Quadient unveils the second phase of its "Back to Growth" strategic plan, aimed at delivering sustainable value

Key highlights

- **"Back to Growth – Transform" (phase 1 of the plan) successfully completed**
  - ✓ Software and parcel locker solutions revenue up from 18% of total revenue in 2018 to 27% in 2020
  - ✓ Promising acquisitions (Parcel Pending, YayPay, Beanworks) and several divestments achieved, resulting in circa €105 million net cash spent in M&A over the period
  - ✓ Circa €100 million of revenue and cost synergies generated in 2020
  - ✓ Subscription-related revenue accounting for 69% of 2020 sales within Major Operations
- **"Back to Growth – Drive Sustainable Value" (phase 2 of the plan) sets new ambitious organic targets over the next 3-year period**
  - ✓ Minimum 3% organic revenue CAGR over 2021-23, with minimum 2% organic revenue growth in 2021
  - ✓ Minimum mid-single digit organic current EBIT[1,2] growth over 2021-23, with 4-6% organic current EBIT growth in 2021
  - ✓ Leverage ratio excluding leasing below 1.75x in 2023, post repayment of ODIRNANE
  - ✓ Dividend policy maintained at minimum 20% net income payout, with a floor of €50cts dividend per share

Paris, 30 March 2021

Quadient (Euronext Paris: QDT), a leader in helping businesses create meaningful customer connections through digital and physical channels, holds today a Capital Markets Day during which management unveils the second phase of its *"Back to Growth"* strategic plan, setting new profitable and sustainable growth ambitions for the next three years. This strategic update results from an in-depth review of the company's current status, a thorough analysis of market trends and customer needs, as well as a complete assessment of invested capital with a view to maximize value for shareholders as well as benefits for all stakeholders.

"The thorough execution of the first phase of our Back to Growth strategic plan has laid strong foundations, putting Quadient in a position to deliver sustainable value for its shareholders and all stakeholders over the next three years and beyond," said Geoffrey Godet, Chief Executive Officer of Quadient. "*We have deeply changed our operating model, simplified our organization and reshaped our portfolio, and having completed acquisitions in the business areas that we had targeted. In the meantime, we have successfully developed our software and parcel locker activities, constrained the decline of our mail-related business, increased the proportion of subscription-related revenue and generated significant synergies."*

"As we are entering the second phase of Back to Growth, we are confident in our capacity to leverage our leading positions to reap the benefits of a further digitization of the economy and an increasingly high volume of parcel deliveries while maintaining our highly cash-generative mail business. Our new profitable growth trajectory is primarily based on organic initiatives, ranging from investments delivering high returns, the deployment of our end-to-end SaaS/cloud intelligent communication automation software portfolio and the generation of further synergies. In the meantime, we will continue to assess the effectiveness of our invested capital and will deploy our excess cash to additional potential organic initiatives, bolt-on M&A opportunities and/or share buybacks within the limit of our deleveraging targets."

[1] *Based on 2020 current EBIT excluding earn-out reversal related to the Parcel Pending acquisition.*
[2] *Current EBIT = current operating income before acquisition-related expenses.*

"Back to Growth" key achievements

Implemented early 2019, *"Back to Growth"* strategic plan involved both a strong refocus of Quadient's solutions portfolio and a major transformation of its operating model. Quadient aimed at building leading market positions in highly growing businesses that are synergistic with its foundational mail-related activities. Customer communication and experience management, business process and document workflow automation, as well as automated parcel locker solutions were selected to be the company's growth engines while continuing to benefit from Quadient's strong position in the highly profitable and cash generative mail-related business. Gradually increasing the part of these growth engines within Quadient's total revenue has been set as a critical metric of Quadient's transformation: in two years, combining organic growth initiatives and targeted acquisitions, the software and parcel locker solutions went up from 18% of total revenue in 2018 to 27% in 2020.

In line with these strategic directions, Quadient has been actively reshaping its portfolio, reinforcing its positions in selected markets through organic developments and bolt-on acquisitions while undergoing some divestments. Early 2019, Quadient acquired Parcel Pending, a leading US player in parcel lockers and has been scaling this business, successfully expanding into the US retail market and now exporting its franchise in the residential property market in new geographies such as the UK and France. Quadient has also acquired YayPay and more recently Beanworks, two leading North American FinTech respectively specialized in the automated management of Accounts Receivables and Accounts Payables, bolstering Quadient's software offer. In the meantime, Quadient has divested its data quality business (Satori Software and Human Inference, both in 2019), significantly reduced its shipping software activities (disposal of ProShip and shutdown of Temando, both in 2020) and recently sold its graphics activities in Australia and New Zealand. M&A transactions have been conducted with rigorous financial discipline. The net cash spent in M&A over the period amounts to c. €105 million, including c. €195-200 million spent in acquisitions and c. €90-95 million received from divestments.

In the meantime, Quadient has profoundly changed its organization to simplify its operating model, gain efficiency and unite the entire company under a unified brand and a strong common culture. The executive team has been renewed with new talents hired to lead the transformation, leaner management layers were put in place with a strong regional focus, and centers of excellence were established to streamline internal tools and processes, and better leverage the teams' expertise.

From the outset of the plan, fostering synergies has been set as a central objective. Thanks to commercial cross-selling between the solutions, Quadient has successfully generated around €70 million in revenue synergies in 2020. And with its new integrated organization in place, €25 to 35 million were saved in costs synergies, including centralized marketing and administrative functions, back-office efficiencies, mutualized R&D as well as integrated supply chains and logistics.

Another key direction of *"Back to Growth"* has been to favor across all its solutions – whether smart hardware or software – a resilient value-creation model based on recurring revenues. In 2020, subscription-related revenue accounted for 69% of sales within Quadient's Major Operations[3], with increasing services attached to the sale or rental of hardware solutions and a swift transition towards SaaS/Cloud models for software solutions.

The improvement in Quadient's financial performance was obviously slowed down in 2020 in the context of the Covid pandemic which has interrupted a series of seven consecutive quarters of organic growth. Quadient has however demonstrated the strong resilience of its business model in the first part of 2020 and recorded a sharp rebound in the second part of the year, boding well for organic growth to resume in 2021, combining solid growth in software and parcel lockers solutions together with a contained decline in mail-related solutions. In the meantime, despite the impact of the Covid crisis, Quadient has maintained a sound profitability level, generated

[3] Major Operations includes Intelligent Communication Automation, Mail-Related Solutions and Parcel Locker Solutions in Quadient's main geographies, accounting for 89% of total sales in 2020.

strong free cash-flows and kept a healthy balance sheet *(please refer to the separate press release dedicated to Quadient's full-year 2020 results published today).*

Further convergence of Quadient's software businesses

The phase two of "*Back to Growth"* will encompass further changes in Quadient's operating model. While the Covid crisis is accelerating digitization, the needs for customer communications management, customer experience management, Accounts Receivable (AR) and Accounts Payable (AP) automation solutions are increasingly converging. Quadient has therefore decided to combine its Customer Experience Management and Business Process Automation software solutions into a true end-to-end cloud-based global business communications platform named "*Intelligent Communication Automation"*.

This best-of-breed suite of business communications management software, which addresses the needs of customers of all size, features Quadient Inspire, Quadient Impress as well as Quadient's comprehensive SaaS AP/AR automation offer which has been strengthened by the recent acquisitions of YayPay and Beanworks. Based on 2020 figures, Intelligent Communication Automation already represents €183 million in revenue, including 59% of subscription-related revenue, the latter having increased by 13% in 2020.

This integration will allow Quadient to generate further cost synergies between Customer Experience Management and Business Process Automation on product management and marketing and go-to-market. It will bring technology and R&D synergies to the next level, knowing for instance that Quadient Inspire and Quadient Impress already enjoy more than 60% of shared source code. Innovation will be stimulated to provide Quadient's customers with additional services and features, leveraging cloud, and Artificial Intelligence. Intelligent Communication Automation will also bring scale for Quadient to become a more established software provider, the company being already the third largest French horizontal software publisher. This more holistic, integrated and simplified value proposition will benefit both clients and partners, driving further revenue synergies within each customer segment.

New metrics and specific targets set by solution to drive growth and profitability

Following *"Back to Growth"* strategic direction, Quadient will continue focusing on markets driven by the acceleration of digitization, the explosion of e-commerce and declining but still large and resilient mail volumes. To drive its three core solutions even more efficiently, Quadient has set KPIs for each solution which will help the company monitoring its growth trajectory as well as its profitability.

To address the challenge of building an even more recurring SaaS/cloud business model, the monitoring of Intelligent Communication Automation (€183 million in sales within Major Operations[3] in 2020 based on Quadient's new reporting) will focus on:

- the number of SaaS/subscription customers over the total number of customers (65% in 2020, up from 56% in 2019);
- the annualized revenue to be generated by its subscription-related revenue streams (€132 million at the end of 2020, up 11% from the end of 2019);
- the share of this subscription-related revenue over the total revenue of the solution (59% in 2020, up from 50% in 2019).

Regarding Mail-Related Solutions (€653 million in sales within Major Operations[3] in 2020 based on Quadient's new reporting), Quadient will monitor:

- the share of new generation smart devices among total number of devices in the total installed base (4.9% at the end of 2020, up from 1.1% at the end of 2019) to size the upside potential for upgrading its installed base, in line with Quadient's commitment to invest in its offering to gain market share and maximize value over time;
- the spread between the evolution of supplies revenue and the total revenue of the solution to measure the resilience of its model regardless of the usage of its installed base (this resilience index stands at 5.2% in 2020, up from 1.7% in 2019);
- the share of subscription-related revenue over the total revenue of the solution to ensure that Mail-Related Solutions continue to provide a high level of recurring cash-flows (up from 72% in 2019 to 74% in 2020).

Finally, for Parcel Locker Solutions (€83 million in sales within Major Operations[3] in 2020 based on Quadient's new reporting), Quadient will monitor:

- the size of its lockers' installed base (up from 7,000 lockers at the end of 2018 to 13,000 lockers at the end of 2020);
- the usage rate of its lockers (up from c.25% in 2018 to c.65% in 2020);
- the year-over-year growth in subscription-related revenue (up from €16 million in 2018 to €42 million in 2020).

In addition, Quadient is introducing a new profitability metric per solution to monitor the financial performance of its three Major Solutions in a consistent and comparable way. These solution profit margins will be calculated as revenues minus cost of goods sold as well as all sales, services, marketing, product and R&D expenses. Based on Quadient's new reporting, solution profit margins stand in 2020 at 21.3% for Intelligent Communication Automation, 45.3% for Mail-Related Solutions and 5.6% for Parcel Locker Solutions (including a 25-30% profit margin of the parcel lockers installed base).

As part of the new trajectory defined for the Phase Two of *"Back to Growth"*, Quadient has set specific targets for each solution aimed at reaching an ambitious profile by the end the 2021-2023 three-year period, ensuring that each solution effectively contributes to sustainable value creation at company level:

- Intelligent Communication Automation:
  - ✓ Over 20-25% subscription-related revenue CAGR over the three-year plan;
  - ✓ Around 30% solution profit margin on a full-year basis by the end of the three-year plan.
- Mail-Related Solutions:
  - ✓ Better than -5% organic CAGR revenue decline over the three-year plan;
  - ✓ High solution profit margin in the range of 43-45% on a full-year basis by the end of the three-year plan.
- Parcel Locker Solutions:
  - ✓ More than 25,000 lockers installed by the end of the three-year plan;
  - ✓ Around 30-40% profit margin of the installed base on a full-year basis by the end of the three-year plan.

A robust, sustainable and profitable organic growth trajectory, supported by a clear and efficient capital allocation policy

Going forward, Quadient will continue to build on its strengths to roll out the second phase of its *"Back to Growth"* strategic plan. With a clear focus on innovation and technology, Quadient will continue to leverage its leadership positions and its strong software and hardware installed base to generate additional growth of its highly contributive subscription-related revenue and further deploy cross-selling opportunities and value-creation synergies across its solutions.

On this basis, Quadient aims at achieving a minimum 3% organic revenue CAGR over 2021-2023, with a minimum 2% organic revenue growth in 2021. Quadient also aims at delivering a minimum mid-single-digit organic current EBIT[4] CAGR[5] over 2021-2023, with 4-6% organic current EBIT growth in 2021.

Focusing its growth trajectory on organic opportunities, Quadient will bolster the investments to support its operations as long as they offer attractive risk-adjusted returns. Quadient plans to maintain its R&D and maintenance capital expenditures (CAPEX) within a controlled range of approximately €70 to 80 million (including IFRS 16) per year over 2021-2023. In the meantime, its rented equipment CAPEX should reach €40 million or more per year over 2021-2023, depending on opportunities to accelerate the deployment of the rented parcel lockers installed base.

While continuing to generate recurring cash-flows, Quadient aims at maintaining a healthy, yet efficient balance sheet by bringing down its net debt excluding leasing/EBITDA excluding leasing below 1.75x in 2023, post repayment of ODIRNANE bonds[6].

Quadient's strategic approach will continue to be based on an ongoing assessment of its invested capital in order to maximize long term value for its shareholders. This involves that Quadient continuously ensures that it is the best owner of its various businesses in terms of value creation, not excluding potential divestments or spin-offs, provided that capital could be re-deployed more effectively. Quadient may consider potential opportunistic bolt-on acquisitions applying strict criteria, including covering cost of capital by year 3 post closing. As part of its portfolio management, Quadient will keep on restructuring its Additional Operations (€110 million in revenues in 2020 representing 11% of total revenue) with a view to either grow, improve or exit these businesses.

Finally, Quadient is leaving its dividend policy unchanged, maintaining a minimum 20% net income dividend payout with a floor of €50cts dividend per share. As part of its shareholder return policy Quadient will additionally consider using yearly excess cash available for share buybacks, subject to value-creation criteria.

Strong ESG commitments

In line with its commitment to Corporate Social Responsibility (CSR), Quadient has recently joined the United Nations Global Compact, the world's largest corporate sustainability initiative, aligning its CSR policy with the UN Global Compact's ten universal principles on human rights, labor, environment and anti-corruption.

Quadient's approach to corporate responsibility is based on improving working conditions, promoting a culture of integrity, reducing its environmental footprint, providing innovative, reliable and sustainable solutions, and supporting the communities in which the company operates. These pillars have been aligned with the UN Global Compact principles that Quadient commits to respect, support and promote by joining the initiative. Becoming

[4] Current EBIT = current operating income before acquisition-related expenses.
[5] Based on 2020 current EBIT *excluding earn-out reversal related to the Parcel Pending acquisition.*
[6] ODIRNANE bonds amount to €265 million, maturing in 2022. Since there is no contractual obligation to repay the nominal or to pay coupons to holders of the bonds, ODIRNANE bonds have been recognized as an equity instrument.

a signatory member also implies taking action to advance the UN Sustainable Development Goals (SDGs), eight of which Quadient is already committed to.

In order to drive sustainable value, Quadient has set itself precise objectives to be reached by or before 2023 as part of the second phase of its *"Back to Growth"* strategic plan *(for more details on these objectives, please refer to slides 115, 116 and 117 of Quadient's Capital Markets Day presentation).*

CONFERENCE CALL & WEBCAST

Quadient will host a conference call and webcast today at 2:00 pm Paris time (1:00 pm London time).

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

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

- France: +33 (0) 1 70 37 71 66;
- United States: +1 202 204 1514;
- United Kingdom (standard international): +44 (0) 33 0551 0200;

Password: Quadient.

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

***

CALENDAR

- 26 May 2021: **Q1 2021 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 three key solution areas, Intelligent Communication Automation, Parcel Locker Solutions and Mail-Related 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/.

Contacts

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

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

APPENDIX

New reporting

In million euros	**FY 2020**	**Organic Change** *vs. 2019*	**FY 2020**
	Sales		**Solution Profit Margin[a]**
Major Operations	919	-5.9%	36.9%
Intelligent Communication Automation	*183*	*-3.5%*	*21.3%*
Parcel Locker Solutions	*83*	*+36.1%*	*5.6%*
Mail-Related Solutions	*653*	*-10.3%*	*45.3%*
Additional Operations	110	-17.6%	15.4%
Group total	1,029	-7.3%	34.6%

[a] *Unaudited figures*

In million euros	**FY 2020**	**Organic Change** *vs. 2019*
Major Operations	919	-5.9%
North America	*501*	*-1.5%*
Main European countries	*367*	*-12.5%*
International	*51*	*+4.7%*
Additional Operations	110	-17.6%
Group total	1,029	-7.3%