quadient
Because connections matter.

Quadient – Resilience of the recurring sales model in first-quarter 2020

- **Sales of €239 million in Q1 2020,** down by 10.2% as reported vs. Q1 2019, and down 10.9%[1] organically;
- **A quarter of two halves,** with a strong impact on the level of activity of the containment measures imposed as from mid-March in response to the COVID-19 pandemic;
- **Resilience of recurring revenue (-4.6% organically),** demonstrating the robustness of the Group's business model;
- **Solid combined performance of the three growth engines[2] (+7.2%)[3],** driven by more than 25% sales increase in Parcel Locker Solutions ;
- **Liquidity position of more than €900 million of cash and undrawn credit facility line,** without major debt repayment scheduled in the coming 12 months.

Priorities

Given the context of the COVID-19 pandemic, Quadient has set the following priorities:

- **Look after the health and safety of its employees**, while maintaining continuity of service for its customers and partners;
- **Mitigate the impact of a lower level of activity on the profitability,** through strict cost management measures (€8 million of cost reductions achieved in Q1 2020);
- **Preserve the cash generation and liquidity**, with a full review of investment roadmap, prioritizing initiatives supporting future growth.

Outlook

- **Proposal to submit a dividend payment of €0.35 per share** in respect of financial year 2019 for approval at the Annual General Meeting of 6 July 2020;
- **Very early signs of improvement in the level of activity in May vs. April 2020,** but at a much lower level than in May 2019;
- **The Group is not in position to give 2020 guidance at this stage** due to limited visibility in the very difficult context of gradual lockdown lifting in the countries where the Group operates.

Paris, 27 May 2020

Quadient (Euronext Paris: QDT), a leader in business solutions for meaningful customer connections through digital and physical channels, today announces its consolidated sales for the first quarter ended 30 April 2020.

Geoffrey Godet, Chief Executive Officer of Quadient, stated: *"While we began the year at a similar pace to last year, the strength of our strategy and financial model have been put to the test by the significant impacts of COVID-19 responses by governments across all of the markets in which we operate, throughout the entirety of the second half of our first financial quarter. As anticipated, our recurring revenues, which in 2019 made up two thirds of our total revenue, continued to show resilience and partially offset the decline in net new sales of mailing related equipment. In addition, despite the challenges imposed by the current environment, Quadient's activity continued to show momentum in its three growth engines, including Customer Experience Management, Business Process Automation and Parcel Locker Solutions, which delivered a combined year-over-year growth above 7% in the first quarter. The value proposition of these solutions has become more pertinent, as customers turn to digital solutions to enable employees to work remotely and contactless parcel delivery.*

Faced with this unprecedented situation, Quadient has desmontrated its agility to continue serving customers and protecting employees. Financially, the Group has been able to quickly adjust its cost structure to match the level of business activity. We have observed early, yet encouraging signs during the first few weeks of May. However, we expect the upcoming months to remain challenging. For this reason, we will continue to adapt our operating expenses to best preserve our profitability, while prioritizing investment in our different growth engines. Furthermore, on our strong balance sheet and liquidity position give us full confidence in our ability to continue implementing our strategy".

[1] Q1 2020 sales are compared to Q1 2019 sales, from which is deducted revenue from ProShip for an amount of €1.7 million, and are restated of a €3 million positive currency impact over the period.
[2] Customer Experience Management, Business Process Automation and Parcel Locker Solutions.
[3] Within Major Operations.

FIRST-QUARTER 2020 SALES DECREASED BY 10.9% ORGANICALLY

Consolidated sales for the first quarter of 2020 amounted to €239 million, down by 10.2% compared to the first quarter of 2019. Organic growth stood at -10.9% (excluding currency and scope effects, due to the divestment of ProShip in February 2020). This decrease is mainly due to the impact of the containment measures that have been implemented in response to the COVID-19 pandemic in most of the countries where the Group operates. The Group has experienced some disparities regarding the impact of these measures across its activities and geographies.

During the first quarter 2020, despite a 26.4% organic drop in hardware and license sales compared to the first quarter of 2019, recurring revenue helped mitigate the decline in business activity thanks to a limited 4.6% organic decrease. The share of recurring revenue in the Group's total sales amounted to 76% in the first quarter of 2020.

In million euros	**Q1 2020**	Q1 2019	Change	Change at constant rates	Organic change
Major Operations	215	231	-7.2%	-8.9%	-8.9%
Customer Experience Management	*30*	*29*	*+2.2%*	*+1.0%*	*+1.0%*
Business Process Automation	*15*	*14*	*+6.1%*	*+4.9%*	*+4.9%*
Mail-Related Solutions	*155*	*177*	*-12.3%*	*-13.9%*	*-13.9%*
Parcel Locker Solutions	*15*	*11*	*+32.4%*	*+27.2%*	*+27.2%*
Additional Operations	24	35	-30.5%	-28.7%	-25.1%
Group total	239	266	-10.2%	-11.5%	-10.9%

In million euros	**Q1 2020**	Q1 2019	Change	Change at constant rates	Organic change
Major Operations	215	231	-7.2%	-8.9%	-8.9%
North America	*118*	*119*	*-1.2%*	*-4.2%*	*-4.2%*
Main European countries[(a)]	*85*	*102*	*-16.7%*	*-17.0%*	*-17.0%*
International[(b)]	*12*	*10*	*+17.6%*	*+16.1%*	*+16.1%*
Additional Operations	24	35	-30.5%	-28.7%	-25.1%
Group total	239	266	-10.2%	-11.5%	-10.9%

(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 Q1 2019 revenue by segment and activity has been restated accordingly.

Major Operations

Major Operations combine the Group's four strategic solutions across 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 rest of world, now included in the International segment, with a dedicated management team.

Major Operations posted sales of €215 million in the first quarter of 2020, down organically by 8.9% compared to the first quarter of 2019. This reflected a solid performance of the Group's three growth engines (+7.2%) and a sharper decline of Mail-Related Solutions sales in the quarter.

The revenue in North America recorded a moderate organic decrease (-4.2%), driven by the double-digit sales increase of the three growth engines in the period. Sales in Main European countries posted a sharper organic decline (-17.0%), mainly due to a tougher impact of containment measures, in particular on Mail-Related Solutions (hardware sales and supplies) and Customer Experience Management (professional services) activities. The International segment delivered a 16.1% organic sales growth, driven by the strong increase in revenue from Parcel Locker Solutions in Japan.

Recurring revenue reached 78% of sales from Major Operations in the first quarter 2020.

Customer Experience Management

In the first quarter of 2020, **Customer Experience Management** sales stood at €30 million, up by 1.0% organically compared to the first quarter of 2019, due notably to the strong growth in license sales in each region. Regarding recurring revenue, the significant increase in revenue from SaaS[4] subscription and the growth in revenue related to maintenance were offset by the sharp decrease in revenue from professional services, which are mainly operated on-site for the Group's customers and thus affected by containment measures. As a result, recurring revenue stood at 75% of Customer Experience Management sales in the first quarter 2020.

Sales in North America recorded a double-digit growth, reflecting strong business momentum. In the Main European countries, sales were down. The significant decrease in revenue from professional services was only partially offset by the good performance in license sales. In the International segment, sales were slightly down compared to the first quarter of 2019 due to a high comparison basis.

Business Process Automation

In the first quarter of 2020, **Business Process Automation** sales stood at €15 million, up by 4.9% organically compared to the first quarter of 2019. This increase reflected the growth in revenue from SaaS subscription recorded during the previous quarters. This shift in customer demand to SaaS-mode solutions, already visible last year, contributed to the generation of a higher level of recurring revenue, which represented 87% of Business Process Automation sales in the first quarter of 2020. In addition, the Group has launched campaigns to accelerate the acquisition of new customers under this subscription mode in all regions, with a particularly positive effect on contract activations in North America. Business Process Automation license sales related to offers bundled with Mail-Related Solutions were however strongly impacted, this context making difficult to place new mail-related equipment.

Growth momentum remained strong in the United States, whereas Europe recorded a slight increase in revenue, despite a decline in billings based on hybrid-mail volumes, particularly in the property management sector in France, resulting from the the impact of the containment measures.

Mail-Related Solutions

In the first quarter of 2020, **Mail-Related Solutions** sales stood at €155 million, down by 13.9% organically compared to the first quarter of 2019. While the level of activities in the first half of the quarter was in line with 2019 trends, containment measures imposed in response to the COVID -19 health crisis strongly affected the performance of the activity as from mid-March. These restrictions led to a decrease in revenue from new hardware sales, less marked in North America than in Europe, as well as a decline bookings, and this, in spite of the increase in remote sales (telesales or sales by email) and the option of extension offered to customers at the end of their lease or rental contracts. Order backlog was however higher year-on-year at the end of April 2020 due to delay in deliveries.

Despite the sharp decrease in the supply of consumables (ink cartridges), recurrent revenue, largely supported by multi-year contracts, posted a much more moderate decline. The performance was particularly noteworthy in North America, which benefited from recurring revenue resulting from the good level of equipment placements in 2019. As a result, recurring revenue stood at 78% of Mail-Related Solutions sales in the first quarter 2020.

During the first quarter, the default rate of the leasing portfolio remained around 1.5%.

Parcel Locker Solutions

In the first quarter of 2020, **Parcel Locker Solutions** sales stood at €15 million, up by 27.2% organically compared to the first quarter of 2019, reflecting a double-digit revenue growth in the residential sector in the US thanks to the good integration of Parcel Pending, as well as stronger revenue in Japan, driven by the significant increase in the installed base during the previous quarters. Some slowdown in bookings and installations was however observed in April due to the impact of the containment measures.

Recurring revenue reached 69% of Parcel Locker Solutions sales in the first quarter 2020, benefiting from the integration of Parcel Locker Solutions revenue in Japan, primarily composed of rental revenue.

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[4] *SaaS = Software as a Service*

During the first quarter of 2020, the Group signed a new agreement with Yamato, for the delivery in Japan of 3,000 parcel lockers "Pudo Lite" that will be rolled out as from summer 2020 over a period of 36 months.

Additional Operations

As announced in January 2019, as part of its Back to Growth strategy, the Group continued to implement strong measures on the **Additional Operations** scope, completing the divestment of ProShip at the end of February 2020. In addition, the shutdown of the Australian subsidiary, Temando, is substantially completed. Moreover, Parcel Locker Solutions Japan and Customer Experience Management outside of Main Geographies are now included in Major Operations in line with the Group's "Grow, Improve or Exit" strategy for Additional Operations.

In the first quarter of 2020, Additional Operations sales stood at €24 million, down 25.1% organically compared to the first quarter of 2019, mainly reflecting a decrease in revenue from graphic activities, a significant decline in Mail-Related Solutions sales in the Nordics and in Australia, as well as a drop in revenue related to the export business (OEM contracts) due to an unfavorable comparison basis compared to the first quarter of 2019. Furthermore, the Group sold 2 units of automated packing systems (CVP) during the first quarter of 2020 (vs. 1 unit sold in Q1 2019).

GROUP PRIORITIES

The Group is primarily committed to protecting the health and safety of its employees, while continuing to serve its customers. To date, the vast majority of its teams around the world continue to operate from home, ensuring the commercial, service, maintenance, support and back-office activities are performed remotely.

Given the context of the COVID-19 pandemic, Quadient has set the following priorities for 2020:

Mitigate the impact of lower level of activity on profitability

- In order to contain its cost sales, and taking into account the level of inventory on hand, Quadient has already adapted its subcontracted equipment orders in Asia since March. The Group's production facilities were temporarily closed, whereas its logistic centers continued to provide a minimum level of service. Gross margin remained stable in first quarter 2020 compared to first quarter 2019.

- In order to reduce its employee costs, the Group has implemented in all sites partial unemployment and time reduction measures, concerning approximately 30% of its employees worldwide. The Group has discontinued the use of temporary contracts, frozen new recruitment, alongside increased internal mobility and continued investment in internal training opportunities. In addition, the Group has implemented several solidarity measures, including the decision taken by Geoffrey Godet, Chief Executive Officer of Quadient, to waive his entire variable annual compensation and the payment of his supplementary pension for 2020, representing a c.60% reduction of his total annual compensation. Lastly, the Group's top executives have agreed to freeze their 2020 salary increase and to waive a significant part of their 2020 annual variable compensation.

  These employee cost reduction measures are completed with a strict management of all other operating expenses, especially marketing and travel costs. The Group plans to maintain its R&D and innovation efforts, through an acceleration of new solution deployments, to support future growth.

  These measures allowed the Group to achieve €8 million of cost savings in the first quarter 2020.

Preserve the cash generation and liquidity

In order to preserve cash generation, the Group operates a complete review of investment roadmap for 2020, with a priority to initiatives supporting future growth.

Due to the decrease in new hardware placements due to the impact of containment measures, the level of investment related to rented equipment declined in the first quarter of 2020.

The Group specifies that it has a very solid cash position. As at 30 April 2020, it stood at more than €900 million, of which €517 million in cash available and €400 million of undrawn credit line maturing in 2024. At this date, the net debt stood at €640 million (including IFRS 16), down by €28 million compared to 31 January 2020. Furthermore, the Group has only €32 million of maturities to service in the next 12 months.

OUTLOOK

Due to the current context, and taking in particular into account the financial efforts for the Group's employees required by the partial unemployment measures, the reduction of management annual variable compensation, as well as other support measures granted and implemented, the Board of Directors has deemed appropriate to reduce by 30% the €0.50 dividend floor to which the Group had committed itself as part of its Back to Growth strategic plan. Accordingly, the Board of Directors has decided to submit for approval at the Annual General Meeting of 6 July 2020 a dividend of €0.35 per share in respect of financial year 2019, representing a 35% decrease compared to the dividend paid in respect of the prior financial year. This reduction will also contribute to the cost and cash management measures implemented by the Group.

At end-April, the Group's order backlog was higher than in the same period in 2019, reflecting delayed bookings and deliveries in the first quarter 2020.

The trends observed by the Group have showed very early signs of improvement in the level of activity in May vs. April 2020, but at a much lower level than in May 2019.

The Group is not in position to give 2020 guidance at this stage due to very limited visibility in the very difficult context of gradual lockdown lifting in the countries where the Group operates.

ANNUAL GENERAL MEETING

In the exceptional context of the heath crisis related to the COVID-19 pandemic, and in order to ensure the security of its employees and shareholders, the Board of Directors of Quadient decided, during its meeting held on 25 May 2020, to hold the Company's Annual General Meeting of 6 July 2020 behind closed doors.

CONFERENCE CALL & WEBCAST

Quadient will host a conference call and webcast on **27 May 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 99 47 40
- United States: +1 212 999 6659
- United Kingdom: +44 (0) 20 3003 2666
- Switzerland: +41 (0) 43 456 9986

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

CALENDAR

The press release announcing second-quarter 2020 sales and first-half 2020 results will be published on 28 September 2020 after close of trading on the Euronext Paris stock exchange.

About Quadient®

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

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

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Appendices:

Glossary

- **Major solutions:** The four major solutions in which Quadient has already acquired strong legitimacy and which have the potential to reach a significant size and have significant growth potential. There are: Customer Experience Management, Business Process Automation, Mail-related Solutions and Parcel Lockers Solutions. There are sold by both Major Operations and Additional Operations.
    - **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);
    - **Mail-Related Solutions:** Solutions linked to mail management, mainly franking machines, folders/inserters and mailroom shipping software
    - **Parcel Locker Solutions:** Automated parcel lockers system to solve "last-mile" delivery issues in high density urban areas;
- **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 rest of world.
- **Additional Operations:** Mail-Related Solutions, Business Process Automation and Parcel Locker Solutions (excluding Japan) outside the two main geographies, and the Group's other activities including graphics, shipping software and the CVP automated packing system.
- **Other Solutions:** Graphics, shipping software and the CVP automated packing system.
- **Other Geographies:** All countries outside the two main geographies, *i.e*. North America and the main European countries.

2019 quarterly revenue according to the new reporting

In million euros	Q1 2019	Q2 2019	H1 2019	Q3 2019	Q4 2019	FY 2019
Major Operations	**231**	**252**	**483**	**242**	**269**	**994**
Customer Experience Management	*29*	*36*	*65*	*33*	*42*	*140*
Business Process Automation	*14*	*16*	*30*	*15*	*18*	*63*
Mail-Related Solutions	*177*	*183*	*360*	*176*	*192*	*728*
Parcel Locker Solutions	*11*	*17*	*28*	*18*	*17*	*63*
Additional Operations	**35**	**39**	**74**	**36**	**39**	**149**
Group total	**266**	**291**	**557**	**278**	**308**	**1,143**

In million euros	Q1 2019	Q2 2019	H1 2019	Q3 2019	Q4 2019	FY 2019
Major Operations	**231**	**252**	**483**	**242**	**269**	**994**
North America	*119*	*131*	*250*	*132*	*141*	*523*
Main European countries[(a)]	*102*	*108*	*210*	*97*	*114*	*421*
International[(b)]	*10*	*13*	*23*	*13*	*14*	*50*
Additional Operations	**35**	**39**	**74**	**36**	**39**	**149**
Group total	**266**	**291**	**557**	**278**	**308**	**1,143**

(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 Q1 2019 revenue by segment and activity has been restated accordingly.

2019 quarterly organic growth versus 2018 according to the new reporting

% of organic growth versus 2018	Q1 2019	Q2 2019	H1 2019	Q3 2019	Q4 2019	FY 2019
Major Operations	**+3.3%**	**+2.0%**	**+2.6%**	**+2.1%**	**+1.5%**	**+2.2%**
Customer Experience Management	+14.1%	15.9%	+15.1%	+8.6%	+12.1%	+12.6%
Business Process Automation	+37.1%	8.5%	+20.4%	+14.4%	+20.1%	+18.8%
Mail-Related Solutions	-1.4%	-2.8%	-2.1%	-2.4%	-4.4%	-2.8%
Parcel Locker Solutions	+25.9%	+33.4%	+30.4%	+39.2%	+45.8%	+36.8%
Additional Operations	**+0.3%**	**0.0%**	**+0.2%**	**+0.8%**	**-7.5%**	**-1.8%**
Group total	**+2.9%**	**+1.7%**	**+2.3%**	**+1.9%**	**+0.2%**	**+1.6%**

% of organic growth versus 2018	Q1 2019	Q2 2019	H1 2019	Q3 2019	Q4 2019	FY 2019
Major Operations	**+3.3%**	**+2.0%**	**+2.6%**	**+2.1%**	**+1.5%**	**+2.2%**
North America	+3.8%	+6.7%	+5.3%	+4.4%	+7.0%	+5.6%
Main European countries[(a)]	+0.1%	-6.3%	-3.3%	-4.4%	-7.5%	-4.7%
International[(b)]	+42.3%	+48.5%	+45.7%	+49.9%	+41.6%	+45.5%
Additional Operations	**+0.3%**	**+0.0%**	**+0.2%**	**+0.8%**	**-7.5%**	**-1.8%**
Group total	**+2.9%**	**+1.7%**	**+2.3%**	**+1.9%**	**+0.2%**	**+1.6%**

(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 Q1 2019 revenue by segment and activity has been restated accordingly.

2019 current operating income before acquisition-related expenses according to the new reporting

In million euros	H1 2019	2019
Major Operations	96	188
Additional Operations	(3)	(3)
Group total	**93**	**185**