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Neopost SA (NEO.FR)

Q1 2018 Sales and Revenue Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello and welcome to Q1 2018 sales. My name is Amelia, and I'll be your coordinator for today's conference. For duration of the call you will be in listen-only. However, you'll have the opportunity to ask questions at the end of the conference. [Operator Instructions]

I'll now hand over to your host, Geoffrey Godet to begin today's conference. Thank you.

Geoffrey Godet
Chief Executive Officer, Neopost SA

Good afternoon. Thank you for joining us today on our Q1 2018 sales conference call. I'm Geoffrey Godet, Neopost CEO; Jean-François LABADIE, Neopost CFO; and Gaële Le Men, Investor Relation Officer, but most of you probably don't know are together with me for this call.

I will not present any update on the strategy and I will not address any question on the topic as these were part of the new strategy to be presented before the end of our fiscal year as I mentioned to you before. I will continue my visit of our customers, my teams, our partners, our investors and feel I have a full and complete assessment of Neopost obviously. In parallel, I have started a strategic review of all our [indiscernible] (00:01:19) organization as I started to mention to you earlier. Defining and decision will be part of what will be presented during our Capital Markets Day at the end of our fiscal year.

During this call, we will first comment on our Q1 sales performance. And we will then open the call for a Q&A session. I remind you that for the first time we have produced a slideshow to support our quarterly sales announcements in the same format as our full year results for 2017. We continue to share more information on our business than before. I hope that you have access to the slides. If not, you can download this presentation from our financial website.

As a very brief introduction, I would say that our Q1 sales are in line with the expectation that we shared with you earlier. This represents an organic decline of minus 2.1%. This is a much improved performance compared to the 4.4% organic decline that we had in Q4 2017 with a different mix between our new activities and mail business. Don't get me wrong. We're only back in Q1 to a level that is broadly consistent with the level of annual decline that we have recorded over the last three years. So this is still not satisfactory to me as our objective is to mitigate the decline of our mail business.

So now, I will let Jean-François give you a more detailed review of our Q1 numbers and I invite you to move to slide number 3.

Jean-François LABADIE

Chief Financial & Legal Officer, Neopost SA

Thank you, Geoffrey. Ladies and gentlemen, good afternoon.

In Q1 2018, we posted sales of €249 million, minus 9.7% versus Q1 last year. Our sales are strongly impacted by currency effect. Indeed more than 50% of our sales is outside Europe and mainly in the U.S. and due to a weaker dollar against euro, we have a negative currency impact of €20 million or 7.3% (sic) [7.2%] (00:03:49). We had a small scope effect of minus €1 million and this is a reflection of the disposal of DMTI Spatial last year. Excluding currency impact and scope effect, our Q1 organic change in sales stands at minus 2.1%. As mentioned by Geoffrey, this is in line with expectations and our indications for the full year remain unchanged.

Now let us review performance by division, and please move to slide 4. I will start with Enterprise Digital Solutions or EDS. EDS represents around 11% of total sales. EDS is back to organic growth at plus 6.7% after a flat sales in Q3 and minus 12% in Q4. We have two business lines at EDS, the main one is Customer Communication Management (sic) [Customer Communications Management] (00:04:49) software, and the other one is our Data Quality software.

In the Customer Communications Management, our organic growth is close to 10%. The full growth comes from recurring revenues. You remember that despite low growth last year, our customer base has increased, besides generating more revenue from maintenance and services. In the meantime, our new license sales are back to the same level as Q1, last year. This is much better that we remain cautious.

Indeed, we are still in the process of fine tuning our commercial approach i.e., making changes to sales force to totally address values of vertical industries, mainly financial services, insurance, healthcare and utilities. And we are also introducing a more phased approach to license sales when appropriate. Our Data Quality business line continues to decline, although at lower pace than last year with an organic decline of minus 3%.

Please switch to slide number 5. Now look at our shipping division. Our shipping division represents around 5% of total sales. Shipping enjoyed a strong quarter, with an organic growth of 21%. The growth is supported by a sharp increase in Packcity revenues and almost four-fold increase versus Q1 last year. This is essentially due to the full impact of the increase in our parcel lockers installed base in Japan last year. As a remainder, in Japan, same-store partnership with Yamato, we moved from 200 lockers at the end of 2016 to 2,600 lockers mid-March 2018, and we now stand at close to 3,000 lockers.

This is mechanically generating higher rental revenues. In addition, we delivered also parcel lockers to Australia Post to expand their current network. Revenues from CVP-500, our fit-to-size packing system were marginal, as we didn't sell any new machine in Q1 this year. This was already the case in the Q1 last year, so no impact on growth. Revenues from shipping software are down 7% organically. Very much [indiscernible] (00:07:34) products

such as ProShip in the U.S., track and trace software, RFID solutions. Some of these software are in process of being gradually phased out, it partly explained decline. Temando is also part of shipping software. The Temando revenue progressively comes from new Magento platform which was launched last month.

Now move to slide 6 and let us look at our main division, i.e. SME Solutions. SME division represents around 84% of total sales. Organic change versus Q1 last year stands at minus 4.3%. The bulk of SME comes from our legacy mail solutions business. Mail solutions declined by 5% organically. This is in line with a trend of the past three years, i.e. between minus 12% to minus 6%.

And as for the past years, North America continues to show greater resilience, while the decline remains softer in Europe, particularly in the UK and Scandinavia. Our graphic business is also declining, minus 12% this quarter, notably impacted by the loss of a large contract in Australia. digital communications and shipping solutions fit to the news of SMEs continued to enjoy a double-digit organic growth at plus 11%.

Let's now switch to slide 7. If we look at the breakdown of our Q1 sales performance from other angles, we see proactivity, meaning mail solutions on one hand and all other communication and shipping solutions, including graphics across our three divisions on the other hand. Mail solutions stands at minus 5%, as already stated. The total communication and shipping solutions including graphics grew by 6.2% organic, which is 28% of total sales versus 26% in Q1 last year.

What type of revenue, equipment and license sales decreased by 8% to 28% of total sales. With the opposite recurring revenue grew slightly to reach 72% of total sales. Thanks to the contribution of rentals, maintenance and service fees revenue generated by new activities. Now geographic area, thanks to stronger resilience in mail solutions, North America is virtually stable, down 4.7% organically. Despite lower dollar against euro, North America is still at 44% of total sales. Europe is down 4.2% organically due to the decrease in mail solutions. In rest of the world, small organic growth of 1.7% comes from the increase in revenues of Packcity Japan mitigated by the decline in graphics in Australia.

I now hand the floor back to Geoffrey, who will walk you through our indications for the full year. Please turn to slide 8.

Geoffrey Godet

Chief Executive Officer, Neopost SA

Thank you, Jean-François. As indicated earlier, our Q1 numbers are in line with our expectation. We, therefore, maintain the indication that we gave earlier for the full year of 2018. As a reminder, we expect our top line to continue to decrease organically. Per division, we see EDS growing at low single digit. We had a better Q1 the two previous quarters. This is just one quarter and we have to stay cautious on that front as we are still addressing our commercial approach.

For our shipping division, we expect to continue to grow double-digit, but at a much lower pace than in Q1. In particular, the 10 CVP-500s which were placed in 2017 represent a changing basis of comparison for the coming quarters. And within the SME division, we expect mail solution to decline at a similar pace as in the past three years, which means between minus 4% and minus 6%. In addition, graphic activity should also continue to decline in contrast revenues from digital communications and shipping solutions dedicated to our SME division should continue to grow at double-digit.

This is a broad picture for the fiscal year 2018. I would like however to stress that these trends may not be linear throughout the year. In particular, we will experience some negative base effects in Q2. This is particularly the

case for EDS, which recorded last year a surge in Q2 sales that were 20% higher than in Q1, 2017. This is also the case in shipping. As we benefited from a high level of parcel lockers and hardware sales in Australia in Q2 last year as well from the sales of 3 CVP-500 whereas for Q2 2018 so far we only have one potential CVP sale in our backlog. And I'll remind you that the CVP are also hardware sales. And finally in graphics we will continue to suffer from the loss of the large maintenance contract that Jean-François mentioned in Australia until mid Q3, 2018.

So, moving to our projected EBIT margin before acquisition related expense. We maintain our indication of around 18% on the basis of similar level of investment than last year. We continue to address our cost base to the evolving needs of our SME division to better address our client requirements and protect our margin in the same time.

So I would also like to take this opportunity here to remind you that if we suffered in Q1 from a strong negative currency effects on our sales, this has no impact on our EBIT margin. As a consequence, the breakdown of our cost between our main currencies, the euro, the British pound and the U.S. dollar matches the breakdown of our sales between these currencies. Our EBIT margin is therefore naturally hedged or protected against currency movements.

Finally, despite the decline in our sales, we have demonstrated in the past our ability to generate high levels of operating cash flow and this will also be the case in this year, in this fiscal year 2018. So this ends our opening remarks. Thank you for your time and attention so far. We are now ready to answer your questions. So I'll be waiting for those questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question is coming from the line of David Cerdan from Kepler. David, you're now unmuted.

David Cerdan
Analyst, Kepler Cheuvreux SA

Q

Yeah. Good afternoon. David Cerdan from Kepler. First of all I would like to thank you for the quality of the presentation. This is very clear for us. And so, it was important for me to tell you that we need the information, and this is the case for this presentation. So thank you for that. And I have a few questions for you. My first question is just for EDS. Can you explain why you expect the trend to be slower in the next quarter, and at the end to deliver just a low single-digit organic growth, meaning that, we could expect maybe some quarters in negative on a like-for-like basis, so this is for EDS?

For shipping, can you explain us the profitability of Packcity in Japan, is it a profitable business or not? And for the CVP-500, do you expect to sign some contracts in [indiscernible] (00:16:48)? And for the SME solution, the graphics business is now very, very small. Does it make sense for you to continue to be invested into this business? Thank you.

Geoffrey Godet
Chief Executive Officer, Neopost SA

A

I will answer the first question on EDS, I'll let Jean-François answer the second question on shipping, and Gaële take the last question on the graphic as well, CVP and Graphics.

David Cerdan

Analyst, Kepler Cheuvreux SA

Yes. Okay.

Q

Geoffrey Godet

Chief Executive Officer, Neopost SA

Okay. On EDS, so I just want to repeat what I said about the second quarter for example on the comparison base, we had a much big growth in 2017 from Q1 to Q2 by 20% which makes the achievements of the same performance in Q2 this year versus Q1 more difficult, so that's one part of the answer. The second thing is in EDS we have our CCM activities and Data Quality and the Data Quality is declining. So in the mix of EDS we have two different trends which the makeup of both is what is providing the resulting indication that I gave.

A

Last which is not the least important one, we explained to you at the year-end presentation and at the end of March, we went through some change in our sales organizations for the CCM activity in particular within EDS and I have mentioned that those changes will take time to take effect. We just hired a new head of our North American organization just a few weeks ago I think – no, I mean months or so and I expect to see some additional change and until we see those change, we believe that we will have some differences in performance quarter-to-quarter and therefore all those things considered I think this indication that we gave is a reasonable one.

Jean-François LABADIE

Chief Financial & Legal Officer, Neopost SA

Okay. So David, I'll answer to the profitability of Japan and before that let me remind you the model we had in Japan. So in Japan, we have a partnership with Yamato. And basically the agreement that we have with Yamato is that when we sold a locker in Japan, we had roughly 75% of the capacity of that locker which is rented to Yamato for a duration of 7 years, okay. So the revenue that we get from Yamato is not depending on the occupancy of this locker, or the traffic of parcels that move through this locker, it's a fixed revenue that we get from Yamato for seven years.

A

So to answer your question, is it a profitable business, the answer is yes. Packcity Japan will be profitable. When I say it will be which mean that it's not profitable yet, because the profitability of packaging business depends on the number of lockers that we have deployed. And so far as we speak given I would say the intensity of deployment that we have in Japan and that we have had last year I would say the rental revenue, as I'm not covering it, our cost of amortization plus all the OpEx of the organization that we have put in place to deploy this lockers, which means that we are not expecting Packcity Japan to be profitable to 2018, that we will be close to that and profitability level will be rich in the course of 2019.

David Cerdan

Analyst, Kepler Cheuvreux SA

And what is the volume required to reach the breakeven because you were at [indiscernible] (00:20:52) at the end of May, so are you far away from the breakeven?

Q

Jean-François LABADIE

Chief Financial & Legal Officer, Neopost SA

No, we are not far from the breakeven, but again given the speed at which we have deployed the lockers, we have significantly increased the size of the organization to maintain such [indiscernible] (00:21:09). At this stage, it's perfectly I would say normal that we have not yet reached the breakeven point.

A

David Cerdan

Analyst, Kepler Cheuvreux SA

Okay.

Q

Jean-François LABADIE

Chief Financial & Legal Officer, Neopost SA

And you had a question on...

A

Geoffrey Godet

Chief Executive Officer, Neopost SA

Yes, I just want to confirm the question whether we understood what you wanted on the CVP-500, would you mind repeating it.

A

David Cerdan

Analyst, Kepler Cheuvreux SA

Yeah. Do you expect to sign some new contract for CVP-500 for the rest of the year?

Q

Geoffrey Godet

Chief Executive Officer, Neopost SA

So we currently have our sales team aggressively or like any of our other solution pushing our product and offering and that included CVP-500. So, we will see from now and the end of the year, if they are able to get us new orders.

A

David Cerdan

Analyst, Kepler Cheuvreux SA

And can you remind us, how many CVP-500 have been constructed last year?

Q

Geoffrey Godet

Chief Executive Officer, Neopost SA

10.

A

Jean-François LABADIE

Chief Financial & Legal Officer, Neopost SA

10.

A

David Cerdan

Analyst, Kepler Cheuvreux SA

10?

Q

Geoffrey Godet

Chief Executive Officer, Neopost SA

Yes.

A

David Cerdan

Analyst, Kepler Cheuvreux SA

And do you see that 10 is a possible number for 2018?

Q

Geoffrey Godet

Chief Executive Officer, Neopost SA

That's when we are – it's the rough order of magnitude of what we're looking for.

A

David Cerdan

Analyst, Kepler Cheuvreux SA

Okay.

Q

Jean-François LABADIE

Chief Financial & Legal Officer, Neopost SA

It's too early to, I would say to confirm. Again, we are talking about machines with a value of €700,000 per unit. So the sale cycle is pretty long. So at this stage, we can't guarantee any number in terms of units sold for the year.

A

Geoffrey Godet

Chief Executive Officer, Neopost SA

And as it relates to the graphic, I will not answer the question and for any other offering that we have because I'm doing the strategic reviews as well [indiscernible] (00:22:51) and as you understand we have a large one and that we will be happy to answer those questions by the end of the year during our presentation.

A

David Cerdan

Analyst, Kepler Cheuvreux SA

Thank you.

Q

Geoffrey Godet

Chief Executive Officer, Neopost SA

Thank you for your questions.

A

Operator: There are no further questions in the queue. [Operator Instructions] Can we have the next question come through the line of Jousseume Patrick from Société Générale. Please go ahead.

Jousseume Patrick

Equity analyst, Société Générale

Yes. Good evening. Could you please elaborate a bit on the sentence which is on slide five, gradual withdrawal of some application? Could you give more details about that, please?

Q

Operator: Sorry Patrick, can you repeat, because...

Jousseume Patrick

Equity analyst, Société Générale

Yes, of course, of course...

Q

Operator: ...your line was not very good, sorry.

Jousseume Patrick

Equity analyst, Société Générale

Q

Of course, no problem. So, it's about the slide number 5, and the sentence on the shipping software, sentence being, gradual withdraw all of some applications. So could you please elaborate a bit on that give some details please?

Geoffrey Godet

Chief Executive Officer, Neopost SA

A

Okay. So I will take this one. So under the shipping software, we have different kind of applications. We have some application that we are strategically focusing on that we have I think extensively provided information in the past on which is mostly Temando and ProShip, and I'm happy to give you more detailed review on that. And then we have a bunch of other type of application that we have done over the past few years, and we have this element that we could to focus on these [indiscernible] (00:24:40) already before even my arrival. And these are contracts that we have with sometimes one-off customers, we expect to continue to nurture the relationship with these customers, but we may not see additional new sales into those domains. So as a result we're not increasing the new sales of overall, so by default mechanically we'll see a gradual decline related to those contracts and customers activities. While we expect to see growth on the new one, on ProShip and Temando in particular.

Jousseume Patrick

Equity analyst, Société Générale

Q

Okay, which means that you do not target to cover all application in the field of shipping as presented some quarters ago? I guess it was a slide I remember where the idea was to cover any type of software or application let's say in this field, so it's something which is no more in the strategy of the company.

Geoffrey Godet

Chief Executive Officer, Neopost SA

A

No. So, I cannot speak to those [indiscernible] (00:25:48) we don't have them in...

Jousseume Patrick

Equity analyst, Société Générale

Q

No, but there was a slide let's say showing that there was a sort of...

Jean-François LABADIE

Chief Financial & Legal Officer, Neopost SA

A

In fact – sorry if may?

Geoffrey Godet

Chief Executive Officer, Neopost SA

A

Yeah. Yeah. Go ahead.

Jean-François LABADIE

Chief Financial & Legal Officer, Neopost SA

A

In fact, the position we have in shipping has not changed. We are still aiming at covering the need from cart to customer when it's related to...

Jousseume Patrick
Equity analyst, Société Générale

Q

Yeah.

Jean-François LABADIE
Chief Financial & Legal Officer, Neopost SA

A

...parcel shipment. What we are referring [indiscernible] (00:26:13) you will phase out of some application, it's all software that we phase out and that will be replaced by the new software that we have reengineered particularly...

Jousseume Patrick
Equity analyst, Société Générale

Q

Okay.

Jean-François LABADIE
Chief Financial & Legal Officer, Neopost SA

A

...at ProShip and one that we have launched through the Magento platform i.e. Temando.

Jousseume Patrick
Equity analyst, Société Générale

Q

Okay. It's clear for me.

Jean-François LABADIE
Chief Financial & Legal Officer, Neopost SA

A

...saving and phase out effect that creates the, I would say the negative performance in software.

Jousseume Patrick
Equity analyst, Société Générale

Q

Okay. Thanks. And...

Jean-François LABADIE
Chief Financial & Legal Officer, Neopost SA

A

We changed the [indiscernible] (00:26:45)..

Jousseume Patrick
Equity analyst, Société Générale

Q

Okay. Thank you. And could you remind us the targets that you have in Japan in terms of number of parcel lockers to deploy please?

Geoffrey Godet
Chief Executive Officer, Neopost SA

A

So my understanding is that the – at the initial of the launch of the program was 5,000 and we're currently at 3,000.

Jousseaume Patrick
Equity analyst, Société Générale

Q

Okay. Thank you very much.

Operator: And we have the next question comes through the line of Nicolas Tabor from MainFirst. Nicolas, please go ahead.

Nicolas Tabor
Analyst, MainFirst AG (France)

Q

Good afternoon everyone. Thank you for holding the call. I had just a question. You said that you had hired a new Head of Sales for the CCM activity in the EDS segment if I understand well. Was it for the full CCM? Was it for a specific region? And did you have any other change in heads of sales for other subsidiaries or any changes of that sort and do they interact across companies? Thank you very much.

Geoffrey Godet
Chief Executive Officer, Neopost SA

A

Thank you for your question. I will specify the answer on the change. It is the Head of Americans for the CCM activity and the Data Quality actually because the Head of America is covering – actually sorry both CCM and Data Quality for the region and include actually also South America and North America and it covers both sales and delivery and the support organization. Okay. So it's a global role, which includes the different head of sales in the region under him. And then...

Nicolas Tabor
Analyst, MainFirst AG (France)

Q

And do you have....

Geoffrey Godet
Chief Executive Officer, Neopost SA

A

And then we don't have any additional information on any further change at this point.

Nicolas Tabor
Analyst, MainFirst AG (France)

Q

Thank you very much.

Geoffrey Godet
Chief Executive Officer, Neopost SA

A

You're very welcome.

Operator: Okay. The next question in the queue comes from the line of Granjon Jean-François from ODDO BHF. Please go ahead.

Jean-François Granjon
Analyst, ODDO BHF Group

Q

Yes. Good evening. Just one question, please. Could you comment on the Data Quality and explain what to expect for the future and why there is a slowdown or decrease of the business and what you expect for the next quarter? Thanks.

Geoffrey Godet

Chief Executive Officer, Neopost SA

A

So on Data Quality, we have two main businesses, one is Human Inference and the other one is Satori. Satori is the main one in Data Quality and Satori is [indiscernible] (00:29:22) Data Quality relate to address optimization that is related to our postal activity or mail business. So there is a natural link which is not necessarily a one-for-one. But as it relates to the churn of decline, because as we see decline in the mail business, [indiscernible] (00:29:39) we see less need for mail addresses optimization in particular in the region that are covered by Satori, which is mainly in the U.S. even though we're covering a few other countries but that's the main driver. The second thing is that for – and this is what we will expect that it will probably continue, on the pace of it, we cannot predict and we have other offering within Satori that sometime could also compensate but that's the main reason of the current decline.

On Human Inference, it's a different situation. We are in the process of reengineering our offer and this takes time. So we will release new application to existing customers if there are and once – and it's where – here you're going to see a normal lifecycle in go-to-market as you launch new offers and we take it to the market then you get it to your sales team and getting customers, so it will take some time before we could see whether the reengineering will bear its fruits.

Jean-François Granjon

Analyst, ODDO BHF Group

Q

Okay. Thank you.

Geoffrey Godet

Chief Executive Officer, Neopost SA

A

Thank you for your question.

Operator: There are no further questions in the queue. We have one more question coming through the line of David Cerdan from Kepler. David, please go ahead.

David Cerdan

Analyst, Kepler Cheuvreux SA

Q

Yeah. Good question on your mail solutions activity. What is the trend in the UK and Scandinavia? And is it only related to the mail volume or are you losing some market share? And what is the trend in France for your business in mail solution? Thank you.

Geoffrey Godet

Chief Executive Officer, Neopost SA

A

So this is a good question. We're not specifically giving numbers on each of the countries, but what I could consider speaking is that the trend in the regulation in Scandinavia has pushed those countries to lessen their use of mail more rapidly and earlier than most of the countries. So we've seen an acceleration of the decline in those countries [indiscernible] (00:31:57) that has continued.

In UK we have seen a more – I mean we've seen the deceleration as well, but there's been an acceleration for us in particular second part of last year where we continue to see that acceleration this year and yes, it may result in some minor at this point erosion of our market share. So it's not a main concern in term of market share, but obviously because we have a strong position in the country that's something we're going to continue to look into.

As it relates to France, for this first quarter in Q1, we were actually flat for the first time, [ph] so more (00:32:34) decline which includes some of our new offerings on the communication side and the mail decline combined together. So in total, we were flat. It's too early to consider a real change of trends for France. So we'll look at in the next coming quarters to see if that stabilization is something that is sustainable.

David Cerdan

Analyst, Kepler Cheuvreux SA

Q

And if I may, I have another question, it's regarding your mix trends between your equipment and licensed sales and recurring revenue. So the equipment, license sales are down 8.4%, recurring revenue are flat. My question is quite simple. So at the end if the equipment sales continue to decline at 8% a year, at which extent this will impact your recurring revenue, when it will have an impact on your recurring revenue?

Geoffrey Godet

Chief Executive Officer, Neopost SA

A

So basically David, the portion that is declining on equipment and licensed sales is the equipment, and it's mainly the equipments related to our mail solution business because at the end we continue to sell license and that's what we said the CCM in particular where we have generated a level of licensed sales in Q1 2017 equivalent to the one that we posted in Q1 2016, okay.

So what you see is in fact we are increasing the portion of the recurring revenue coming from the new activities. Thanks to the growth of our installed base of software. Thanks to the increase of our parcel locker network, okay, and that's replaced the decline of the recurring revenue that we are experiencing in mail solutions.

David Cerdan

Analyst, Kepler Cheuvreux SA

Q

And is it possible to have a trend of the recurring revenues related to your franking machine sales?

Geoffrey Godet

Chief Executive Officer, Neopost SA

A

No, that's not something that we discuss. It's negative, it's declining.

David Cerdan

Analyst, Kepler Cheuvreux SA

Q

Okay. And regarding your guidance for the free cash flow, so you expect some stronger cash flow for 2018, a high level of operating cash flow, does it mean that you expect to maintain your operating cash flow in 2018 compared to 2017?

Jean-François LABADIE

Chief Financial & Legal Officer, Neopost SA

A

No, we expect to maintain a high level of free cash flow for 2018. It's too early to commit on any precise level of free cash flow, but again, due to the strength of our balance sheet and the strength of our business model, we know that the free cash flow level will remain strong.

David Cerdan
Analyst, Kepler Cheuvreux SA

Q

Okay. Thank you.

Operator: There are no more questions in the queue.

Gaële Le Men-Chagnaud
Financial & Corporate Communications Director, Neopost SA

A

I have one question coming from the web. It's coming from [indiscernible] (00:36:01). So it's about the organic growth in SME, and especially in the communication and shipping solution, within the SME division in Q1 2018, which are at 11% growth which is lower than the growth which was recorded for the full year 2017. So, the question is do you expect the organic growth to accelerate throughout the year?

Geoffrey Godet
Chief Executive Officer, Neopost SA

A

So what we said as indication is that we are maintaining the indication that it will continue to grow double digits, we're not being more specific on that. I would just remind like with the other activities on the software side or the shipping side that those activities are seasonal, so based on different quarters. So there could be up and down, and the base of comparison are different from the one quarter to the other one. We're talking about a small base of revenue, €7 million, and therefore this is why quarterly you have some licensed deals and hardware sales in the lockers, it could expand some of those gaps that may happen, but not during the year. So, we maintain the indication of a double digits growth in 2017.

Jean-François LABADIE
Chief Financial & Legal Officer, Neopost SA

A

If you look at the track record of Neopost for 2016 and 2017, you see that we have volatility from one quarter to another. So it happens that we'd have a quarter of 10%, the quarter of below 10% and some very, very good quarter. So that's basically the financial.

Geoffrey Godet
Chief Executive Officer, Neopost SA

A

So hopefully that address [indiscernible] (00:37:42) question.

Gaële Le Men-Chagnaud
Financial & Corporate Communications Director, Neopost SA

A

Yeah. So we don't have any more questions. So please, Geoffrey...

Geoffrey Godet
Chief Executive Officer, Neopost SA

A

Okay.

A

Gaële Le Men-Chagnaud

Financial & Corporate Communications Director, Neopost SA

...do the conclusion.

Operator: [Operator Instructions]

Geoffrey Godet

Chief Executive Officer, Neopost SA

Okay. So, as we have no any other follow-up question, I will conclude this call. First, I'd like to thank all the participants for their question that they've asked and for the kind of feedback at the beginning. I would like to add a few words.

Our Q1 2018 performance is better than the one of Q4 2017 and with a different mix between our new activities in mail business during those two quarters. Again, though this is not satisfactory to me as our main objective is to mitigate the decline of our mail business. So that was a similar interest we need to provide you. This ends our conference call. Gaële, can you please remind us what are the next dates on the agenda?

Gaële Le Men-Chagnaud

Financial & Corporate Communications Director, Neopost SA

Of course, our next event will be our Annual General Meeting which is scheduled on June the 29th in Paris. Then we have on our agenda, our Q2 sales and interim results that will be published on the 25 of September after market close. Thank you for your participation and [indiscernible] (00:39:22) if you have further questions. Thanks. Bye, bye.

Geoffrey Godet

Chief Executive Officer, Neopost SA

Thank you.

Jean-François LABADIE

Chief Financial & Legal Officer, Neopost SA

Thank you.

Operator: Thank you for joining today's call. You may now disconnect your handsets. House speakers stay connected.

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