NEOPOST UNVEILS ITS AMBITIOUS "BACK TO GROWTH" STRATEGY FOR THE PERIOD 2019-2022

Paris, 23 January 2019

Neopost, a global leader in mail solutions, business process automation, customer experience management and parcel locker solutions, unveils at its Capital Markets Day which is being held today, its new strategy for the period 2019-2022. Named "Back to Growth", this strategy aims at expanding and growing the Group while accelerating its transformation to reach by 2022 a more balanced business profile designed to deliver sustainable and profitable organic growth going forward.

To achieve this strategy, the Group intends to:

- **Reinvest in** Neopost highly cash generative legacy **Mail Related Solutions** offering;
- **Focus on four major solutions**, including Mail Related Solutions as well as Business Process Automation, Customer Experience Management and Parcel Locker Solutions, **in two main geographies**, i.e. North America and main European countries;
- **Seize bolt-on acquisition opportunities** which, together with organic growth in selected business segments, will contribute to scale up the Group's major offers;
- **Streamline the Group's organization** to run the Major Operations in a more efficient and integrated way;
- Either **grow, improve or divest the Group's Additional Operations** by no later than 2022;
- **Adapt the Group's shareholder return policy** and allow for potential releveraging to **gain flexibility in capital allocation**.

Geoffrey Godet, Chief Executive Officer of Neopost, commented: ***"As part of our ambitious "Back to Growth" strategy, we intend to refocus the Group's operations on a selection of four major solutions in a few main geographies. This involves shifting the organization of the Group from three independent business units operating a highly fragmented product portfolio into a more cohesive company, which is the best way to unlock synergies. We are convinced that concentrating our efforts on businesses offering the potential to be sizeable, growing and profitable offers the best warranty to successfully transform the company. This strategy requires more flexibility in our capital allocation policy to be able to seize M&A opportunities which, in turn, would contribute to rebalance our business mix, enhance the growth profile of the Group and create more value for our shareholders."***

Refocus on Major Operations

Over the past few years Neopost has been extending its business portfolio into a wide range of activities to gradually reduce its exposure to its structurally declining Mail Solutions business. This strategy, launched in 2012, has allowed the Mail Solutions exposure to go down from 92% in 2011 to 70% in 2017. Whereas Mail Solutions remains the dominant segment, the partial rebalancing of Neopost revenues came to the expense of a significantly fragmented model outside Mail Solutions, with Neopost currently operating more than 80 different products across multiple end markets, each with a very different business mix and, to a large extent, different customers.

As part of its new strategy, Neopost intends to focus on **four major solutions** which are meeting the criteria the Group has set for itself, i.e. businesses where Neopost has already built strong legitimacy and that have the potential to reach a significant size and/or provide significant growth potential. These four major solutions, which currently stand at very different stage of their development, include Mail Related Solutions, Business Process Automation, Customer Experience Management and Parcel Locker Solutions.

From a geographical standpoint, 17 out of the 29 countries where Neopost operates directly altogether account for less than 15% of the Group's total sales, and this is also including the 60+ countries where Neopost has an indirect presence. As part of its refocusing strategy, Neopost would concentrate its efforts on North America (Canada and the United States) and on main European countries including Austria, Benelux, Germany, France, Ireland, Italy, Switzerland and the United Kingdom. These two main geographies together represent more than 85% of Neopost total sales.

Specific ambitions for each major solutions

Mail Related Solutions

Impacted by the worldwide decrease in physical mail volumes, Neopost revenues in Mail Solutions have been declining at a pace of -4% to -6% per year at constant exchange rates over the past four years. Mail Related Solutions however remains a strong generator of recurring cash flows. In addition, in a highly concentrated market, Neopost enjoys a solid reputation as well as the enviable position of being a clear challenger to the incumbent market leader. Neopost therefore firmly believes that reinvesting in its product offering (both mailing and document systems as well as mailroom software) and keeping a high level of client servicing will allow the Group to gain market share and maximize the value of this business over time, which in turn will provide strong financial resources to contribute funding a more aggressive rebalancing of its portfolio.

Business Process Automation

On the strength of its expertise in hybrid and dematerialized mail solutions, Business Process Automation has been identified as another major offer. On the one hand, digitalization of business processes is at the heart of corporates' cost optimization programs. On the other hand, regulation is increasingly favouring the switch to digital processes. Neopost is therefore considering the deployment of its suite of business process automation solutions, particularly in the field of invoicing flows (accounts receivable / accounts payable), as a new strategic priority. Neopost will continue to primarily target the SME segment, with a view to expand its offering by adding other functionalities in the wider field of order management and purchasing for instance.

Customer Experience Management

As part of its strategic refocus, Neopost aims at further leveraging its Customer Communication Management (CCM) franchise - a field in which it holds a firm leading market position both in size and reputation - to bring customer experience to the next level. Neopost current solutions enable corporates to design, manage and deliver high volume and on-demand multi-channel personalized communications. The roadmap Neopost has set for itself is threefold:

i) Expand into new vertical markets: from its legacy Print Service Providers client base, Neopost has already successfully gained customers in the financial services, insurance and healthcare industries. Targeted new verticals include telcos, utilities and governments;

ii) Continue to add cloud-based services to complement its historical on premises software offer;

iii) Extend its CCM offering to Customer Experience Management, building on its expertise in document-based customer centric communications and interactions.

Parcel Locker Solutions

Whereas parcel volumes are still booming as result of the continuous growth of e-commerce, Parcel Lockers are rapidly emerging as the most efficient solution to solve the last mile delivery issue, bringing significant benefits to carriers, retailers, property and facility managers as well as to consumers. Operating parcel lockers is yet a nascent multi-local business. On the back of its successful experience in building an installed base of parcel lockers, notably in Japan, Neopost aims at taking significant positions in key geographies, primarily in the United States.. In the meantime, Neopost, who has been deploying its French and Japan footprint through contracts with both carriers and retailers, sees in the residential segment a strong market opportunity. The Group is also working on developing less voluminous lockers fitting the needs of smaller shops, like convenient stores for instance, as well as small residential properties.

Thanks to the acquisition of Parcel Pending, the leading package solution provider for residential, commercial, retail and universities across the United States and Canada, announced today (see other press release distributed separately), Neopost is making a significant entry into the high-growth potential US parcel locker market.

Optimize Additional Operations

The portfolio of Additional Operations includes all businesses that are not part of the four major solutions, as well as all operations outside the main geographies, i.e. 17 countries where Neopost has a direct presence and the 60+ countries where Neopost products and solutions are sold through dealers. Altogether, Additional Operations were accounting for 20% of 2017 Group’s total sales.

Neopost is going to continue carefully assessing the situation of each one of these operations.

Streamline operations

The refocus of the Group on its Major Operations goes hand in hand with the implementation of a new management organization aimed at conducting these businesses in a far more integrated manner than this was the case up to now. Indeed, the Group has been operating over the past few years in a highly decentralized way, with three independent global business divisions (SME Solutions, Enterprise Digital Solutions and Neopost Shipping). From now on, in addition to each one of the four major solutions being overseen by a dedicated Chief Solutions Officer, the new organization would be primarily structured under geographical responsibilities with North America on the one hand and main European countries on the other hand, the later being divided into three regions: France & Benelux; UK & Ireland; Germany, Austria, Switzerland and Italy. Additional operations will be put under the separate responsibility of one manager.

The main objective is to truly operate as one company in order to unlock more commercial synergies in each main geography, as well as to streamline the local operations and be more efficient. To that extent, support functions will also play a key role, including that of overseeing the Group’s transformation, support the new strategy, coordinate cross-functional projects and initiatives, conduct acquisitions and potential divestments, forge a common marketing vision, centralize the development and management of the product portfolio, ensure greater consistency in the offering from one region to another, as well as strengthen synergies both in R&D and in the supply chain. This proposed organization aims to create a strong and unique company culture.

Next to Geoffrey Godet, Neopost CEO, a renewed and truly international management team with executives from different background and diverse nationalities, either appointed internally or recruited externally, will be instrumental in implementing the Group's ambitious "Back to Growth" strategy.

Capital allocation and Shareholder return policy

Neopost growth ambitions will partly rely on its ability to close some bolt-on acquisitions that will be designed to accelerate the Group's transformation and expand its franchise within its major offers. Strict discipline and stringent financial criteria will be applied to the selection of M&A opportunities. Neopost will be typically considering targets growing at double-digit rates, with a firm view to achieve a ROCE[1] covering its cost of capital by the end of the third year, post year of closing.

Net of divestments, Neopost is setting for itself a targeted envelope that will be dedicated to M&As amounting to €100 million on average per year over the 2019-2022 period. In addition, Neopost aims at spending on average €100 million per year in capital expenditure, which would be mostly allocated to Major Operations.

To achieve these goals, Neopost needs to gain flexibility in its capital allocation. This implies adapting its shareholder policy. The Group has therefore decided to set its annual pay-out ratio at a minimum of 20% of the Group attributable net income with the minimum annual dividend set at an absolute floor of €0.50 per share. Dividend will be paid in cash and in one instalment. In addition, Neopost commits to returning to shareholders at the end of the 2019-2022 plan the potentially unused share of its net €400 million M&A targeted envelope.

Finally, as part of its need for greater capital allocation flexibility, the Group doesn't rule out the possibility to increase the part of its net debt that is not allocated to leasing while maintaining an ex-leasing leverage ratio below 3.0x.

Mid-term guidance

Over the 2019-2022 "Back to Growth" strategic plan, Neopost aims at achieving:

- a mid-single digit sales CAGR at constant exchange rates;
- a high-single digit current EBIT[2] CAGR at constant exchange rates;
- a minimum annual 50% free cash-flow conversion;
- a rebalancing of its business portfolio leading Mail Related Solutions to represent less than 50% of sales by 2022;
- be in a position to achieve low single digit organic sales growth in a sustainable way, by no later than the end of the plan.

[1] ROCE calculated as current EBIT[2] post tax / Enterprise Value acquired
[2] Current EBIT = Current operating income before acquisition-related expenses

CALENDAR

The press release announcing fourth-quarter 2018 sales and full-year 2018 will be published on 26 March 2019, after the market close.

ABOUT NEOPOST

NEOPOST is a global leader in mail solutions, business process management, customer experience management and parcel locker solutions. Its mission is to deliver reliable solutions that create relevant and personalized interactions.
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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APPENDIX

The new matrix of the Group implies a change in its reporting format, with a revised breakdown of its sales and current EBIT[2]. 2017 reported figures have therefore been restated according to the new reporting.

2017 restated figures in €m

	Major Operations			Additional Operations	Total Group
	North America	Main European Countries	Total		
	Mail Related Solutions		764		
	Business Process Automation		38		
	Customer Experience Management		84		
	Parcel Locker Solutions		5		
Total sales	455	436	891	221	1,112
Current EBIT[2] margin			22.7%	0.0%	18.2%