedicated to support the growth of our new organisation. In the meantime, we made further progress in streamlining our portfolio of Additional Operations whereas Parcel Pending, acquired in January, is generating solid growth. In light of our good performance in the first half of the year we are upgrading our top line prospects for the full year. Finally, we are very proud of having adopted Quadient as our new corporate brand name, a new identity designed to encompass all our solutions and operations and giving life to the truly unified organization that has been implemented as part of our new strategy."***

[1] *Before acquisitions-related expenses*
[2] *H1 2019 sales is compared to H1 2018 sales to which is added revenue from Parcel Pending for an amount of €11.4 million and deducted revenue from Satori Software and Human Inference for a total amount of €10.9 million.*
[3] *At H1 2019 average exchange rate*
[4] *Out of North America and the main European countries*

Second quarter 2019 sales came out at €291 million, up +1.8% in organic terms. Major Operations were up slightly (+0.3%) thanks to the growth in Customer Experience management, Business Process Automation and Parcel Locker Solutions which was compensated by the continuous decline of Mail-related Solutions in the Main European Countries while these activities were up slightly in North America. Additional Operations recorded further strong organic growth.

CHANGE IN SALES PER ACTIVITY

In million euros	**H1 2019**	H1 2018	Change	Change at constant exchange rate	Organic change[2]
Major Operations	**460**	**428**	**+7.5%**	**+3.8%**	**+1.1%**
Customer Experience Management	***50***	*45*	*+11.6%*	*+8.5%*	*+8.5%*
Business Process Automation	***30***	*24*	*+23.2%*	*+20.5%*	*+20.5%*
Mail-related Solutions	***360***	*355*	*+1.5%*	*-2.1%*	*-2.1%*
Parcel Locker Solutions	***20***	*4*	*+430%*	*+399%*	*+23.2%*
Additional Operations	**97**	**100**	**-3.0%**	**-3.7%**	**+8.2%**
Group total	**557**	**528**	**+5.5%**	**+2.4%**	**+2.3%**

In million euros	**H1 2019**	H1 2018	Change	Change at constant exchange rate	Organic change[2]
Major Operations	**460**	**428**	**+7.5%**	**+3.8%**	**+1.1%**
North America	***250***	*211*	*+18.3%*	*+11.0%*	*+5.3%*
Main European Countries	***210***	*217*	*-3.0%*	*-3.3%*	*-3.3%*
Additional Operations	**97**	**100**	**-3.0%**	**-3.7%**	**+8.2%**
Group total	**557**	**528**	**+5.5%**	**+2.4%**	**+2.3%**

Major Operations

Good dynamics in Customer Experience Management

Sales of Customer Experience Management in the first half of 2019 were up organically by 8.5%, at €50 million thanks to the good performances recorded in North America and in the Germany/Italy/Switzerland region.

The increase in sales came mainly from the strong growth in SaaS[5] subscriptions as well as in revenue related to maintenance and professional services, stemming from the licenses sold in 2018 and, more generally, from revenues generated by the growing base of customers.

[5] *SaaS = Software as a Service*

Continuous strong growth in Business Process Automation

Sales of Business Process Automation in the first half of 2019 were up organically by 20.5%, at €30 million.

This increase was due to the strong momentum in France, as well as in the United States, largely due to the development of new offers combined with Mail-related Solutions. Conversely, the United Kingdom/Ireland region recorded a decrease in revenue due to a decline in the number of license deals versus last year.

SaaS subscriptions were up strongly this semester, resulting in a high level of recurring revenue at close to 80% of the total sales of the activity. Business Process Automation also benefitted from an increase in the client base across all countries within Major Operations.

Good resilience in Mail-related Solutions thanks to growth in North America

Sales of Mail-related Solutions in the first half of 2019 were down organically by 2.1 %, at €360 million.

This good resilience was stemmed from growth recorded in North America, largely owing to a strong increase in hardware sales. It resulted from an optimized management of the installed base (renewal of leasing contracts), the acquisition of new customers as well as the development of new offers combined with Business Process Automation solutions.

The Main European countries experienced a moderate decline of their mail-related activities except in the Germany/ Italy/ Switzerland region where the decline was stronger.

The level of recurring revenue in this activity remains high at above 70%.

Acceleration in Parcel Locker Solutions

Sales of Parcel Locker Solutions in the first half of 2019 stood at €20 million, versus less than €4 million in the first half of 2018. It benefited from the consolidation of Parcel Pending, a US company acquired at the end of January 2019. Parcel Pending's integration is well underway. Its first-half 2019 sales growth was above 30%, strongly contributing to the 23.2% organic sales growth of the whole activity.

Additional Operations

Sales of Additional Operations in the first half of 2019 stood at €97 million. Excluding currency and scope effects linked to the divestments of Satori Software and Human Inference, sales recorded an organic growth of +8.2%.

This growth particularly reflects the good performance of each one of the major solutions. The Group specifically notes the good one-off performance of both Customer Experience Management in Asia-Pacific and the remaining of Europe and export markets in mail-related activity as well as the continuous expansion of Parcel Lockers in Japan. Other solutions (shipping software, Graphics, automated packing systems) are declining.

CHANGE IN P&L

Simplified P&L

In € million	**H1 2019**	H1 2018	Change
Sales	**557**	528	+5.5%
Current operating income before acquisition-related expenses	**93**	91	+2.3%
Current EBIT	82	85	-4.2%
Net attributable income	**47**	60	-21.8%
Earnings per share	1.24	1.61	-22.8%
Diluted earnings per share	1.18	1.50	-21.3%

Current operating income

The Group's **current operating income before acquisition-related expenses** stood at €93 million in the first half of 2019 versus €91 million one year earlier. This evolution is due:

- to the increase in means deployed in Major Operations in order to support the acceleration of growth in each Major Solution, including the integration of Parcel Pending, the launch of new verticals, the reinforcement of customer acquisition teams and marketing activities as well as an increase in R&D and innovation expenses;
- to a significant improvement in Additional Operations' profitability thanks to the top line growth, cost reductions, sales efficiency and a reduction in R&D expenses;
- and to a positive currency effect amounting to €3 million.

	H1 2019			**H1 2018**		
	Major Operations	Additional Operations	**Total Group**	Major Operations	Additional Operations	**Total Group**
Revenue	460	97	**557**	428	100	**528**
Current operating income[1]	93	0	**93**	96	-5	**91**

The current operating margin before acquisitions-related expenses stood at 16.6% of sales.

Acquisition-related expenses totaled €11 million, versus €6 million a year earlier. The change was notably due to the increase in the level of Group activity in terms of acquisitions and divestments.

Current operating income in the first half of 2019 amounted to €82 million, versus €85 million the previous financial year.

Operating income

The Group recorded €3 million in expenses for the **optimization of structures** in the first half of 2019, stable on the first half of 2018.

After recognizing these non-current items, **operating income** was down €3 million at €79 million in the first half of 2019, versus €82 million one year earlier.

Net income

Net cost of debt amounted to -€17 million, versus -€15 million in the first half of 2018. Group issued a *Schuldschein* private placement in the first half of 2019 in order to refinance its lines maturing in 2019 and early 2020. This resulted in carrying charges for an amount of €1 million. Moreover, the Group also recorded an interest expense amounting to €1 million, related to the implementation of the IFRS 16 standard.

In the first half of 2019, the Group also recorded **currency losses** of -€2 million, versus a gain of €1 million in the first half of 2018.

Net financial losses therefore came to -€19 million in in the first half of 2019, versus a loss of -€14 million in the first half of 2018.

The **corporate tax rate** ended at 22.6%, versus 12.5% in in the first half of 2018. This change represents a normalization of the tax rate compared with the first half of 2018 which benefited from the recognition of interest on arrears in relation to the cancellation of taxes on dividends[6] in France, for an amount of €5 million.

Net attributable income was down 21.8%, ending at €47 million. Diluted earnings per share stood at €1.18, versus €1.50 in the first half of 2018.

CASH FLOW GENERATION

EBITDA[7] totaled €137 million, versus €130 million in the first half of 2018, largely due to the implementation of the IFRS 16 standard. Excluding IFRS 16, EBITDA would have amounted to €125 million in the first half of 2019.

The **seasonal deterioration of working capital** occurring every year during the first half of the year was amplified this year by a temporary increase in inventories attributable to good momentum in equipment placements.

The Group recorded a further decrease in its **lease receivables**. The portfolio of leasing and other financing services reached €685 million as of July 31, 2019 versus €706 million as of January 31, 2019 representing an organic 4.3%-decrease.

Interest and taxes paid amounted to -€37 million in the first half of 2019 versus -€17 million one year earlier. The difference was mainly due to the €13 million received in France for dividend tax repayment and interest on arrears during the first half of 2018.

Investments in tangible and intangible fixed assets are in line with the guidance given during the announcement of the strategic plan. They amounted to €49 million compared to €40 million in the first half of 2018, when the Group benefitted of a €5 million-subsidy granted by the Japanese government for the roll-out of the Packcity parcel lockers in Japan.

[6] *The dividend tax repayment was booked to the income statement in FY 2017, but not the interest on arrears. The amounts in repayment of tax and interests were received in H1 2018.*
[7] *EBITDA = current operating income + provisions for depreciation of tangible and intangible fixed assets.*

In total, the Group generated **cash flow after capex** of €21 million (i.e. €10 million excluding the implementation of the IFRS 16 standard versus €55 million one year before). Given the seasonality of the cash flow generation which is higher in the second semester than in the first, thanks notably to the increase in deferred income, the Group is confident in its ability to reach a free cash flow conversion rate[8] above 50% in full-year 2019, excluding IFRS 16 impacts.

Additionally, in the first half of 2019, the Group paid €12 million in tax related to the capital gain made on the divestment of Satori Software realized at the end of the 2018 financial year. This amount was recorded in the line "Acquisitions net of divestments".

The **net debt**, as at July 31, 2019, stood at €709 million, versus €617 million as at January 31, 2019. This increase was mainly due to the implementation of the IFRS 16 standard leading to a €81 million increase of the net debt. The leverage ratio (net debt/EBITDA) was stable at 2.3 excluding the impact of the IFRS 16. The Group would like to point out that its net debt is fully backed by future cash flows coming from its rental and leasing activities.

Shareholders' equity was €1,277 million as at July 31, 2019, versus €1,247 million as at January 31, 2019. Gearing came out stable, at 49% of shareholders' equity excluding IFRS 16 impacts.

HIGHLIGHTS

Refinancing

On May 15, 2019, the Group announced that it has successfully raised the equivalent of EUR 210 million (EUR 130 million and USD 90 million) through a *Schuldschein*, a private placement loan issued under German law. This transaction, mainly intended to repay existing lines maturing in 2019 and early 2020, extends the average maturity of the Group's debt under very favorable conditions.

POST-CLOSING EVENTS

Phased shutdown of the activity of Australian subsidiary Temando

In September 2019, Quadient decided a phased shutdown of the activity of its subsidiary Temando (shipping software dedicated to e-commerce) which was part of its Additional Operations. The business will be subject to an orderly shutdown over time, subject to Temando's legal obligations to its customers and other stakeholders. This subsidiary recorded sales below 5 million euros and an operating loss of about 8 million euros in 2018.

Change in name

On September 23, the Group announced its decision to change its name to Quadient in place of Neopost. The choice of a unified and modern brand is the result of implementing a new Group organization as part of the Group's "Back to Growth" strategy, moving away from a holding company operating independent businesses to a single company with an integrated portfolio of solutions.

[8] *Free cash flow conversion rate = cash flow from operations after capex / current operating income before acquisition-related expenses*

2019 INDICATIONS

Thanks to the good performance recorded in the first half of 2019, Quadient is now expecting a slight organic sales growth for the full year 2019, versus sales almost stable previously.

The strength of current operating income[1] in the first half of the year confirms the Group's desire to accelerate the operational expenses required to roll out the strategic plan. It now expects to spend €15 million, mostly in the second half, i.e. the top of the range of €10 to €15 million announced in March 2019. In these conditions, the Group refines its outlook and expects now a current operating income[1] of between €180 and €185 million[3].

Quadient also confirms it expects a level of free cash flow generation[8] higher than 50% of its current operating income before acquisition-related expenses and excluding the impacts of IFRS 16 standard.

Reminder of the key aspects of the "Back to Growth" financial trajectory

The Group expects its sales to grow at an average mid-single digit rate[9] annually and its current operating income[1] at an average high-single digit rate[10] annually throughout the plan period, fueled by organic growth as well as M&A[10].

The Group is also targeting a rebalanced portfolio, which will lead to Mail-related Solutions representing less than 50% of sales by 2022, in order to be in a position to achieve sustainable low single digit organic sales growth.

Quadient will maintain a high level of free cash flow generation[8] throughout the plan with a minimum annual conversion ratio (free cash flow after capex / current operating income[1]) above 50% (excluding IFRS 16 impacts).

[9] Excluding currency effects
[10] €400 million net of divestments over the period

MEETING WEBCAST

Quadient has scheduled a meeting in Paris on **September 25, 2019** which will be webcast simultaneously from 8:30am Paris time / 7:30am London time. The meeting will be held in English. To join the webcast, click on the following link: Webcast. The recording of the webcast meeting will be available for a period of one year.

CALENDAR

The press release announcing third-quarter 2019 sales will be published on November 26, 2019 after market close.

About Quadient®

Quadient is the driving force behind the most meaningful customer experiences. By focusing on four key solution areas including Customer Experience Management, Business Process Automation, Mail-related Solutions, and Parcel Locker Solutions, Quadient helps simplify the connection between people and what matters. Quadient supports hundreds of thousands of customers worldwide in their quest to create relevant, personalized connections and achieve customer experience excellence. Quadient, listed in compartment A of Euronext Paris, belongs to the SBF 120 index.

For more information about Quadient, visit quadient.com/connections.

For more information, please contact:

Gaële Le Men, Quadient	**OPRG Financial**
Financial Communications Director	**Isabelle Laurent / Fabrice Baron**
+33 (0)1 45 36 31 39	+33 (0)1 53 32 61 51 /+33 (0)1 53 32 61 27
g.le-men@quadient.com / financial-communication@quadient.com	isabelle.laurent@oprgfinancial.fr / fabrice.baron@oprgfinancial.fr

Appendices:

Glossary

- **Major solutions:** the four major solutions in which Quadient has already acquired strong legitimacy and which have the potential to reach a significant size and have significant growth potential. There are: Customer Experience Management, Business Process Automation, Mail-related Solutions and Parcel Lockers Solutions. There are sold by both Major Operations and Additional Operations.
- **Major Operations:** the four major solutions in the two main geographies, i.e. North America and the main European countries.
- **Customer Experience Management:** solutions enabling companies to create, manage and provide omni-channel and personalized solutions on demand and in high volumes;
- **Business Process Automation:** range of business process automation solutions, especially in the field of invoicing flows (hybrid mail, accounts receivable, accounts payable);
- **Mail-related Solutions:** solutions linked to mail management, mainly franking machines, folders/inserters and mailroom shipping software
- **Parcel Locker Solutions:** automated parcel lockers system to solve “last-mile” delivery issues in high density urban areas;
- **Additional Operations:** the four major solutions operating outside the two main geographies, and the Group’s other activities including graphics, shipping software and the CVP automated packing system.
- **Other Solutions:** graphics, shipping software and the CVP automated packing system.
- **Other Geographies:** all countries outside the two main geographies, i.e. North America and the main European countries

Changes in Q2 2019 sales

In million euros	**Q2 2019**	Q2 2018	Change	Change at constant exchange rate	Organic change
Major Operations	**239**	**225**	**+6.0%**	**+3.4%**	**+0.3%**
Customer Experience Management	***27***	*25*	*+10.0%*	*+7.9%*	*+7.9%*
Business Process Automation	***16***	*14*	*+10.3%*	*+8.6%*	*+8.6%*
Mail-related Solutions	***183***	*184*	*-0.4%*	*-2.8%*	*-2.8%*
Parcel Locker Solutions	***13***	*2*	*+437%*	*+411%*	*+30.7%*
Additional Operations	**52**	**54**	**-2.9%**	**-3.3%**	**+8.8%**
Group total	**291**	**279**	**+4.3%**	**+2.1%**	**+1.8%**

In million euros	**Q2 2019**	Q2 2018	Change	Change at constant exchange rate	Organic change
Major Operations	**239**	**225**	**+6.0%**	**+3.4%**	**+0.3%**
North America	***131***	*110*	*+18.8%*	*+13.5%*	*+6.8%*
Main European Countries	***108***	*115*	*-6.2%*	*-6.3%*	*-6.3%*
Additional Operations	**52**	**54**	**-2.9%**	**-3.3%**	**+8.8%**
Group total	**291**	**279**	**+4.3%**	**+2.1%**	**+1.8%**

First half 2019

Consolidated income statement

In € million	**H1 2019 (period ended on July 31, 2019)**	H1 2018 (period ended on July 31,2018)
Sales	**557**	**528**
Cost of sales	(146)	(128)
Gross margin	**411**	**400**
R&D expenses	(25)	(28)
Sales expenses	**(136)**	(132)
Administrative and general expenses	(107)	(97)
Maintenance and other expenses	(51)	(52)
Employee profit-sharing and share-based payments	0	(0)
Current operating income before acquisition-related expenses	**93**	**91**
Acquisition-related expenses	(11)	(6)
Current operating income	**82**	**85**
Gains/(losses) on disposals and others	(0)	-
Structure optimization expenses, net of reversals	(3)	(3)
Operating income	**79**	**82**
Financial income/(expense)	(19)	(14)
Income before taxes	**60**	**68**
Income taxes	(14)	(9)
Share of results of associated companies	1	1
Net income	**47**	**60**
Minority interests	0	0
Net attributable income	**47**	**60**

Simplified consolidated balance sheet

Assets *In € million*	**31 July 2019**	**31 July 2018**	**31 January 2019**
Goodwill	1,140	1,076	1,127
Intangible fixed assets	141	186	138
Tangible fixed assets	228	139	149
Other non-current financial assets	66	73	64
Leasing receivables	685	702	706
Other non-current receivables	3	4	3
Deferred tax assets	5	5	6
Inventories	84	72	71
Receivables	198	205	230
Other current assets	87	100	85
Current financial instruments	0	2	0
Cash and cash equivalents	427	198	246
Assets held for sale	-	-	8
TOTAL ASSETS	**3,064**	**2,762**	**2,833**

Liabilities *In € million*	**31 July 2019**	**31 July 2018**	**31 January 2019**
Shareholders' equity	1,277	1,218	1,247
Long-term provisions	25	28	26
Non-current financial debt	902	816	674
Other non-current liabilities	8	13	7
Current financial debt	234	35	190
Deferred tax liabilities	145	158	145
Non-current financial instruments	0	0	0
Deferred income	165	179	193
Current financial instruments	1	0	0
Other current liabilities	307	315	345
Liabilities held for sales	-	-	6
TOTAL LIABILITIES	**3,064**	**2,762**	**2,833**

Simplified cashflow statement

In €millions	**H1 2019 (period ended on July 31, 2019)**	*H1 2019 excluding IFRS 16*	H1 2018 (period ended on July 31, 2018)
EBITDA	**137**	***125***	**130**
Other elements	(6)	*(6)*	(6)
Cash flow before net cost of debt and income tax	**131**	***119***	**124**
Change in the working capital requirement	(55)	*(55)*	(41)
Net change in leasing receivables	31	*31*	29
Cash flow from operating activities	**107**	***95***	**112**
Interest and tax paid	(37)	*(36)*	(17)
Net cash flow from operating activities	**70**	***59***	**95**
Capital expenditures	(49)	*(49)*	(40)
Net cash flow after investing activities	**21**	***10***	**55**
Acquisition of shares and granting of loans	(12)	*(12)*	(2)
Disposals of assets and other	-	-	1
Net cash flow after acquisitions and disposals	**9**	***(2)***	**54**
Capital increase	-	-	-
Dividends paid	-	-	(28)
Change in debt and other	173	*184*	(34)
Net cash flow from financing activities	**173**	***184***	**(62)**
Cumulative translation adjustments on cash	(2)	*(2)*	14
Change in net cash position	**180**	***180***	**6**