



# CORPORATE OVERVIEW

## 1.1 ACTIVITIES

- 1.1.1 Intelligent Communication Automation
- 1.1.2 Mail-Related Solutions
- 1.1.3 Parcel Locker Solutions
- 1.1.4 Other solutions divested in 2022

## 1.2 STRATEGY

- 1.2.1 "Back to Growth" strategy
- 1.2.2 Streamlined operations
- 1.2.3 Capital allocation
- 1.2.4 Shareholder return policy
- 1.2.5 Mid-term indications

## 1.3 ORGANIZATIONAL STRUCTURE 24

- 1.3.1 Head office 24
- 1.3.2 Research and Development centers 24
- 1.3.3 Production and logistic centers 24
- 1.3.4 Distribution 24
- 1.3.5 Investments 25

## 21

## 1.1 Activities

Quadient helps simplify the connection between people and what matters. The Company supports hundreds of thousands of customers worldwide in their quest to create relevant, personalized connections and achieve customer experience excellence.

Over the past four years, Quadient has focused its development on two growth drivers: the digitalization of business processes and customer communications, and the growth in e-commerce, which has led to increased volumes of deliveries leading to higher costs and carbon emissions control issues. The succession of crises in recent years, from the Covid-19 pandemic to the war in Ukraine and the return to high-inflation in 2022, has only increased the pressure on businesses forcing them to prioritize innovation, tight financial control and process streamlining. All areas where digital technology brings its full value.

Through targeted investments in external and organic growth, and in-depth work that has fundamentally simplified and streamlined its operations, Quadient is now a major player in helping companies achieve digital transformation and simplify their customer communication processes, building upon a solid, sustainable and profitable business model.

Quadient supports more than 440,000 small, medium and large businesses in 27 countries with a comprehensive hardware and software platform that facilitates billions of transactions every day, from invoicing and customer communications to multi-channel mail processing, last-mile parcel delivery and the consolidation of their return.

The Company is committed to responsible and sustainable growth by eco-designing its solutions, collecting and recycling equipment, as well as monitoring and minimizing the carbon footprint of its operations and solutions, which makes it a valuable partner for businesses committed to growth as well as environmental impact.

Quadient serves its customers and the community by focusing on three key solution areas:

- Intelligent Communication Automation (ICA),
- Mail-Related Solutions (MRS), and
- Parcel Locker Solutions (PLS).

### 1.1.1 INTELLIGENT COMMUNICATION AUTOMATION

Central to every successful customer relationship, are communications and interactions that need to be personalized and delivered at scale. Today's organizations need intelligent solutions that make it simple to empower remote employees to connect where, when, and how their customers want. Automating critical customer communications and business processes also saves time and money, and doing it with an intelligent set of integrated technologies helps drive better customer experience and a high level of engagement from all internal and external constituents.

For businesses of all sizes who need to digitize and automate their business-critical communication activities, Quadient provides world-class integrated cloud-based solutions that help companies transform quickly, save money, and make meaningful connections with their customers. Quadient offers a true end-to-end cloud-based global business communications platform under the name of Intelligent Communication Automation.

Over 12,000 companies globally rely on Quadient's Intelligent Communication Automation SaaS solutions to manage over a billion customer-facing communications and critical business interactions every day.

Quadient's ICA cloud solutions help organizations enable remote workforces to create and deliver meaningful customer interactions, automate business critical workflows to save time and money as well as differentiate from competitors by delivering a better overall customer experience.

Quadient's ICA cloud solutions support businesses in Customer Communications management (CCM) and Customer Experience management (CXM), including journey analytics and orchestration, as well as Accounts Receivable (AR) and Accounts Payable (AP) automation.

For businesses who must compete by creating exceptional customer experiences, Quadient provides omnichannel software solutions and expertise that deliver compliant and meaningful customer interactions.

These solutions enable companies to design, coordinate and harmonize all of their customer communications across various departments (sales, marketing, support, accounting, etc.), while adapting to each department's specific needs. The Quadient Inspire SaaS suite facilitates the creation and management of transactional and marketing communication documents, regardless of the medium and the channel used (physical mail, e-mail, fax, text messages, websites, social networks, etc.) and manages omnichannel delivery for these communications.

For businesses who want to streamline document production processes and departmental workflows, Quadient's ICA solutions help automate invoice-related communications and accelerate cash flows. The digitalization of business processes is at the heart of many organizations' plan to ensure business continuity and cost optimization programs, particularly in the field of invoicing flows (Accounts Receivable/Accounts Payable), driven by regulations accelerating the adoption of new digital and compliant processes such as e-invoicing. It is also a key enabler of delivering a better experience for all their stakeholders: customers, partners, suppliers and employees alike.

Quadient's ICA solutions are marketed and delivered primarily as a cloud-based SaaS (Software as a Service) model, with a legacy on-premise offering. Quadient also relies on a large network of partners to expand its footprint, integrate with other technologies or deliver specific solutions such as hybrid mail solutions

## Market

Based on data from research firms and internal analyses, the ICA market is estimated to be worth around 6 billion euros in revenue, growing at more than 10% per year, driven by the digital transformation of companies and the continued focus on improving the customer experience.

### 1.1.2 MAIL-RELATED SOLUTIONS

Mail-Related Solutions encompasses the historical business of Quadient. Quadient supplies software, equipment, and services to cover the entire process of managing incoming and outgoing mail. It provides expertise and training in organizing mailrooms and mailing processes, according to each customer's business and operations requirements.

Throughout the recent years, Quadient continued to invest in Mail-Related Solutions to remain on the cutting edge of the technology with new upgraded machines offering enriched features and connected services.

Quadient offers a competitive range of folders/inserters for the office, mailroom, and mail center segments. These systems, supplemented with intelligent software to interface with databases, make it possible to publish, prepare for insertion, combine, and route documents such as payslips, invoices and marketing mail shots. Quadient also offers ongoing maintenance on these systems to ensure business continuity for customers. Since these systems are connected, the maintenance can be performed remotely. Quadient is considered to be one of the world's leading manufacturer of folders/inserters for offices and mailrooms.

Quadient also offers mailing solutions which combine franking machines, franking management software solutions, accessories like postal scales, ink cartridges and other supplies to operate them. Quadient offers maintenance of its equipment (which may be remote) and the update of postal tariffs.

Furthermore, Quadient markets customized financing solutions for all equipment and services it sells, as well as long-term rentals in countries where regulation makes it mandatory, i.e., France for the full franking machine suite, and the United States and Canada for the meter.

Quadient software solutions remain consistently recognized as leaders in CCM, CXM, AR and AP markets, notably by IDC but also by customers and research firms such as Gartner, Forrester and Aspire.

## Customers

Customers relying on Quadient's ICA solutions include the higher range of small and medium-sized businesses, large enterprises, primarily in the financial services, insurance and healthcare industries, as well as Print Service Providers. Around 70% of ICA customers have been cross-sold from Quadient's MRS customer base.

Quadient also has a financial service called postage financing. More recently, Quadient developed new offers such as the SWITCH online mailing service, allowing smaller companies to have access to a simple and online mail management tool.

## Market

The mail solutions market continues to represent around 2 billion euros in annual revenue<sup>(1)</sup>, and is expected to decline at a limited rate in the years to come. Quadient is the second-largest global player, with total revenue of 757.5 million euros in 2022 in Mail-Related Solutions at Group level. Its two main competitors are Pitney Bowes and Francotyp Postalia.

## Customers

Quadient supports predominantly small and medium-sized enterprises across a variety of verticals. This customer base presents high cross-selling potential for Quadient's Intelligent Communication Automation solutions. Additionally, thanks to its high-end equipment range, Quadient also has contracts with large companies, especially Print Service Providers. These larger companies are also potential users of Quadient's Intelligent Communication Automation solutions.

## Role of postal authorities

Postal authorities govern production, distribution, and maintenance of franking machines.

<sup>(1)</sup> Quadient estimates exclude production mail.

### 1.1.3 PARCEL LOCKER SOLUTIONS

For businesses and individuals who need to manage a growing volume of parcel deliveries and returns, Quadient provides and operates an automated parcel locker network for smart, secure pick-up and drop-off, offering users convenience and peace of mind for parcels of all sizes.

Quadient's network of parcel lockers offers simple parcel drop-off, storage, and retrieval in an automated and secure solution, eliminating the burden of missed deliveries and re-delivery attempts for carriers and the subsequent CO<sub>2</sub> emissions generated by delivery trucks journeys. It also enables consumers to pick up their parcels on their own terms and reduces the risk of lost or stolen packages.

With a state-of-the-art software platform associated with the physical network, Quadient proposes an innovative yet agnostic approach for all verticals with uniquely designed lockers, customized sizes to suit all needs (oversized lockers for large goods, drop box for consolidation of returns, capacity to deploy large quantity of lockers quickly).

Quadient has built leading positions in Japan and in the United States<sup>(1)</sup> and now capitalises on its strong expertise and existing assets to accelerate its development in Europe.

In 2022, Quadient penetrated the United Kingdom with a new disruptive open network offer. Four carriers representing over 50% of the UK parcel volumes have already committed to using Quadient's open network (out of which Evri, DPD and DHL).

A leader in the residential market in the United States since the acquisition of Parcel Pending in 2019, Quadient has experienced continued traction in this market, as well as growing customer demand in the retail industry.

#### Market

Driven by online sales that reached a new high during the Covid crisis, the parcel lockers market is growing in popularity and visibility and has strong potential for development due to its multi-local aspect. Quadient estimates that around 4 million boxes were installed in its key markets, *i.e.* the United States, Japan, France and the United Kingdom.

In Japan, Quadient is the market leader in the carrier market and is benefiting from its first entrant position. In the United States<sup>(1)</sup>, following the acquisition of Parcel Pending in 2019, Quadient has a leading position in the residential segment.

At the end of 2022, Quadient's global installed base stood at around 18,000 lockers compared to 15,800 units at the end of 2021. Each installed locker comprises several boxes.

#### Customers

Parcel Locker Solutions customers are primarily large companies, spanning from logistics operators (carriers), residential and corporate property managers to retailers and higher education bodies such as college and university campuses.

### 1.1.4 OTHER SOLUTIONS DIVESTED IN 2022

Since 2019, as part of its "Back to Growth" plan, Quadient has been committed to executing its strategy to "grow, improve or exit" its other solutions. In 2022, with the divestment of the remaining non-strategic businesses, no other solutions remained in the Group.

<sup>(1)</sup> Excluding Amazon

## 1.2 Strategy

### 1.2.1 “BACK TO GROWTH” STRATEGY

On 23 January 2019, Geoffrey Godet, Quadient's Chief Executive Officer, unveiled the first phase of the Company's strategy “Back to Growth” aimed at expanding and growing the Company to reach a more balanced business profile designed to deliver sustainable and profitable organic growth going forward.

Since the launch of “Back to Growth”, Quadient has deeply transformed its operating model, simplified its organization and reshaped its product portfolio, having completed acquisitions in the business areas that had been targeted. In the meantime, Quadient has successfully developed its software and parcel locker activities, contained the decline of its mail-related

business, increased the proportion of subscription-related revenue and generated significant synergies within the organization as well as within its solutions.

The second phase of the “Back to Growth” was announced in March 2021, covering the period 2021-2023. With the integration of its acquisitions, the focus was set on organic development, innovation and technology. Quadient aims at continuing to leverage its leadership positions and its strong software and smart hardware installed base to generate additional growth from its highly contributive subscription-related revenue, and further deploy cross-selling opportunities and value creation synergies across its solutions.

### 1.2.2 STREAMLINED OPERATIONS

The sale of the Graphics activities in the Nordics and of the Shipping business in France have completed the reshaping of the Additional Operations portfolio. The remaining activities in the Additional Operations segment being mostly related to Mail-Related Solutions and Parcel Locker Solutions activities in non-core geographies, which are now being integrated

into the existing Mail-Related Solutions and Parcel Locker Solutions activities starting at the FY 2022 reporting.

The end of the Additional Operations segment has led the Group to re-organise its segment reporting based on an approach by solution rather than the prior approach by geographies.

Each one of the three solutions are overseen by a dedicated Chief Solution Officer. The leaders of each solution report directly to the Chief Executive Officer.

Operations, on the other hand, are primarily structured under three geographical groups:

- North America, comprised of the United States and Canada;
- Main European countries, managed as two regions: France & Benelux; and United Kingdom, Ireland, Germany, Austria, Switzerland & Italy;
- International, including the activities of the three solutions outside of North America and the main European countries.

The centralised support functions continue to play a key role, including the oversight of the Company's overall transformation, driving the digital transformation of its systems and back-office operations, forging a common marketing vision, centralizing talent and employee experience management as well as the development and management of its product portfolio, strengthening synergies for both R&D and supply chain and continuing to maintain a discipline of financial planning, cash management and internal controls.

As one organization, Quadient is able to leverage its core assets across all solutions to better serve its customers. This includes supply chain and logistics, R&D for all software and cloud-based solutions, sales and services within the regions and back-office services such as human resources, finance, marketing, transformation, and IT/digital.

### 1.2.3 CAPITAL ALLOCATION

Focusing its growth trajectory on organic opportunities, Quadient bolsters the investments to support its operations as long as they offer attractive risk-adjusted returns. Quadient plans to maintain its R&D and maintenance capital expenditure (CAPEX) within a controlled range of approximately 70 to 80 million euros (including IFRS 16) per year over 2021-2023. In the meantime, its rented equipment CAPEX should reach 40 million euros or more per year over 2021-2023, depending on opportunities to accelerate the deployment of the rented parcel lockers installed base.

While continuing to generate recurring cash-flows, Quadient aims at maintaining a healthy, yet efficient balance sheet by bringing down its net debt excluding leasing/EBITDA excluding leasing below 1.75x in 2023 excluding IFRS 16.

Quadient's strategic approach is focused on an ongoing assessment of its invested capital in order to maximize long term value for its shareholders. This involves that Quadient regularly ensures that it is the best owner of its various businesses in terms of value creation, not excluding potential divestments or spin-offs, provided that capital could be re-deployed more effectively. Quadient may consider potential opportunistic bolt-on acquisitions over the 2021-2023 period applying disciplined criteria, including covering the cost of capital by year 3 post closing.

### 1.2.4 SHAREHOLDER RETURN POLICY

Quadient has 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 euro per share. The dividend will be paid in cash and in one instalment.

As part of its shareholder return policy, Quadient will also consider using yearly excess cash available for share buybacks.

### 1.2.5 MID-TERM INDICATIONS

#### Metrics by solution

Following the "Back to Growth" strategy, Quadient continues focusing on markets driven by the acceleration of digitization, dynamic e-commerce markets and declining but still large and resilient mail volumes. To drive its three solutions even more efficiently, Quadient has set Key Performance Indicators (KPIs) for each solution which will help the Company monitor its growth trajectory and its profitability.

Regarding Intelligent Communication Automation, to address the challenge of building an even more recurring *SaaS/Cloud* business model, Quadient monitors:

- the number of SaaS/subscription customers over the total number of customers;
- the annualized revenue to be generated by its subscription-related revenue streams; and
- the share of this subscription-related revenue over the total revenue of the solution.

Regarding Mail-Related Solutions, Quadient monitors:

- the share of new generation smart devices among total number of devices in the total installed base to size the upside potential for upgrading its installed base, in line with Quadient's commitment to invest in its offering to gain market share and maximize value over time;
- the spread between the evolution of supplies revenue and the total revenue of the solution to measure the resilience of its model regardless of the usage of its installed base; and

- the share of subscription-related revenue over the total revenue of the solution to ensure that Mail-Related Solutions continue to provide a high level of recurring cash-flows.

Finally, regarding Parcel Locker Solutions, Quadient monitors:

- the size of its lockers' installed base;
- the usage rate of its lockers; and
- the year-over-year growth in subscription-related revenue.

#### Ambitions by solution

As part of the new trajectory defined for the Phase Two of "Back to Growth", Quadient has set specific targets for each solution aimed at reaching an ambitious profile by the end of the 2021-2023 three-year period, ensuring that each solution effectively contributes to sustainable value creation at Company level:

- Intelligent Communication Automation:
  - Over 20-25% subscription-related revenue CAGR over the three-year plan,
  - Around 13% solution current EBIT margin before acquisition-related fees on a full-year basis by the end of the three-year plan,

- Mail-Related Solutions:

- Better than -5% organic CAGR revenue decline over the three-year plan,
- Solution current EBIT margin before acquisition-related fees in the range of 22-24% on a full-year basis by the end of the three-year plan,

- Parcel Locker Solutions:

- More than 25,000 lockers installed by the end of the three-year plan,
- An estimation of around 19-24% current EBIT margin of the installed base on a full-year basis by the end of the three-year plan.

Additionally, on 27 January 2022, Quadient held an education session dedicated to its Intelligent Communication Automation (ICA) cloud-based software solutions, hosted by Geoffrey Godet, Chief Executive Officer and Chris Hartigan, Chief Solution Officer for ICA.

At the end of the education session, Geoffrey Godet detailed Quadient's ambitions for ICA by the end of the 2021-2023 three-year period as it relates to each of the ICA KPIs that are monitored within the framework of phase two of Back to Growth, namely:

- over 90 % share of SaaS and subscription customers in ICA total customer base;
- c. 250 million euros <sup>(1)</sup> Annual Recurring Revenue <sup>(2)</sup>; and
- c. 75% share of subscription-related revenue <sup>(3)</sup> in ICA total revenue.

## Financial guidance

Full-year 2023 guidance <sup>(4)</sup> confirms the 2021-2023 financial outlook:

### Revenue guidance

- Sales outlook is confirmed at minimum 3% organic sales CAGR over 2021-23
- FY 2023 organic sales growth is expected at c.3%.

### Current EBIT <sup>(5)</sup> guidance

- Current EBIT <sup>(5)</sup> outlook is confirmed at minimum mid-single digit organic <sup>(6)</sup> current EBIT <sup>(5)</sup> CAGR over 2021-23

- FY 2023 organic growth <sup>(7)</sup> in current EBIT before acquisition-related expenses is expected at c.10%.

In terms of the organic revenue growth for Intelligent Communication Automation, full-year 2023 is expected to benefit from the positive trend in Annual Recurring Revenue, which grew at +22% organically in full-year 2022 and is expected to translate into a similar level of subscription-related revenue growth in full-year 2023. In addition, solid cross-selling and upselling dynamics should also continue to drive growth in future bookings. As the weight of license sales continues to decrease, growth for Intelligent Communication Automation is expected to gradually move closer to the subscription-related revenue growth.

After two remarkable years of organic growth for Mail-Related Solutions, driven by solid hardware placements and some benefits from price increases, the outlook for the full-year 2023 is cautiously optimistic thanks to further benefits from price increases and further upgrade of the installed base.

Parcel Locker Solutions should deliver strong organic growth in full-year 2023 supported by the rising contribution of the larger installed base as well as some catch up in installations in the US following the delays recorded in full-year 2022 in the residential and retail sectors.

Turning to the current EBIT <sup>(5)</sup>, the improvement in profitability is expected to be driven by:

- The rising profitability of the installed base for both the SaaS activity and parcel lockers,
- Continued improvement in current EBIT <sup>(5)</sup> for Intelligent Communication Automation as the transition to SaaS is almost completed, significant increase in current EBIT <sup>(5)</sup> expected for Parcel Locker Solutions driven by acceleration of locker placements, whilst Mail-Related Solutions current EBIT <sup>(5)</sup> margin should remain high thanks to careful price control, and
- Lower freight costs.

However, salary inflation is expected to continue.

<sup>(1)</sup> At 2020 constant exchange rates.

<sup>(2)</sup> Annual Recurring Revenue (ARR) is an estimation of future recurring revenue per annum.

<sup>(3)</sup> Subscription-related revenue for ICA includes recognized revenue related to subscriptions, SaaS licenses, consumption and maintenance.

<sup>(4)</sup> The guidance or forecast has been prepared and estimated on a comparable basis to historical financial information and is consistent with the Group's accounting policies.

<sup>(5)</sup> Before acquisition-related expenses.

<sup>(6)</sup> Based on 2020 current operating income before acquisition-related expenses excluding Parcel Pending's earn-out reversal, i.e. €45 million, with a scope effect resulting in a €40 million proforma.

<sup>(7)</sup> The organic growth calculation excludes scope, forex and IFRIC impacts.



## 1.3 Organizational structure

### 1.3.1 HEAD OFFICE

Quadient S.A.'s head office is in Bagneux, France, in the Paris region. All the Company's strategic assets, such as research and development, intellectual property, production and distribution activities described below are held by majority-owned subsidiaries of Quadient S.A., the parent Company of the Group.

### 1.3.2 RESEARCH AND DEVELOPMENT CENTERS

Quadient has several research and development ("R&D") centers. The main R&D centers are located in Bagneux and Cavaillon (France), Loughton (United Kingdom), Hradec Králové (Czech Republic), Kiev (Ukraine), Vancouver (Canada) and Milford (United States).

More than 600 engineers and technicians work in the R&D field at Quadient.

### 1.3.3 PRODUCTION AND LOGISTIC CENTERS

Quadient has two production and assembly centers:

- Le Lude (France) for high-end mailing systems, as well as the customization of mail-related and parcel locker products for the European market; and
- Loughton (United Kingdom) for high-end folders/inserters.

These two sites are also the logistics centers used by the Company for Europe.

A team based in Hong Kong manages Quadient's network of subcontractors in Asia. These subcontractors assemble entry-level to mid-range mailing systems and entry-level folders/inserters for the Mail-Related Solutions activity. The team also provides solutions for parcel lockers.

The Byhalia (United States) center is responsible for the logistics and the customization of mail-related and parcel locker products for the North American market. The teams in Japan manage the logistics for local parcel lockers.

### 1.3.4 DISTRIBUTION

Quadient's international sales network is a key asset of its business.

The Company has wholly-owned subsidiaries and branches in 27 countries: Australia, Austria, Belgium, Brazil, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Hong Kong, Hungary, India, Ireland, Italy, Japan, Mexico, Netherlands, Norway, Poland, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Quadient also has a network of local distributors in c.50 countries in addition to the countries covered by its subsidiaries. Generally speaking, these distributors are independent, essentially dedicated to Quadient products and have signed long-term distribution contracts with the Company.



### 1.3.5 INVESTMENTS

Excluding acquisitions, Quadient invested 87.9 million euros in 2022, compared with 87.9 million euros in 2021.

Details of investments are shown in the table below:

<i>(In millions of euros)</i>	31 January 2023	31 January 2022
Acquisition of software	2.2	0.6
Capitalization of development expenses	35.6	37.4
Acquisition of machinery and equipment	2.4	1.2
Rented equipment	29.9	28.5
Other investments	8.3	10.1
Assets right of use (IFRS 16)	9.5	10.1
<b>TOTAL</b>	<b>87.9</b>	<b>87.9</b>

The breakdown of investments by solution is the following:

<i>(In millions of euros)</i>	31 January 2023	31 January 2022
Intelligent Communication Automation	28.0	26.0
Mail-Related Solutions	41.4	46.7
Parcel Locker Solutions	18.5	15.2
Others	0.0	0.0
<b>TOTAL</b>	<b>87.9</b>	<b>87.9</b>

