

23 March 2022

Francotyp-Postalia Holding

Germany

Support Services

Reuters: FPHG.DE Bloomberg: FPH GY

Buy

Closing price as of 22-Mar-22	EUR 2.57
Target price	EUR 4.00
High/Low (12M)	EUR 3.37/2.55
Market cap.	EUR mn 41
Enterprise value	EUR mn 79
Free float	46.9%
Avg. daily turnover	EUR mn 0.01

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-4.5	-17.1	-16.6
rel. DAX	-3.0	-9.9	-9.9
rel. STOXX Europe 600	-5.2	-13.0	-15.6
rel. SXXP Industrial G&S	-7.4	-9.3	-8.7

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Francotyp-Postalia acquires Azolver – Reasonable acquisition strengthening FP’s core business in Northern Europe, Switzerland and Italy

Our conclusion

- **Francotyp-Postalia (FP) has agreed with Azolver Holding GmbH to acquire all shares in the operating companies of Azolver.** Closing is scheduled on 23 March 2022. With this acquisition, FP expands its position in the Mailing, Shipping & Office Solutions market in Norway, Sweden, Finland, Denmark, Switzerland and Italy.
- **Based on currently published information, this acquisition looks in our view very attractive for FP.** The acquired companies generated in 2021 revenues of approximately EUR 30mn and EBITDA of approximately EUR 3.8mn according to preliminary figures. With a purchase price “in the lowest double-digit million euro range”, the Azolver acquisition should be clearly value creative for FP, in particular considering synergy effects and Azolver’s IT competence (i.e. software solutions for asset tracking and parcel shipping). Azolver’s technology and service center (in Estonia) including finance, customer support, IT and software development will facilitate the transformation of the whole FP Group.
- **We are therefore confirming our Buy rating for FP.** We are confident that FP could fully realize its guidance for 2021 (EUR 198-201mn sales and EUR 17-18mn EBITDA). Figures for FY21 will be published on 28 April. We are still expecting strongly increasing results for 2022 and 2023, now also supported by the Azolver acquisition. Therefore, FP’s valuation looks very attractive.

Facts & Analysis

- Azolver focuses on mailing hardware (franking machines), and offers also software solutions for asset tracking and parcel shipping. Currently, Azolver’s distribution markets are Norway, Sweden, Finland, Denmark, Switzerland and Italy. In addition, FP will acquire a fully integrated technology and service center in Estonia and logistic facilities in Belgium.
- The purchase price is an amount in the lowest double-digit million euro range, which includes freely available cash in the upper single-digit million euro range. The acquisition is financed predominantly from available credit lines within FP’s syndicated loan agreement. The remaining part is financed from FP’s own cash positions.
- At the same time, to clarify its business areas, FP renames the business area “Franking & Office Solutions” into “Mailing, Shipping & Office Solutions” and the business area “Software & Business Process Automation” becomes “Digital Business Solutions”.

Key financials

EUR mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	195.9	200.5	202.0	205.0	1.5
EBIT adj.	-14.0	-0.3	4.2	9.6	-
EPS adj. (EUR)	-0.94	0.02	0.23	0.51	-

Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	0.5	0.4	0.4	0.3
EV/EBIT adj.	-6.9	-243.5	18.7	7.4
P/E adj.	-	143.0	11.2	5.0

Source: Company data, Baader Helvea Equity Research

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	0.02	0.23	0.51
EPS adjusted (EUR)	0.39	0.16	-0.94	0.02	0.23	0.51
Dividend (EUR)	0.03	0.00	0.00	0.00	0.00	0.10
Book value (EUR)	1.97	2.01	0.85	0.98	1.20	1.72
Free cash flow (EUR)	0.19	0.11	0.71	1.00	0.93	0.97
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	46.0	41.3	41.3
Enterprise value (EUR mn)	97.4	107.4	96.8	85.0	79.1	71.4
Valuation						
P/E adj. (x)	9.6	21.6	-	143.0	11.2	5.0
P/BV (x)	1.9	1.7	3.8	2.9	2.1	1.5
FCF/EV (%)	3.1	1.6	11.8	18.9	18.9	21.8
FCF yield (%) (FCF/Mcap.)	5.0	3.0	21.7	34.8	36.2	37.6
Dividend yield (%)	0.8	0.0	0.0	0.0	0.0	3.9
EV/Sales (x)	0.5	0.5	0.5	0.4	0.4	0.3
EV/EBITDA adj. (x)	3.9	3.1	4.6	4.3	3.5	2.6
EV/EBIT adj. (x)	12.2	14.9	-6.9	-243.5	18.7	7.4
EV/CE (x)	1.1	1.1	1.2	1.1	1.0	0.9
ROCE/WACC adj. (x)	1.3	1.3	-2.8	-0.1	0.9	1.9
Key company data						
Sales growth (%)	-1.0	2.4	-6.3	2.4	0.7	1.5
EBITDA adj. growth (%)	-3.9	36.8	-39.2	-5.7	13.0	24.0
EBITDA adj. margin (%)	12.4	16.6	10.7	9.9	11.1	13.6
EBIT adj. margin (%)	3.9	3.4	-7.1	-0.2	2.1	4.7
Net adj. margin (%)	3.0	1.2	-7.7	0.1	1.8	4.0
Free cash flow margin (%)	1.5	0.8	5.8	8.0	7.4	7.6
Payout ratio (%)	51.9	0.0	0.0	0.0	0.0	19.5
Gearing (%) (net debt/equity)	60.4	99.2	174.0	120.9	92.0	36.5
Net debt/EBITDA (x)	1.1	1.0	3.0	1.1	0.8	0.4
Equity ratio (x) (equity/total assets)	18.7	17.2	7.9	9.5	11.7	15.7
Capital employed (EUR mn)	86.9	95.7	78.6	78.5	76.3	76.6
ROCE adj. (%)	9.2	7.5	-17.8	-0.4	5.5	12.6
Income statement (EUR mn)						
Turnover	204.2	209.1	195.9	200.5	202.0	205.0
EBITDA	17.3	33.3	8.0	17.9	22.4	27.8
EBITDA adj.	25.3	34.6	21.1	19.9	22.4	27.8
EBIT	0.0	5.9	-14.0	-0.3	4.2	9.6
EBIT adj.	8.0	7.2	-14.0	-0.3	4.2	9.6
EBT	1.4	5.9	-14.7	0.8	4.4	9.8
Net profit after minorities	0.9	1.7	-15.1	0.3	3.7	8.2
Net profit adj.	6.2	2.6	-15.1	0.3	3.7	8.2
Balance sheet (EUR mn)						
Non-current assets	88	102	82	79	79	79
thereof goodwill	10	5	4	4	4	4
Current assets	79	85	92	87	87	96
Total assets	167	186	174	166	166	176
Shareholders' equity	31	32	14	16	19	28
Total equity and liabilities	167	186	174	166	166	176
Net debt	19	32	24	19	18	10
Cash flow (EUR mn)						
Cash flow from operations	24.2	23.0	22.8	25.6	25.5	27.0
of which change in working capital	-4.6	3.5	1.9	0.0	-1.8	-0.3
Cash flow from investments	-21.2	-21.4	-11.4	-9.6	-10.5	-11.5
of which investment in fixed assets	18.0	21.2	9.4	9.6	10.5	11.5
Free cash flow	3.0	1.7	11.4	16.0	15.0	15.5
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	-19.4	-11.8	-6.8
Change in cash position	-3.4	-3.1	5.7	-3.3	3.2	8.7

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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