

# .WITH CONNECTED RISKS



# 28,000,000,000 Devices exposed to risks

Security is more vital and more in demand than ever

IoT-Security market is growing much faster than the number of IoT devices



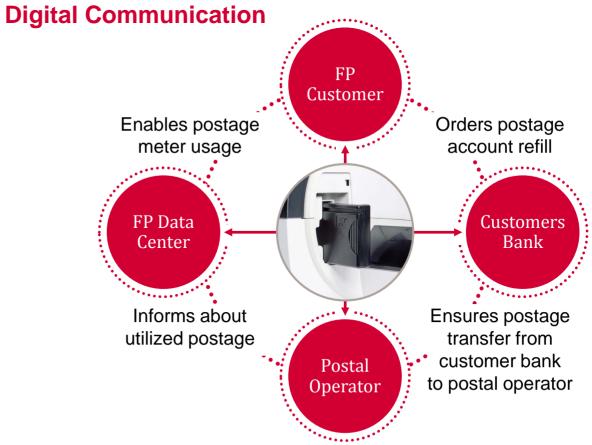
<sup>\*</sup> Referring to IoT-security market growth until 2023, Markets & Markets 6/2017

#### FP'S POSTAGE METER CYCLE





The Hardware Security Module (HSM) provides Secure



#### SECURE IOT IS AT THE HEART OF THE FP POSTAGE METER





The digital heart of FP Postage Meters: the Hardware Security Module (HSM)

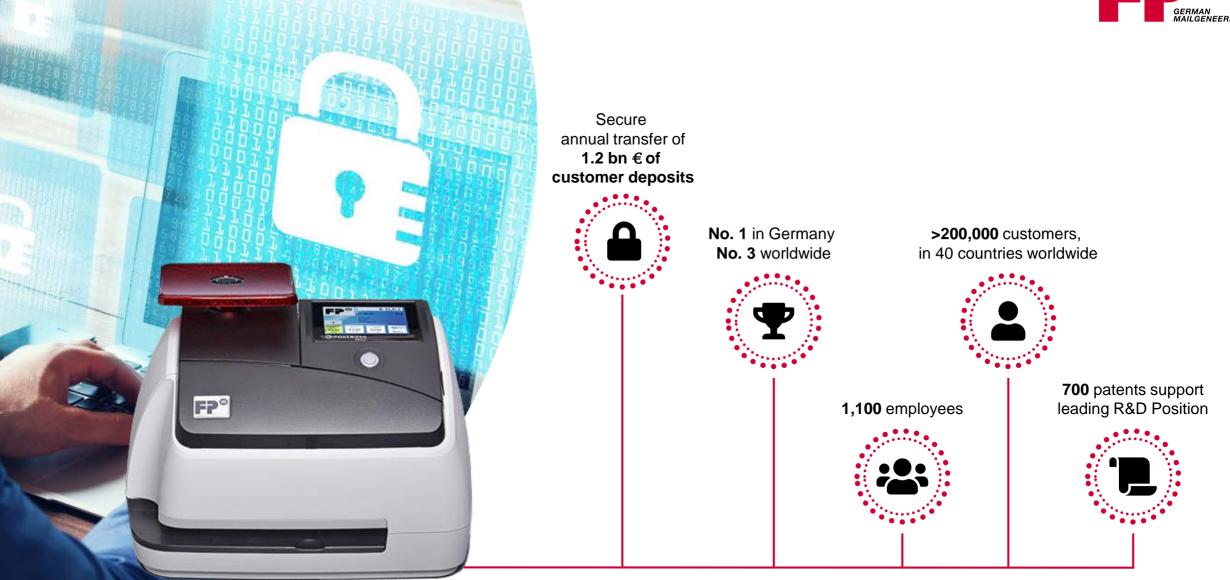
The HSM ensures that the data process is kept alive and secure:

- Collection, management, encryption and secure transfer of data (e.g. letter volume, ink usage, postage value)
- Data transferred between the postage meter customer, the customer's bank, the postal operator and the FP data center

FP stands for secure digital communication

#### FP: SYNONYM FOR ONE CENTURY OF SECURE COMMUNICATION

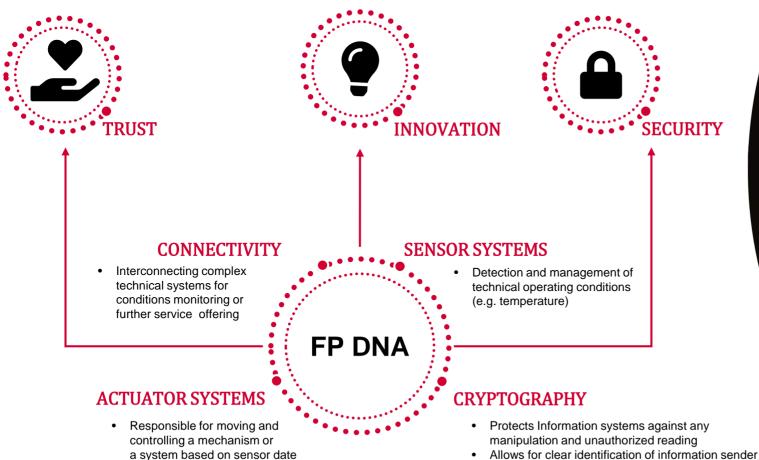




#### **GERMAN MAILGENEERING**

#### INNOVATION AND SECURITY MADE IN GERMANY

Secure Mail Business and Secure Digital Communication Processes





#### FP'S TRADITIONAL SKILLS SET

#### **BASIS FOR TRANSFORMATION**



Valid for the last century, valid for the next:

Security

Simplification



Convenience



Leveraging
Our key
competencies
for the
digital age





#### THE CORE MYTHS OF THE FRANKING MACHINE MARKET



#### The three myths

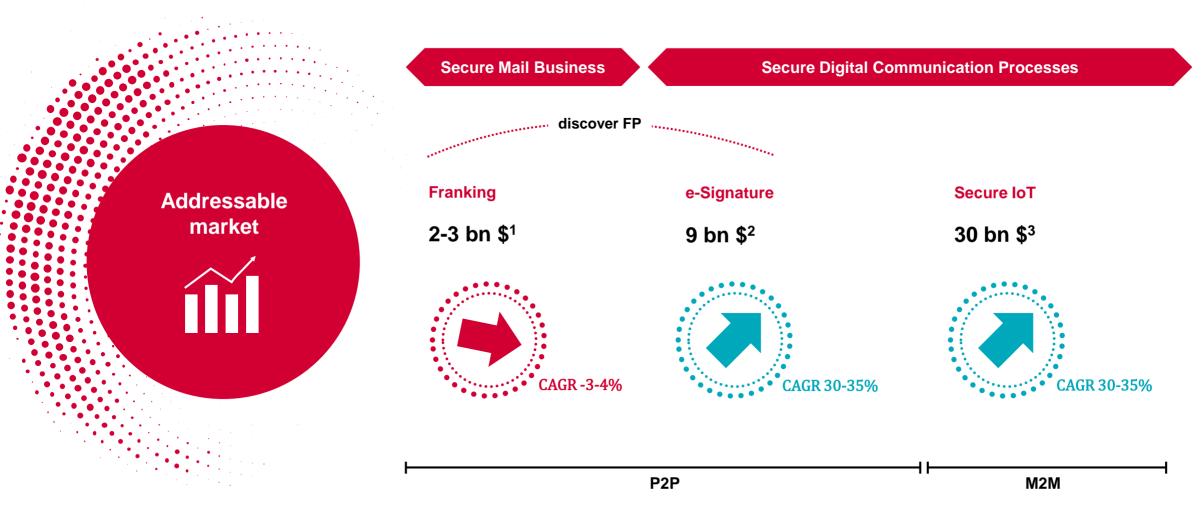
- 1. The postage meter market has no future
- 2. FP will not grow in its core market
- 3. Digitalization will come evernight



#### **FP: GROWTH BALANCES DECLINE**

#### FP EXPANDS INTO GROWTH MARKETS





Source: 1) FP estimate based on industry revenues, 2) Target market size 2023, PS Market Research 6/2017, 3) Target market size 2023, Markets & Markets Research 6/2017

#### **GROWTH-STRATEGY ACT HAS THREE DIMENSIONS**





#### **ATTACK**

Keep winning additional customers and market shares in core business



#### **CUSTOMER**

Accompany our customers on their journey into the digital world



#### **TRANSFORM**

Leveraging our Technology

– Penetrate IoT mega
markets

We accompany our customers in their digital transformation and generate further revenue growth More revenue per customer & higher customer retention **POTENTIAL** New products Growth & **FP TODAY** transformation of FP **Grow customer base** = win installed base

#### STRONG BASIS FOR GROWTH

#### PROVIDING MAXIMUM LEEWAY FOR GROWTH





#### **FP IS ON TRACK**

#### FOR THE 2020 GOALS

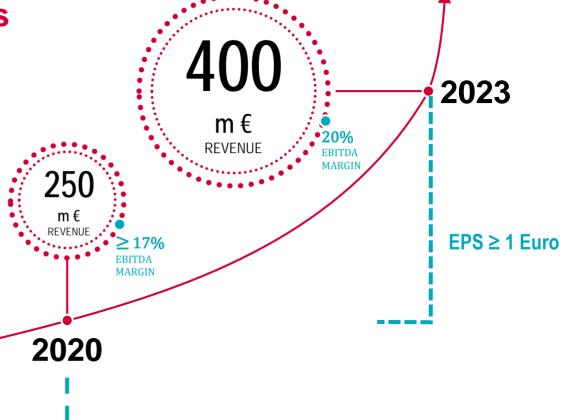


#### **Growth drivers**

- Committed team
- Unique growth strategy
- Leading edge technologies in fast growing markets

#### **Earnings drivers**

- Higher revenue
- Expand into higher margin segments
- Efficiency gains from JUMP







#### FP CONTINUES TO GAIN MARKET SHARE IN FRANKING<sup>1</sup> A BIG MARKET STILL TO CONQUER Q1/2019 IN % Worldwide 42.6 42.5 42.1 11.7%1 11.7 11.6 11.5 11.5 11.1 11.0 7.1 7.0 6.5 2.6 UK **USA** France Wordwide Germany <sup>1</sup> Markets estimates FY 2017 FY 2018 ■Q1 2019

#### POSTBASE VISION SETS FOUNDATION FOR FURTHER ATTACK



MOST ADVANCED POSTAGE METER IN THE WORLD

- Built for our customers, with our customers
- Unmatched convenient user experience
- Connected2Tomorrow with the new customer portal discoverFP



#### **SALES STRATEGY**



#### INTENSIFY CUSTOMER PENETRATION AND ACQUIRE NEW LEADS

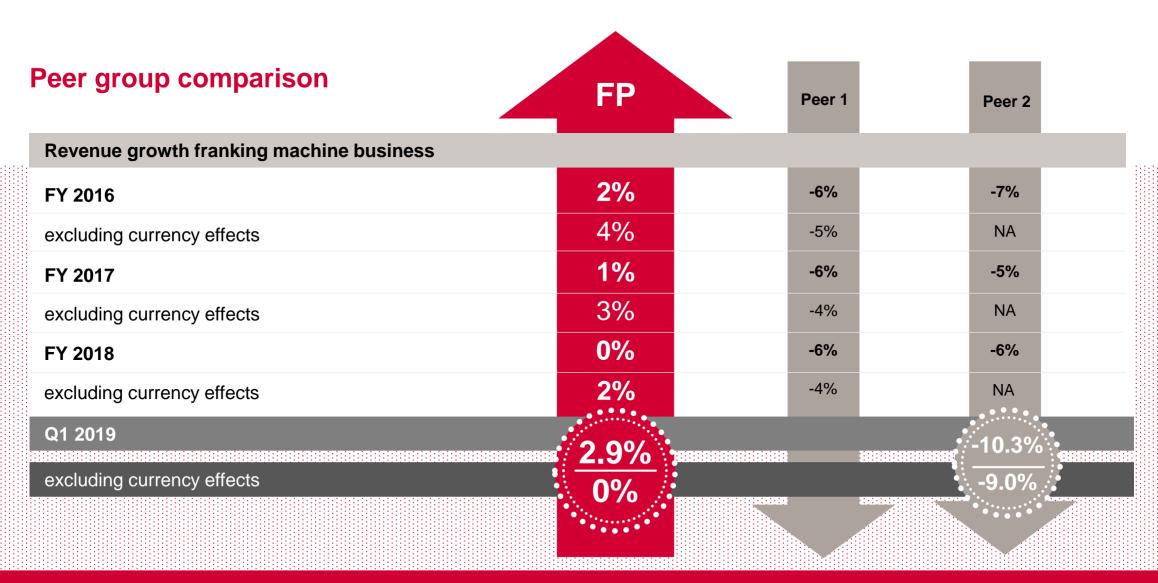
- Intensify and accelerate lead generation
- Use every positive customer contact for cross- and upselling
- Improve cost per order
- Exchange best practice
- Expand range of products and solutions
- Accelerate time to market
- New leasing model



#### FP IS FURTHER ATTACKING AGAINST MARKET TRENDS



#### POSITIVE OUTLOOK DUE TO ROLLOUT OF POSTBASE VISION





#### **FOUNDATIONS OF GROWTH**

#### LEVERAGE CUSTOMERS





>200,000

Accompany customers on their journey into the digital age

Expecting guidance, affordable and tailored digital solutions

Sustainable growth thanks to lasting mutual benefits

FP SOLUTIONS MAKING OFFICE LIVES MORE EFFICIENT AND CONVENIENT

#### THE PORTAL TO THE DIGITAL WORLD

#### LEVERAGE CUSTOMERS



- Meter monitoring and management
- Value-added services (Parcel Shipping/FP Sign)
- App-platform for own and 3<sup>rd</sup> party products

discoverFP.com



#### **FP PARCEL SHIPPING**

#### PROVIDE NEW SERVICES TO OUR CUSTOMERS



#### Target: Win high percentage of active users



#### **USA**

- Cross and upselling
- Monthly recurring fee
- Single- and Multicarrier version available

#### **Germany**

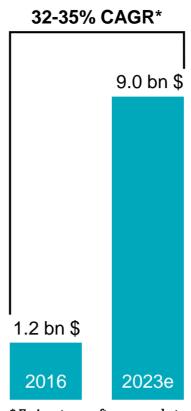
- Available to customers immediately
- Recurring fee as part of teleport with slight increase
- Multicarrier version available as of 2020

#### FP SIGN: EFFICIENT AND SECURE WORKFLOWS

#### BUSINESS OPPORTUNITIES BASED ON OUR DNA







#### \* E-signature software market Source: PS Market Research 6/2017

#### **FP Sign Benefits**

- Easy implementation and customization
- Tailored to SMB
- Data security made in Germany
- EIDAS compliant

### Three sales channels

- Existing customer base
- Cooperation with ERP vendors
- Direct sales



#### **FP'S IOT VALUE CHAIN**



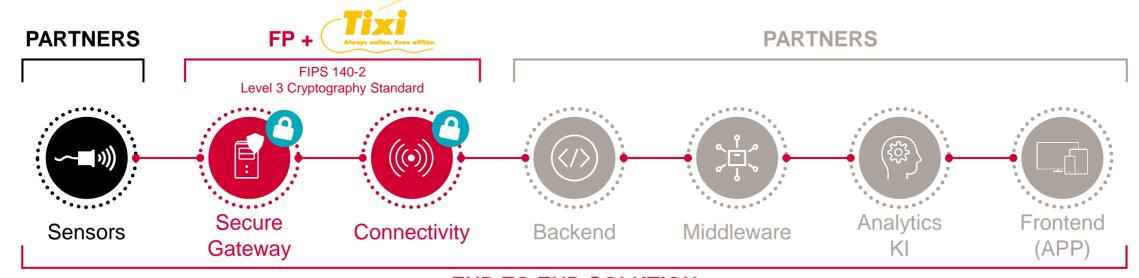
#### UNIQUE END TO END SOLUTIONS FOR OUR CUSTOMERS

#### **IoT Value Chain**

The FP Hardware Security Gateways...

- ... provide highest security level standard
- ... are closely positioned to sensors
- ... are interlinked with various cloud services
- ... are the central part of our ACT strategy





**END TO END SOLUTION** 

#### **EXPANDING OUR IOT VALUE CHAIN**

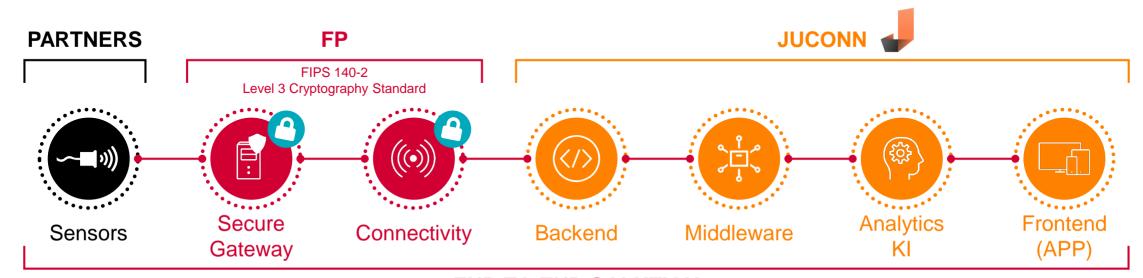
#### **JUCONN PARTICIPATION**



Focus on strategic verticals: Industry 4.0, energy revolution

The participation in Juconn allows for...

- ...providing end to end solutions to customers
- ...a broader customer access
- ...stronger sales of our FP Hardware Security and TIXI-Gateways
- ...participating in further value creation of Juconn



**END TO END SOLUTION** 

#### **JUCONN SUPPORTS ACCELERATED MARKET ACCESS**









Provider of cloud and smart data solutions and incubator aiming at market leadership in specific segments:

- Integration of blockchain technology
- Adaptability to individual customer needs

Joint offering of comprehensive, customized end-to-end solutions

## 15% Participation as of January 2019 – further increase to 25,1% possible









#### **JUCONN'S INCUBATOR PROVIDES VALUE POTENTIAL**



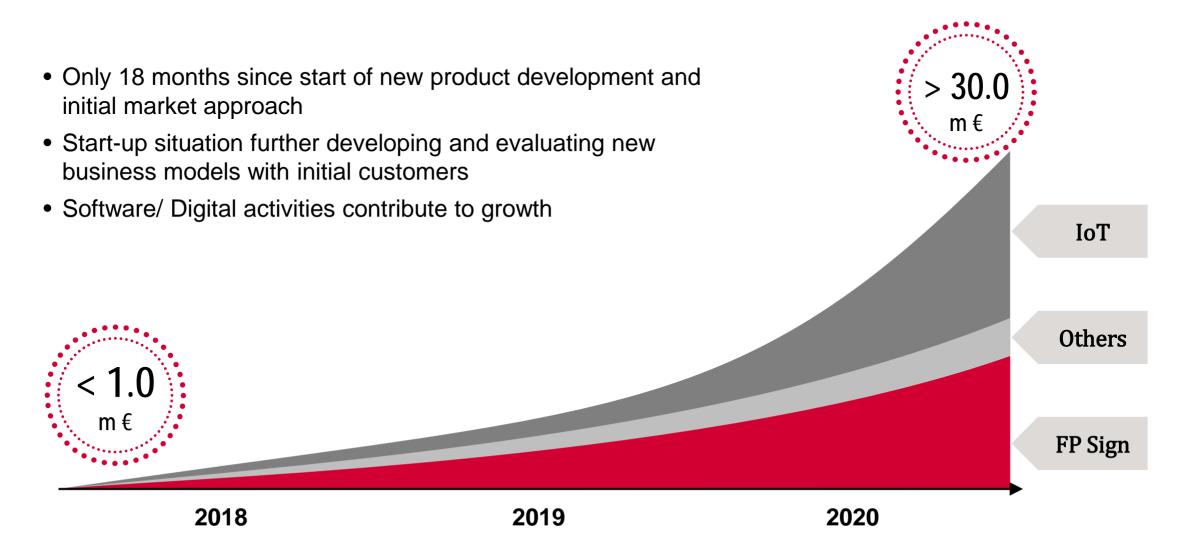
- Offers access to its highly flexible cloud platform to innovative business founders
- Obtains shares in Start-Ups
- Continuously growing our combined network
- Continuously increasing its know-how from a wide range of industry segments
- Laying the foundation for leadership in selected markets



#### **NEW DIGITAL BUSINESS MODELS**



#### SIGNIFICANT REVENUE UPSIDE POTENTIAL FOR FP





# JUMP: TRANSFORMING THE GROUP

EFFICIENCY, QUALITY, SPEED THROUGH JUMP

#### **FURTHER GROWTH THROUGH IMPROVED ORGANIZATION: JUMP**



#### EFFICIENCY - QUALITY - SPEED

#### **Benefits**



Strong management for efficiency (cont. improvement, demand, etc.)



Strong central steering and governance



Better scalability for future business growth



Global standardization – delivering ONE FP approach



Higher synergy and savings potential



Cross-functional collaboration (breaking down of silos)

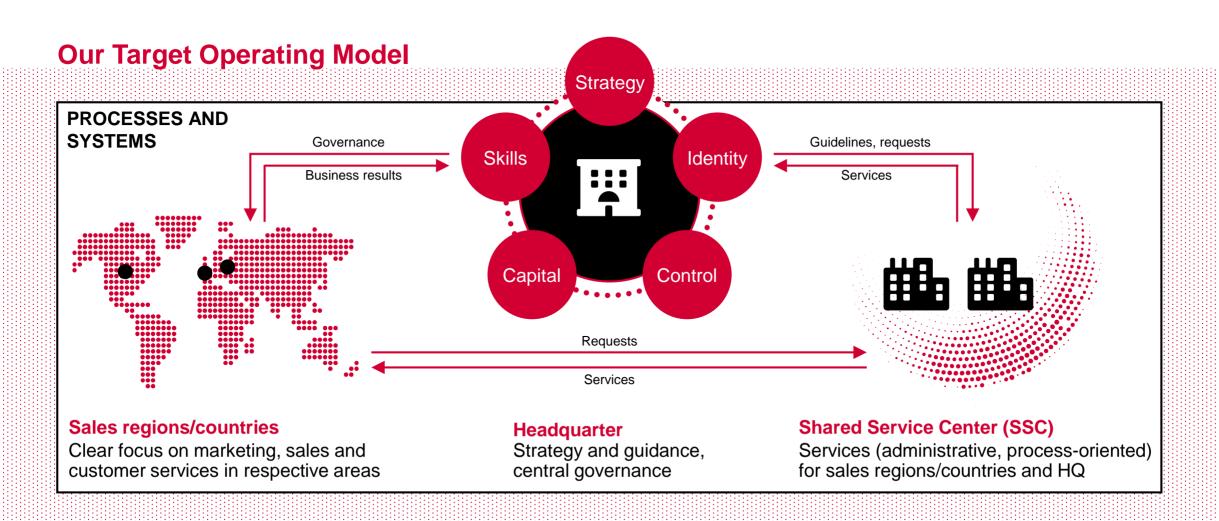


Enhanced transparency & manageability (KPIs)

#### **JUMP TRANSFORMATION**

#### **NEW COMPANY ORGANIZATION**





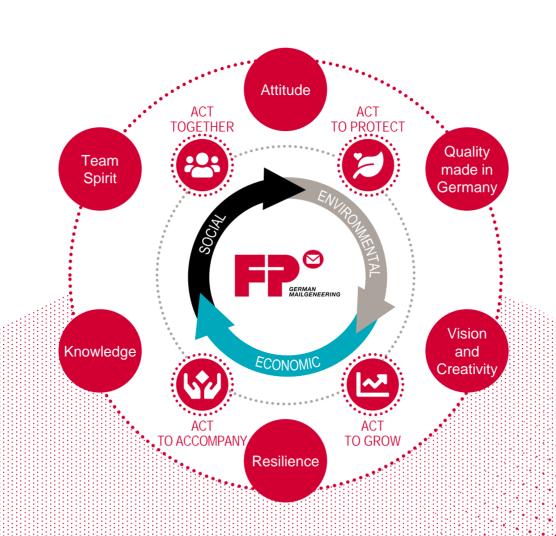






# OUR BASE: THE THREE PILLARS OF SUSTAINABILITY, OUR FOUR KEY OBJECTIVES AND OUR SIX VALUES





## **OUR SUSTAINABILITY PERFORMANCE**

## AT A GLANCE





- New claim and new vision German Mailgeneering
- Expanding market shares



Expert in secure mail business and secure digital communication processes

 More than 95 years of history and quality made in Germany

- **ACCOMPANY** Our PostBase machines meet the strict requirements of US Energy Star version 2.0
  - The millionth cartridge was assembled in Wittenberge
  - 98% of our suppliers come from Europe
  - 50% of our production materials are procured in Germany



Protecting the environment and preserving natural resources by reducing energy consumption is one of our main principles.

- Resource efficiency and resource protection through our strategic targets and our new operational targets of the Integrated Management System in 2018
- Energy contract tender for 2019: use of green electricity at our German subsidiaries
- LED conversion at our HQ and at IAB

   saving 22,000 kg of CO<sub>2</sub> p.a.; further subsidiaries will follow 2019
- CO<sub>2</sub>-neutral Annual Shareholder Meeting and summer party – saving 30,500 kg of CO<sub>2</sub> through offset of carbon emissions by additional carbon offset projects

## **OUR SUSTAINABILITY PERFORMANCE IN 2018**

#### AT A GLANCE





- Our employees are and will remain our most important asset
- Around 1,000 employees took part in more than 40 FP
  Fit4Chance workshops in six languages to learn about their
  individual skills using the "strength compass"
  (Stärkenkompass); Strength Compass and FP were
  awarded the European Prize for Training, Consulting and
  Coaching by the BDVT in silver
- Long-term commitment as the basis for sustainability the average length of employment at the German locations is twelve years
- Diversity is the most important basis for success and non-discriminatory cooperation
- In the spirit of sustainability, we have decided to forego the full printing of our sustainability report and donate the printing costs we saved to initiatives.
- Support of the children's hospice in the Pankow district of Berlin, American Cancer Society, Coppafeel!, Netzwerk Chancen e.V., 70 new registered employees for the DKMS (German Blood Cancer Organisation)











#### MARKET, COMPETITION AND COMPANY DEVELOPMENTS IN Q1/2019

#### FP MANIFESTS ITS MARKET POSITION



#### **Market and Competition:**

- Global installed base reduced by ca 1.1%
- Competitors review franking strategy
- Postcon sale by Post NL seems to be stalling
- Dropbox acquired HelloSign for \$230m
- Global market studies confirm Secure IoT megatrend

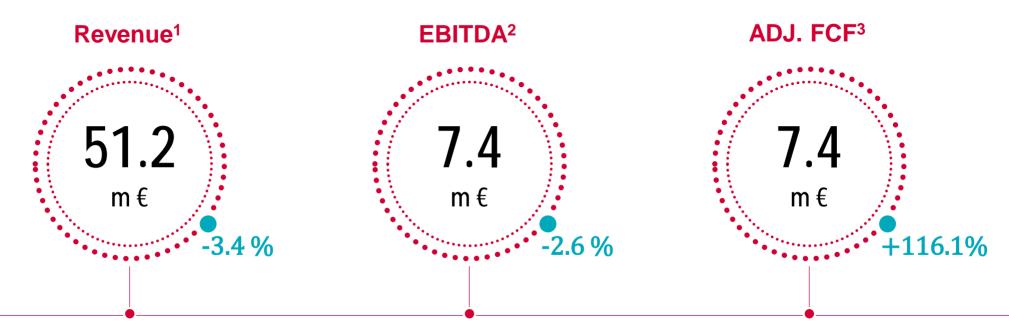
#### Francotyp-Postalia:

- Increase of relative market share in the franking business
- Postbase Vision in final postal certification process in the US, excellent customer feedback so far
- Freesort: New management and postal tariff increase set foundation to achieve targets
- Global FP Sign roll-out started (in April)
- Further market awareness about FP's IoT expertise leads to improved IoT revenues over time
- FP successfully extended IoT value chain by Juconn participation
- JUMP: Process definition and design phase completed, implementation phase initiated

## TRANSFORMATION ONGOING AS PLANNED



# REVENUE AND EBITDA BELOW EXPECTATION, STRONG CASH FLOW GENERATION



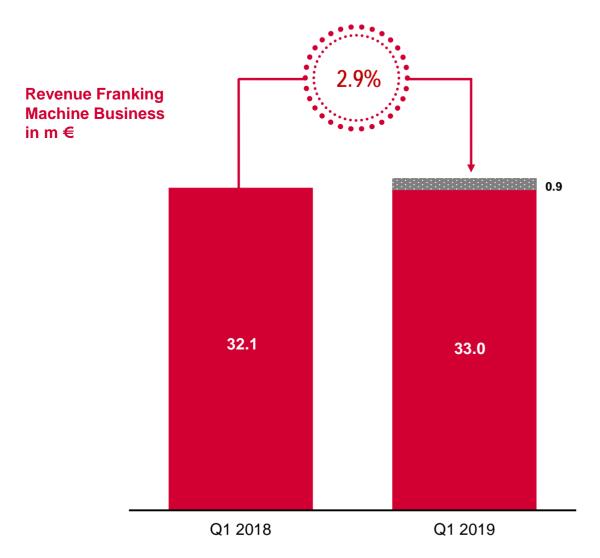
- Excluding adjustments: Revenues of 52.1 m €, EBITDA of 6.9 m €
- JUMP expenses of 0.9 m €, implementation ongoing
- Free cash flow of 2.9 m €

<sup>&</sup>lt;sup>1</sup> Currency adjusted | <sup>2</sup> Adjusted for currency effects and JUMP expenses | <sup>3</sup> Excluding additions to finance lease assets, M&A and JUMP payments **EURUSD exchange rate in 2018: 1 € = 1,2292 US\$, in Q1 2019 = 1.1361 US\$** 

### **REVENUE GROWTH**

## IN CORE BUSINESS





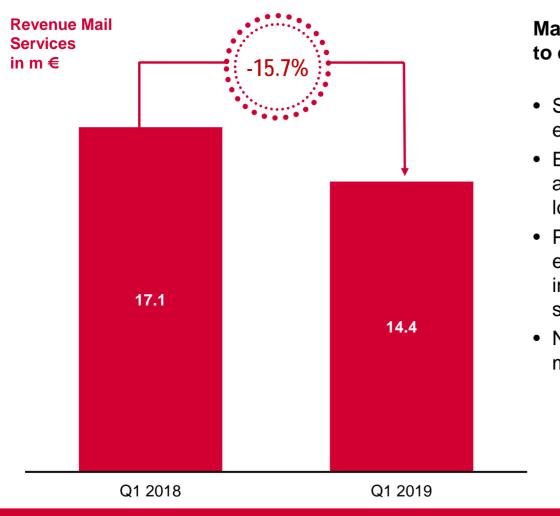
## In a decreasing market environment, revenues in the franking business increased by 2.9%

- Revenue increase positively impacted by currency effects of 0.9 m €
- Positive revenue development compared to competition
- Optimistic outlook for the second half year due to launch of PostBase vision (currently in final postal certification in the US; GER, UK, FR: market launch in 2019)

## REVENUE MAIL SERVICES NOT SATISFACTORY

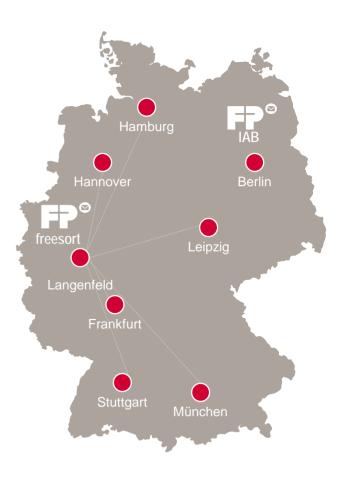


# POSITIVE IMPACT EXPECTED FROM POSTAGE TARIFF INCREASE AND NEW MANAGEMENT



## Mail service revenue continue to disappoint

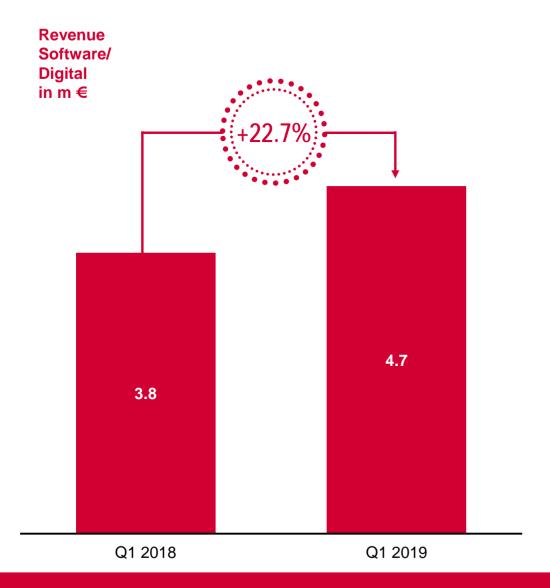
- Substantial volume decrease in existing client base
- Existing and new customer activities do not compensate loss of non-profitable clients yet
- Positive revenue impact expected from postage tariff increase by Deutsche Post in second half 2019
- New experienced and active management in place



## **REVENUE SOFTWARE/ DIGITAL**

## **SET FOR GROWTH**





#### **FP Sign**

- International roll out in April shall lead to further revenues in the course of the year
- Sales and marketing initiatives started to upgrade existing meter customer base
- Continuous upgrade with new customer-centric features
- Increasing sales pipeline

#### IoT

- Strategic cooperation with Lackmann sets basis for remote IoT control in core segment sub metering
- IoT: 3-year framework contract with Getec energy solutions
- Contract with E.ON Business Solutions providing gateways for virtual power plants (smart grid solutions)
- Increasing sales pipeline, including significant long-term largeorder projects

#### **Others**

- Uptake of e-invoicing solutions FP Italy
- Further increase in discoverFP registrations setting the base for future cross-selling

## MAIL SERVICES ACCOUNTABLE FOR REVENUE DECLINE

## LEASING FURTHER GAINS TRACTION



m €	Q1/2018	Q1/2019
Equipment sales & others	9.2	8.8
Service	5.2	5.7
Consumables	6.1	6.2
Teleporto	2.3	2.1
Mail Services	17.1	14.4
Software	3.8	4.7
Revenue acc. to IFRS 15	43.7	41.9
Finance Lease	1.8	2.2
Operate Lease	7.5	8.0
Revenue acc. to IFRS 16	9.3	10.2
Revenue total	53.0	52.1

#### Major items in Q1 2019

- Decline of Mail Services revenue (-15.7 %) due to margin-oriented change in customer base and still lower letter volume
- Substantial increase in Software/ Digital revenue (+22.7 %)
- Strong increase in leasing revenue (+9.4 %) provides future multiple client contact points

## **ADJUSTED EBITDA FIRST QUARTER 2019**



#### REVENUE AND PROFITABILITY BELOW EXPECTATIONS

m €	Q1 2018	Q1 2019
Revenue	53.0	51.2 <sup>2</sup> 52.1
EBITDA	7.6 7.4	7.4 <sup>3</sup> 6.9
EBITDA Margin	14.4% <sup>1</sup> 14.1%	14.5% <sup>3</sup> 13.3%
Amortisation/ depreciation	4.3	5.6
~ to revenue	8.1%	10.8%
EBIT	3.2	1.3
Net Income	2.2	1.2
EPS (basic, EUR)	0.14	0.08

#### **Currency and special items**

- Positive currency effects of 0.9 m € on revenue, 0.5 m € on FBITDA
- Non-recurring expenses of 0.9 m € for JUMP (in previous year 0.2 m €)

#### First-time adoption of IFRS 16

- Impact on EBITDA of 1.0 m € almost offset by the depreciation of right-of-use assets of 0.9 m €
- Slightly negative, immaterial effect on consolidated net income

#### **Amortization/depreciation**

• Increase due to IFRS 16 and higher amortization of capitalized R&D

## **ADJUSTED FREE CASH FLOW**



## POSITIVE IMPACT OF ACTIVE WORKING CAPITAL MANAGEMENT

m €	Q1 2018	Q1 2019
Cash flow from operating activities	6.6	9.3
Cash flow from investing activities	-4.0	-6.3
Free cash flow	2.6	2.9
Adjusted free cash flow <sup>1</sup>	3.4	7.4
Cash flow from financing activities	-3.9	-7.9
Cash and cash equivalents	22.6	16.4

#### Cash flow from operating activities

- Increase supported by improvement of working capital
- IFRS 16: lease payments of 0.9 m € recognized as cash flow from financing activities
- JUMP payments of -2.2 m €

#### **Cash flow from investing activities**

- Increase following the participation in Juconn of 2.0 m €
- Increase in investments in internally generated intangible assets of 0.9 m €

**Adj. free cash flow** reflects higher cash flow from operating activities and improvement of net working capital (compared to previous year)

#### **Cash flow from financing activities**

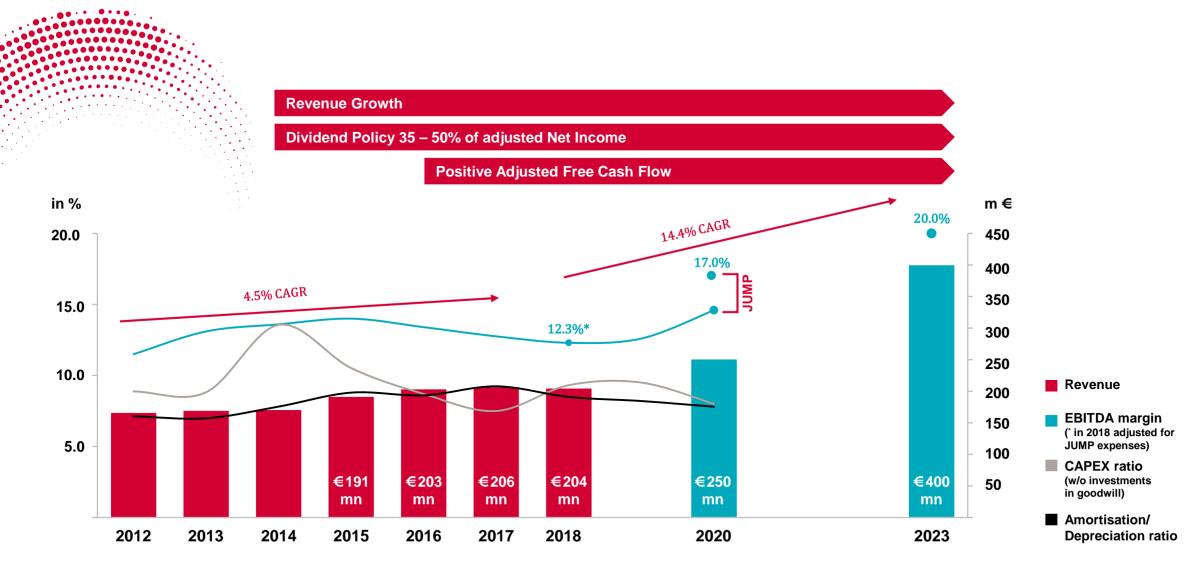
• Repayment of financial liabilities -7.0 m €

<sup>&</sup>lt;sup>1</sup> Excluding investments in finance lease assets, M&A and payments for JUMP.



## **FP INVESTMENT CASE 2019**





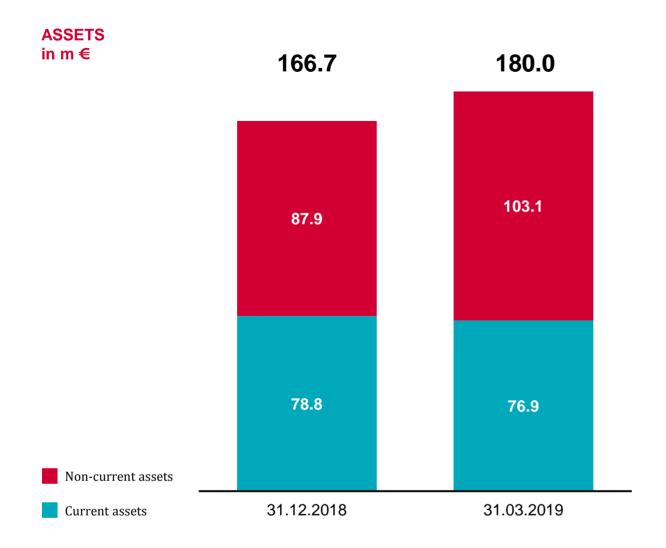
# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Q1 2019



m €	Q1 2018	Q1 2019	%
Revenue	53.0	52.1	-1.7
Change in inventories	0.1	0.4	560.5
Other own work capitalised	3.4	3.8	10.3
Total output	56.5	56.3	-0.4
Cost of materials	26.7	25.3	-5.3
Staff costs	14.9	15.7	5.6
Other income/expenses	-7.4	-8.3	12.4
EBITDA	7.4	6.9	-6.7
as % of revenue	14.1%	13.3%	
Amortisation/depreciations	4.3	5.6	30.8
EBIT	3.2	1.3	-57.5
Interest result	0.1	0.2	47.4
Other financial result	0.1	0.3	353.3
Income taxes	-1.2	-0.6	-47.5
Consolidated net income	2.2	1.2	-44.8
EPS (€basic)	0.14	0.08	-44.8
EPS (€diluted)	0.14	0.08	-44.7

## FINANCIAL SITUATION - BALANCE SHEET ASSETS (31.03.2019)





#### **Non-Current Assets**

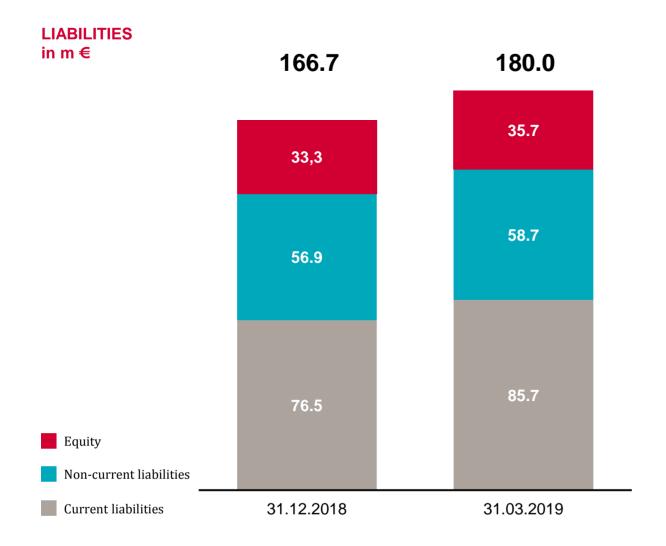
- First-time adoption IFRS 16: accounting for right-of-use assets (12.3 m €)
- Increase of other assets, mainly from participation on Juconn (2.0 m €)
- Increase of receivables from finance lease (0.8 m €)

#### **Current Assets**

 Decrease in cash and cash equivalents (-3.6 m €)

# FINANCIAL SITUATION – BALANCE SHEET LIABILITIES (31.03.2019)





#### Equity ratio of 19.8%

(31.12.2018: 20.0%)

Total comprehensive income 3M 2019 (2.3 m €)

#### Non-current liabilities

 Increase of financial liabilities, mainly following first-time adoption IFRS 16 (+9.0 m €)

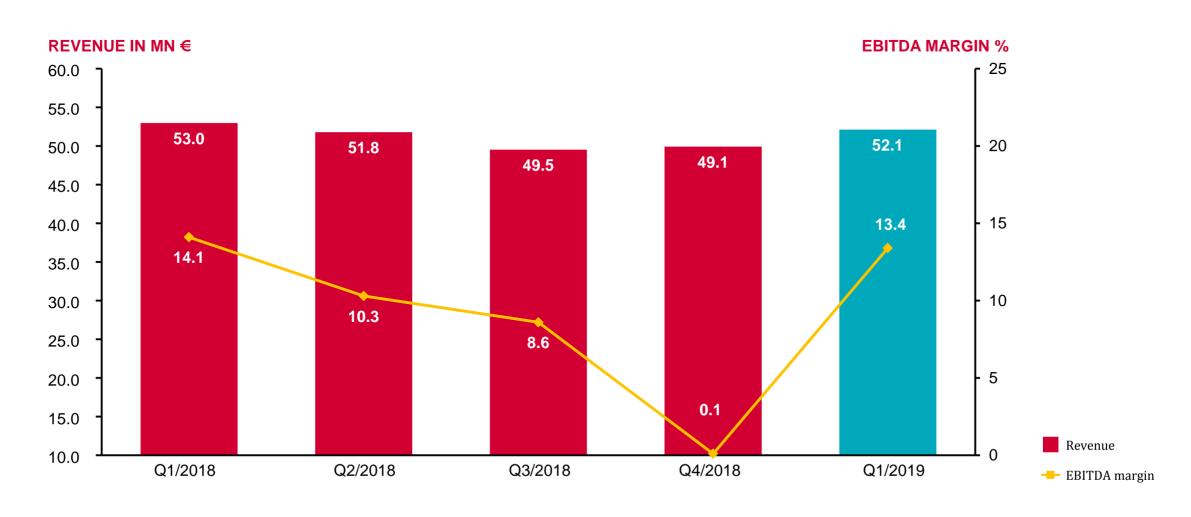
#### **Current liabilities**

- Increase of financial liabilities, mainly following first-time adoption IFRS 16 (+3.5 m €)
- Increase of trade payables (+0.8 m €)
- Increase of other liabilities (+4.8 m €)

## **REVENUE STABILISES**



## EBITDA MARGIN GRADUALLY INCREASING





#### **FP MANAGEMENT**



#### Rüdiger Andreas Günther



CEO and CFO since January 2016 with FP

Bank Apprenticeship and Business Administration studies in Göttingen and in North Carolina/USA

- 1985 Beginning of career at today's Bank of America in Chicago, USA
- Afterwards responsible for finance department at Metro AG
- 1993 Change to Claas KGaA: 13 years CFO and CEO
- Afterwards Board positions within Infineon and Arcandor
- 2012 Change to Jenoptik AG as CFO

## Patricius de Gruyter



CSO since June 2018 with FP

Degree in Business Administration (WHU)

- Many years of experience in the IT, cable network operator and dialogue marketing sectors.
- Director of B2B Sales at Kabel Deutschland AG
- Managing Director of the Tectum Group, a specialist in customer service and telesales
- Managing Director of Computacenter AG, a leading IT service provider

#### Sven Meise



CDO, COO since February 2015 with FP

Degree in Business Administration (BA) specializing in Business Computer Science

- Many years of experience in Output Management, IT and Software Solutions
- National and international positions at IBM Germany GmbH
- Responsible for Professional Services, Information Technology and Group Program Management at TA Triumph-Adler GmbH

## **FP AT THE STOCK MARKET**





Okt. 2018

Apr. 2019

Jan. 2019

Jul. 2018

GSC, Baader Bank

10.31%	
9.51%	
4.90%	
4.09%	
3.93%	
3.30%	
3.07%	

## **CONTACT**





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## **DISCLAIMER**



This report contains forward-looking statements on the business development of the Francotyp-Postalia Group. These statements are based on assumptions relating to the development of the economic and legal environment in individual countries and economic regions, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press.

The estimates given entail a degree of risk, and the actual developments may differ from those forecast. Consequently, any unexpected fall in demand or economic stagnation in our key sales markets, such as Western Europe (and especially Germany) or in the USA, UK, or Canada, and Singapore will have a corresponding impact on the development of our business.

The same applies in the event of a significant shift in current exchange rates relative to the US dollar, sterling, Canadian dollars, Singapore dollars. In addition, expected business development may vary if the assessments of value-enhancing factors and risks presented in the 2016 Annual Report develop in a way other than we are currently expecting.



