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Interim results

September/October 2009

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# DISCLAIMER

## Safe Harbour Statement

**This presentation contains forward-looking statements (made pursuant to the safe harbour provisions of the Private Securities Litigation Reform Act of 1995). By their nature, forward-looking statements involve risk and uncertainty. Forward-looking statements represent the company's judgement regarding future events, and are based on currently available information. Consequently the company cannot guarantee their accuracy and their completeness and actual results may differ materially from those the company anticipated due to a number of uncertainties, many of which the company is not aware of. For additional information concerning these and other important factors that may cause the company's actual results to differ materially from expectations and underlying assumptions, please refer to the reports filed by the company with the 'Autorité des Marchés Financiers'.**

# FIRST HALF 2009

- First half 2009 key figures
- Trends in mail volumes
- Highlights
- First half 2009 financial statements
- 2009 outlook



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# FIRST HALF 2009 **KEY FIGURES**

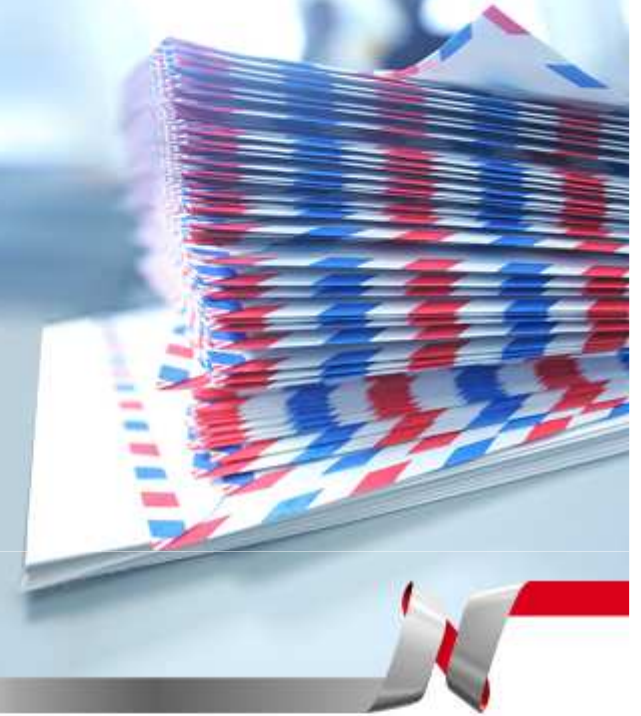
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# FIRST HALF 2009 KEY FIGURES

- Sales: €457.3 million
  - **+1.0% year-on-year**
  - **-1.8% year-on-year excluding currency impacts**
  
- Current operating income: €116.4 million
  - **Current operating margin\*: 25.5% of sales**
  - **Improvement relative to H1 2008 (25.4%)**
  
- Net income: €74.8 million
  - **16.4% of sales (unchanged)**
  - **+0.6% year-on-year**

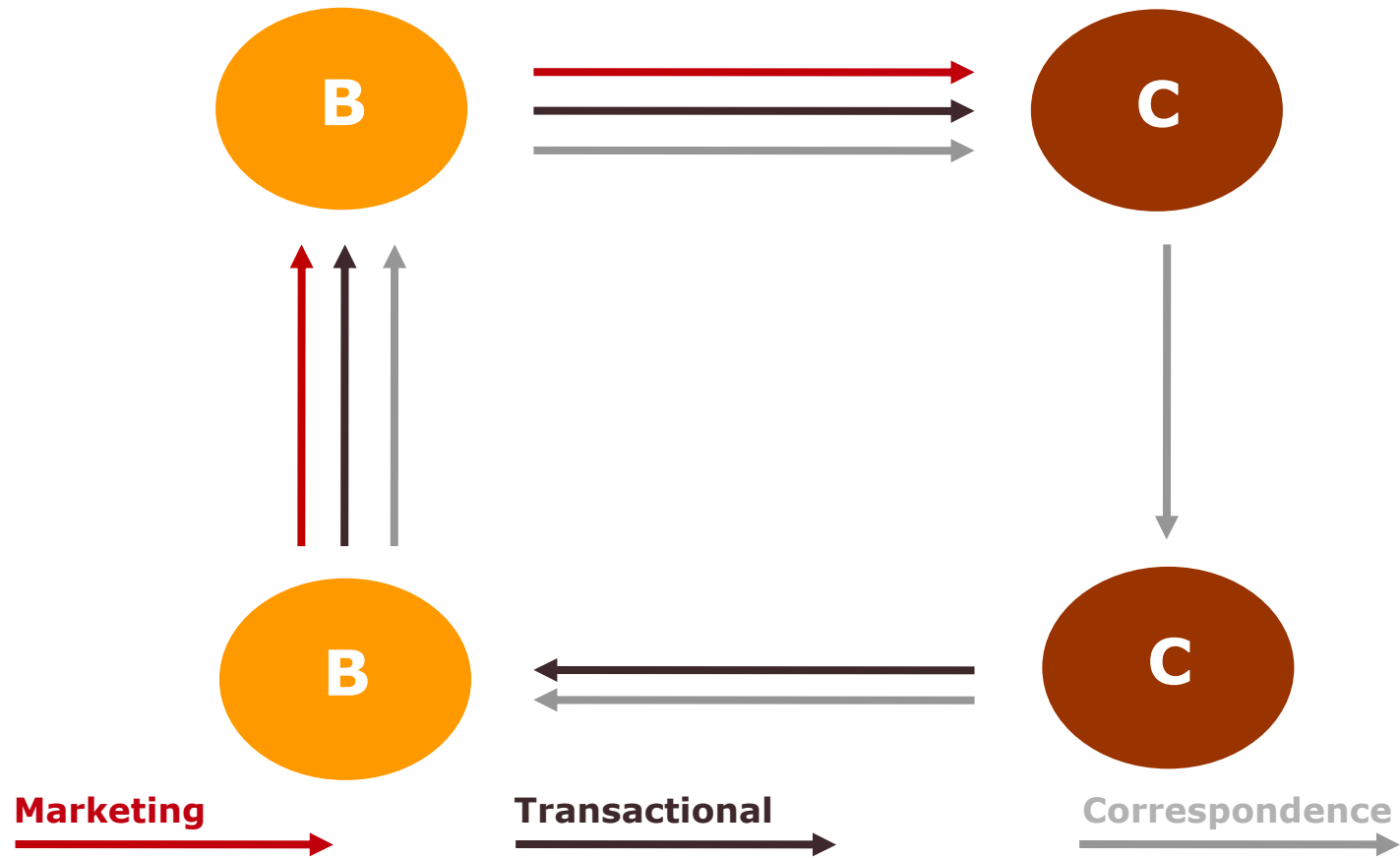
A solid performance under  
difficult economic conditions

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# TRENDS IN MAIL VOLUMES

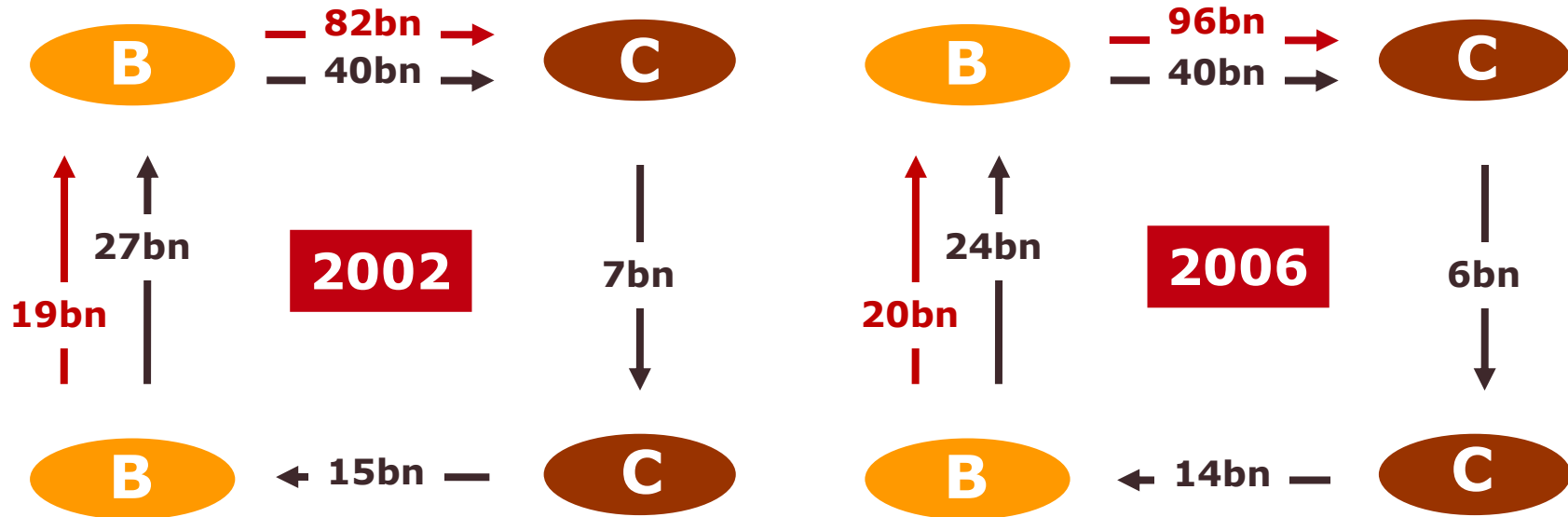
# CONVENTIONAL SEGMENTATION OF MAIL



# CHANGES IN MAIL VOLUMES

% of total mail volume in the US\*

**Marketing** →  
**Transactional + Correspondence** →



**Total = 190bn units**  
**Business = 88%**

**Total = 200bn units**  
**Business = 90%**

**Increased weighting of business mail**

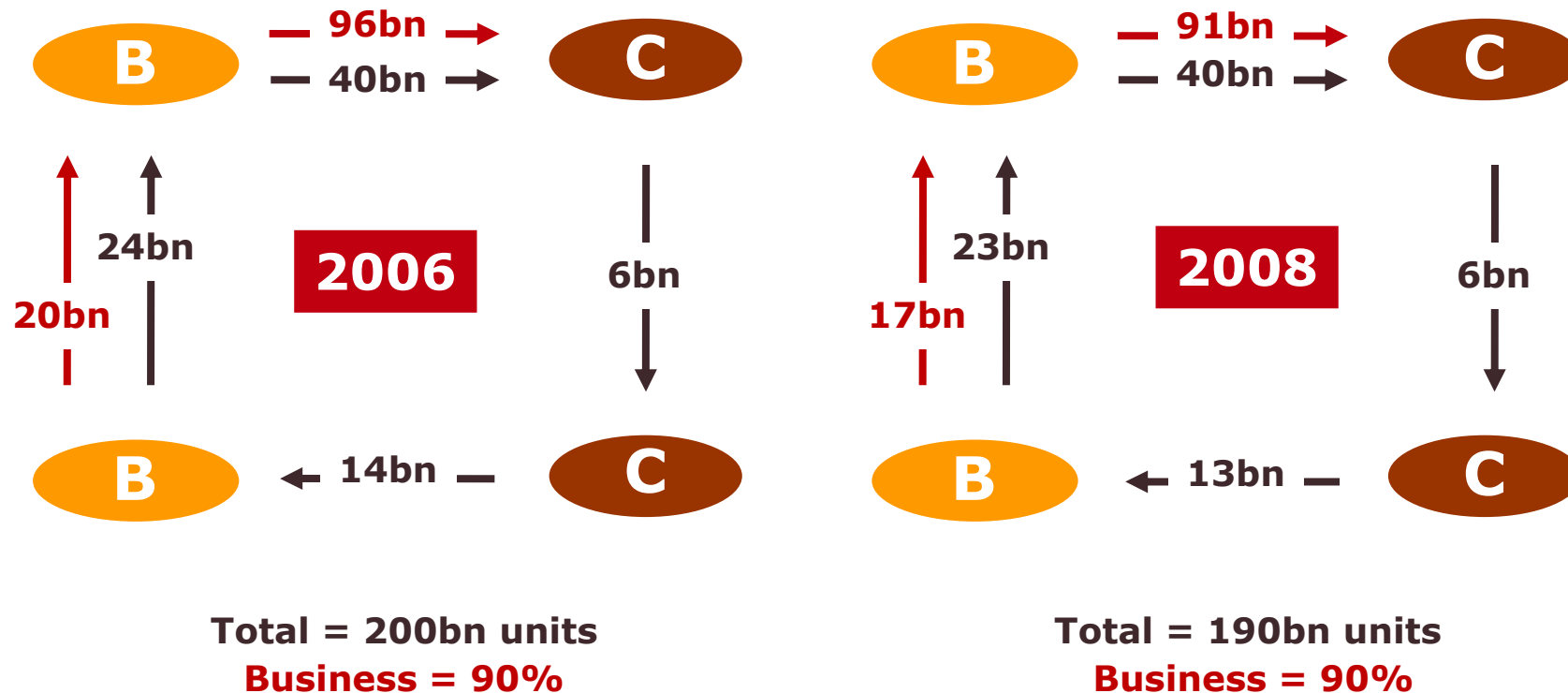


\* USPS data: first class and standard mail only

# CHANGES IN MAIL VOLUMES

% of total mail volume in the US\*

**Marketing** →  
**Transactional + Correspondence** →



Decrease in mail volumes against the backdrop of an economic crisis



\* USPS data: first class and standard mail only

# DECISIVE FACTORS IN CHANGES TO MAIL VOLUMES

## Transactional mail

Increase in number of transactions

Increase in number of transactions

Importance of an exhaustive, integral and high quality service

Substitution, dematerialisation

Opportunity for trans promotional mail

## Marketing mail

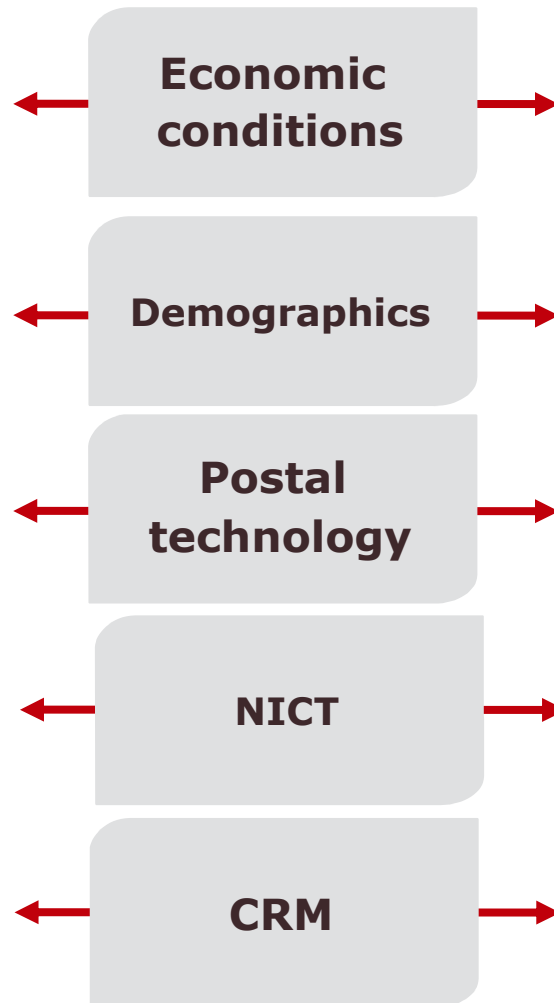
Increase in activity

Increase in number of households

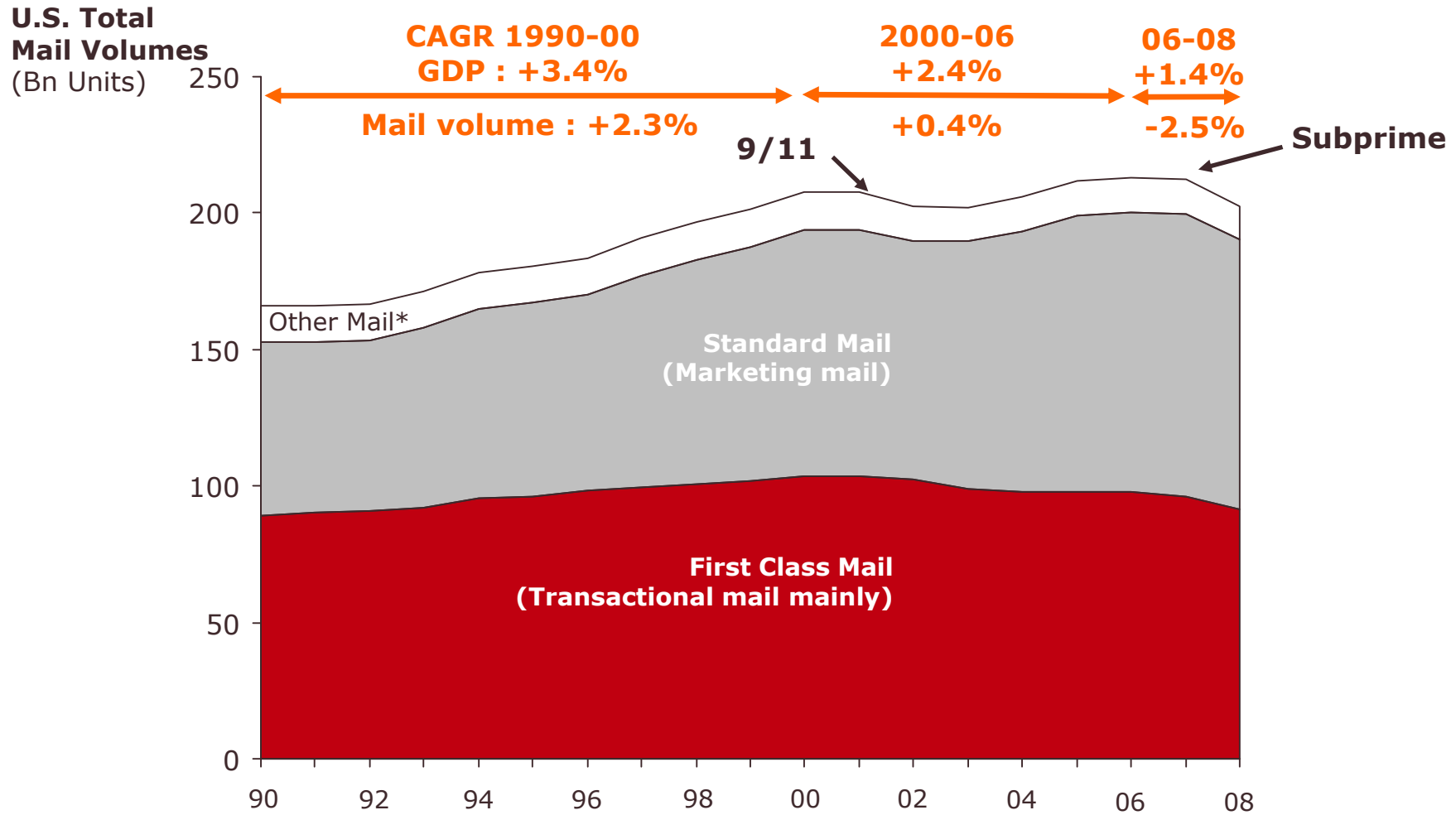
Growing demands for exhaustive, integral and high quality services - closer to transactional mail

Mail: the most effective medium

Growing share of marketing budgets, sophistication, complementarity with transactional mail



# CORRELATION WITH ECONOMIC GROWTH

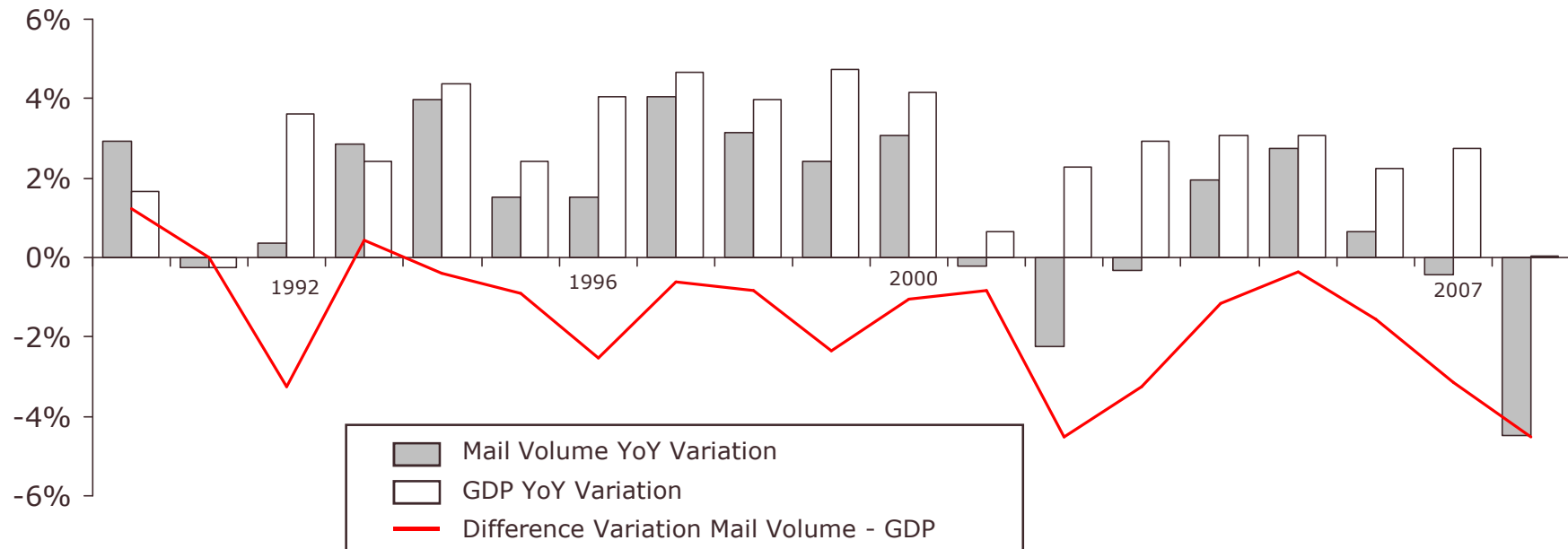


**GDP +3 pts => Mail volume +0 to 1 pt**

\* Other mail includes periodicals, packages and shipping

# GREATER SENSITIVITY TO ECONOMIC CONDITIONS

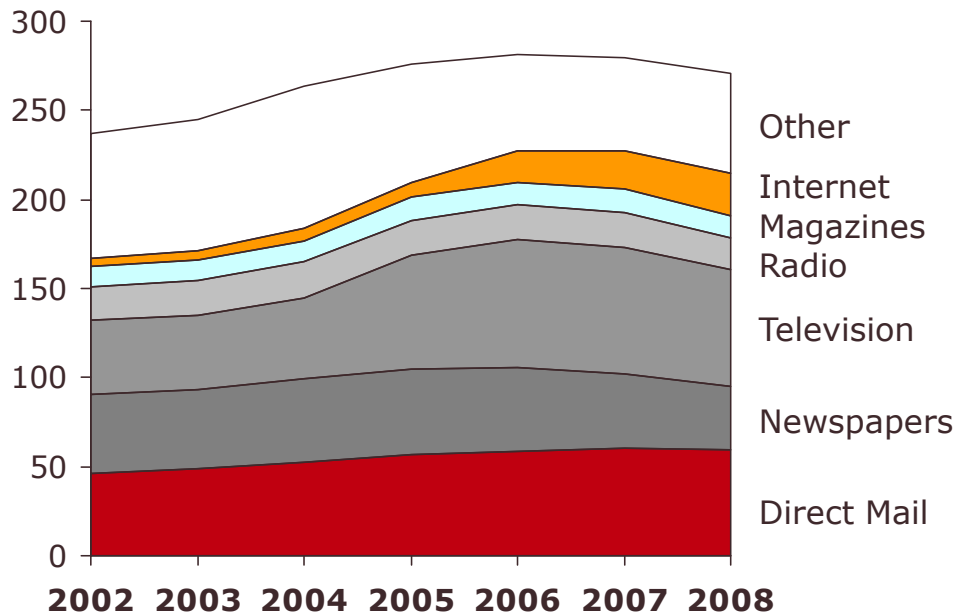
**U.S. Total Mail Volumes & GDP Evolution from 1990 to 2008**  
(% YoY variation, fiscal years)



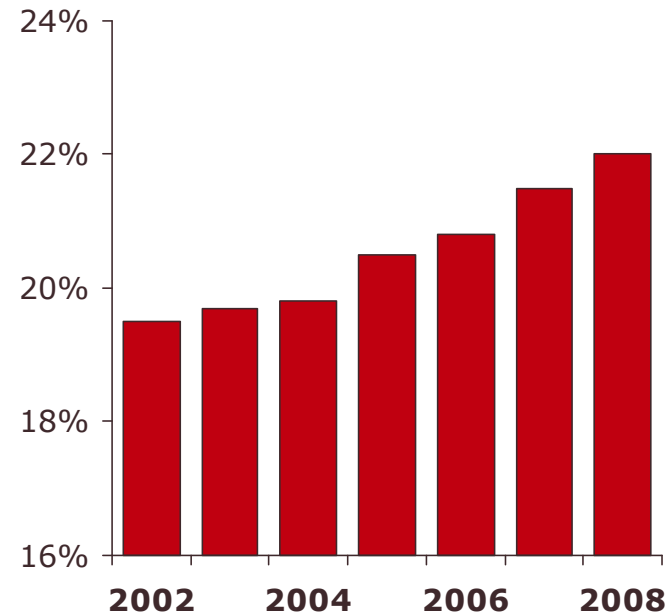
Linked to the increased weighing of marketing mail

# INCREASING SHARE OF MAIL IN ADVERTISING EXPENDITURE

**U.S. Advertising Spending by Medium**  
(Bn USD)



**U.S. Share of Direct Mail  
within Total Ads Spend**  
(%)



Mail - an effective medium for targeted  
and value-added communications

# NICT: CONTRASTING CONSEQUENCES FOR MAIL SERVICES

## ■ Transactional mail

- ▶ Disappearance effect relating to the dematerialisation of certain parts of the economy
- ▶ Substitution effect relating to the development of electronic mail (speed, cost, environment)
- ▶ Windfall effect: development of e-commerce

## ■ Marketing mail

- ▶ Value of paper remains
- ▶ Complementarities between conventional direct marketing activities / new technologies

# WORKING TOWARDS A MORE EFFICIENT MAIL PROCESSING CHAIN

- Improve the cost/efficiency ratio of the mail processing chain
- Economic aspects
  - ▶ Technological investment in all parts of the chain (preparation, sorting, delivery) allowing for cost cuts
- Qualitative aspects
  - ▶ Technological investment, competition between operators, development of document management and franking solutions etc. allowing for greater efficiency

Making mail more attractive



# HIGHLIGHTS

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# SATORI: NEW ACQUISITION IN NEOPOST'S CORE BUSINESS

- **Address cleansing and postal pre-sorting**
  - **Address correction, elimination of duplicates**
  - **Access to favourable postal tariffs**
  - **Effective direct marketing actions → mail delivered to recipient**
  - **Useless expenditure avoided → benefiting both postal operators and senders**

Neopost entering the postal address market

# SATORI: ACQUISITION OF A FAST GROWING COMPANY

## ■ Satori: key information

- **Based in Seattle - Main markets: US, Canada + start of operations in the UK**
- **Created in 1982 – Fast-growing (average growth of 25% per year) and profitable**
- **Sales = \$11.8m in 2008, with a large proportion of recurring revenues**
- **Customers = from large companies to SMEs**

A strong potential for expansion  
thanks to Neopost distribution networks

# DISTRIBUTION NETWORKS

- Europe: acquisition of Kontur in Sweden
  - Consolidation of Neopost's position in Scandinavia
- US: acquisition of a distributor in Washington DC

Further strengthening of direct distribution

# OPTIMISATION PLAN

- **R&D and supply chain:**
  - **Programmes almost completed**
- **US distribution**
  - **Head offices of the two US subsidiaries combined on the East Coast**
  - **Call centres transferred to Dallas**
  - **2 sites closed**
  - **More than 300 positions relocated**
  - **Close to 200 recruitments**

Progressing in line with expectations

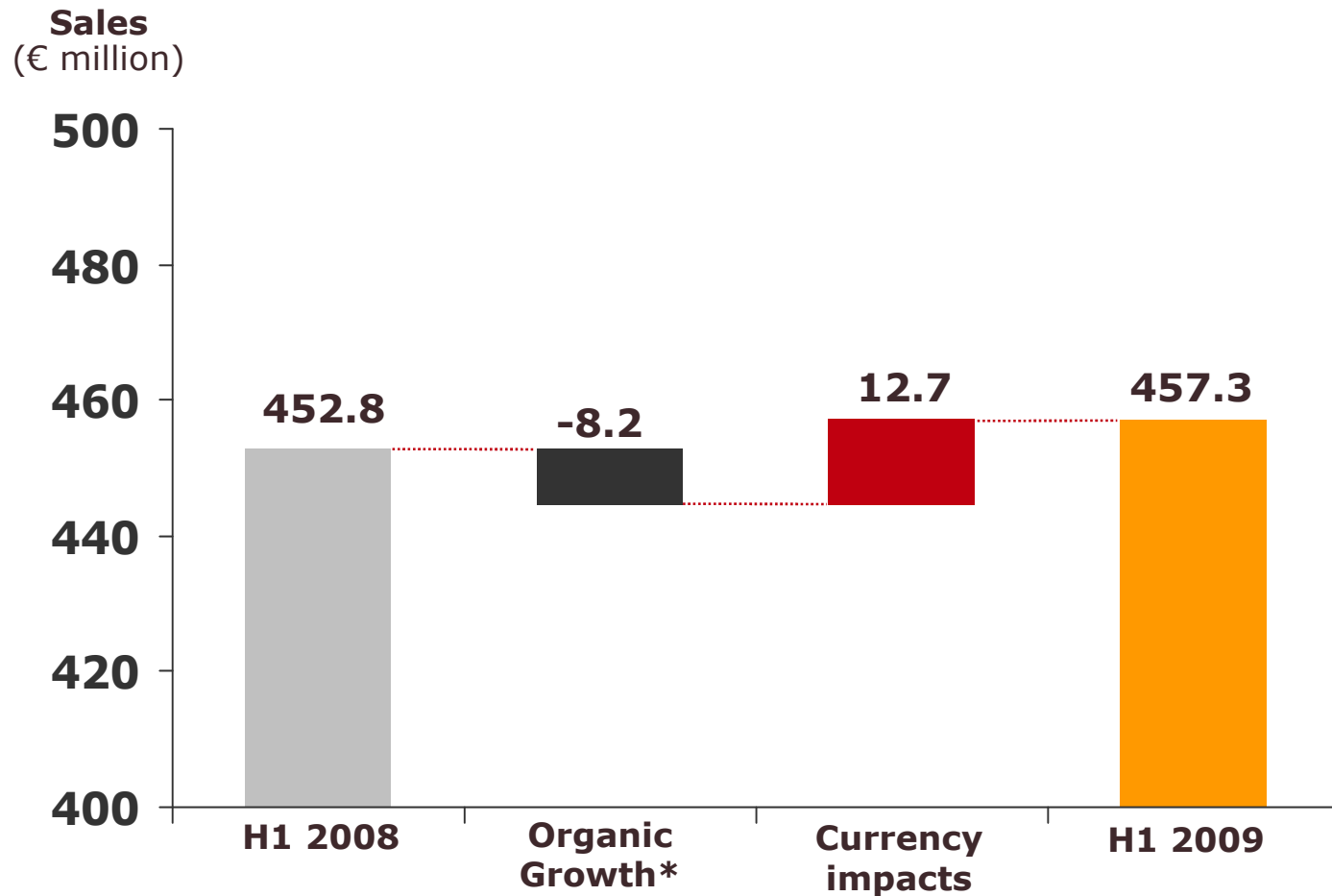


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# H1 2009 RESULTS

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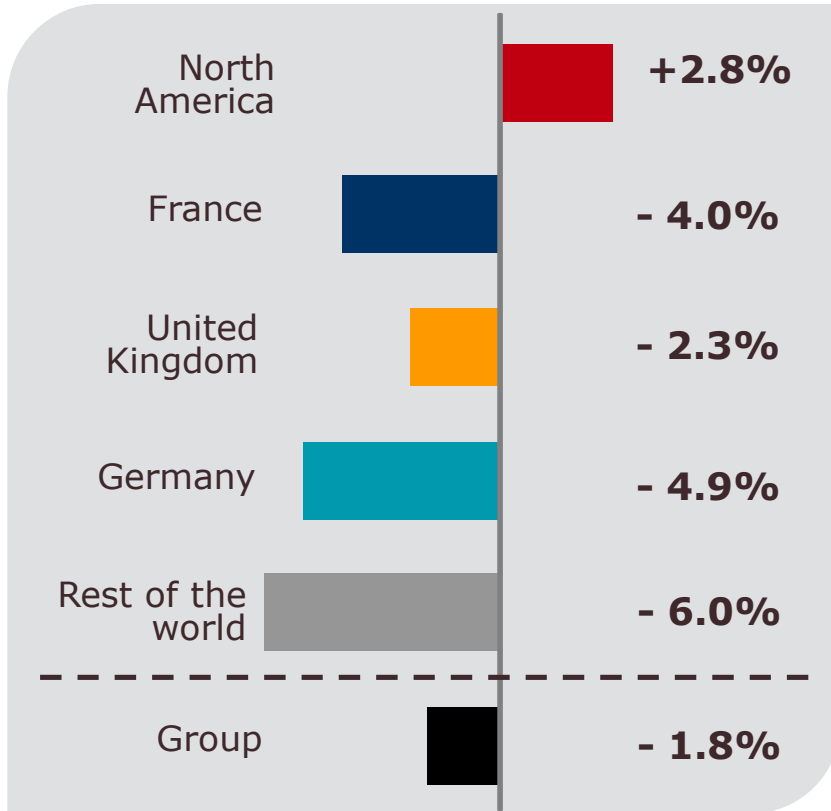
# H1 2009 SALES



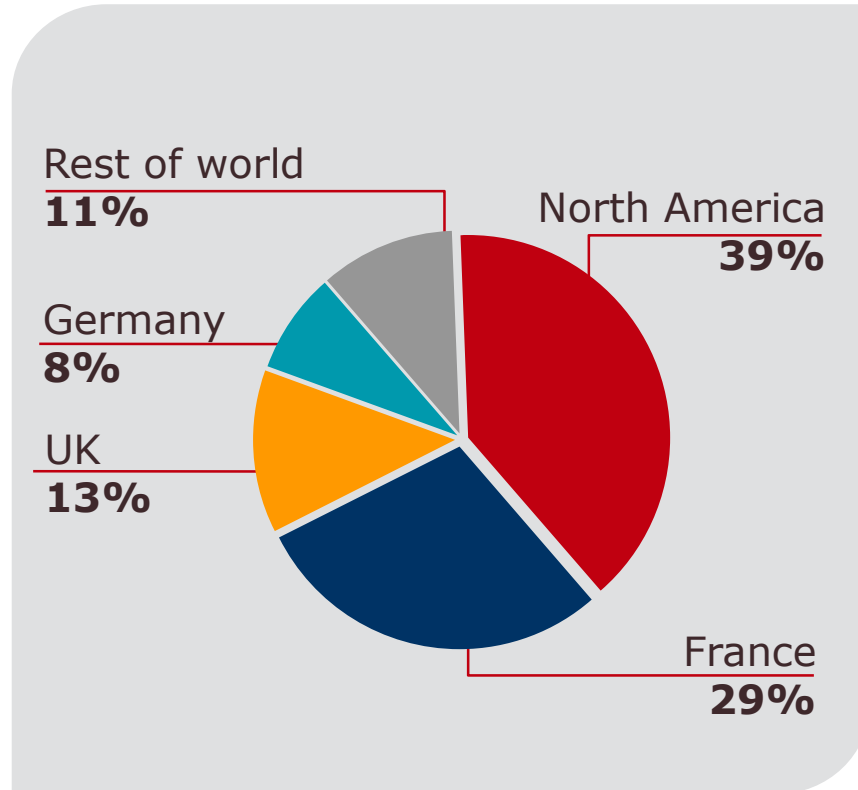
1.0% increase in sales in H1 2009,  
-1.8% at constant exchange rates

# SALES GROWTH PER COUNTRY

**Change H1 2009 / H1 2008\***



**H1 2009 sales: €457.3m**



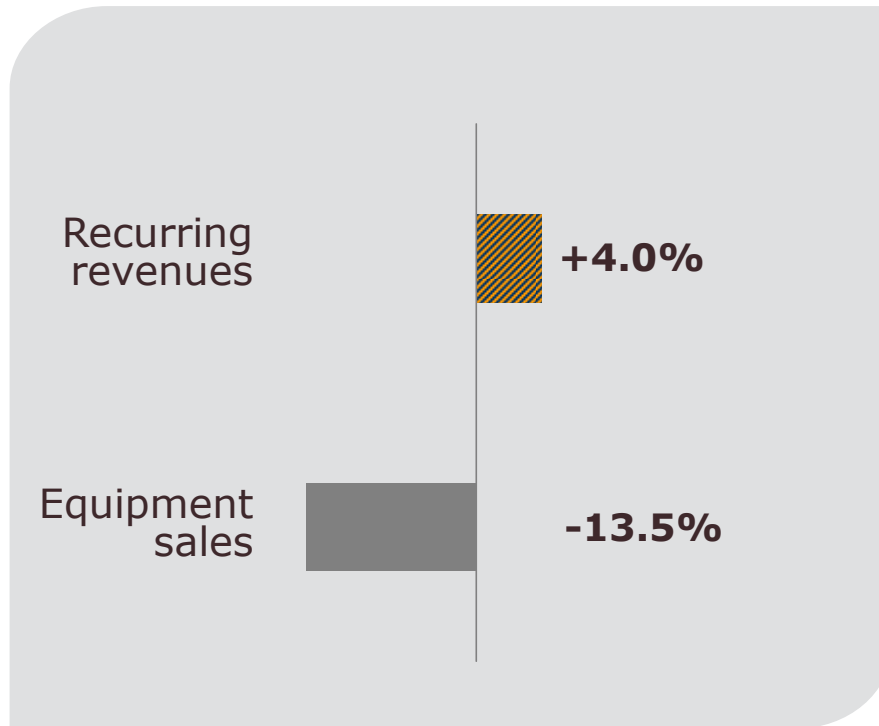
**Growth in H1 in North America,  
Decline in the rest of the World**



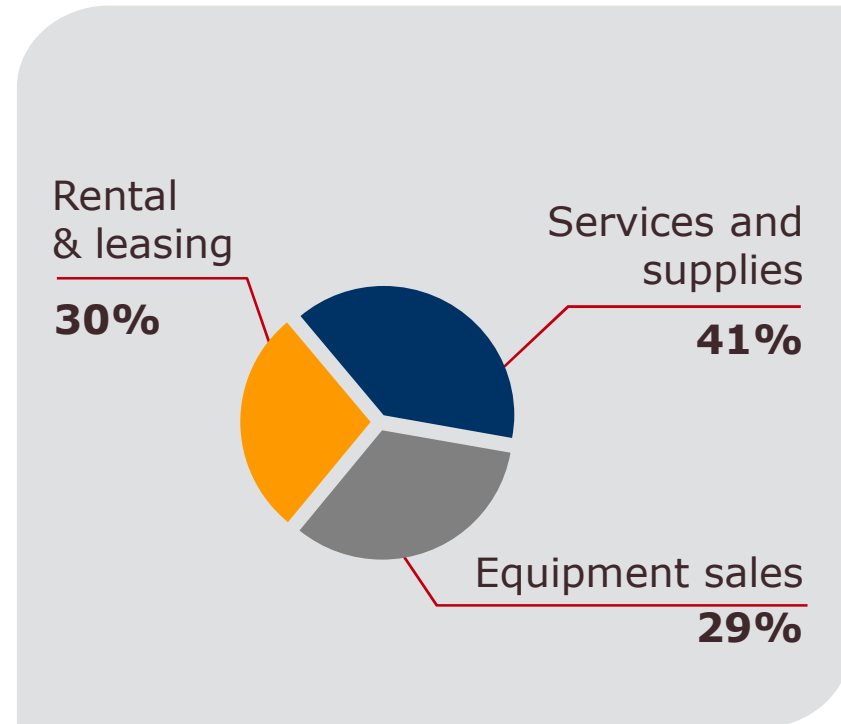
\* At constant exchange rates

# SALES GROWTH PER REVENUE TYPE

**Change H1 2009 / H1 2008\***



**H1 2009 sales: €457.3m**

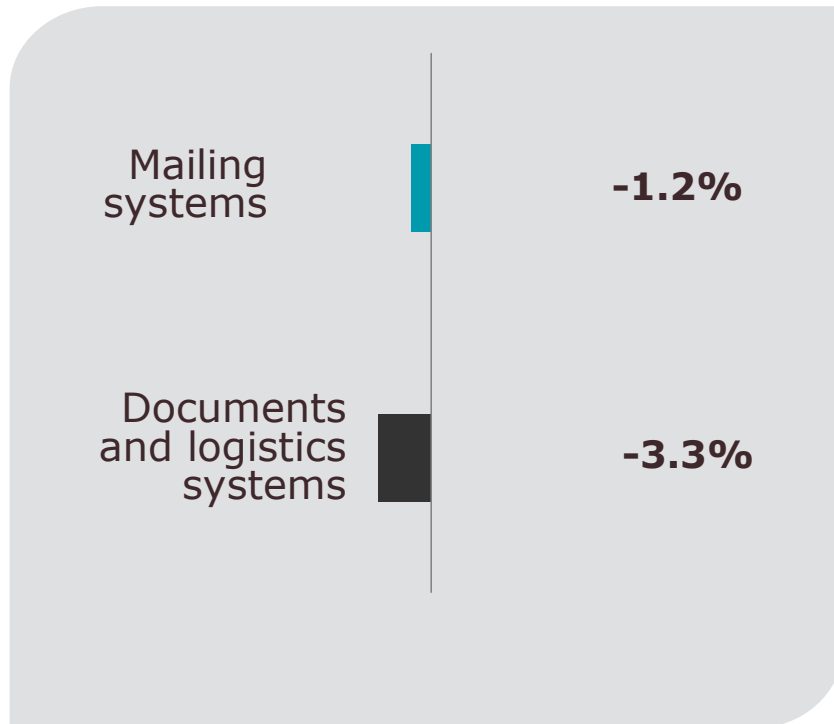


**Continued growth in recurring revenue**

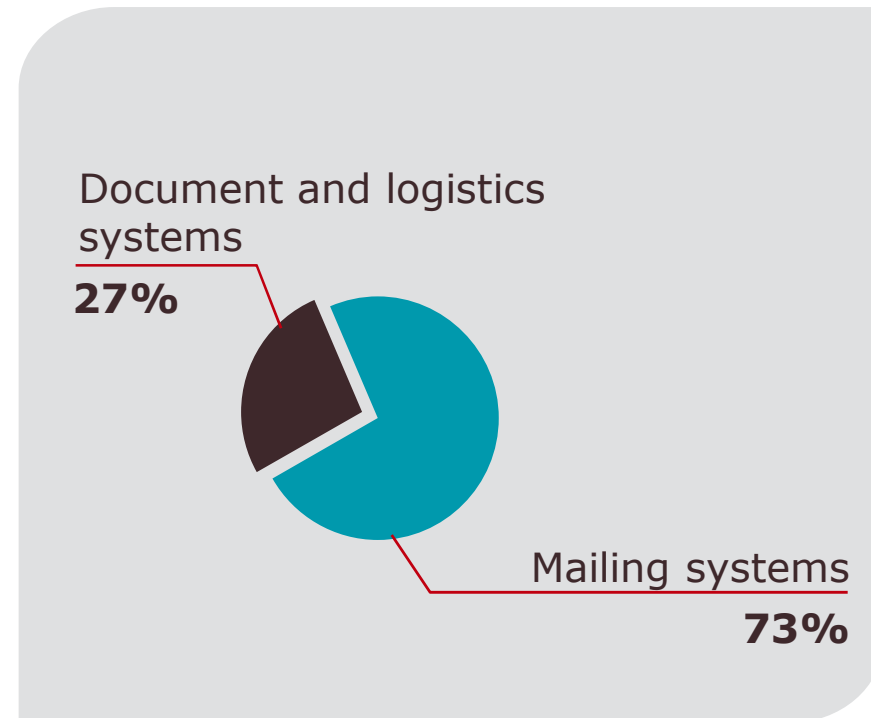
\* At constant exchange rates

# SALES GROWTH PER BUSINESS LINE

**Change H1 2009 / H1 2008\***



**H1 2009 sales: €457.3m**



**Good performance of Document and Logistics systems in Q2 2009**

\* At constant exchange rates

# 25.5% EBIT MARGIN IN H1 2009

€ million

	H1 2008	H1 2009	Change %
<b>Sales</b>	<b>453</b>	<b>457</b>	<b>+1.0%</b>
<b>Gross margin</b> <i>As % of sales</i>	<b>351</b> <b>77.6%</b>	<b>368</b> <b>80.4%</b>	<b>+4.6%</b>
<b>Current Operating Income</b> <i>As % of sales</i>	<b>115</b> <b>25.4%</b>	<b>116</b> <b>25.5%</b>	<b>+1.2%</b>

Improvement in profitability

# NET INCOME

€ million

	H1 2008	H1 2009	Change %
<b>Sales</b>	<b>453</b>	<b>457</b>	<b>+1.0%</b>
<b>Current Operating Margin</b>	<b>115</b>	<b>116</b>	<b>+1.3%</b>
<b>Operating Income</b>	<b>115</b>	<b>116</b>	<b>+1.3%</b>
Financial Results	(10)	(12)	
Taxes	(31)	(30)	
Share of associated companies	0	1	
<b>Net Income</b>	<b>74</b>	<b>75</b>	<b>+0.6%</b>
<b>As % of sales</b>	<b>16.4%</b>	<b>16.4%</b>	
<b>Diluted EPS</b>	<b>2.39</b>	<b>2.44</b>	<b>+2.1%</b>

Diluted EPS up +2.1%

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# WORKING CAPITAL REQUIREMENT

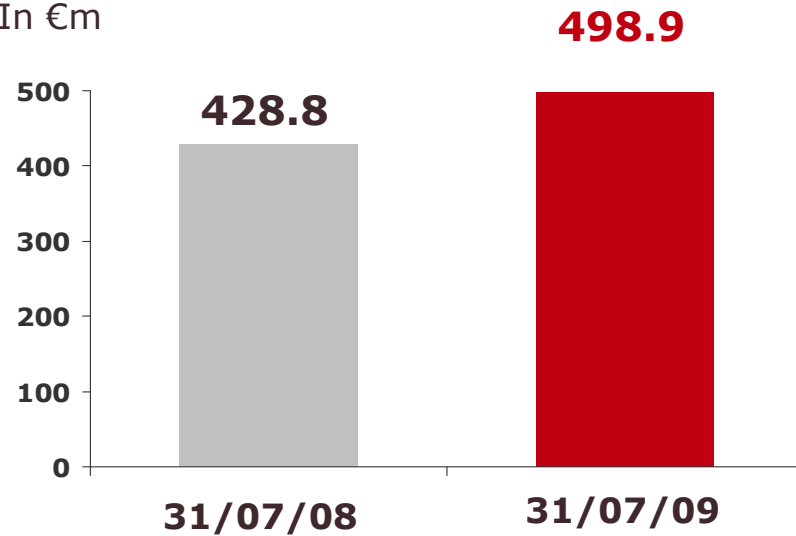
<i>€ million</i>	31/07 2008	31/07 2009	Change %
Inventories	55	56	<b>+1.8%</b>
Accounts receivable	128	126	<b>-1.9%</b>
Prepaid income	(133)	(142)	<b>+6.7%</b>
Other payables and receivables	(256)	(235)	<b>-8.4%</b>
<b>Total excluding leasing</b>	<b>(206)</b>	<b>(195)</b>	<b>-5.4%</b>

WCR maintained at a high negative level

# UPDATE ON LEASING

## Leasing portfolio

In €m



- H1-09 vs H1-08, growth at constant exchange rates: +11,5%
- Target
  - 75% average penetration rate at Group level

Strong growth potential

# GRADUAL AND CONTROLLED INCREASE IN GEARING

<i>€ million</i>	31/07 2008	31/07 2009
Financial debt	743	842
Cash and marketable securities	(131)	(118)
<b>Net financial debt</b>	<b>612</b>	<b>724</b>
<b>Shareholders' equity</b>	<b>435</b>	<b>443</b>
<b>Net debt / shareholders' equity</b>	<b>140.7%</b>	<b>163.6%</b>
<b>Net debt / EBITDA ratio</b>	<b>2.0</b>	<b>2.4</b>
<b>EBITDA / financial charges</b>	<b>11.5</b>	<b>12.2</b>

Debt covenants easily met

# DEBT PURPOSE (REMINDER)

- Net debt: €724m at end July 2009
- Leasing portfolio: €499m
- Rental business
  - **Net book value of assets for rent on balance sheet: €81m (recognition at production cost)**
  - **Net present value of future rental income = net rental assets >> €81m**
- Leasing portfolio + net book value of assets for rent: €580m or 80% of net debt
- Leasing portfolio + net rental assets > 100% of net debt

Debt is fully backed by future leasing  
and rental cash flows

# DEBT STRUCTURE

- 4 credit lines

- **US Private Placement**

- ▶ \$175m, of which \$75m at variable rates and \$100m at a fixed rate (4.83%)
    - ▶ €25m at a fixed rate (4.52%)
    - ▶ Maturity: September 2010

- **Private placement with Crédit Agricole Regional Banks**

- ▶ €133m at a fixed rate (4.09%)
    - ▶ Maturity: December 2012

- **Revolving credit**

- ▶ €750m at variable rates, EURIBOR or LIBOR + 20bps
    - ▶ Multi-currency => drawings the currency of future cash flow
    - ▶ Maturity: June 2012, extended to June 2013 for €675m
    - ▶ Available drawing at end January 2009: €219m

- ...

Simple debt structure...

# A NEW PRIVATE PLACEMENT

- A new credit line to finance Neopost's growth
  - Signed in September 2009 with Natixis / Banque Populaire / Caisse d'Epargne
- Characteristics of this new credit line
  - Revolving line
  - Nominal amount €175m (yearly amortisation after two years)
  - Maturity: Sept 2014
  - Conditions: EURIBOR + 190bps

...that covers future needs

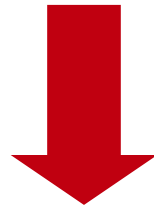


# 2009 **OUTLOOK**

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# 2009 OUTLOOK

- Recovery signs in North America and the UK
- Stabilisation in Europe and Export markets
- Favourable comparison base in Europe and Export markets in H2
- Continuing roll-out of IS range
- Completion of the optimization programme in the US
- Continuing growth in recurring revenues



- FY 2009 sales: around **1%** growth at constant exchange rates
- EBIT margin: at least **25.7%** of sales



# APPENDIX

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# CORRELATION BETWEEN MAIL VOLUMES AND GDP

	CAGR 90-00	CAGR 00-06	CAGR 06-08
<b>Total mail volumes</b>	<b>+2.3%</b>	<b>+0.4%</b>	<b>-2.5%</b>
Standard Mail (Marketing mail)	+3.5%	+2.2%	-1.7%
First Class Mail (Transactional mail mainly)	+1.5%	-1.0%	-3.3%
Other mail*	+0.7%	-1.5%	-2.8%
<b>GDP</b>	<b>+3.4%</b>	<b>+2.4%</b>	<b>+1.4%</b>

\* Other mail includes periodicals, packages and shipping

# CONSOLIDATED BALANCE SHEET (1/2)

€ million

## Assets

	31/07 2008	31/07 2009
Goodwill	621	684
Intangible fixed assets	56	64
Tangible fixed assets	139	141
Other non current financial assets	12	26
Other non current receivables	6	8
Leasing receivables	429	499
Deferred tax assets	39	11
Inventory	55	56
Accounts receivables	128	126
Other current assets	53	67
Cash & marketable securities	131	118
Current financial instruments	8	3
<b>TOTAL</b>	<b>1 677</b>	<b>1 803</b>

# CONSOLIDATED BALANCE SHEET (2/2)

€ million

## Liabilities

	31/07 2008	31/07 2009
Shareholders' equity	435	443
Non current provisions	26	9
Non current financial debt	280	293
Short-term financial debt	462	549
Other non-current liabilities	-	11
Deferred tax liabilities	28	41
Non-current financial instruments	-	9
Prepaid income	133	142
Other current liabilities	312	302
Current financial instruments	1	4
<b>TOTAL</b>	<b>1 677</b>	<b>1 803</b>