Quadient – Good resilience in the 2020 first half results and continued delivery on key strategic initiatives across all solutions

H1 2020 highlights

- **Strong free cash flow**[1] **generation of €76 million** in H1 2020 (vs. €21 million in H1 2019) reinforcing our **robust liquidity position of €933 million**, and **low leverage of 0.8x excluding leasing**[2] as at 31 July 2020;
- **Solid business fundamentals** with **continued resilience of recurring revenue** even in the context of the COVID-19 health crisis (-5.9% organically vs. H1 2019, of which **-4.5% for Major Operations**);
- **Sales of €485 million in H1 2020,** a contained organic decline of 12.8%[3] vs. H1 2019, of which **-10.5% for Major Operations**;
- **Gradual sales recovery** starting from May, driven by Business Process Automation and Parcel Locker Solutions activities;
- **Current EBIT**[4] **at €61 million** in H1 2020 (vs. €93 million in H1 2019), with profitability enforced by active cost management – **EBITDA margin of 21.5%** and **gross margin stable at 73.4%** in H1 2020 (vs. 24.6% and 73.8% respectively in H1 2019);
- **Net attributable income at €21 million** in H1 2020 (vs. €47 million in H1 2019)

Business development and commercial successes

- **Several new multi-year contracts signed in the Retail/Carrier sectors worth more than €60 million** , including notably:
  - **First major contract in the US retail sector with Lowes** for the nationwide deployment of 1,700+ parcel lockers;
  - **New contract in Japan with Yamato** for the roll-out of 3,000 parcel lockers Lite;
- **Acquisition of leading FinTech company YayPay™**, specialized in *SaaS* Accounts Receivable automation solutions;
- **Launch of new innovative products:** Quadient® Impress™, Parcel Locker Lite™, iX-series.

2020 outlook

Thanks to its business portfolio, Quadient is uniquely positioned to continue to benefit from the acceleration of the shift towards digital solutions and e-commerce booming.

After the resilient performance recorded in the first half of 2020, revenue trend is expected to improve in the second half of 2020, driven by the growth in Business Process Automation and Parcel Locker Solutions activities.

Excluding unfavorable development with regards to the COVID-19 health crisis and worsening economic environment in the coming months, Quadient expects for full-year 2020[5] :

- **Organic sales decline of around 10% compared to full-year 2019;**
- **Current EBIT**[4] **in the range of €135 million to €145 million**[6]**;**
- **Free cash flow**[1] **above €100 million**[6]**.**

Paris, 28 September 2020,

Quadient (Euronext Paris: QDT), a leader in business solutions for meaningful customer connections through digital and physical channels, today announces its 2020 second-quarter consolidated sales and first-half results.

---

[1] *Cash flow after capital expenditure.*
[2] *Including IFRS 16.*
[3] *H1 2020 sales are compared to H1 2019 sales, from which is deducted revenue from ProShip for an amount of €4.3 million, and are restated of a € 3.1 million positive currency impact over the period. Q2 2020 sales are compared to Q2 2019 sales, from which is deducted revenue from ProShip for an amount of € 2.6 million, and are restated of a € 0.2 million negative currency impact over the period.*
[4] *Current operating income before acquisition-related expenses.*
[5] Based on *H1 2020 average exchange rates.*
[6] *The indications given up to 2022 as part of the "Back to Growth" plan remain suspended.*

Geoffrey Godet, Chief Executive Officer of Quadient, stated: *"Thanks to the strength of our highly recurring business model, the tight cost management measures we have implemented and the agility we have demonstrated throughout the difficult economic environment that we have faced, Quadient has succeeded to maintain a high level of profitability with EBITDA margin in excess of 21% and preserve a very robust liquidity position during the first half of the year. Overall, our three growth engines remained broadly stable, proving the relevance of Quadient's transformation into an integrated provider of software solutions and smart hardware. Our recurring business model with both software subscription revenues on the one hand, and leasing and rental revenues on the other hand, helped to mitigate some of the impact of the COVID-19 crisis had on mail equipment, supplies, services and license sales which have been severely restricted by the lockdown situation."*

"The current context makes Quadient's solutions more relevant than ever and we are uniquely positioned to benefit in the future from the accelerated adoption by our customers of multichannel and personalized digital communications solutions and more effective last-mile delivery management solutions due to ecommerce booming", he added.

"In the meantime, we have relentlessly pursued the execution of our strategy, as evidenced by the multiple initiatives carried across our four solutions. We have launched several new innovative products such as a fully-integrated cloud platform for customer document management, a new series of franking machines and compact parcel lockers . In Parcel Locker Solutions, we have entered into new markets including the UK Residential sector and the US Retail sector on the back of an agreement with a top 10 US retail chain, and we also signed a new parcel locker contract with Yamato in Japan. Moreover, we secured promising distribution agreements in the field of Customer Experience Management. Lastly, we kept on reshaping our business portfolio with the divestment of ProShip and the acquisition of YayPay, a leading US FinTech specialized in Account Receivable automation. All these developments will help our customers and positively contribute to the future of Quadient", he concluded.

RESILIENT RECURRING REVENUE IN H1 2020

Quadient's strategy is to promote recurring revenues in all solutions through *SaaS* subscription and rental sales in particular. In the first half of 2020, the Group's business model has proved once again resilient, with solid recurring revenue performance, despite difficult trading and economic conditions.

Consolidated sales stood at €485 million in the first half of 2020, a contained decline of -12.9% compared to the first half of 2019. Organic change stood at -12.8% (excluding currency impacts and scope effects related to the divestment of ProShip in February 2020).

Recurring revenue (75% of total sales) recorded a limited organic decline of 5.9% in H1 2020 compared to H1 2019, helping to mitigate the 28.3% organic decline experienced in hardware and license sales.

In million euros	**H1 2020**	H1 2019	Change	Change at constant rates	**Organic change**
Major Operations	**437**	483	-9.6%	-10.5%	**-10.5%**
Customer Experience Management	*61*	*65*	*-5.2%*	*-5.5%*	*-5.5%*
Business Process Automation	*31*	*30*	*+1.6%*	*+1.1%*	*+1.1%*
Parcel Locker Solutions	*32*	*28*	*+12.0%*	*+9.4%*	*+9.4%*
Mail-Related Solutions	*313*	*360*	*-13.1%*	*-13.9%*	*-13.9%*
Additional Operations	**48**	74	-34.5%	-33.1%	**-28.9%**
Group total	**485**	**557**	**-12.9%**	**-13.5%**	**-12.8%**

In million euros	**H1 2020**	H1 2019	Change	Change at constant rates	**Organic change**
Major Operations	**437**	483	-9.6%	-10.5%	**-10.5%**
North America	*239*	*250*	*-4.5%*	*-6.0%*	*-6.0%*
Main European countries[(a)]	*173*	*210*	*-17.4%*	*-17.6%*	*-17.6%*
International[(b)]	*25*	*23*	*+4.8%*	*+4.8%*	*+4.8%*
Additional Operations	**48**	74	-34.5%	-33.1%	**-28.9%**
Group total	**485**	**557**	**-12.9%**	**-13.5%**	**-12.8%**

(a) Austria, Benelux, France, Germany, Ireland, Italy, Switzerland, United Kingdom.
(b) International includes the activities of Parcel Lockers Solutions in Japan and of Customer Experience Management outside of North America and the Main European countries. The breakdown of H1 2019 revenue by segment and activity has been restated accordingly.

Major Operations supported by the performance of growth engines

In the first half of 2020, **Major Operations** posted revenue of €437 million (90% of total sales), down 10.5% on an organic basis compared to the first half of 2019. The resilience of recurring revenue (77% of Major Operations sales), down only 4.5% organically vs. H1 2019, with strong growth in both Parcel Locker Solutions and Business Process Automation activities, helped partially mitigate the impact of hardware equipment and license sales decline.

Sales in **North America** recorded a moderate organic decrease (-6.0%) in H1 2020, thanks to strong double-digit growth in Customer Experience Management activity with a very dynamic activity in professional services and in license sales.

Main European countries posted a sharper organic sales decline (-17.6%) in H1 2020 due to tougher impact of social distancing measures.

The **International** segment delivered a solid organic sales growth (+4.8%) in H1 2020, driven by the strong increase of rental revenue from Parcel Locker Solutions in Japan, mitigated by a high comparable base in Q2 2019 for Customer Experience Management, which benefited from two large deals.

Customer Experience Management

In the first half of 2020, **Customer Experience Management** sales stood at €61 million, down 5.5% organically compared to the first half of 2019. Recurring revenue (77% of Customer Experience Management sales) showed a very good resilience (-2.5%) with a continuous significant increase in revenue from *SaaS*[7] subscription and growth in maintenance revenue. This performance was offset by the decline in revenue from professional services, mainly operated on-site and thus affected by social distancing measures.

License sales (-14.4%) were affected by a high comparable base in Q2 2019. Moreover, in the social-distancing context, go-to-market was more difficult with large accounts, weighing on new customer acquisitions. Quadient however succeeded in gaining customers in its traditional verticals as well as newer verticals like Governments, Telcommunications and Utilities. Answering customer demand, the progressive shift from on-premise licenses to *SaaS*-based subscription model impacted license sales by reinforcing the recurrent revenue model of Quadient going-forward.

Sales in North America recorded strong double-digit growth, reflecting good business momentum and a favorable comparable base in H1 2019. Conversely, sales in main European countries were affected by more severe social distancing measures and unfavorable comparable base in professional services in H1 2019. International sales were also down due to a high comparable base in H1 2019.

[7] *SaaS = Software as a Service*

Business Process Automation

In the first half of 2020, **Business Process Automation** sales stood at €31 million, up 1.1% organically compared to the first half of 2019.

This increase reflected the strong growth in *SaaS* revenue thanks to increased level of *SaaS* subscriptions recorded in the previous quarters. This shift in customer demand to *SaaS*-mode solutions, particularly in North America and France, contributed to double-digit growth in recurring revenue (+13.2%), representing 88% of Business Process Automation sales in H1 2020. In addition, the Group continued its campaigns to accelerate new customer acquisitions under this subscription model in all regions, with a particularly positive effect on contract activations across North America. The good performance from recurring revenue was partly offset by the decrease in revenue linked to volume-based usage related to Business Process Automation platforms, particularly in the Property Management sector in France. However, this trend tends to reverse at the end of H1 2020, with an improvement in volume-based activity.

License sales, even if representing a relatively small portion of Business Process Automation revenue, were strongly impacted (-43.9%), mainly due to the lower traction of bundled offers with Mail-Related Solutions as the COVID-19 context made more difficult the placement of new hardware equipment.

Parcel Locker Solutions

In the first half of 2020, **Parcel Locker Solutions** sales stood at €32 million, up 9.4% organically compared to the first half of 2019, due to the strong growth of recurring revenue (+35.2%), representing 64% of Parcel Locker Solutions sales in H1 2020.

In Japan, the rental-based model proved its strength with strong double-digit revenue growth in H1 2020, due to the increase of the installed base in the previous quarters, despite some slowdown in new installations in Q2 2020. In the US, the Property Management sector experienced a strong growth in subscription. In addition, recurring revenue benefited from the increase in maintenance and consumption/usage activity (e.g., resident fees, storage fees).

Hardware sales (-18.3%) were impacted by social distancing measures, especially in the Property Management and Corporate/University sectors in the US, leading to delays in installations. Bookings were also affected by the economic situation that led to new construction projects being postponed. Moreover, the comparable base was very tough as Q2 2019 delivered strong performance, while Q2 2020 suffered from deals on hold due to institutions focusing on other priorities.

Mail-Related Solutions

In the first half of 2020, **Mail-Related Solutions** sales stood at €313 million, down 13.9% organically compared to the first half of 2019. Recurrent revenue (77% of Mail-Related Solutions sales), largely supported by multi-year contracts, posted a more moderate decline (-8.7%), benefiting from the good level of new hardware placements in 2019, especially in North America.

Revenue from consumables (ink cartridges) were impacted by the COVID-19 context, but the decrease was less pronounced from May with a gradual recovery in volumes as usage started to return. While the level of activity showed improving trends compared to the second half of Q1 2020, the recovery was still limited due to remote working linked to social distancing measures.

In this context, new hardware placements were affected (-27.6%), especially for large deals (e.g. production mail), in spite of the increase in remote sales (telesales or sales by email). The decline continued to be less marked in North America than in Europe and this trend was amplified by less stringent social distancing measures in place in North America. However, Quadient recorded a progressive recovery from May from the lows experienced in April.

Additional Operations

In the first half of 2020, **Additional Operations** recorded revenue of €48 million (10% of total sales), down 28.9% on an organic basis compared to the half of 2019. This mainly reflected a drop in revenue from graphics and Mail-Related Solutions sales in the Nordics and Australia, as well as weaker revenue related to the export business (e.g. OEM contracts with third-party Mail-Related Solutions distributors) due to high comparable base in H1 2019. It reflects as well the lower level of recurring revenues in this segment. Furthermore, Quadient sold 4 CVP units of automated packing systems in H1 2020 (vs. 6 units in H1 2019).

Q2 2020 SALES RECOVERED FROM LOWS OF APRIL

In the second quarter of 2020, from May, Quadient has benefited from improving business trends, driven by its growth engines and partial recovery of the Mail Related business versus the trend experienced during the second half of the first quarter. However, the continuation, sometimes loosened, of social distancing measures weighted on the pace of recovery.

Consolidated sales stood at €246 million in the second quarter of 2020, down 14.6% organically compared to the second quarter of 2019 (excluding currency impacts and scope effects related to the divestment of ProShip in February 2020).

Major Operations sales stood at €222 million in Q2 2020, down 12.0% organically compared to Q2 2019, driven by the resilience of recurring revenue (-5.3%).

Customer Experience Management sales stood at €31 million in Q2 2020, down 11.0% organically compared to the Q2 2019, due to a high comparable base in licenses sales and the impact of social distancing measures on professional services and lead generations. *SaaS* revenues subscriptions however continued to grow very strongly.

Business Process Automation sales stood at €16 million at the end of Q2 2020, slightly down by 2.5% organically compared to Q2 2019. As for Customer Experience Management, the activity continued to experience a strong demand for digital solutions under *SaaS* model. However, revenues were affected by a decline in licenses sales through bundled offers with Mail-Related Solutions and in volume-based activities, especially in the Property Management sector in France, even if this latest trend starts to reverse at the end of the quarter.

Parcel Locker Solutions sales stood at €17 million in Q2 2020, slightly down by 1.9% organically compared to Q2 2019. This reflected a high comparable base in the Corporate/University sectors in the US in Q2 2019, while booking and installation dynamics were slowed by delays in new building projects in the Property Management sector. In addition, cancellation and postponement of tradeshows impacted lead generations. In Japan, the rental-based model proved its strength with strong double-digit revenue growth in Q2 2020, due to the increase of the installed base in the previous quarters.

Mail-Related Solutions sales stood at €158 million in Q2 2020, down 13.9% organically compared to Q2 2019, experiencing improving trend compared to the second half of Q1 2020. The recovery is still limited by the social distancing measures in place, impacting hardware sales and placements and, to a lower extent than in Q1 2020, supplies.

Additional Operations sales stood at €24 million in Q2 2020, down 32.5% organically compared to Q2 2019.

REVIEW OF 2020 FIRST-HALF RESULTS

Simplified P&L

In € million	**2020**	2019	Change
Sales	**485**	**557**	-12.9%
Gross profit	356	411	-13.4%
EBITDA	104	137	-24.0%
Current operating income before acquisition-related expenses	**61**	**93**	-34.2%
Current operating income	50	82	-39.0%
Net attributable income	**21**	**47**	-54.5%
Earnings per share	0.50	1.24	-59.7%
Diluted earnings per share	0.50	1.18	-57.6%

Operating income enforced by active cost management

	2020			**2019**		
	Major Operations	Additional Operations	**Group total**	Major Operations	Additional Operations	**Group total**
Revenue	437	48	**485**	483	74	557
Current operating income before acquisition-related expenses	65	(4)	**61**	96	(3)	93

Current operating income before acquisition-related expenses stood at €61 million in H1 2020 compared to €93 million in H1 2019, mainly reflecting the decrease in revenue. Active cost management in both cost of sales and operating expense levels partially helped protect the profitability.

Gross margin remained broadly stable at 73.4% in H1 2020 compared to 73.8% in H1 2020, despite a significant volume effect, due to the built-in flexibility of the cost base resulting from a high proportion of outsourcing in hardware manufacturing (90% of mail equipment, 100% of parcel lockers) and a more favorable mix. Moreover, continued tight cost optimization measures helped to generate approximately €23 million of savings in operating expenses, before impact of bad debt, in H1 2020, while allowing the Group to maintain ongoing investment efforts to support the implementation of its strategic initiatives.

Current operating margin before acquisitions-related expenses stood at 12.6% of sales in H1 2020 compared to 16.6% in H1 2019.

Acquisition-related expenses reached €11 million in H1 2020, a stable level compared to H1 2019, and notably included costs associated with the divestment of ProShip (bonus contingent to the closing of the transaction) and the acquisition of YayPay (non-recourse loans to the founders).

Current operating income totaled €50 million in H1 2020 compared to €82 million in H1 2019.

Optimization and other operating expenses amounted to €8 million in H1 2020 compared to €3 million in H1 2019, including costs related to the shutdown of Temando and increased restructuring expenses associated with cost optimization measures.

Operating income totaled €42 million in H1 2020 compared to €79 million in H1 2019.

Net attributable income of €21 million

The **net cost of debt** amounted to -€16 million in H1 2020 compared to -€17 million in H1 2019, reflecting the positive impact from 2019/2020 refinancing operations on interest expenses.

The Group reduced its **currency losses and other financial items** to -€1 million in H1 2020 compared to -€2 million in H1 2019.

As a result, **net financial result** was a loss of -€17 million in H1 2020 compared to a loss of -€19 million in H1 2019.

Income tax amounted to -€3 million in H1 2020 compared to -€14 million in H1 2019, mainly thanks to the benefit of tax loss carry-back measures implemented in the US in H1 2020 to support corporates in the COVID-19 context.

The **corporate tax rate** stood at 11.1% in H1 2020 compared to 22.6% in H1 2019. Excluding non-recurring items, corporate tax rate would have been at 22.8% in H1 2020.

Net attributable income amounted to €21 million in H1 2020 compared to €47 million in H1 2019. **Earnings per share** stood at €0.50 in H1 2020 compared to €1.24 in H1 2019.

STRONG CASH FLOW GENERATION

EBITDA[8] totaled €104 million in H1 2020 compared to €137 million in H1 2019, reflecting lower current operating income and broadly stable depreciation and amortization. EBITDA margin stood at 21.5% in H1 2020 compared to 24.6% in H1 2019.

The change in **working capital** generated a net cash outflow of €25 million in H1 2020 compared to a net cash outflow of €55 million in H1 2019. This mainly reflected the lower level of activity, as well as the postponement of payments of some social and VAT charges to H2 2020 in several countries.

The Group recorded a higher decrease in its **lease receivables** (€54 million in H1 2020 compared to €31 million in H1 2019) due to lower placements of new equipment in the current context of social distancing.

The **leasing portfolio and other financing services** amounted to €613 million as at 31 July 2020 compared to €698 million as at 31 January 2020, representing an organic decrease of 7.6% in H1 2020 versus an organic decrease of 4.3% in H1 2019.

At the end of H1 2020, the default rate of the leasing portfolio stood at around 1.7%.

Interest and taxes paid totaled -€16 million in H1 2020 compared to -€37 million in H1 2019, mainly thanks to the positive impact from 2019/2020 refinancing operations on interest expenses and reduced amount of tax paid.

Capital expenditure amounted to €39 million in H1 2020 compared to €49 million in H1 2019. This reflected lower investments related to maintenance, in line with decreased level of activity, and reduced investments related to Parcel Locker Solutions in Japan (mostly due to a high comparable base in 2019), as well as in rented mail equipment.

In total, the Group recorded **cash flow after capital expenditure** of €76 million in H1 2020 compared to €21 million in H1 2019.

[8] EBITDA = current operating income + provisions for depreciation of tangible and intangible fixed assets.

IMPROVED LEVERAGE AND ROBUST LIQUIDITY POSITION

Net debt was reduced by 82 millon to €586 million as at 31 July 2020, from €668 million as at 31 January 2020. The leverage ratio (net debt/EBITDA) slightly improved at 2.3x[9] as at 31 July 2020 compared to 2.4x[9] as at 31 January 2020. The Group's net debt is backed by future cash flows generated from its rental and leasing activities.

Excluding leasing, the leverage ratio remained low at 0.8x[9] as at 31 July 2020 compared to 0.9x[9] as at 31 January 2020.

Shareholders' equity amounted to €1,221 million as at 31 July 2020 compared to €1,249 million as at 31 January 2020. The gearing[10] ratio decreased to 48% of shareholders' equity as at 31 July 2020 compared to 54% as at 31 January 2020.

The Group has a robust **liquidity position** of €933 million as at 31 July 2020, of which €533 million in cash and €400 million of undrawn credit line, the latter maturing in 2024.

2020 OUTLOOK

Thanks to its business portfolio, Quadient is uniquely positioned to continue to benefit from the acceleration of the shift towards digital solutions and e-commerce booming.

After the resilient performance recorded in the first half of 2020, revenue trend is expected to improve in the second half of 2020, driven by the growth in Business Process Automation and Parcel Locker Solutions activities.

Excluding unfavorable development with regards to the COVID-19 health crisis and worsening economic environement in the coming months, Quadient expects for full-year 2020[11] :

- Organic sales decline of around 10% compared to full-year 2019;
- Current EBIT[12] in the range of €135 million to €145 million[13];
- Free cash flow[14] above €100 million[13].

[9] *Including IFRS 16.*
[10] *Net debt / shareholders' equity*
[11] Based on *H1 2020 average exchange rates.*
[12] *Current operating income before acquisition-related expenses.*
[13] *The indications given up to 2022 as part of the "Back to Growth" plan remain suspended.*
[14] *Cash flow after capital expenditure.*

BUSINESS HIGHLIGHTS

Quadient continued to actively execute its "Back to Growth" strategy in the first half of H1 2020, leading to the implementation of multiple strategic initiatives across all solutions, which encompassed new innovative product launches, new contracts and partnerships, as well as further reshaping of the portfolio with one divestment (ProShip) and one acquisition (YayPay).

Acquisition of leading FinTech company YayPay™, specialized in Accounts Receivable automation

On 29 July 2020, Quadient announced the acquisition of YayPay, a best-in -class and rapidly growing company at the forefront of *SaaS* accounts receivable (AR) automation solutions. Founded in 2015, YayPay provides a combination of automated invoice delivery paired with collections management, credit assessment, payment and cash application solutions, delivering a comprehensive cloud-based platform to more than 3,000 users globally. YayPay's solution also combines real-time reporting with artificial intelligence to provide companies insight into future payer behavior and how it impacts their cash flow, helping them reduce write-offs and Days Sales Outstanding (DSOs). The acquisition of YayPay will expand Quadient's Business Process Automation offer, notably complementing its cloud-based platform Quadient® Impress™, a multichannel document automation platform for small and medium businesses. YayPay is based in New York and has a team of nearly 60 people.

Quadient owns c.87% in the parent company of YayPay. The purchase price, excluding transaction-related costs, amounted to more than €17 million.

Global Partnership with Infosys to enhance delivery of Customer Experience Management solutions

On 23 July 2020, Quadient announced that Infosys has become a Platinum Business Partner in Quadient's Partner Advantage Program. Infosys is a global provider of next-generation digital services and consulting. Under the partnership, it aims to leverage and supply Quadient solutions to provide businesses with the leading omnichannel Customer Communication Management (CCM) platform and the capability to meet complex communication needs, while being aligned to their customer experience strategy. Additionally, Infosys and Quadient will jointly develop innovative solutions in the customer experience management (CXM) space, making demonstrations available at Infosys technology and innovation hubs.

Introduction of iX-Series Mailing Systems to US Market

On 30 June 2020, Quadient announced the launch of the iX-Series Mailing Systems and S.M.A.R.T. Mail Center software in the US, designed to meet the needs of small, medium and large businesses across a variety of industry verticals. The new series brings customers additional features and technology updates while meeting the latest requirements of the US Postal Service. This development initiative is part of Quadient objective to extend its leadership in the mail industry in the US, as outlined in the frame of its Back to Growth strategy.

Further expansion of Quadient Parcel Lockers Solution offering and activity

Combining the expertise of recently acquired US-based Parcel Pending with its longstanding global leadership in parcel locker solutions for carriers, retailers, commercial buildings or universities, Quadient has adopted the "Parcel Pending by Quadient" brand across its entire parcel locker portfolio in North-America and Europe since June 2020.

On 22 June 2020, Quadient announced the simultaneous launch in France, Japan, the UK and the US of Parcel Locker Lite™, a new series of compact and modular parcel lockers, designed to facilitate the roll-out and accelerate the adoption of parcel locker solutions at an affordable cost by customers with smaller floor areas and lower volumes of parcels.

In Japan, Quadient signed in Q1 2020 a new contract with Yamato concerning the installation of 3,000 Parcel Locker Lite units for its pick-up and drop-off sites that include convenience stores, train stations, supermarkets and drugstores. Rollout has started last summer and will continue through 2023.

On 16 July 2020, Quadient announced the launch of Parcel Pending by Quadient for multi-tenant residential buildings across the UK. The customizable parcel locker systems provide seamless management of incoming packages through an automated parcel process, securing delivery, storage and pick-up, enhancing resident satisfaction and improving operational efficiency.

Successful Launch of Cloud-based Platform Quadient® Impress™ for small and medium-size businesses

On 16 June 2020, Quadient announced the general availability of Quadient® Impress™, a user-friendly outbound document automation platform that automates the customer communication workflow for small and medium businesses (SMBs). The comprehensive cloud-based platform provides the flexibility to prepare and send single or batch transactional documents to customers through any combination of channels—print, digital or outsourced.

Quadient Impress is a major milestone in the consolidation and streamlining of the Company's Business Process Automation solutions into a single software platform integrating four suites of applications (Automate, Portal, Dispatch, and Outsourced Hybrid Mail). The Impress software RD development benefited from strong RD synergies from its flagship Inspire (CXM) platform. More than 140 new customers have been acquired since the launch.

Divestment of ProShip

In February 2020, Quadient announced the sale of its subsidiary, ProShip, a global provider of automated multi-carrier shipping software, to FOG Software Group, a division of Constellation Software, Inc., a company listed in Toronto. The transaction was closed on 28 February 2020 and the selling price totaled 15 million US dollar.

POST-CLOSING EVENTS

Major contract in the US retail sector with Lowes

In September 2020, Quadient announced it has signed with Lowes, an US-based retail chain specializing in home improvement, a major contract for the deployment of Parcel Lockers Solutions in the US retail sector. The nationwide rollout of more than 1,700 self-service parcel lockers is planned. Lowes ranks amongst the top 10 US retailers with more than 2,200 stores.

Quadient Named Finalist in Two Categories in the Parcel and Postal Technology International Awards 2020

On 8 September 2020, Quadient announced it achieved finalist status in two categories in the Parcel and Postal Technology International (PPTI) Awards 2020 for its Parcel Pending Lite and CVP Everest solutions. The PPTI Awards recognize the latest developments in the postal sector.

Repayment of all borrowings contracted under US private placements, for a total of USD 115 million

On 4 September 2020, Quadient proceeded to the repayment of all borrowings contracted under US private placements, for a total amount of 115 million US dollar. On top of the mandatory repayment of 30 million US dollar scheduled for September 2020, Quadient decided the early repayment of 85 million US dollar of debt, maturing in 2021 (35 million US dollar) and 2022 (50 million US dollar). This operation is in the straight continuation of the Group's policy aiming at managing its balance sheet in a dynamic way and at optimizing its financing resources.

The impact on the Group's cost of net debt will be slightly positive over the remaining term of the early-repaid borrowings.

CONFERENCE CALL & WEBCAST

Quadient will host a conference call and webcast on **28 September 2020** at 6:15pm Paris time (5:15pm London time). The meeting will be held in English.

To join the webcast, click on the following link: Webcast.

To join the conference call, please use one of the following phone number:

▪ France: +33 (0) 1 70 37 71 66;
▪ United States: +1 212 999 6659;
▪ United Kingdom: +44 (0) 20 3003 2666;
▪ Switzerland: +41 (0) 43 456 9986.

Password: Quadient.

A replay of the audio webcast will be available for a period of one year.

CALENDAR

- October 2020: **Education session on Customer Experience activity** (event details will be communicated later);
- 24 November 2020: **Q3 2020 sales release** (after close of trading on the Euronext Paris regulated market).

About Quadient®

Quadient is the driving force behind the world's 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 is listed in compartment B of Euronext Paris (QDT) and is part of the CAC® Mid & Small and EnterNext® Tech 40 indices.

For more information about Quadient, visit https://invest.quadient.com/en-US.

Contacts

Laurent Sfaxi, Quadient
+33 (0)1 45 36 61 39
l.sfaxi@quadient.com
financial-communication@quadient.com

OPRG Financial
Isabelle Laurent / Fabrice Baron
+33 (0)1 53 32 61 51 /+33 (0)1 53 32 61 27
isabelle.laurent@oprgfinancial.fr
fabrice.baron@oprgfinancial.fr

Caroline Baude, Quadient
+33 (0)1 45 36 31 82
c.baude@quadient.com

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. The Solutions are: Customer Experience Management, Business Process Automation, Parcel Lockers Solutions and Mail-related Solutions. These Solutions are sold by both Major Operations and Additional Operations.
    - **Customer Experience Management:** Solutions enabling companies to create, manage and provide omnichannel 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);
    - **Parcel Locker Solutions:** Automated parcel lockers system to solve "last-mile" delivery issues in high density urban areas;
    - **Mail-Related Solutions:** Solutions linked to mail management, mainly franking machines, folders/inserters and mailroom shipping software.
- **Major Operations:** The four major solutions in the two main geographies, i.e. North America and the main European countries, as well as the activities of Parcel Locker Solutions in Japan and of Customer Experience Management in the International segment.
- **Additional Operations:** Mail-Related Solutions, Business Process Automation and Parcel Locker Solutions (excluding Japan) outside Major Operations, and the Group's Other Solutions 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.

Change in Q2 2020 sales

In million euros	**Q2 2020**	Q2 2019	Change	Change at constant rates	**Organic change**
Major Operations	**222**	252	-11.9%	-12.0%	-12.0%
Customer Experience Management	*31*	*36*	*-11.4%*	*-11.0%*	*-11.0%*
Business Process Automation	*16*	*16*	*-2.5%*	*-2.5%*	*-2.5%*
Parcel Locker Solutions	*17*	*17*	*-1.0%*	*-1.9%*	*-1.9%*
Mail-Related Solutions	*158*	*183*	*-13.8%*	*-13.9%*	*-13.9%*
Additional Operations	**24**	39	-38.1%	-37.0%	-32.5%
Group total	**246**	**291**	**-15.4%**	**-15.3%**	**-14.6%**

In million euros	**Q2 2020**	Q2 2019	Change	Change at constant rates	**Organic change**
Major Operations	**222**	252	-11.9%	-12.0%	-12.0%
North America	*121*	*131*	*-7.5%*	*-7.7%*	*-7.7%*
Main European countries	*88*	*108*	*-18.0%*	*-18.1%*	*-18.1%*
International	*13*	*13*	*-5.5%*	*-4.2%*	*-4.2%*
Additional Operations	**24**	39	-38.1%	-37.0%	-32.5%
Group total	**246**	**291**	**-15.4%**	**-15.3%**	**-14.6%**

FIRST-HALF 2020

Consolidated income statement

In € million	**H1 2020 (period ended on 31 July 2020)**	**H1 2019 (period ended on 31 July 2019)**
Sales	**485**	**557**
Cost of sales	(129)	(146)
Gross margin	**356**	**411**
R&D expenses	(25)	(25)
Sales expenses	(126)	(136)
Administrative and general expenses	(101)	(107)
Maintenance and other expenses	(45)	(51)
Employee profit-sharing and share-based payments	2	0
Current operating income before acquisition-related expenses	**61**	**93**
Acquisition-related expenses	(11)	(11)
Current operating income	**50**	**82**
Gains/(losses) on disposals and others	(0)	(0)
Structure optimization expenses, net of reversals	(8)	(3)
Operating income	**42**	**79**
Financial income/(expense)	(17)	(19)
Income before taxes	**25**	**60**
Income taxes	(3)	(14)
Share of results of associated companies	0	1
Net income	**22**	**47**
Minority interests	(1)	0
Net attributable income	**21**	47

Simplified consolidated balance sheet

Assets *In € million*	**31 July 2020**	**31 July 2019**	**31 January 2020**
Goodwill	1,040	1,140	1,045
Intangible fixed assets	129	141	130
Tangible fixed assets	213	228	235
Other non-current financial assets	62	66	69
Leasing receivables	613	685	698
Other non-current receivables	3	3	4
Deferred tax assets	18	5	9
Inventories	75	84	77
Receivables	187	198	233
Other current assets	105	87	96
Cash and cash equivalents	533	427	498
Assets held for sale	-	-	21
TOTAL ASSETS	**2,978**	**3,064**	**3,115**

Liabilities *In € million*	**31 July 2020**	**31 July 2019**	**31 January 2020**
Shareholders' equity	1,221	1,277	1,249
Long-term provisions	25	25	29
Non-current financial debt	822	902	1,055
Other non-current liabilities	1	8	1
Current financial debt	297	234	112
Deferred tax liabilities	144	145	135
Deferred income	168	165	198
Financial instruments	4	1	2
Other current liabilities	296	307	327
Liabilities held for sales	0	-	7
TOTAL LIABILITIES	**2,978**	**3,064**	**3,115**

Simplified cash flow statement

In €millions	H1 2020 (period ended on 31 July 2020)	H1 2019 (period ended on 31 July 2019)
EBITDA	**104**	**137**
Other elements	(2)	(6)
Cash flow before net cost of debt and income tax	**102**	**131**
Change in the working capital requirement	(25)	(55)
Net change in leasing receivables	54	31
Cash flow from operating activities	**131**	**107**
Interest and tax paid	(16)	(37)
Net cash flow from operating activities	**115**	**70**
Capital expenditure	(39)	(49)
Net cash flow after investing activities	**76**	**21**
Impact of changes in scope	(9)	(12)
Disposals of fixed assets	0	0
Others	1	0
Net cash flow after acquisitions and disposals	**68**	**9**
Capital increase	-	-
Share buyback	(1)	0
Dividends paid	-	-
Change in debt and others	(33)	173
Net cash flow from financing activities	**(34)**	**173**
Cumulative translation adjustments on cash	(1)	(2)
Change in net cash position	**33**	**180**