

31 October 2022

Francotyp-Postalia Holding

Germany

Support Services

Reuters: FPHG.DE Bloomberg: FPH GY

Buy

Closing price as of 28-Oct-22	EUR 3.27
Target price	EUR 4.00
High/Low (12M)	EUR 3.50/2.55
Market cap.	EUR mn 52
Enterprise value	EUR mn 90
Free float	44.6%
Avg. daily turnover	EUR mn 0.02

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	9.4	9.7	13.5
rel. DAX	0.7	10.0	18.8
rel. STOXX Europe 600	3.9	14.8	21.7
rel. SXXP Industrial G&S	-1.7	13.7	18.9

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FP announces share buyback program with a volume of up to EUR 2mn

Our conclusion

- **Francotyp-Postalia surprised the market with the announcement to launch a share buyback program.** Under the “Share Buyback Program 2022” granted by FP’s annual shareholder meeting in November 2020, up to 557,680 treasury shares (corresponding to up to approximately 3.4% of FP’s current share capital) are to be repurchased via the stock exchange at a total purchase price (excluding transaction costs) of a maximum of EUR 2.0mn. Currently, the Company already holds 257,393 treasury shares, corresponding to around 1.6% of the FP’s current share capital.
- **In light of the attractive valuation of FP shares (particularly considering the favorable earnings prospects for FY23 and FY24) as well as the moderate leverage, the share buyback looks reasonable,** even in the current challenging economic and geopolitical environment. EUR 2mn buyback volume is not a big amount (even for FP with a market cap of only EUR 52mn) given the Company’s recent gross cash position of EUR 38mn (EUR 19mn net debt) and our expectation of around EUR 10mn Euro free cash flow generation in 2022 and low 2-digit million Euro FCF in the years thereafter.
- **We are reiterating our Buy rating for FP with a target price of EUR 4.00. Based on expected Group earnings for 2023, valuation of FP shares (EV/EBIT of 7.9x, P/E of 7.0x) looks very attractive. The share buyback program might be a booster for a share price recovery.**

Facts & Analysis

- The treasury shares shall be acquired exclusively via the stock exchange in accordance with the trading conditions of Art. 3 of Delegated Regulation (EU) 2016/1052.
- The repurchased shares may be used for all purposes permitted under the provisions of stock corporation law and the aforementioned authorization. Further details will be announced separately by the Company before the start of the share buyback program 2022.
- **FP will report its 3Q22 figures on 24 November.** We are expecting a favorable business performance. We are confident that FP will be able to achieve the upper level of its FY22 EBITDA guidance of EUR 24-28mn. According to our projections, earnings will continue to improve noteworthy in FY23 as well.

Key financials

EUR mn	2021	2022E	2023E	2024E	CAGR (%)
Sales	203.7	243.0	252.0	260.0	8.5
EBIT adj.	-0.7	6.7	10.2	11.7	-
EPS adj. (EUR)	0.02	0.36	0.47	0.54	187.0

Source: Company data, Baader Helvea Equity Research

Valuation ratios

x	2021	2022E	2023E	2024E
EV/Sales	0.4	0.4	0.3	0.3
EV/EBIT adj.	-134.1	13.5	7.9	6.3
P/E adj.	154.0	9.1	7.0	6.1

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Key data

FY 31 Dec.	2019	2020	2021	2022E	2023E	2024E
Share data						
EPS reported (EUR)	0.11	-0.95	0.02	0.36	0.47	0.54
EPS adjusted (EUR)	0.16	-0.95	0.02	0.36	0.47	0.54
Dividend (EUR)	0.00	0.00	0.00	0.00	0.15	0.18
Book value (EUR)	1.96	0.81	0.98	1.49	1.96	2.35
Free cash flow (EUR)	0.10	0.70	0.41	0.61	0.97	1.02
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	52.5	52.5	52.5
Enterprise value (EUR mn)	108.8	97.5	88.9	90.0	80.3	73.4
Valuation						
P/E adj. (x)	21.6	-	154.0	9.1	7.0	6.1
P/BV (x)	1.8	4.0	3.1	2.2	1.7	1.4
FCF/EV (%)	1.5	11.7	7.3	10.9	19.3	22.4
FCF yield (%) (FCF/Mcap.)	3.0	21.4	13.2	18.6	29.6	31.3
Dividend yield (%)	0.0	0.0	0.0	0.0	4.6	5.5
EV/Sales (x)	0.5	0.5	0.4	0.4	0.3	0.3
EV/EBITDA adj. (x)	208.7	172.2	-144.8	200.3	2006.7	954.8
EV/EBIT adj. (x)	15.1	-6.9	-134.1	13.5	7.9	6.3
EV/CE (x)	1.1	1.2	1.1	1.0	0.9	0.9
ROCE/WACC adj. (x)	1.1	-2.5	-0.1	1.0	1.5	1.7
Key company data						
Sales growth (%)	2.4	-6.3	4.0	19.3	3.7	3.2
EBITDA adj. growth (%)	-185.8	8.7	-208.3	-173.2	-91.1	92.3
EBITDA adj. margin (%)	0.2	0.3	-0.3	0.2	0.0	0.0
EBIT adj. margin (%)	3.4	-7.3	-0.3	2.7	4.1	4.5
Net adj. margin (%)	1.2	-7.8	0.2	2.4	3.0	3.3
Free cash flow margin (%)	0.8	5.8	3.2	4.0	6.2	6.3
Payout ratio (%)	0.0	0.0	0.0	0.0	31.6	33.5
Gearing (%) (net debt/equity)	99.2	179.9	130.0	81.9	31.2	7.9
Net debt/EBITDA (x)	1.0	2.7	1.1	0.7	0.3	0.1
Equity ratio (x) (equity/total assets)	17.2	7.6	9.4	13.2	16.6	19.5
Capital employed (EUR mn)	95.7	80.2	79.1	90.1	87.8	85.3
ROCE adj. (%)	7.5	-17.7	-0.8	7.4	11.6	13.7
Income statement (EUR mn)						
Turnover	209.1	195.9	203.7	243.0	252.0	260.0
EBITDA	33.3	8.7	18.5	27.8	32.2	34.0
EBITDA adj.	0.5	0.6	-0.6	0.4	0.0	0.1
EBIT	5.9	-14.2	-0.7	6.7	10.2	11.7
EBIT adj.	7.2	-14.2	-0.7	6.7	10.2	11.7
EBT	5.9	-14.9	2.2	8.2	11.0	12.6
Net profit after minorities	1.7	-15.3	0.4	5.7	7.6	8.6
Net profit adj.	2.6	-15.3	0.4	5.7	7.6	8.6
Balance sheet (EUR mn)						
Non-current assets	102	85	76	83	81	79
thereof goodwill	5	4	4	9	9	9
Current assets	85	88	91	97	109	114
Total assets	186	174	167	180	190	194
Shareholders' equity	32	13	16	24	31	38
Total equity and liabilities	186	174	167	180	190	194
Net debt	32	24	20	20	10	3
Cash flow (EUR mn)						
Cash flow from operations	23.0	23.4	15.1	24.4	27.5	28.5
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	9.8	15.5	16.4
Dividends paid	-0.5	0.0	0.0	0.0	0.0	-2.4
Cash flow from financing activities	-4.7	-5.7	-10.9	-8.1	-4.8	-11.4
Change in cash position	-3.1	5.7	-4.3	1.7	10.7	5.0

Source: Company data, Baader Helvea Equity Research

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This Research Document was completed at 07:15 AM (CET) on 31-10-2022.

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Company	Date	Rating	Currency Target price	Closing price as of	Analyst
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