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Francotyp-Postalia Holding

Germany

Capital Goods

Reuters: FPHG.DE Bloomberg: FPH GY

Buy

Closing price as of 23-Nov-22	EUR 3.14
Target price	EUR 4.00
High/Low (12M)	EUR 3.50/2.55
Market cap.	EUR mn 50
Enterprise value	EUR mn 87
Free float	44.6%
Avg. daily turnover	EUR mn 0.02

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	6.8	1.6	3.6
rel. DAX	-6.5	-7.7	1.9
rel. STOXX Europe 600	-3.9	-0.1	3.1
rel. SXXP Industrial G&S	-5.6	-3.7	-1.1

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3Q22 with strong revenue growth and solid profitability – Specified FY22 guidance looks still conservative – We feel comfortable with our estimates

Our conclusion

- Francotyp-Postalia reported solid figures for 3Q22, demonstrating the success of the company's strategic initiative **FUTURE@FP**. Despite the discontinuation of non-recurring effects like from the postage rate change in Germany and the pandemic-related higher franking volume at Mail Services, 3Q22 **Group sales** were up 24.0% yoy to EUR 61.2mn (9M22 +26.8% to EUR 188.7mn), benefiting from the first-time consolidation of Azolver (EUR 13.1mn in 9M22) and positive FX effects (EUR 5.0mn in 9M22). With EUR 6.1mn (-7.7% yoy) for 3Q22 and EUR 22.4mn for 9M22 (+41.4% yoy) **EBITDA** is in-line with our optimistic expectations. **Normalized EBITDA** (adjusted for non-recurring effects like the rate change, FX effects or the One ERP program) decreased from EUR 6.2mn in 3Q21 to EUR 5.7mn in 3Q22 but is strongly up from EUR 16.8mn in 9M21 to EUR 20.5mn in 9M22. FP could achieve the strong EBITDA despite significant cost increases (i.e. for electronic components) and implementation costs for the new ERP/CRM system. **EBIT** reached EUR 0.7mn in 3Q22, while in light of a surprisingly strong financial result, **EBT** amounted to EUR 1.8mn and net income came in at EUR 0.9mn. **Free cash flow** of EUR 6.9mn for 9M22 (9M21: EUR 4.6mn) despite EUR 4.1mn cash outflow for the Azolver acquisition is a positive outcome. **Net debt** could be reduced from EUR 20.5mn at the year-end 2021 to EUR 17.4mn despite the Azolver acquisition.
- Following the successful 9M22 performance, FP expects to surpass the upper level of the FY22 sales guidance of EUR 229-237mn excluding any FX effects (EUR 5.0mn in 9M22). EBITDA is expected to reach the upper end of the guided range of EUR 24-28mn. We feel comfortable with our recently increased EBITDA 22E projection of EUR 29mn. There is no doubt in our view that earnings will continue to improve noteworthy in FY23 as well, supported by earnings contributions from Azolver (after the full integration) and hopefully higher selling prices and cost reductions.
- We are confirming our Buy rating for FP and our target price of EUR 4.00. Based on expected Group earnings for 2023, we consider FP shares as strongly undervalued (EV/EBIT of 6.5x, P/E of 5.4x). The initiated share buyback program might become a booster for a share price recovery.

Facts & Analysis

EUR mn	3Q21	9M21	FY21	2Q22	3Q22E	3Q22	9M22	FY22E	FY22E	FY23E	FY23E
					Baader	Rep.	Rep.	Baader	Cons.	Baader	Cons.
Sales	49.3	148.9	203.7	62.4	60.0	61.2	188.7	247.0	243.0	255.0	250.9
<i>Chg. yoy (%)</i>	3.2	0.9	4.0	29.9	21.6	24.0	26.8	21.3		3.2	
EBITDA	6.6	15.8	18.5	6.0	6.2	6.1	22.4	29.0	28.4	33.5	32.1
Margin (%)	13.4	10.6	9.1	9.6	10.3	9.9	11.9	11.7		13.1	
<i>Chg. yoy (%)</i>	3.8	-18.7	111.1	45.3	-2.8	-7.7	41.4	57.2		15.5	
EBIT	1.8	1.6	-0.7	1.0	1.0	0.7	7.2	8.5	8.3	12.0	11.5
Margin (%)	3.7	1.1	-0.3	1.6	1.7	1.2	3.8	3.4		4.7	
EBT	2.4	3.3	2.2	2.1	1.5	1.8	10.0	11.1	10.0	13.4	12.7
Net income	1.6	2.1	0.4	-0.1	1.0	0.9	6.1	7.2	7.1	9.2	9.1
EPS (EUR)	0.10	0.13	0.02	-0.01	0.06	0.06	0.38	0.45	0.43	0.58	0.55

Source: Company data, Refinitiv consensus data (mean), Baader Helvea Equity Research

- In its core business **Mailing, Shipping & Office Solutions** (3Q22 sales +27% to EUR 37.8mn; 9M22 +24% to EUR 112.0mn; 2.1% organic growth), FP benefited from positive FX effects and the Azolver consolidation, while in terms of profitability high purchase prices for semiconductors, acquisition costs and expenses for the new ERP/CRM system did weigh on results. **Mail Services** (sales +13% to EUR 15.9mn in 3Q22, +30% to EUR 55.9mn) could gain market share and improved productivity. **Digital Business Solutions** (sales +34% to EUR 7.5mn in 3Q22, +32% to EUR 20.9mn in 9M22) succeeded in the enhancement of solutions and the continuous onboarding of new customers (mainly in the areas workflow management and FP Sign).

Francotyp-Postalia Holding

Key data

FY 31 Dec.	2019	2020	2021	2022E	2023E	2024E
Share data						
EPS reported (EUR)	0.11	-0.95	0.02	0.45	0.58	0.66
EPS adjusted (EUR)	0.16	-0.95	0.02	0.45	0.58	0.66
Dividend (EUR)	0.00	0.00	0.00	0.15	0.20	0.25
Book value (EUR)	1.96	0.81	0.98	1.58	2.01	2.47
Free cash flow (EUR)	0.10	0.70	0.41	0.67	1.04	1.13
Avg. no. of shares (mn)	16.3	16.3	16.0	16.0	16.0	16.0
Market cap. (avg./current; EUR mn)	56.5	53.2	49.5	50.4	50.4	50.4
Enterprise value (EUR mn)	108.8	97.5	88.9	87.0	78.5	70.9
Valuation						
P/E adj. (x)	21.6	-	154.0	7.0	5.4	4.8
P/BV (x)	1.8	4.0	3.1	2.0	1.6	1.3
FCF/EV (%)	1.5	11.7	7.3	12.3	21.2	25.5
FCF yield (%) (FCF/Mcap.)	3.0	21.4	13.2	21.2	33.0	35.9
Dividend yield (%)	0.0	0.0	0.0	4.8	6.4	8.0
EV/Sales (x)	0.5	0.5	0.4	0.4	0.3	0.3
EV/EBITDA adj. (x)	3.1	4.5	4.8	3.0	2.3	2.0
EV/EBIT adj. (x)	15.1	-6.9	-134.1	10.2	6.5	5.2
EV/CE (x)	1.1	1.2	1.1	1.0	0.9	0.8
ROCE/WACC adj. (x)	1.1	-2.5	-0.1	1.3	1.7	1.9
Key company data						
Sales growth (%)	2.4	-6.3	4.0	21.3	3.2	3.1
EBITDA adj. growth (%)	36.8	-36.9	-15.5	57.2	15.5	6.1
EBITDA adj. margin (%)	16.6	11.2	9.1	11.7	13.1	13.5
EBIT adj. margin (%)	3.4	-7.3	-0.3	3.4	4.7	5.2
Net adj. margin (%)	1.2	-7.8	0.2	2.9	3.6	4.0
Free cash flow margin (%)	0.8	5.8	3.2	4.3	6.5	6.9
Payout ratio (%)	0.0	0.0	0.0	33.3	34.7	37.9
Gearing (%) (net debt/equity)	99.2	179.9	130.0	73.5	31.6	6.3
Net debt/EBITDA (x)	1.0	2.7	1.1	0.6	0.3	0.1
Equity ratio (x) (equity/total assets)	17.2	7.6	9.4	13.9	16.9	20.2
Capital employed (EUR mn)	95.7	80.2	79.1	90.7	88.9	86.7
ROCE adj. (%)	7.5	-17.7	-0.8	9.4	13.5	15.6
Income statement (EUR mn)						
Turnover	209.1	195.9	203.7	247.0	255.0	263.0
EBITDA	33.3	8.7	18.5	29.0	33.5	35.6
EBITDA adj.	34.6	21.8	18.5	29.0	33.5	35.6
EBIT	5.9	-14.2	-0.7	8.5	12.0	13.6
EBIT adj.	7.2	-14.2	-0.7	8.5	12.0	13.6
EBT	5.9	-14.9	2.2	11.1	13.4	15.5
Net profit after minorities	1.7	-15.3	0.4	7.2	9.2	10.6
Net profit adj.	2.6	-15.3	0.4	7.2	9.2	10.6
Balance sheet (EUR mn)						
Non-current assets	102	85	76	84	82	81
thereof goodwill	5	4	4	9	9	9
Current assets	85	88	91	98	108	115
Total assets	186	174	167	182	191	195
Shareholders' equity	32	13	16	25	32	40
Total equity and liabilities	186	174	167	182	191	195
Net debt	32	24	20	19	10	2
Cash flow (EUR mn)						
Cash flow from operations	23.0	23.4	15.1	25.3	28.6	30.2
of which change in working capital	3.5	1.9	7.0	4.6	0.8	0.9
Cash flow from investments	-21.4	-12.0	-8.5	-14.6	-12.0	-12.1
of which investment in fixed assets	21.2	10.0	8.6	10.2	12.0	12.1
Free cash flow	1.7	11.4	6.5	10.7	16.6	18.1
Dividends paid	-0.5	0.0	0.0	0.0	-2.4	-3.2
Cash flow from financing activities	-4.7	-5.7	-10.9	-8.1	-7.2	-12.2
Change in cash position	-3.1	5.7	-4.3	2.6	9.4	5.9

Source: Company data, Baader Helvea Equity Research

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Company	Date	Rating	Currency Target price	Closing price as of	Analyst
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