

## FIRST QUARTER 2016

- ▶ Q1 2016 sales down 2.8% at constant<sup>1</sup> scope and exchange rates
- ▶ Decline in the SME Solutions division's sales: down 4.0%, at constant exchange rates
- ▶ Continued organic growth in Communication & Shipping Solutions Dedicated Units' sales: +7.0%

Paris, June 1, 2016

Neopost, the number two global supplier of Mail Solutions and a major player in the fields of digital Communication and Shipping Solutions, today announced €273 million in consolidated sales for first-quarter 2016 (period ended on April 30, 2016), down 4.7% compared with the same period in 2015. Given a negative currency impact of 2.2% and a positive scope effect of 0.3%, organic growth<sup>1</sup> was -2.8%.

The total share of Communication & Shipping Solutions revenue continued to grow, in accordance with the Group's transformation strategy, and accounted for 23.4% of Group sales in Q1 2016, up from 21.6% in Q1 2015.

Denis Thiery, Chairman and Chief Executive Officer of Neopost, commented: ***"We continue to set our new organizational structure in place. In the SME Solutions division the mail business stabilized in North America during the first quarter, but the decline intensified in Europe, despite a better performance in recurring revenue. We continue to roll out our digital communication and logistics software solutions to our SME customers. The pace of growth of Enterprise Digital Solutions remains very steady. Neopost's Shipping business also posted a strong increase, excluding the impact of the end of the roll-out of the French Army - contract. In addition, we continue to implement cost reduction programs, as planned, and we are confident in our ability to return to a current operating margin in excess of 20% in the medium term."***

<sup>1</sup> Q1 2016 sales are compared with Q1 2015 sales with the addition of €0.9 million in sales generated by Temando (2 months).

## SALES BY DIVISION

€ million	Q1 2016	Q1 2015	Change	Change at constant exchange rates	Organic change <sup>1</sup>
<b>SME Solutions</b>	<b>239</b>	254	-6.0%	-4.0%	-4.0%
<b>Communication &amp; Shipping Solutions Dedicated Units*</b>	<b>38</b>	36	+6.3%	+9.7%	+7.0%
<b>Eliminations</b>	<b>(4)</b>	(4)	-	-	-
<b>Total</b>	<b>273</b>	<b>286</b>	<b>-4.7%</b>	<b>-2.5%</b>	<b>-2.8%</b>

(Unaudited data)

\* Including (non-material) sales recorded for new projects

### SME Solutions

Sales for the SME Solutions division, which covers practically the same scope as the previous Neopost Integrated Operations<sup>2</sup> (NIO), were down 4.0% in first-quarter 2016, at constant exchange rates.

Within the division, sales of Mail Solutions were down 5.0%, at constant exchange rates, reflecting a contrasting situation for equipment sales: business remained resilient in North America, but there was a marked downturn in Europe and in the rest of the world. Conversely, we are seeing the benefits of the measures introduced by the Group to limit the decline in recurring revenue. It was stable in North America and the decrease was contained in Europe and the rest of the world.

Communication & Shipping Solutions in the SME Solutions division posted moderate growth, in view of a change in the method for revenue recognition, which now favours recurring revenues as opposed to license revenues for some software applications, particularly in France.

### Communication & Shipping Solutions Dedicated Units

Communication & Shipping Solutions Dedicated Units (CSS DU) was up 9.7% in Q1 2016, excluding currency effects. Restated for the scope effect of the consolidation of Temando, organic growth in sales for CSS DU stood at 7.0%.

Turning to the Enterprise Digital Solutions division, growth stayed strong for customer communication management software, while data quality software, now well-integrated to the Enterprise Digital Solutions' offering, returned to growth.

Growth was sustained for all logistics' solutions. However, the performance of the Neopost Shipping division was penalized by a high basis for comparison, since Q1 2015 corresponded to the most active phase in the roll-out of an RFID solution developed for the French Army (*Direction générale de l'armement*).

Restated for this item, which accounted for €3 million in revenue in the first quarter of 2015, organic growth in total sales by the Enterprise Digital Solutions and Neopost Shipping divisions would have been more than 15%.

<sup>2</sup> The contract with Royal Mail previously recognized by NIO is now consolidated in Neopost Shipping. Sales generated under this contract in Q1 2015, were reclassified to allow year-on-year comparison.

## **OTHER HIGHLIGHTS**

### **Temando-Magento contract**

Temando, the Neopost subsidiary providing multi-carrier shipping solutions for e-retailer order fulfillment, was selected as the preferred technology partner by Magento Commerce in April 2016. Thus, Temando's shipping management solution, which enables domestic and international carriers to make their services easily available to e-retailers, will be available as a white-label solution on Magento's platform.

Magento's open-source platform is a key tool in the industry of e-commerce. It is deployed on more than 250,000 e-merchants sites throughout the world and processes in excess of \$50 billion in orders per year.

Temando's shipping management solution will be launched during the second half of 2016 on the Magento platform in North America, as well as in a number of western European countries and in Australia.

### **Joint venture with Yamato Transport**

A joint venture between Neopost and Yamato Transport was finalized in May 2016 to operate an open network of automated and secure parcel lockers in Japan. Yamato Transport is the leading parcel delivery provider in the Japanese market with 1.6 billion packages delivered every year.

Ownership of the new joint venture is 51% by Neopost and 49% by Yamato Transport. The target is to install 5,000 parcel lockers by 2022 in high footfall and easy to access areas. The lockers will mainly be used for unsuccessful home deliveries, a category which currently accounts for 20% of all deliveries by Yamato Transport<sup>3</sup>.

Deployment of this open network of parcel lockers will start in June 2016 in Tokyo subway stations, working in collaboration with the East Japan Railway Company.

## **GENERAL OVERVIEW OF FINANCIAL POSITION**

### **Savings plans**

In order to maintain a high operating margin in its SME Solutions division, Neopost is continuing its program to reduce costs, with initiatives aimed at R&D, production, distribution and sales policy, as well as the introduction of shared services. All of these initiatives are proceeding to the Group's satisfaction. As announced, these structural actions to optimize the organization are expected to result in annual cost savings of about €35 to 50 million by 2018.

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<sup>3</sup> Source: Japanese Ministry of Land Infrastructure and Transport.

## **Financial position**

The Group's financial position is sound. Net debt is related solely to financing rental, leasing and postage financing activities. Note that the Group has no significant debt refinancing due before 2019.

## **Balance of dividend**

Subject to the approval of the Annual General Meeting, the €0.9 per share balance of the dividend in respect of fiscal 2015, will be paid entirely in cash on August 9, 2016. In terms of the tax aspect of the dividend payment, €0.57 will be withdrawn from the reserves and €0.33 from the share premium.

## **MEDIUM-TERM AMBITIONS**

The Group points out that it is engaged in a transformation strategy designed to capitalize on its legacy positions in mail and parcel solutions, and to leverage acquired or proprietary technologies. This strategy will position the Group to offer the right solutions to customers in a range of segments (SMEs, major accounts, carriers, logisticians and e-retailers) to help them make the transition to digital, manage both physical and digital customer communications, and facilitate management of logistics flows.

- ▶ Regarding Neopost Shipping and Enterprise Digital Solutions, the Group wants to reinforce its leadership position in both these buoyant markets to continue to generate strong organic growth in sales and to improve the operating margin for these activities. Neopost may decide to revisit and expand its offering in these two divisions.
- ▶ Turning to SME Solutions, the Group's aim is to accelerate the roll-out of digital and logistics solutions to supplement mail solutions, an activity that declines in correlation with the structural reduction in physical mail volumes. Neopost is committed to reduce costs and comprehensively reorganize this division to maintain a high operating margin.
- ▶ With an annual budget allocation of €10 million, the Group continues to invest in innovative projects.

Taken as a whole, this strategy should enable the Group to return to organic sales growth in the medium term.

Neopost intends to maintain a current operating margin, before acquisition-related expense, above 18% throughout the period of transformation, and return it above 20% (before acquisition-related expense) in the medium term. This target will be achieved by optimizing its organization, reducing costs and continuing to improve the operating margins of its Enterprise Digital Solutions and Neopost Shipping divisions.

## **CALENDAR**

The Shareholders' AGM will be held in Paris on July 1, 2016.

The press release announcing second-quarter 2016 sales and the interim 2016 financial statements will be published on September 27, 2016 after the market close.

### **ABOUT NEOPOST**

**NEOPOST** is the number two global provider of mailing solutions and a major player in the field of digital communications and shipping solutions. Its mission is to guide and support organizations in how they send and receive communications and goods, helping them better connect with their business environment through hardware, software and services.

Neopost supplies innovative user-friendly solutions for physical and digital communications management for large companies and SMEs, as well as shipping processes for supply-chain and e-commerce players.

With a strong local presence in 31 countries and over 6,000 employees, Neopost works closely with a network of partners in order to market its solutions in more than 90 countries. In 2015, Neopost reported sales of €1.2 billion.

Neopost is listed in Compartment A of Euronext Paris and belongs notably to the SBF 120 index.

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## APPENDICES

### Changes in sales by region

€ million	Q1 2016	Q1 2015	Change	Change at constant exchange rates	Change organic <sup>1</sup>
<b>North America</b>	<b>122</b>	122	-0.3%	+1.9%	+1.9%
<b>Europe</b>	<b>131</b>	144	-9.3%	-7.6%	-7.6%
<b>Asia-Pacific and others</b>	<b>20</b>	20	+2.4%	+7.7%	+3.0%
<b>Total</b>	<b>273</b>	<b>286</b>	<b>-4.7%</b>	<b>-2.5%</b>	<b>-2.8%</b>

(Unaudited data)

### Changes in sales by business type

€ million	Q1 2016	Q1 2015	Change	Change at constant exchange rates	Organic change <sup>1</sup>
<b>Mail Solutions</b>	<b>209</b>	224	-6.8%	-5.0%	-5.0%
<b>Communication &amp; Shipping Solutions</b>	<b>64</b>	62	+3.2%	+6.7%	+5.2%
<b>Total</b>	<b>273</b>	<b>286</b>	<b>-4.7%</b>	<b>-2.5%</b>	<b>-2.8%</b>

## Glossary

- **Mail Solutions:** mailing systems, document management systems (folder/inserters for offices and mailrooms; other mail room equipment) and related services
- **Communication & Shipping Solutions (CSS):** digital solutions software (customer communication management and data quality software), shipping solutions, print finishing and graphic solutions
- **SME Solutions:** Neopost subsidiaries developing, producing and distributing Mail Solutions and CSS products and services to long-standing customers of the Group. Excluding the Royal Mail contract, which was reclassified to the Neopost Shipping division, the scope is the same as Neopost Integrated Operations (NIO)
- **CSS Dedicated Units (CSS DU):** entities distributing CSS solutions to key account customers: **Enterprise Digital Solutions** (Customer Communication Management – GMC Software Technology - and Data Quality - DMTI Spatial, Human Inference, Satori Software-) and **Neopost Shipping** (formerly Neopost ID, ProShip and Temando)