

27 May 2021

Francotyp-Postalia Holding

Germany

Support Services

Reuters: FPHG.DE Bloomberg: FPH GY

Buy

Closing price as of 26-May-21	EUR 2.89
Target price	EUR 4.00
High/Low (12M)	EUR 3.64/2.69
Market cap.	EUR mn 46
Enterprise value	EUR mn 95
Free float	46.9%
Avg. daily turnover	EUR mn 0.02

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-8.3	-8.0	-19.0
rel. DAX	-9.3	-20.0	-35.3
rel. STOXX Europe 600	-9.4	-17.9	-32.7
rel. SXXP Industrials	-7.1	-17.1	-35.5

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Better than expected start to the year – FY21 outlook reiterated but the management is confident to reach the upper end of the EBITDA range

Our conclusion

- When presenting its final FY20 figures on 30 April, Francotyp-Postalia (FP) prepared the market for a challenging FY21, still negatively affected by the pandemic, the ongoing resizing of the company and the refocusing of business activities. We were therefore surprised positively by FP's 1Q21 results. Compared to the very strong 1Q20 (with only minor impact from COVID-19), FP's sales were down 9.5% to EUR 51.5mn and EBITDA declined less dramatically than expected by 38% to EUR 4.9mn (EUR 8.0mn EBITDA in 1Q20). The company benefited from initial savings from the structural measures taken in 2020. Additional positive aspects were the strong free cash flow (EUR 4.5mn) and the low net debt level of EUR 19mn.
- FP confirmed its cautious FY21 guidance of EUR 185-196mn sales and EUR 6-12mn EBITDA but management expressed confidence that the upper level of the EBITDA range might be achieved. Nevertheless, the very solid 1Q21 earnings level cannot be taken as sustainable in view of the usual seasonality (1Q is typically the strongest quarter of the year). Furthermore, targeted restructuring measures (further significant reduction in the number of employees) as well as costs related to the development of new digital solutions around FP Sign and IoT will weigh on results in upcoming quarters. Following the solid 1Q21 results we feel very comfortable that our projection of EUR 12.5mn EBITDA will be achieved or surpassed.
- By 2023, EBITDA of around EUR 27mn should be achievable again according to our estimates. While sales in the franking machine business might continue to decline moderately, we are expecting initial sales contributions from FP's new digital products. The cost position will presumably continue to improve and we do not expect any additional structural charges. We are forecasting for FY23 EUR 6-7mn net profit, approx. EUR 0.40 EPS and the resumption of the dividend payment. **Nevertheless, we are aware that uncertainties remain high.** The new management has so far provided only a rough overview of the strategic ideas without any concrete figures and projections. **For the time being, we are keeping our Buy rating and our target price of EUR 4.00** as FP's franking business will remain a cash cow and speculations regarding intentions of key shareholders persist. Based on future potentials, valuation is moderate.

Facts & Analysis

EUR mn	1Q20	2Q20	3Q20	4Q20	FY20	1Q21E Baader	1Q21 Rep.	FY21E Baader	FY22E Baader	FY23E Baader
Sales	57.0	42.8	47.8	48.3	195.9	47.5	51.5	189.0	194.0	199.0
Change yoy (%)	9.4	-8.9	-10.4	-14.8	-6.3	-16.6	-9.5	-3.5	2.6	2.6
EBITDA	8.0	5.1	6.3	-11.5	8.0	1.0	4.9	12.5	20.9	27.0
Margin (%)	14.0	12.0	13.3	-23.8	4.1	2.0	9.6	6.6	10.8	13.6
EBITDA adj.	8.0	5.1	6.3	1.6	21.1	1.0	5.4*	14.5*	20.9	27.0
Margin (%)	14.0	12.0	13.3	3.3	10.7	2.0	10.5	7.7	10.8	13.6
EBIT	2.6	-0.7	1.7	-18.8	-14.0	-4.2	0.5	-6.5	1.7	7.8
Margin (%)	4.6	-1.6	3.5	-39.0	-7.1	-8.9	0.9	-3.4	0.9	3.9
EBT	2.8	-0.1	1.7	-20.3	-14.7	-4.3	1.4	-7.0	1.5	7.6
Net inc. after min.	1.9	-0.1	1.2	-18.9	-15.1	-4.0	0.9	-7.0	1.3	6.4

* Adjustment exclusively for restructuring charges

Source: Company data, Baader Helvea Equity Research

- Francotyp-Postalia reported for 1Q21 **9.5% sales decline to EUR 51.5mn**. Sales were down 14.5% to EUR 30.2mn in the core business with **franking machines** and related services, negatively impacted by the pandemic. While **Mail Services** sales declined by 3.4% to EUR 16.6mn, **Software & Business Process Automation** generated 6.3% sales growth to EUR 4.8mn (still not satisfactory performance but initial positive signals at FP Sign related to the agreement with tax consultants).

Francotyp-Postalia Holding

Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
Share data						
EPS reported (EUR)	0.06	0.11	-0.94	-0.43	0.08	0.40
EPS adjusted (EUR)	0.39	0.16	-0.94	-0.43	0.08	0.40
Dividend (EUR)	0.03	0.00	0.00	0.00	0.00	0.10
Book value (EUR)	1.97	2.01	0.85	0.46	0.54	0.94
Free cash flow (EUR)	0.19	0.11	0.71	0.34	0.44	0.84
Avg. no. of shares (mn)	15.9	15.9	16.1	16.1	16.1	16.1
Market cap. (avg./current; EUR mn)	59.8	55.1	52.5	46.5	46.5	46.5
Enterprise value (EUR mn)	97.4	107.4	96.8	95.0	99.7	46.5
Valuation						
P/E adj. (x)	9.6	21.6	-	-	36.1	7.2
P/BV (x)	1.9	1.7	3.8	6.3	5.4	3.1
FCF/EV (%)	3.1	1.6	11.8	5.7	7.2	29.1
FCF yield (%) (FCF/Mcap.)	5.0	3.0	21.7	11.8	15.4	29.1
Dividend yield (%)	0.8	0.0	0.0	0.0	0.0	3.5
EV/Sales (x)	0.5	0.5	0.5	0.5	0.5	0.2
EV/EBITDA adj. (x)	3.9	3.1	4.6	6.5	4.8	1.7
EV/EBIT adj. (x)	12.2	14.9	-6.9	-14.7	59.3	6.0
EV/CE (x)	1.1	1.1	1.2	1.2	1.3	0.6
ROCE/WACC adj. (x)	1.3	1.3	-2.8	-1.4	0.4	1.6
Key company data						
Sales growth (%)	-1.0	2.4	-6.3	-3.5	2.6	2.6
EBITDA adj. growth (%)	-3.9	36.8	-39.2	-31.0	43.7	29.2
EBITDA adj. margin (%)	12.4	16.6	10.7	7.7	10.8	13.6
EBIT adj. margin (%)	3.9	3.4	-7.1	-3.4	0.9	3.9
Net adj. margin (%)	3.0	1.2	-7.7	-3.7	0.6	3.2
Free cash flow margin (%)	1.5	0.8	5.8	2.9	3.7	6.8
Payout ratio (%)	51.9	0.0	0.0	0.0	0.0	25.0
Gearing (%) (net debt/equity)	60.4	99.2	174.0	381.8	380.0	174.4
Net debt/EBITDA (x)	1.1	1.0	3.0	2.3	1.6	1.0
Equity ratio (x) (equity/total assets)	18.7	17.2	7.9	4.5	5.3	8.9
Capital employed (EUR mn)	86.9	95.7	78.6	76.3	77.6	77.9
ROCE adj. (%)	9.2	7.5	-17.8	-8.5	2.2	10.0
Income statement (EUR mn)						
Turnover	204.2	209.1	195.9	189.0	194.0	199.0
EBITDA	17.3	33.3	8.0	12.5	20.9	27.0
EBITDA adj.	25.3	34.6	21.1	14.5	20.9	27.0
EBIT	0.0	5.9	-14.0	-6.5	1.7	7.8
EBIT adj.	8.0	7.2	-14.0	-6.5	1.7	7.8
EBT	1.4	5.9	-14.7	-7.0	1.5	7.6
Net profit after minorities	0.9	1.7	-15.1	-7.0	1.3	6.4
Net profit adj.	6.2	2.6	-15.1	-7.0	1.3	6.4
Balance sheet (EUR mn)						
Non-current assets	88	102	82	80	81	82
thereof goodwill	10	5	4	4	4	4
Current assets	79	85	92	86	83	89
Total assets	167	186	174	166	164	171
Shareholders' equity	31	32	14	7	9	15
Total equity and liabilities	167	186	174	166	164	171
Net debt	19	32	24	29	33	26
Cash flow (EUR mn)						
Cash flow from operations	24.2	23.0	22.8	16.5	20.2	26.5
of which change in working capital	-4.6	3.5	1.9	-1.5	0.2	-0.8
Cash flow from investments	-21.2	-21.4	-11.4	-11.0	-13.0	-13.0
of which investment in fixed assets	18.0	21.2	9.4	11.0	13.0	13.0
Free cash flow	3.0	1.7	11.4	5.5	7.2	13.5
Dividends paid	-1.9	-0.5	0.0	0.0	0.0	0.0
Cash flow from financing activities	-6.4	-4.7	-5.7	-5.9	-10.3	-8.3
Change in cash position	-3.4	-3.1	5.7	-0.4	-3.1	5.2

Source: Company data, Baader Helvea Equity Research

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
Francotyp-Postalia Holding	28-May-20	Buy	EUR	4.00	3.10 27-May-20	Peter Rothenaicher

Francotyp-Postalia Holding

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