

PROFITABILITY AND FREE CASH FLOW GENERATION MAINTAINED AT HIGH LEVELS DESPITE UNDER- PERFORMANCE FROM EDS DIVISION

- ▶ **2017 Full-year sales of €1.1 billion, down -4.1%, or -2.2% in organic terms¹**
- ▶ **2017 Fourth-quarter sales down -10.0%, or -4.4% in organic terms² owing to a decline in the EDS division**
- ▶ **Current operating margin³ of 18.2% of sales**
- ▶ **Net attributable income: €134 million up +13.2%**
- ▶ **Cash flow after capital expenditure: €149 million**
- ▶ **Proposed dividend in respect of 2017: €1.70 per share**

Indications for 2018

- ▶ **Sales expected to decrease in organic terms**
- ▶ **Current operating margin³ of approximately 18.0% at identical innovation effort levels**

Paris, March 26, 2018

Neopost, a global leader in digital communications, shipping and mail solutions, today announced its 2017 annual results (for the financial year ended on January 31, 2018). These financial statements were reviewed and approved by the Board of Directors at its meeting on March 26, 2018.

In full-year 2017, the Group generated sales of €1,112 million, down -4.1% and -2.0% excluding currency effects year on year, for an organic change of -2.2%.

Fourth-quarter 2017 sales came out at €290 million, down -10.0% and -4.8% excluding currency effects year on year, for an organic decrease of -4.4%. The organic decline in Group sales accelerated thus in fourth-quarter 2017, due to the lack of large license contracts in the Enterprise Digital Solutions (EDS) division. The 2 other divisions were consistent with the performance reported in the first nine months of the year.

Current operating income³ totaled €202 million in 2017, versus €216 million in 2016. Current operating margin³ remained at a high level of 18.2% of sales, compared with 18.6% in 2016.

Net attributable income amounted to €134 million, up 13.2%. Net margin⁴ stood at 12.0% of sales, versus 10.2% in 2016. Cash flow after capital expenditure ended at a very high level, at €149 million versus €147 million in 2016.

¹ Full-year 2017 sales are compared with 2016 sales, with the addition of €2.7 million corresponding to the sales generated by icon Systemhaus minus those of DMTI.

² Q4 2017 sales are compared with Q4 2016 sales, from which are deducted €1.4 million corresponding to DMTI.

³ Excluding acquisition-related expense.

⁴ Net margin = net attributable income/total sales.

Commenting, Geoffrey Godet, Chief Executive Officer of Neopost, said: **"Neopost reported a mixed trend in business activity in 2017. The pace of the downturn at SME Solutions slowed slightly, while Neopost Shipping posted double-digit growth. The increase in Enterprise Digital Solutions sales came to a halt at year-end, but the division's customer base continued to grow and the share of sales related to services and maintenance is substantial. Enterprise Digital Solutions is thus expected to return to low growth in the coming quarters. While I will need more time to make a complete assessment of this business activity, we have already revised our sales approach.**

The deterioration in sales in the fourth quarter should not mask the high levels at which Neopost successfully maintained its operating margin and free cash flow generation. Even though our sales will contract further in 2018 given the decline in mail-related activities, the Group's rigorous financial management and high proportion of recurring sales constitute robust fundamentals. Having recently taken up my position, I will be taking advantage of the coming months to prepare our strategic plan for the next few years. The plan will be presented at the Investor Day, to be held before the end of our fiscal year. I am convinced that Neopost has the strengths required to succeed in the upcoming phase of its transformation."

INCOME STATEMENT

€ million	2017	2016	Change
Sales	1,112	1,159	-4.1%
Current operating income before acquisition-related expense	202	216	-6.3%
<i>% of sales</i>	<i>18.2%</i>	<i>18.6%</i>	
Current operating income	191	203	-5.9%
Net attributable income	134	118	+13.2%
<i>% of sales</i>	<i>12.0%</i>	<i>10.2%</i>	
Earnings per share ⁵	3.62	3.17	+14.2%
Diluted earnings per share	3.35	2.87	+12.8%

⁵ Earnings per share are calculated after deducting dividends paid to ODIRNANE bond holders.

SALES BY ACTIVITY AND TYPE OF REVENUE

€ million	2017	2016	Change	Change at constant exchange rates	Organic change ¹
Mail solutions	805	859	-6.3%	-4.3%	-4.3%
Communication & Shipping Solutions	307	300	+2.4%	+4.4%	+3.5%
Total	1,112	1,159	-4.1%	-2.0%	-2.2%

€ million	2017	2016	Change	Change at constant exchange rates	Organic change ¹
Equipment and license sales	354	382	-7.3%	-5.2%	-5.1%
Recurring revenue	758	777	-2.5%	-0.4%	-0.9%
Total	1,112	1,159	-4.1%	-2.0%	-2.2%

The Group continued its business transformation in 2017, with Communication & Shipping Solutions accounting now for 28% of total sales compared with 26% in 2016. Recurring revenue, down slightly by -0.9%, showed good resilience owing to the contribution of new businesses. The share of recurring revenue increased slightly to 68% of total Group sales.

SALES BY DIVISION

€ million	2017	2016	Change	Change at constant exchange rates	Organic change ¹
Enterprise Digital Solutions (EDS)	136	137	-0.4%	+1.7%	-0.3%
Neopost Shipping	57	53	+8.0%	+10.7%	+10.7%
SME Solutions	941	991	-5.0%	-3.0%	-3.0%
Eliminations	(22)	(22)	-	-	-
Total	1,112	1,159	-4.1%	-2.0%	-2.2%

Enterprise Digital Solutions (EDS)

In full-year 2017, **Enterprise Digital Solutions** sales rose +1.7% excluding currency effects. Restated for scope effects stemming from the acquisition of icon Systemhaus and the disposal of DMTI Spatial, sales declined by -0.3% on an organic basis.

The underperformance mainly resulted from the lack of sales of large license contracts by GMC Software for customer communications management, whereas the Group had expected a recovery in this activity in the fourth quarter. Yet, given the high number of large contracts signed in fourth-quarter 2016, GMC Software recorded an organic sales decline of -11.9% for in fourth-quarter 2017.

However, GMC Software's annual sales grew +3.2% excluding currency effects thanks to an increase in maintenance and service sales and to the signing of a significant number of new small license contracts, contributing to a continued increase in the customer base.

The underperformance from the EDS division is also attributable to a decline in organic terms in the data quality management business (-6.2%) and from icon Systemhaus (-11.0%) over the full-year.

Neopost Shipping

In full-year 2017, **Neopost Shipping** sales rose +10.7% excluding currency effects.

Double digit growth was driven by the strong performances in the roll-out of Packcity automated parcel lockers in Japan in partnership with Yamato Transport. The number of installed parcel lockers now totals 2,600, versus 200 a year earlier. As of today, Neopost manages a network of more than 3,000 automated parcel lockers around the world.

Growth in the division was also driven by accelerated sales in the CVP-500 automated packaging system whose placements reached 10 units this year versus 6 in the previous fiscal year.

In addition, Temando is currently preparing for the launch of its shipment module for Magento's new e-commerce solutions platform (set for spring 2018).

SME Solutions

SME Solutions sales in full-year 2017 were down -5.0% to €941 million and down -3.0% at constant exchange rates.

Mail Solutions sales fell -4.3% excluding currency effects. This business has shown more resilience in North America than in Europe, where the decline is more marked, confirming the trend observed for some time now.

Within this division, Communication & Shipping Solutions sales rose +5.5%, with a -6.0% decrease in graphic activities and a +17.5% increase in digital communications and logistics, thus demonstrating the division's ability to support its customers with customer communication and parcel management software.



CURRENT OPERATING INCOME

Current operating margin by segment

€ million	2017					2016				
	EDS	Neopost Shipping ⁶	SME Solutions	Innovation ⁷	TOTAL	EDS	Neopost Shipping ⁶	SME Solutions	Innovation ⁷	TOTAL
Sales	136	57	941	0	1,112⁸	137	53	991	0	1,159⁸
Current operating income	16	(13)	207	(8)	202	21	(11)	214	(8)	216
Current operating margin³	11.6%	(21.8)%	21.9%	n/a	18.2%	15.6%	(21.6)%	21.6%	n/a	18.6%

EDS posted a decrease in its current operating margin³, which came out at 11.6% of sales versus 15.6% in 2016. The decline resulted from the contraction in the sales of licenses.

The current operating margin³ of Neopost Shipping⁶ was stable at -21.8%. Excluding Temando and CVP-500, the margin ended at 8.2% of sales compared with 8.8% in 2016.

The current operating margin³ of SME Solutions rose to 21.9% of sales from 21.6% in 2016. The savings and optimization programs continue to produce results. In 2017, SME Solutions' net operating expenditure was reduced by €21 million after already being cut by €23 million in 2016. In all, Neopost has reduced the cost base of this division by €57 million in three years, consistent with the announced target of at least €50 million.

Innovation expense includes the development of a web-based platform and also digital applications for small businesses. Total innovation expense came out at €8 million in 2017, the same as in 2016.

The Group's current operating income before acquisition-related expense stood at €202 million, versus €216 million in 2016. Current operating margin before acquisition-related expense was 18.2% of sales versus 18.6% in 2016.

Acquisition-related expense totaled €11 million, compared with €13 million in 2016.

Current operating income in 2017 amounted to €191 million, against €203 million the previous year.

NON-CURRENT ITEMS

The Group recorded a €13 million expense for the optimization of structures in 2017, compared with €15 million in 2016.

It finalized the disposal of its subsidiaries in Indonesia, Malaysia, Singapore and Thailand (SME Solutions), as well as its DMTI Spatial subsidiary (EDS). The Group also acquired Temando's minority interests in September 2017. Earn-out that was accounted for when Neopost took its first stake in

⁶ Including Temando and CVP-500.

⁷ Innovation includes the costs of developing a web-based platform and SaaS applications for small businesses.

⁸ After the elimination of inter-company sales of €22 million in 2017 and 2016.

Temando, was canceled to take account of the new business plan and the goodwill was depreciated consequently.

In all, income from disposals and other operational expense totaled €12 million, against €7 million in 2016.

After recognizing these non-current items, operating income came out at €166 million in 2017, versus €181 million in the previous year.

NET INCOME UP

Net cost of debt amounted to -€32 million, compared with -€30 million in 2016. The carrying costs stemming from the refinancing transactions in 2017 (Schuldschein in February and revolving credit facility in June) amounted to €1 million.

In 2017 the Group also recorded currency losses and other financial items of -€2 million, compared with -€1 million in 2016. Net financial income amounted to -€34 million in 2017, versus -€31 million in 2016.

The tax rate came to 0.6%, down from 25.1% in 2016. This change resulted from the lowering of the tax rate in the United States as well as the cancellation of tax on dividends in France.

Net attributable income thus came out at €134 million, up 13.2% on 2016, for a net margin of 12.0% compared with 10.2% in 2016. Earnings per share stood at €3.62, compared with €3.17 in 2016, for an increase of 14.2%.

STRONG CASH FLOW GENERATION

EBITDA⁹ totaled €285 million, compared with €295 million in 2016. The EBITDA margin grew slightly to 25.6% of sales, compared with 25.5% in 2016.

The change in the working capital requirement was positive at €20 million, thanks notably to the decrease in trade accounts receivable.

The leasing portfolio and other financing services were down -2.8% excluding currency effects, for a resource of €23 million. After recognizing the decline in the US dollar, the portfolio stood at €711 million, down from €798 million at January 31, 2017.

Investments in tangible and intangible fixed assets amounted to €99 million versus €82 million a year earlier. The increase was entirely due to the roll-out of Packcity in Japan.

In total, the Group generated €149 million in cash flow before acquisitions and dividends, equivalent to the total last year, while investments are higher in 2017.

In terms of external growth, the Group invested €23 million, mainly for the acquisition of the minority interests in Temando. The total was close to the previous year's €24 million.

Strong cash flow generation and the fall in the US dollar versus the euro led to a significant decrease in net debt, which at January 31, 2018 stood at €675 million, versus €763 million a year earlier. The

⁹ EBITDA = current operating income + provisions for depreciation of tangible and intangible fixed assets.

Group would like to point out that its net debt is fully backed by future cash flows from its rental and leasing activities.

At January 31, 2018, shareholders' equity was €1,169 million, against €1,139 million a year earlier.

Gearing came out at 58% of shareholders' equity compared with 67% at January 31, 2017. At January 31, 2018, the leverage ratio (net debt/EBITDA) improved. It stood at 2.4, compared with 2.6 on January 31, 2017.

DIVIDEND

The Board of Directors will submit its proposed dividend of €1.70 per share in respect of fiscal year 2017, the same amount as for fiscal year 2016, for the approval of the Annual General Meeting on June 29, 2018. If approved, the balance of €0.90 per share will be paid on August 7, 2018, following the payment of an interim dividend of €0.80 per share on February 6, 2018. The final 2017 dividend will be paid entirely in cash, as was the interim dividend.

INDICATIONS FOR 2018

Group sales are expected to continue to decline on an organic basis in 2018, owing to the following factors:

- ▶ Enterprise Digital Solutions: low-single-digit growth;
- ▶ Neopost Shipping: double-digit growth;
- ▶ SME Solutions: a continued decline in legacy and graphics activities between -4% and -6%, and double-digit growth in digital communication and shipping solutions.

On the basis of innovation efforts identical to those in 2017, and continued cost-cutting at SME Solutions, the Group's current operating margin excluding acquisition-related expense should come out at around 18%. The Group will continue to generate a high level of operating cash flow.

MEETING WEBCAST

Neopost has scheduled a meeting in Paris on **March 27, 2018** which will be webcast simultaneously starting at 9am Paris time/8am London time. The meeting will be held in English. To join the webcast, go to <http://www.neopost-group.com/fr/finance>. The recording of the webcast meeting will be available for a period of one year.

CALENDAR

First-quarter 2018 sales will be published on May 31, 2018 after market close.

ABOUT NEOPOST

NEOPOST is a global leader in digital communications, logistics and mail solutions. Its mission is to help companies improve the way they manage interactions with their clients and partners. Neopost provides the most advanced solutions for physical mail processing (mailing and folder-inserter systems), digital communication management (Customer Communications Management and Data Quality applications), and supply chain and e-commerce process optimization (from point of sale to delivery, including associated tracking services).

With a direct presence in 29 countries and more than 5,800 employees, Neopost reported annual sales of €1.1 billion in 2017. Its products and services are sold in more than 90 countries. Neopost is listed in compartment A of Euronext Paris and belongs to the SBF 120 index.

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APPENDICES:

Glossary

- **Enterprise Digital Solutions (EDS):** division offering Customer Communications Management (CCM) and Data Quality (DQ) solutions for large companies. It includes GMC Software, Human Inference and Satori, now combined in Quadiant, as well as icon Systemhaus.
- **Neopost Shipping:** division offering management solutions for shipping and delivery; tracking of goods and merchandise for players in e-commerce, distribution and carriers. It includes ProShip and Temando.
- **SME Solutions:** division offering Mail Solutions products and services for small and mid-sized enterprises, the Group's long-standing customers. This division also delivers digital, shipping and graphic solutions for the same customer base.
- **Mail Solutions:** mailing systems, document management systems (folder/inserters for offices and mailrooms; other mailroom equipment) and related services
- **Communication & Shipping Solutions (CSS):** customer communications management and data quality solutions, logistics solutions, document finishing solutions and graphics solutions

Sales by division in Q4 2017

€ million	Q4 2017	Q4 2016	Change	Change at constant exchange rates	Organic change ²
EDS	34	43	-20.0%	-15.0%	-12,2%
Neopost Shipping	17	16	+4.1%	+9.0%	+9.0%
SME Solutions	247	271	-8.8%	-3.5%	-3.5%
Éliminations	(8)	(7)	-	-	-
Total	290	323	-10.0%	-4.8%	-4.4%

Sales by activity in Q4 2017

€ million	Q4 2017	Q4 2016	Change	Change at constant exchange rates	Organic change ²
Mail solutions	210	234	-9.9%	-4.6%	-4.6%
Communication & Shipping Solutions	80	89	-10.4%	-5.3%	-3.8%
Total	290	323	-10.0%	-4.8%	-4.4%

Sales by revenue type in Q4 2017

€ million	Q4 2017	Q4 2016	Change	Change at constant exchange rates	Organic change ²
Equipment and license sales	97	117	-16.9%	-12.1%	-11.4%
Recurring revenue	193	206	-6.1%	-0.7%	-0.5%
Total	290	323	-10.0%	-4.8%	-4.4%

Sales by region in Q4 2017 and FY 2017

€ million	Q4 2017	Q4 2016	Change	Change at constant exchange rates	Organic change ²	2017	2016	Change	Change at constant exchange rates	Organic change ¹
North America	125	142	-11.3%	-1.6%	-0.6%	493	516	-4.4%	-1.3%	-0.7%
Europe	145	159	-9.1%	-8.2%	-8.2%	531	558	-4.9%	-3.7%	-4.7%
Asia-Pacific and others	20	22	-8.3%	-1.1%	-1.1%	88	85	+3.3%	+4.4%	+4.4%
Total	290	323	-10.0%	-4.8%	-4.4%	1,112	1,159	-4.1%	-2.0%	-2.2%

2017

Consolidated income statement

€ million	2017 (year ending January 31, 2018)		2016 (year ending January 31, 2017)	
		%		%
Sales	1,112	100.0%	1,159	100.0%
Cost of sales	(280)	(25.1)%	(294)	(25.3)%
Gross margin	832	74.9%	865	74.7%
R&D expenses	(57)	(5.1)%	(52)	(4.5)%
Sales and marketing expenses	(280)	(25.1)%	(293)	(25.4)%
Administrative expenses	(195)	(17.6)%	(197)	(17.0)%
Service and other operating expenses	(100)	(9.0)%	(107)	(9.2)%
Employee profit-sharing and share-based payments	1	(0.0)%	(0)	(0.0)%
Current operating income before acquisition-related expense	202	18.2%	216	18.6%
Acquisition-related expense	(11)	(1.0)%	(13)	(1.1)%
Current operating income	191	17.2%	203	17.5%
Proceeds from asset disposals	0	0.0%	0	0.0%
Structure optimization expenses	(13)	(1.2)%	(15)	(1.3)%
Other operating expense	(12)	(1.0)%	(7)	(0.6)%
Operating income	166	15.0%	181	15.6%
Financial income/(expenses)	(34)	(3.1)%	(31)	(2.6)%
Income before taxes	132	11.9%	150	13.0%
Income taxes	(1)	(0.1)%	(37)	(3.3)%
Share of results of associated companies	2	0.1%	1	0.1%
Net income	133	11.9%	114	9.8%
Minority interests	1	0.1%	4	0.4%
Net attributable income	134	12.0%	118	10.2%

2017

Simplified cash flow statement

Assets <i>€ million</i>	January 31, 2018	January 31, 2017
Goodwill	1,062	1,121
Intangible assets	191	223
Fixed assets	136	132
Other non-current financial assets	60	53
Leasing receivables	711	798
Other non-current receivables	4	3
Deferred tax assets	5	17
Inventories	66	72
Trade receivables	243	269
Other current assets	112	100
Financial instruments	0	0
Cash and cash equivalents	193	96
Assets discontinuing activities	-	2
TOTAL ASSETS	2,783	2,886

Liabilities <i>€ million</i>	January 31, 2018	January 31, 2017
Shareholders' equity	1,169	1,139
Long term provisions	28	28
Non-current financial debt	846	753
Other non-current liabilities	14	50
Current financial debt	22	106
Deferred tax liabilities	156	197
Non-current financial instruments	0	0
Deferred income	201	217
Current financial instruments	0	1
Other current liabilities	347	395
TOTAL LIABILITIES	2,783	2,886

2017

Simplified cash flow statement

<i>€ million</i>	2017 (year ending January 31, 2018)	2016 (year ending January 31, 2017)
EBITDA	285	295
Other elements	(26)	(20)
Cash flow before net cost of debt and tax	259	275
Change in the working capital requirement	20	(9)
Net change in leasing receivables	23	15
Cash flow from operating activities	302	281
Interest and tax paid	(54)	(52)
Net cash flow from operating activities	248	229
Capital expenditure	(99)	(82)
Net cash flow after investing activities	149	147
Acquisition of shares and granting of loans	(23)	(24)
Disposals of assets and other	1	3
Net cash flow after acquisitions and disposals	127	126
Capital	(1)	
Dividends paid	(59)	(59)
Change in debt and other	46	(51)
Net cash flow from financing activities	(14)	(110)
Impact of exchange rates on cash	(16)	11
Change in net cash position	97	27