

Unifiedpost Group reports strong Q3 2023 performance and strategic progress

Strong core revenue growth, expanded customer base and strategic progression

La Hulpe, Belgium – November 16, 2023, 7:00 a.m. CET - Unifiedpost Group (Euronext: UPG) (Unifiedpost, the Group, or the Company) is pleased to report strong Q3 2023 performance, driven by a double-digit increase in recurring digital processing revenue. The customer base surpassed 1,2 million. Unifiedpost Group reaffirms its priority to a positive cash flow generation following the planned trajectory with diligent monitoring.

Highlights

- Unifiedpost Group achieved 14,6% year-over-year organic growth in its core business in the first nine months
- Recurring digital revenue reached €92.8 million in the first three quarters of 2023
- The customer base grew to 1.212.508 by Q3-end, a 14,0% increase this year
- The company continues to invest in R&D to adapt its platform to regulatory changes in European markets
- With a strong Q4 anticipated 'EBITDA minus Capex' is expected to turn positive in Q4, and the potential for it to remain positive over H2 2023 exists with the realization of one-time deals in Q4
- The divestment of FitekIN/Onea is on track, and the Group is considering other non-core divestments

Hans Leybaert, CEO and Founder of Unifiedpost Group, commented on the Q3 results, saying: " We've delivered on our promises and are delighted with our strong YTD and Q3 2023 performance. Our focus on recurring digital processing revenue has paid off, with our customer base exceeding 1,2 million. As we move forward, we remain focused on improving the cash flow."

Key figures

Revenue (EUR million)	Q3 2023	YTD Q3 2023	YTD Q3 2022	Change (%)
Core				
Recurring digital processing	30,0	92,8	83,0	11,8%
Non-core				
Non-recurring digital processing	1,3	3,7	5,6	-33,9%
Postage & parcel optimisation	11,4	39,3	47,1	-16,6%
Group	42,7	135,8	135,7	0,0%

Revenue growth YTD 2023 vs YTD 2022	Organic (local currency)	Currency	Acquisitions / divestments	Total Growth
Core				
Recurring digital processing	14,6%	-2,8%	0,0%	11,8%
Non-core				
Non-recurring digital processing	-33,9%	0,0%	0,0%	-33,9%
Postage & Parcel optimisation	-8,5%	-8,1%	0,0%	-16,6%

Business KPI's	End Q3 2023	End Q2 2023	End Q1 2023	End Q4 2022
Customers	1.212.508	1.172.197	1.133.706	1.063.776
Paying customers	505.636	490.936	473.679	468.128
Customers paid by 3rd parties	706.872	681.261	660.027	595.648
Companies in business network	2.320.065	2.254.762	2.186.270	2.109.297
Banqup customers	156.450	151.931	143.902	124.333
Banqup customers Belgium (BilltoBox)	50.528	48.651	45.359	40.363
Banqup customers France (JeFacture)	15.699	14.291	11.973	5.428

Steady core revenue growth

Unifiedpost Group delivered a continued strong growth in its core business in the third quarter of 2023. The Company grew organically in local currency by 14,6% year-over-year in its core business over the first nine months, bringing the digital processing revenue YTD 2023 to €92,8 million. The Company maintains a consistent pattern of double-digit expansion. The Company faced a challenge in the form of adverse currency exchange rates in Sweden, Denmark, and Norway, leading to an absolute growth in euro of 11,8% year-over-year in the first three quarters for the recurring digital processing revenue.

We observed robust growth in countries where Unifiedpost holds a dominant market position. In Belgium, BilltoBox experienced significant growth, and large senders performed well. In the Netherlands, there is a continued strong performance in digital identity solutions. The Baltic countries benefited from a diverse service mix, contributing to growth. Additionally, in the Balkans, growth was driven by increased adoption of the government platform and related business. France is gearing up and showed promising growth. The UK experienced a decline in revenue due to the Group's strategic restructuring efforts focused on accelerating the shift from paper-based to digital services.

Unifiedpost's payment services, a part of recurring digital processing, have expanded to 24 countries. Significant revenue is generated in six key countries: Belgium, the Netherlands, Poland, Estonia, Latvia, and Lithuania. Other countries are close to finalising important deals in the payment space.

The non-recurring digital processing revenue declined year-over-year in the first nine months, a strategic decision by the Group as it redirects its resources and focus on product development and services for the generation of recurring digital processing revenue. The non-recurring digital processing revenue includes for the first nine months of the year only project revenue (customise requests from large corporates). In the first nine months the Company had no license revenue in the non-recurring digital processing. The Group continues to actively work to secure new government contracts.

For the postage and parcel optimisation segment the Group maintained a balanced approach to shifting from paper to digital. The revenue also encountered in this segment challenges from currency fluctuations primarily in Sweden.

Ninety-six percent (96%) of Unifiedpost Group's total year-to-date revenue is recurring, highlighting the Company's stable revenue generation, supported by the loyal customer base. The Group's churn rate remained minimal, staying below 3%. In countries at the forefront of digitization, the churn rate is as low as 1% to 2%.

Strong customer growth

Unifiedpost continues to experience substantial growth in the customer base. By the end of Q3 2023, the Company had 1.212.508 customers (a 14,0% increase compared to the end of 2022). This demonstrates a consistent upward trajectory over several years. Within the growing customer base, the Group has 505.636 paying customers. In addition to paying customers, the platform serves customers paid by third parties. This segment has expanded to include 706.872 customers by the end of Q3.

The business network, connecting Unifiedpost customers and other companies through digital means, now links over 2,32 million companies. This reinforces Unifiedpost's position as a leader in the e-invoice and e-payment business.

The core SME platforms, including Banqup, BilltoBox and JeFacture, have experienced substantial momentum. By the end of Q3, their combined customer base reached 156.450, reflecting consistent growth throughout the year.

Unifiedpost remains dedicated to streamlining business processes for its growing customer base and leveraging the substantial growth opportunities presented by European VAT in the digital age (VIDA).

Preparing for the future: Unifiedpost's strategy in an evolving market

Unifiedpost is at a significant turning point as the entire European market prepares for the new way of working in the digital era. This shift in the regulatory landscape, driven by VIDA regulation, creates opportunities and positions Unifiedpost at the forefront of the digital transformation. Unifiedpost aims to play a crucial role in this transformation.

While various countries are rapidly announcing changes, the significant transformation is gradually becoming more evident on the horizon. In the past quarter, there have been noteworthy regulatory developments in key European markets, with amongst these:

1. France: E-invoicing implementation in France is set to commence in September 2026, beginning with mandatory e-invoice reception for all companies and large and mid-size companies that must issue e-invoices
2. Germany: The new implementation timeline is starting in January 2025 with optional e-invoicing and mandatory e-invoicing for large companies as from 2026
3. Belgium: Mandatory B2B e-invoicing will be enforced in Belgium from 2026

A summary overview of important legislative decisions in the last quarter in the regulatory framework in different European countries and Unifiedpost markets can be found in the appendix.

The European Union offers a market potential of 24,9 million businesses and an additional 27,7 million self-employed individuals, forming a target market of 52,6 million potential customers. Many self-employed individuals and SMEs still lack solutions for e-invoicing, e-payments, e-reporting and tax validation. Unifiedpost is today a market leader on a market that will be growing exponentially in the coming years.

While the horizon promises increased growth, the Group is acutely aware of the need to address crucial priorities in the short term. The current focus lies in becoming cash flow positive on the current business by growth and optimising business operations.

Navigating the roadmap to success: Unifiedpost's steady progress

Unifiedpost's strategy execution has made significant progress, marked by tangible achievements. The Group's objective of establishing a comprehensive European business network among companies is materialising. It remains important to continue expanding both the Company's own network and connected networks, as well as extending the services to the existing customers through upselling.

Unifiedpost has experienced substantial growth in its network and the growth potential remains high with the market that is being created by VIDA. In addition to expanding the network, it is equally important to focus on upgrading the existing customers to comprehensive solutions. Notably, the in-house payment solution has been gaining traction in the market. The adoption of Unifiedpost's integrated payments solution by its customers has surged by 50% over the past 12 months, reflecting the growing demand for the integrated service offering.

Unifiedpost's R&D team consisted at the end of Q3 2023 of 399 full-time employees, making up 31% of the total Group headcount. Within this team, 72% of resources are dedicated to implementing new requirements and positioning Unifiedpost for the future market. This substantial investment in research and development emphasizes Unifiedpost's commitment to innovation and future growth. The Company is successfully managing its talent pool, retaining key personnel who are instrumental to the continued success.

The integration and cost-efficiency initiatives, such as consolidating product management across countries and streamlining the support organisation, have proceeded as planned, resulting in a more streamlined organisation. Towards the end of Q3, Unifiedpost reduced its workforce to 1.292 FTE, marking an 11,5% reduction compared to the beginning of the year. This reduction was achieved through a combination of workforce optimisation, role integration, and organisational streamlining, resulting in a more agile and efficient structure. At management level, steps were taken to limit the number of managers, enhancing overall operational efficiency.

In addition to the efforts in expanding and enhancing services for the customers, the Company is also actively progressing with divestments of non-core businesses that do not align with the Group's future integrated digital solutions strategy. The divestment of FitekIN/Onea is proceeding according to plan. The aim is to complete it in Q4 of 2023. Furthermore, the Company is continuously evaluating other non-core businesses to determine their alignment with the Company's strategic vision.

Sustained financial progress

The growing customer base, combined with efficient cost management, improves gross profit and EBITDA. In line with Unifiedpost's standard practices, the Group foresees a robust fourth quarter characterized by the seasonal uptick in revenue from existing business and customers. The Group expects 'EBITDA minus Capex' to turn positive in the fourth quarter. The conclusion of a number of one-off deals in the fourth quarter could result in 'EBITDA minus Capex' remaining positive in the second half of 2023.

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Appendix: summary overview of important legislative decisions Q3 2023

OVERVIEW		
Germany	Milestone(s)	<p>January 2025: optional e-invoicing</p> <p>January 2026: mandatory for businesses with turnover exceeding €800.000</p> <p>January 2027: mandatory for all businesses</p>
	Details	<p>Mandatory B2B e-invoicing has experienced some delays, particularly for small businesses. These changes will be officially enacted through a tax reform Bill, which also encompasses mandatory B2B e-invoicing for domestic transactions. The requirement has now been extended for an additional year for small businesses. The Bill is awaiting approval in the Parliament (Bundestag), with expected approval anticipated by December 15, 2023.</p>
Belgium	Milestone(s)	January 2026: enforcement of mandatory B2B e-invoicing
	Details	<p>Belgium is set to enforce mandatory B2B e-invoicing starting January 1, 2026, following the preliminary draft law's approval by the Belgian Council of Ministers.</p> <p>The implementation date for the e-invoicing mandate is January 1, 2026, with a "big bang" approach, meaning it will be fully enforced from the start.</p> <p>It's important to note that the draft law is subject to approval by the Belgian parliament, and the Council of Ministers' approval represents an initial and significant step in the legislative process.</p>
France	Milestone(s)	<p>September 2026: all companies to receive e-invoices</p> <p>September 2026: large and mid-size companies obliged to issue e-invoices</p> <p>September 2027: SMEs obliged to issue e-invoices</p>
	Details	<p>In France, the e-invoicing and e-reporting reform has been postponed. Despite the delay, updated technical specifications are available. The French Tax Administration has proposed new deadlines for mandatory e-invoicing. The e-invoicing reform in France is now officially rescheduled to start in 2026.</p>
Poland	Milestone(s)	July 2024: mandatory e-invoicing
	Details	<p>Mandatory e-invoicing via the National e-Invoice System effective from 1 July 2024, with preparations underway, including draft amendments for natural persons designated by taxpayers</p>

For details on all other countries or details on legislation please consult the Unifiedpost website.

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About Unifiedpost Group

Unifiedpost is a leading cloud-based platform for SME business services built on “Documents”, “Identity” and “Payments”. Unifiedpost operates and develops a 100% cloud-based platform for administrative and financial services that allows real-time and seamless connections between Unifiedpost’s customers, their suppliers, their customers, and other parties along the financial value chain. With its one-stop-shop solutions, Unifiedpost’s mission is to make administrative and financial processes simple and smart for its customers. Since its founding in 2001, Unifiedpost has grown significantly, expanding to offices in 32 countries, with more than 500 million documents processed in 2021, reaching over 1.600.000 SMEs and more than 2.500 Corporates across its platform today.

Noteworthy facts and figures:

- Established in 2001, with a proven track record
- 2022 turnover €191 million
- 1300+ employees
- Diverse portfolio of clients across a wide variety of industries (banking, leasing, utilities, media, telecommunications, travel, social security service providers, public organisations, etc.) ranging from large internationals to SMEs
- Unifiedpost Payments, a fully owned subsidiary, is recognised as a payment institution by the National Bank of Belgium
- Certified Swift partner
- International M&A track record
- Listed on the regulated market of Euronext Brussels, symbol: UPG

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