Quadient delivers solid profitable growth with 8.0% organic increase in H1 2023 current EBIT

Key highlights

- **H1 2023 consolidated sales of €522 million, up +2.0% organically[(1)]**
- **H1 2023 subscription-related revenue up +4.2%** on an organic basis, **representing 71% of total revenue**
- **Strong performance from North America** with all three solutions contributing to the +4.4% organic growth in the region in H1 2023
- **H1 2023 current EBIT[(2)] of €68 million, up 8.0% organically[(3)] driven by both software and lockers profitability improvement.** Current EBIT[(2)] margin stands at 13.0%
- **Net attributable income of €36 million, up 24.2%**
- **Net debt at €746 million** as of 31 July 2023. Consolidated leverage ratio stable at 1.8x[(4)] excluding leasing
- **FY 2023 outlook confirmed**

Paris, 20 September 2023,

Quadient S.A. (Euronext Paris: QDT), a leader in business solutions for meaningful customer connections through digital and physical channels, today announces its 2023 second-quarter consolidated sales and half-year results (period ended on 31 July 2023). The half-year 2023 results were approved by the Board of Directors during a meeting held on 19 September 2023.

Geoffrey Godet, Chief Executive Officer of Quadient S.A., stated: *"2023 is the final year of the second phase of our "Back to Growth" strategic plan. This plan was designed to leverage and increase the penetration of our existing customers base of over 400,000 companies by selling them additional solutions. This enlarged product offering has been accompanied by a continuous focus on developing our integrated B to B subscription model. This allows us to deliver stronger recurring top line growth, year after year.*

In addition, our current strategy was also designed to deliver growth in a profitable manner as shown by our ambitious mid-single digit organic growth at the current EBIT[(2)] level over the three-year period of the plan. In this respect, the 8% organic growth achieved in the first half of the year is clearly encouraging. Importantly, this performance is driven by a strong improvement in the profitability of our software business, as the evolution of the business mix towards a SaaS subscription model is almost completed.

The solid results achieved in the first half of 2023 demonstrate our ability to develop our integrated platform sustainably and profitably. We are therefore confident that organic growth at both revenue and current EBIT[(2)] levels will continue in the second part of the year enabling, the Group to successfully complete its strategic plan."

(1) H1 2023 sales are compared to H1 2022 sales, from which is deducted revenue from Graphics activities in the Nordics and Shipping business in France for a consolidated amount of €(5) million, and are restated for an amount of €7 million negative currency impact over the period.
(2) Current operating income before acquisition-related expenses
(3) Organic change excludes currency, scope and IFRIC impacts
(4) Including IFRS 16

FIRST HALF-YEAR 2023 CONSOLIDATED SALES

Group sales stood at €522 million in H1 2023, a 2.0% organic growth compared to H1 2022 and a (0.3)% decrease on a reported basis. The variation includes a negative currency impact of €7 million and a negative scope effect of €5 million. The change of scope is related to the divestments of the Graphic activities in the Nordics and the Shipping business in France, both sold in June 2022.

Consolidated sales and current EBIT[(2)] by Solution

Consolidated sales

In € million	**H1 2023**	H1 2022	Change	**Organic change[(1)]**
Intelligent Communication Automation	120	108	+10.8%	+11.8%
Mail-Related Solutions[(a)]	358	367	(2.4)%	(1.4)%
Parcel Locker Solutions[(a)]	45	44	+2.2%	+5.5%
Other solutions divested in 2022	0	5	n/a	n/a
Group total	**522**	**524**	**(0.3)%**	**+2.0%**

(a) Mail-Related Solutions and Parcel Locker Solutions 2022 data have been restated to reflect the fact that they now include activities previously accounting for in Additional Operations.

Current EBIT[(b)] and current EBIT Margin[(b)]

	H1 2023 *Reported*		**H1 2023** *(Excluding IFRIC impact)*		**H1 2022** *Reported*	
In € million	**Current EBIT[(c)]**	**EBIT Margin[(c)]**	**Current EBIT[(c)]**	**EBIT Margin[(c)]**	**Current EBIT**	**EBIT Margin**
Intelligent Communication Automation	(3)	**(2.9)%**	(3)	(2.5)%	(10)	(9.7)%
Mail-Related Solutions[(a)]	82	**23.0%**	84	23.4%	89	24.2%
Parcel Locker Solutions[(a)]	(11)	**(24.1)%**	(11)	(23.7)%	(13)	(29.7)%
Other solutions divested in 2022	-	-	-	-	(0)	-
Group total	**68**	**13.0%**	**70**	**13.5%**	**65**	**12.5%**

(a) Mail-Related Solutions and Parcel Locker Solutions 2022 data have been restated to reflect the fact that they now include activities previously accounting for in Additional Operations.
(b) Before acquisition-related expenses
(c) 2023 current EBIT and EBIT margin were negatively impacted by the €2.3 million negative impact from the new IFRIC accounting standard for cloud computing. There was no IFRIC impact in H1 2022

Intelligent Communication Automation

In H1 2023, sales from **Intelligent Communication Automation** reached €120 million, up 11.8% organically and up 10.8% on a reported basis compared to H1 2022. Subscription-related revenue, which recorded a strong **20.5% organic growth**, accounted for **80% of Intelligent Communication Automation total sales in H1 2023**, a significant increase compared to 74% in H1 2022. Of note, pursuing the development of its offering in Europe, Quadient is experiencing strong customer adoption of its Accounts Payable (AP) and Accounts Receivable (AR) cloud solutions, with accelerating trends, especially in the UK, in Q2 2023 compared to Q2 2022.

The **share of SaaS customers reached 81% at the end of H1 2023** compared to 78% at the end of H1 2022. As the transition to the SaaS model continues to progress, the weight of license sales has decreased further representing less than 7% of Intelligent Communication Automation total sales in H1 2023. Professional services (14% of sales) also went down, recording a (17.3)% organic decline. This continued decline is due to the change in business model, cloud adoption requiring less onboarding services, and to the customer mix evolution towards mid-sized companies.

At the end of H1 2023, **annual recurring revenue (ARR)**, which is a forward-looking indicator of future subscription-related revenue, **reached €197 million**, up from €187 million at the end of FY 2022, *i.e.* a **16.1% annualized organic[5] growth** compared to the end of FY 2022. Additionally, the Group recorded a double-digit increase in AP/AR financial automation customers upsold in H1 2023 vs H1 2022.

Regarding the new Quadient Hub, which unifies business communications and financial automation into one single cloud-platform, onboarding of customers progressed at a rapid pace with c. 2,500 customers having already been onboarded since its launch in April 2023. The Group remains focused on improving its overall platform offering both from a customer experience standpoint, through the addition of new features and from a service standpoint by adding new functionalities. For example, Quadient recently invested in artificial intelligence (AI) capabilities leveraging Microsoft Azure AI services. This integration of generative AI into Quadient's cloud platform will further contribute to transforming the way organizations engage with their customers. Additionally, Quadient launched an AI-based cash application module to accelerate invoice-to-cash processes. To further complement its cloud platform offering, Quadient announced, on 18 September, the acquisition of Daylight, an already existing partner. Daylight provides dynamic i-form, bringing increased flexibility to the Inspire solution. With Daylight becoming an integral part of the Hub, the i-form functionality will be deployed to all solutions of the Hub.

Q2 2023 also brought additional external recognitions for Quadient's SaaS solutions. Quadient's cloud financial automation solutions have been positioned as a leader both in the 2023 SPARK Matrix™ for Accounts Receivable (AR) Application and in the SPARK Matrix™ for Accounts Payable (AP) Application.

Current EBIT[2] for Intelligent Communication Automation was negative at €(3) million, *i.e.* an EBIT margin[2] of (2.9)%. Excluding the negative IFRIC impact recorded in H1 2023, the EBIT margin[2] would have reached (2.5)%, a strong improvement of 7.2pts compared to (9.7)% in H1 2022 (there was no IFRIC impact in H1 2022).

The solid improvement in current EBIT[2] in H1 2023 confirms the upturn in profitability trend seen since the inflexion point in H1 2022. Higher go-to-market efficiency drives strong increase in current EBIT[2] despite continued investment in R&D and product developments. This improving trend is expected to continue in H2 2023 driven by the rising profitability of the installed base, the contribution from the growing revenue and careful costs control, while the negative impact from the change in business model continues to decline.

Mail-Related Solutions

Mail-Related Solutions sales reached €358 million in H1 2023, down (1.4)% on an organic basis and down (2.4)% on a reported basis. While North America and International recorded small increases year over year, Main European Countries showed a contained decline thanks to improving trends during the second quarter 2023 in France and in the United Kingdom.

Hardware sales recorded a (4.8)% organic decline in Q2 2023, impacted by a high comparison basis in Q2 2022, especially in the United States. However, the good performance recorded in Q1 2023 led to a limited (0.9)% organic decline in the first half of the year. Quadient's continuous investments into renewing its product offering supports this positive trend with increasing penetration of the new generation of innovative machines. In H1 2023, Quadient successfully launched the iX-1 in the US, a postage meter for small businesses and home offices. This new connected equipment combines mail and parcel processing and is mostly sold through tele-sales and digital sales. The iX-1 as well as the iX-3 answer an opportunity linked to the decertification ongoing in the US as United States Postal Service (USPS) plans to discontinue postage meters not compliant with Intelligent Mail Indicia (IMI) on 31 December 2024. At the end of H1 2023, the share of the upgraded installed base increased further, reaching 26.7% vs. 19.9% at the end of FY 2022.

Subscription-related revenues (70% of Mail-Related Solutions sales) also recorded a limited (1.5)% decline in H1 2023, thanks to a solid performance in Q2, driven by the solid installed base as well as by a positive contribution from revenue related to usage and from the indexation impact of multi-year contracts.

(5) H1 2023 ARR benefited from a €3.9 million negative currency impact vs. 31 January 2023

Mail-Related Solutions' sales force are mobilized to both nurture Quadient installed base and seize cross-sell opportunities. In Q2 2023, Mail-Related Solutions recorded strong bookings leading to an increased backlog at the end of the quarter. Mail-Related Solutions also won some significant contracts in the period. For example, Quadient was selected to provide tailor-made mail production line to NBT Norway to manage rising parcel volumes. The new integrated sorting facility allows NBT Norway to scale its capacity from 2,000 to 6,000 parcels per hour and represents and investment of more than €3 million overall.

Current EBIT(2) for Mail-Related Solutions was €82 million for H1 2023 including the negative IFRIC impact. Current EBIT(2) margin for H1 2023 was 23.0%, *i.e.* 23.4% excluding IFRIC impact. The level of profitability of Mail-Related Solutions remains high and well within the mid-term 22%-24% indicated range despite investments in sales capabilities and a small decline in gross margin.

Current EBIT(2) for the Solution is expected to remain solid in FY 2023 supported by a tight focus on cost control, a continued focus on remanufacturing and a further penetration of the new generation of mail equipment.

Parcel Locker Solutions

Parcel Locker Solutions sales reached €45 million in H1 2023, a 5.5% increase on an organic basis and a 2.2% increase compared to H1 2022.

Subscription-related revenues were up 10.0% organically in the first half of the year, well oriented thanks to the strong contribution from the existing installed base and the deployment of existing contracts. In Q2 2023, this was mainly driven by the performance of France and the UK that recorded double-digit growth. Subscription-related revenue stood at 61% of total revenue for Parcel Locker Solutions in H1 2023 and the usage rate of the platform remained solid, standing at 57% in H1 2023.

License and hardware sales were down (3.2)% organically in H1 2023. Hardware sales suffered from a high comparison basis in Q2 2022.

In Q2 2023, progress was made in securing future growth in Parcel Locker Solutions:

- In Japan, Quadient and Yamato signed in July the renewal of the joint venture Packcity Japan under unchanged ownership (51% Quadient / 49% Yamato). In addition, Quadient also signed with Yamato a new commercial agreement that is based on a fee per parcel whereas the previous agreement was based on fixed subscriptions per locker.
- In the UK, the development of Quadient's open network made further progress with carriers' integration being almost completed. Quadient is now ready to scale the lockers deployment thanks to secured prime locations. In Q2, new agreements have notably been signed with Homebase and other prime location sites, giving Quadient access to a base of over 8,000 sites.
- In France, Quadient will convert part of its existing click and collect installed base into a hybrid open network / click and collect model thanks to an agreement with Auchan, securing 400 prime locations in France. The Company also signed an agreement with another important retail real estate company to install Parcel lockers. These wins will help accelerate the deployment of the French open network in H2 2023.

Quadient continues to develop and introduce innovative product lines. In Q2 2023, the new rearloading lockers were designed to meet the expectations of the higher education large configuration lockers in the US as they prevent bottlenecks between the loading and the collection of parcels.

Quadient's global installed locker base reached c.18,900 units at the end of H1 2023 vs. c.18,000 units at the end of FY 2022. Thanks to recent deals signed, Quadient is now expecting the pace of installations to intensify, more than doubling in H2 2023 vs H1 2023. This will be mostly driven by the open network strategy with installations expected to take off in the UK, the French network also expected to accelerate, and the expansion of the Japanese installed base expected to resume.

Current EBIT(2) for Parcel Locker Solutions was negative at €(11) million in H1 2023, compared to €(13) million in H1 2022, *i.e.* an EBIT margin(2) of (24.1)%. Excluding the negative IFRIC impact regarded in H1 2023, the EBIT margin(2) would have reached (23.7)%, a robust improvement of 6.0pts compared to (29.7)% in H1 2022.

The improvement in operating profitability can be explained by gross margin expansion with positive volume/mix effect as well as cost control measures. **Profitability is expected to continue improving in H2 2023**, following **sharp improvement throughout H1.** Acceleration of lockers deployments, rising profitability of the installed base and careful cost control are all expected to contribute to the increase in profitability.
Lastly, profitability of the installed base continues to increase standing at 13.7% in H1 2023 against 12.5% in the FY 2022.

Consolidated sales by geographies

In € million	**H1 2023**	H1 2022	Change	**Organic change[1]**
North America	295	287	+3.0%	+4.4%
Main European countries[(a)]	178	179	(0.2)%	(1.6)%
International[(b)]	49	58	(16.8)%	+1.1%
Group total	**522**	**524**	**(0.3)%**	**+2.0%**

(a) Including Austria, Benelux, France, Germany, Ireland, Italy, Switzerland, and the United Kingdom.
(b) International includes the activities of Intelligent Communication Automation, Mail-Related Solutions and Parcel Locker Solutions outside of North America and the Main European countries as well as, in Q1 2022, other solutions previously recorded under Additional Operation and divested in Q2 2022.

Sales in **North America** (57% of Group sales) were up **4.4% organically** to €295 million and 3.0% on a reported basis. **All three Solutions posted organic growth in H1 2023.** Intelligent Communication Automation was the main contributor to the growth in the region with a solid double-digit organic growth. Penetration of Quadient's cloud-based solutions continues to be well supported by successful cross-selling from the Mail customer base. Quadient's Accounts Receivable and Accounts Payable cloud solutions also performed well in the region, contributing to the overall solid performance. Mail-Related Solutions benefited from the solid penetration of recently launched products meeting the requirements brought by the ongoing USPS decertification, while Parcel Locker Solutions benefited from improving trends in the residential sector in Q2.

Main European countries (34% of Group sales) were down by only (1.6)% organically and (0.2)% on a reported basis to €178 million, thanks to:

- the contribution from Intelligence Communication Automation, that experienced a strong customer adoption of Financial Automation cloud Solutions of the Hub, with accelerating trends in Q2 2023;
- the contribution from Parcel Locker Solutions, supported by the on-going deployment of existing contracts; and
- the resilient performance of Mail-Related Solutions.

The **International** segment (9% of Group sales) delivered a 1.1% organic growth, to €49 million, despite a slowdown in the expansion of the Japanese lockers network which is expected to resume following the signature of new contractual arrangements with Yamato.

Q2 2023 SALES

Consolidated sales stood at €266 million in the second quarter of 2023, up 1.8% on an organic basis and down (1.8)% on a reported basis compared to the second quarter of 2022.

In € million	**Q2 2023**	**Q2 2022**	Change	**Organic change[1]**
Intelligent Communication Automation	*61*	55	+10.7%	+13.1%
Mail-Related Solutions[(a)]	*181*	*190*	(4.4)%	(1.6)%
Parcel Locker Solutions[(a)]	*24*	*24*	(2.1)%	+2.9%
Other solutions divested in 2022	0	2	n/a	n/a
Group total	**266**	**271**	**(1.8)%**	**+1.8%**

(a) Mail-Related Solutions and Parcel Locker Solutions have been restated to reflect the fact that they now include activities previously accounting for in Additional Operations.

Intelligent Communication Automation sales were up by 13.1% on an organic basis to €61 million with positive performance from all geographies. The subscription-related revenue showed a strong organic growth at +20.4%.

Mail-Related Solutions sales continued to show strong resilience, reaching €181 million in Q2, down by 1.6% on an organic basis with a solid performance in subscription-related revenue. This performance is however offset by lower hardware sales in Q2 2023 against a high comparison basis in Q2 2022 especially in the US. Of note, France and the UK recorded improving trends with only a contained organic decline and International posted a positive contribution.

Parcel Locker Solutions sales stood at €24 million in Q2 2023, with a +2.9% organic growth compared to Q2 2022 thanks to a continued solid performance from subscription-related revenue mainly driven by double-digit organic growth in France and in the UK partially offset by decline in hardware sales.

In € million	**Q2 2023**	**Q2 2022**	Change	**Organic change[1]**
North America	150	152	(1.5)%	+3.0%
Main European countries[(a)]	92	90	+2.3%	+0.6%
International[(b)]	25	29	(15.6)%	(0.5)%
Group total	**266**	**271**	**(1.8)%**	**+1.8%**

(a) Including Austria, Benelux, France, Germany, Ireland, Italy, Switzerland, and the United Kingdom.
(b) International includes the activities of Intelligent Communication Automation, Mail-Related Solutions and Parcel Locker Solutions outside of North America and the Main European countries.

North America posted 3.0% organic growth in the quarter mainly driven by the strong double-digit organic growth in Intelligent Communication Automation.

Main European Countries posted a 0.6% organic growth, fuelled by a remarkable performance of Parcel Locker Solutions, benefitting from the development of the recent contracts in France and a much contained declined in Mail-Related Solutions.

International declined slightly by 0.5% organically, impacted by the temporary slowdown in the Japanese lockers expansion as mentioned above.

REVIEW OF 2023 HALF-YEAR RESULTS

Simplified P&L

In € million	**H1 2023**	**H1 2022**	Change
Sales	**522**	**524**	**(0.3)%**
Gross profit	389	385	+1.2%
Gross margin	*74.6%*	*73.5%*	
EBITDA	112	111	0.5%
EBITDA margin	*21.5%*	*21.3%*	
Current operating income before acquisition-related expenses	**68**	**65**	**+4.3%**
Current operating income margin (before acquisition related expenses)	*13.0%*	*12.5%*	
Current operating income	65	61	+6.8%
Optimization expenses and other operating income & expenses	(6)	(5)	n.m.
Operating income	**59**	**56**	**+6.0%**
Financial income/(expense)	(16)	(14)	n.m.
Net attributable income	**36**	**29**	**+24.2%**
Earnings per share	1.05	0.75	
Diluted earnings per share	1.05	0.75	

Gross margin improved to 74.6% in H1 2023 compared to 73.5% in H1 2022. Gross margin improvement was mainly driven by a positive volume/mix impact for Parcel Lockers and Intelligent Communication Automation while Mail-Related Solution posted a contained decline.

Current operating income (current EBIT) before acquisition-related expenses increased to €68 million in H1 2023 compared to €65 million in H1 2022, **up** 4.3% on a reported basis and **8.0% on an organic[3] basis**. The current EBIT[(2)] includes a €2.3 million negative impact from the IFRIC accounting rule related to cloud computing. Current **operating margin** before acquisition-related expenses stood at **13.0%** of sales in H1 2023 compared to 12.5% in H1 2022. Excluding the negative IFRIC impact, the current operating margin before acquisition-related expenses would have stood **at 13.5%.** The Group's operating profitability was driven by a strong improvement from software and lockers profitability due to improved gross margin and costs control. The increase in profitability also benefitted from lower freight costs.

With no significant M&A activities in H1 2023, **acquisition-related expenses** declined to €3 million in H1 2023, compared to €5 million in H1 2022. Consequently, **current operating income** stood at €65 million in 2022 including the negative IFRIC impact, compared to €61 million in H1 2022.

Optimization costs and other operating expenses stood at €6 million in H1 2023, versus €5 million in H1 2022.

Consequently, **operating income** for H1 2023 was €59 million, versus €56 million recorded in H1 2022.

Net attributable income

H1 2023 **net cost of debt** was up year-on-year at €15 million, against €12 million in H1 2022. The increase is mainly due to the impact from higher interest rates on the variable portion of the debt (1/3 of Quadient's debt). **The currency gains & losses and other financial items** were a loss of €1 million in H1 2023 versus a loss of €2 million in H1 2022. Overall, **net financial result** was a loss of €16 million in H1 2023 compared to a loss of €14 million in H1 2022.

Income tax decreased to €6 million in H1 2023 versus €12 million in H1 2022, due to the recognition of a one-off tax benefit due to internal IP transfer, amounting to €5 million. Consequently, the **corporate tax rate** stood at 13.7% in H1 2023 compared to 28.8% in H1 2022. Restated from this impact, the corporate tax rate would have been comparable to last year rate.

Net attributable income after minority interest amounted to €36 million in H1 2023 compared to €29 million in H1 2022, **up 24.2%.**

Earnings per share[6] stood at €1.05 in H1 2023 compared to €0.75 in H1 2022.

Cash flow generation

EBITDA[7] was €112 million in H1 2023, representing a slight increase compared to H1 2022, hence an **EBITDA margin** at 21.5% in H1 2023, vs 21.3% in H1 2022.

The change in **working capital** was negative by €57 million in H1 2023 compared to a net cash outflow of €53 million in H1 2022, reflecting the unfavorable seasonality of working capital requirement at the end of H1. **Lease receivables** recorded a decrease of only €16 million in H1 2023 compared to a decrease of €18 million in H1 2022, thanks to the strong resilience of the leasing portfolio.

The **leasing portfolio and other financing services** stood at €575 million as of 31 July 2023, compared to €595 million as of 31 January 2023 impacted by the seasonality of the business and unfavorable currency impact. On an organic basis, this represents a decrease of 2.6% compared to the end of FY 2022. At the end of H1 2023, the default rate of the leasing portfolio stood at around 1.2% compared to c.1.6% at the end of FY 2022.

Interest and taxes paid increased significantly to €35 million in H1 2023 versus the low amount of €15 million paid in H1 2022. The difference was mostly explained by the reimbursement of the 2020 tax loss carry-back measures in the US in H1 2022 as well as the impact from higher interest rates in H1 2023.

Capital expenditure was up at €46 million in H1 2023, compared to €44 million in H1 2022. Development capex was down slightly at €17 million in H1 2023 after the high investment level in H1 2022, at €19 million. Rented equipment capex was up year-over-year at €17 million in H1 2023, compared to €13 million in H1 2022, thanks to the sustained level of Mail-Related Solutions hardware placements as well as the higher activity level for parcel lockers from both ongoing open-networks and contracts deployments. Of note, the level of capex for rent is expected to increase in H2 2023. The decrease in maintenance capex, to €6 million, was mostly due to the IFRIC accounting standard impact related to cloud computing investments. The increase in capex linked to IFRS 16 was driven by new office leases.

Consequently, **cash flow after capital expenditure** was down to €(17) million in H1 2023 compared to €13 million in H1 2022 which benefited from the reimbursement of the 2020 tax loss carry-back measures in the US. Cash flow after capital expenditure is expected to benefit in H2 2023 from the usual seasonality between H1 and H2.

(6) For the H1 2023, the average compounded number of shares is 33,981,073
(7) EBITDA = current operating income + provisions for depreciation of tangible and intangible fixed assets.

2023 OPENING BALANCE SHEET

At the time of closing the accounts for the first half of 2023, the Group identified accounting irregularities and practices that did not comply with Group procedures attributable to the finance team responsible for Mail-Related Solutions' Italian and Swiss subsidiaries. These accounting irregularities were detected thanks to the reorganization measures, and in particular the centralization of support functions, implemented in the first half of 2023, improving the controls in place. These measures also enabled the Group to react quickly and effectively to this situation as soon as it was detected.

At this stage, the verification measures taken following the discovery of these accounting irregularities have established:

- the active involvement of at least two people within the finance team responsible for the Italian and Swiss Mail-Related Solutions subsidiaries,
- the likely containment of these accounting irregularities to these local subsidiaries, and
- the absence of any material impact on the FY 2022 and H1 2023 income statements.

However, the results of the investigations undertaken, both internally and with the support of recognized external experts, have led the Group to record accounting adjustments relating to previous financial years. As a result, a total amount of approximately €(29) million has been recognized in shareholders' equity(8) in the FY 2023 opening balance sheet. This amount can be broken down as follow:

- adjustment of differences between the local and the consolidated accounts for a net amount of 8 million euros,
- provisions for bad debts for an amount of 14 million euros due to the application of Group accounting rules,
- cancellation of all invoices to be issued for 7 million euros.

While investigations continue, Quadient reserves the right to take legal action against the persons responsible for these accounting irregularities. As investigations are still ongoing, the Group cannot exclude additional financial impacts in the 2023 financial accounts.

LEVERAGE AND LIQUIDITY POSITION

Net debt stood at €746 million as of 31 July 2023, a small increase against the €736 million of net financial debt recorded as of 31 January 2023 and adjusted for the aforementioned accounting corrections. In June 2023, the Group renewed its Revolving Credit Facility for an amount of €300 million with a new 5-year maturity. This revolving Credit Facility is the first sustainability linked loan of Quadient with ESG criteria based on the Group CO_2 reduction target. A €90 million stimulus participating loan was also signed in June 2023. The Group has **no significant debt maturity before** its €325 million 2.25% bond maturing in **2025**.

The **leverage ratio** (net debt/EBITDA) remained broadly stable at 3.1x(4) as of 31 July 2023 versus 3.0x(4) as of 31 January 2023. Excluding leasing, the leverage ratio was also stable to 1.8x(4) as of 31 July 2023 vs 1.8x(4) as of 31 January 2023. **The Group remains focused on reaching its leverage ratio target of 1.75x[4] excluding leasing as of 31 January 2024.**

As of 31 July 2023, the Group had a robust **liquidity position** of €470 million, split between €170 million in cash and a €300 million undrawn credit line, the latter maturing in 2028.

Shareholders' equity stood at €1,067 million as of 31 July 2023 compared to €1,052 million(8) as of 31 January 2023 and adjusted for the aforementioned accounting corrections. The **gearing ratio**[9] is stable at 69.9% as of 31 July 2023.

(8) Group shareholders' equity amounted to €1,082 million as at 31 January 2023 prior to the aforementioned accounting corrections. After restatement, Group shareholders' equity stood at €1,052 million as at 31 January, 2023.
(9) Net debt / shareholders' equity

OUTLOOK

FY 2023 guidance and 2021-2023 financial outlook confirmed

The visibility offered by the recurring nature of the business model, the seasonally stronger in H2 vs H1 as well as the solid business trends recorded year to date, lead the Group to confirm both its FY 2023 guidance and its mid-term financial outlook.

Revenue guidance

- Sales outlook is confirmed at minimum 3% organic sales CAGR over 2021-23
- FY 2023 organic sales growth is expected at c.3%.

Current EBIT[2] guidance

- Current EBIT[2] outlook is confirmed at minimum mid-single digit organic[10] current EBIT[2] CAGR over 2021-23
- FY 2023 organic growth[3] in current EBIT[2] is expected at c.10%.

BUSINESS HIGHLIGHTS

Quadient recognized for the first time in 2023 Gartner Magic Quadrant for integrated invoice-to-cash applications

On 9 May 2023, Quadient announced that for the first time, it has been recognized by Gartner® in the Magic Quadrant™ for Integrated Invoice-to-Cash Applications for its offering, Quadient Accounts Receivable (AR) by YayPay. The evaluation was based on specific criteria that analyzed the company's overall completeness of vision and ability to execute.

Quadient awarded Platinum rating by EcoVadis for second year, placing in the top 1% of companies

On 11 May 2023, Quadient announced it has been awarded a Platinum rating by EcoVadis for the second year running. EcoVadis is a leading ratings organization for sustainability, and its Platinum rating is the highest distinction awarded to the top 1% of performing companies that EcoVadis rates in different industries. EcoVadis assesses more than 100,000 companies in over 175 countries across two hundred industries, evaluating twenty-one sustainability criteria in four core themes: Environment, Labor & Human Rights, Ethics and Sustainable Procurement.

Quadient Reaches Milestone of 200 Installed Smart Locker Solutions at US Higher Education Institutions

On 1 June 2023, Quadient announced it has reached the 200 milestone of installed smart locker solutions at higher education campuses in the USA.

Colleges and universities face an increasing challenge of managing the delivery of large volumes of packages on campus. Parcel Pending by Quadient smart lockers streamline the delivery process, saving higher education institutions staff time and resources while improving the overall student experience.

PacificSource Health Plans Elevates Member Communications with Quadient

On 8 June 2023, Quadient announced that PacificSource Health Plans has implemented Quadient Inspire to reduce manual processes and IT resources required for developing and maintaining renewals, member plan materials and related communications. With Quadient Inspire, PacificSource plans to reduce costs and increase efficiency through automation, increasing the speed of creating and managing thousands of blocks and templates of content, and enhancing member communications.

Revolving credit facility renewed in advance with a new maturity in 2028

On 16 June 2023, Quadient S.A. announced the closing of a €300 million syndicated Revolving Credit Facility (RCF).

This Revolving Credit Facility was negotiated with a syndicate of seven international banks. This €300 million RCF has an initial tenor of five years, maturing in June 2028, with a €100 million accordion feature, bringing the potential total amount of the

(10) Based on 2020 current operating income before acquisition-related expenses excluding Parcel Pending's earn-out reversal, i.e. €145 million, with a scope effect resulting in a €140 million proforma

credit line up to €400 million depending on the banks' approval. The new credit facility replaces the existing undrawn €400 million RCF, which was set to mature in June 2024.

NBT Norway Selects Quadient to Provide State-of-the-Art Mail Production Facility and Efficiently Manage Parcel Volume Growth

On 20 June 2023, Quadient announced the signature of a large deal with NBT Norway, a prominent transport company, to implement a state-of-the-art, tailor-made mail production line capable of efficiently managing up to 6,000 packages per hour and representing an investment of more than €3 million overall.

Quadient signs a €90 million stimulus participating loan, at attractive conditions, contributing to the financing of its growing connected equipment platform

On 20 June 2023, Quadient S.A. announced the closing of a €90 million stimulus participating loan (*Prêt Participatif Relance – PPR*). This stimulus participating loan, which was implemented with BNP Paribas, has an 8-year maturity and attractive conditions. It will be dedicated to financing connected equipment under Quadient's subscription business model.

Quadient Secures Top 10 Position in Truffle 100 Ranking of French Software Companies

On 28 June 2023, Quadient announced its continued presence among the top 10 software vendors in France. The recognition comes from the esteemed Truffle 100 ranking, compiled by Truffle Capital and teknowlogy group|CXP-PAC, in which Quadient has consistently secured its place at the top for seven consecutive years based on the reported software sales revenues of participating companies.

Quadient Software Platform Maintains Leadership Position in Aspire Leaderboard

On 6 July 2023, Quadient has been named a Leader in several segments of the recently updated Aspire Leaderboard™, which showcases the best customer communications management (CCM) and customer experience management (CXM) software vendors.

Quadient Celebrates 1,000th Smart Locker in France and Accelerates Roll-out of Open Network

On 13 July 2023, Quadient announced today it surpassed the 1,000 mark of automated parcel lockers in France. This success is the result of close collaboration with long-standing partners, including pick-up point operator Relais Colis and sports retailer Decathlon.

Quadient applies to Public Finance Department pilot phase to become a Partner Dematerialization Platform in 2024

On 19 July 2023, Quadient announced that it has submitted its application to join the pilot project starting in January 2024, as part of the process to be a registered Partner Dematerialization Platform (PDP) by the French tax authorities. This pilot phase will be conducted with selected customers among the thousands of French businesses using Quadient solutions, ahead of the enforcement of the new regulation for electronic invoices in the summer of 2024.

Quadient: Bpifrance takes a c.5% stake in Quadient's capital to support its transformation and development strategy

On 27 July 2023, Bpifrance announced that it holds c.5% of Quadient's capital and voting rights. This investment is in line with Bpifrance's strategy to support French companies undergoing transformation and positioned in promising fast-growing activities. By acquiring a stake in Quadient's capital, Bpifrance is demonstrating its confidence in the Company's development strategy in key attractive markets.

Quadient and Yamato transport unveil new joint venture ambitions to expand their leadership for Japan in the coming years

On 31 July 2023, Quadient announced the renewal of its parcel locker joint venture in Japan with Yamato Transport. Created in 2016, the joint venture Packcity Japan is being renewed under an unchanged ownership with 51% of it being owned by Quadient and 49% owned by Yamato Transport.

POST-CLOSING EVENTS

Quadient positioned as leader in 2023 SPARK Matrix for accounts payable automation and accounts receivable applications

On 7 August 2023, Quadient announced that it has been positioned as a Leader in two global market research reports on Accounts Receivable and Accounts Payable automation software solutions. Produced by management consulting firm Quadrant Knowledge Solutions, the two reports—SPARK Matrix™: Accounts Payable Automation, 2023 and SPARK Matrix™: Accounts Receivable Applications, 2023—give Quadient strong ratings across the parameters of technology excellence and customer impact.

Quadient Invests in Artificial Intelligence (AI) Capabilities Leveraging Microsoft Azure AI Services to Power up its Cloud Platform

On 24 August 2023, Quadient announced the integration of its Intelligent Communication Automation (ICA) platform with Microsoft Azure AI, a portfolio of artificial intelligence (AI) services designed for developers and data scientists backed by a secure environment and responsible AI principles. The integration of generative AI into Quadient's cloud platform will further contribute to transforming the way organizations engage with their customers.

Quadient Partners with REPAY to Deliver Exceptional Payment Experiences with Accounts Payable Automation Solution

On 8 September 2023, Quadient announced a technology partnership with Atlanta-based Repay Holdings Corporation (NASDAQ: RPAY)("REPAY"), a leading provider of vertically-integrated payment solutions, to enhance the payment experience within Quadient's cloud-based accounts payable (AP) automation solution. REPAY serves multiple Business Payments verticals in North America, including retail automotive, education, field services, governments and municipalities, healthcare, media, homeowner association management and hospitality.

Decarbonizing delivery: more than 300 Quadient parcel lockers added to UPS France's pickup points network

On 12 September 2023, UPS and Quadient announced their strategic partnership, giving UPS access to Quadient's parcel locker open network throughout France. This collaboration will enable UPS to complement its French pickup points network, currently the logistic company's largest in Europe, comprising more than 6 150 UPS Access Points. Quadient, whose parcel locker business already boasts over 1,000 units in France, is continuing to roll out its open network available to the various parcel logistic players.

Quadient Enriches Customer Communication Cloud Solution with Acquisition of Intelligent Form Technology

On 18 September 2023, Quadient announced the introduction of Quadient Inspire iForms, a new intelligent forms capability added to its Customer Communication Management (CCM) solution Quadient Inspire, following the acquisition of Daylight Automation[11].

Daylight Automation, formerly FormHero, is a cloud-based low-code platform that allows organizations to rapidly build and deploy personalized digital solutions. Their customer base spans across key customer-centric industries such as banking and insurance, including three major financial institutions in Canada. Both companies had been collaborating closely since their partnership announced in 2022. The addition of this new intelligent form capacity to Quadient Inspire will bring enhanced benefits to companies looking for cloud-based solutions that help create engaging customer experiences at scale.

To know more about Quadient's newsflow, previous press releases are available on our website at the following address: https://invest.quadient.com/en-US/press-releases.

(11) From a financial standpoint, this acquisition is not material to Quadient's financial results.

CONFERENCE CALL & WEBCAST

Quadient will host a conference call and webcast today at 6:00 pm Paris time (5:00 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: +1 786 697 3501.
- United Kingdom (standard international): +44 (0) 33 0551 0200.

Password: Quadient

A replay of the webcast will also be available on Quadient's Investor Relations website for 12 months.

CALENDAR

- 29 November 2023: **Third quarter 2023 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. Quadient shares are eligible for PEA-PME investing.

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

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FULL-YEAR 2022

Consolidated income statement

In € million	H1 2023 (period ended on 31 July 2023)	H1 2022 (period ended on 31 July 2022)
Sales	**522**	**524**
Cost of sales	(133)	(139)
Gross margin	**389**	**385**
R&D expenses	(31)	(28)
Sales and marketing expenses	(140)	(146)
Administrative and general expenses	(91)	(92)
Service and support expenses	(56)	(53)
Employee profit-sharing and share-based payments	(3)	(1)
Current operating income before acquisition-related expenses	**68**	**65**
Acquisition-related expenses	(3)	(5)
Current operating income	**65**	**61**
Optimization expenses and other operating income & expenses	(6)	(5)
Operating income	**59**	**56**
Financial income/(expense)	16	(14)
Income before taxes	**43**	**42**
Income taxes	(6)	(12)
Share of results of associated companies	0	0
Net income	**37**	**30**
Minority interests	1	1
Net attributable income	**36**	**29**

Simplified consolidated balance sheet

Assets *In € million*	**31 July 2023**	**31 January 2023 restated**
Goodwill	1,073	1,080
Intangible fixed assets	124	125
Tangible fixed assets	149	151
Other non-current financial assets	80	80
Leasing receivables	575	595
Other non-current receivables	5	5
Deferred tax assets	33	16
Inventories	95	88
Receivables	198	229
Other current assets	103	91
Cash and cash equivalents	170	158
Current financial instruments	3	3
TOTAL ASSETS	**2,610**	**2,622**

Liabilities *In € million*	**31 July 2023**	**31 January 2023 Restated**
Shareholders' equity	1,067	1,052
Non-current provisions	13	13
Non-current financial debt	776	730
Current financial debt	92	114
Lease obligations	48	50
Other non-current liabilities	1	3
Deferred tax liabilities	132	136
Financial instruments	6	6
Trade payables	64	80
Deferred income	185	203
Other current liabilities	225	234
TOTAL LIABILITIES	**2,610**	**2,622**

Simplified cash flow statement

In €millions	**H1 2023 (period ended on 31 July 2023)**	**H1 2022 (period ended on 31 July 2022)**
EBITDA	**112**	**111**
Other elements	(7)	(5)
Cash flow before net cost of debt and income tax	**105**	**107**
Change in the working capital requirement	(57)	(53)
Net change in leasing receivables	16	18
Cash flow from operating activities	**64**	**72**
Interest and tax paid	(35)	(15)
Net cash flow from operating activities	**29**	**57**
Capital expenditure	(46)	(44)
Net cash flow after investing activities	**(17)**	**13**
Impact of changes in scope	0	2
Others	(0)	0
Net cash flow after acquisitions and disposals	**(17)**	**15**
Share buyback	**0**	1
Dividends paid	0	(2)
Change in debt and others	26	(401)
Net cash flow from financing activities	**26**	**(402)**
Cumulative translation adjustments on cash	1	(14)
Change in net cash position	**10**	**(401)**