

23 August 2021

## Francotyp-Postalia Holding

Germany

### Support Services

Reuters: FPHG.DE Bloomberg: FPH GY

### Buy

Closing price as of 20-Aug-21 EUR 3.10

**Target price EUR 4.00**

High/Low (12M) EUR 3.64/2.69

Market cap. EUR mn 50

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	4.7	15.2	-6.6
rel. DAX	0.8	12.4	-19.6
rel. STOXX Europe 600	-0.2	9.2	-19.6
rel. SXXP Industrials	-0.7	5.8	-21.6

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## Better than expected 1H21 revenues and earnings – FP increased its FY21 sales and EBITDA guidance

### Our conclusion

- Francotyp-Postalia's business development in 1H21 was better than expected with revenues on the previous year's level and EBITDA of around EUR 8.8mn (1H20: EUR 13.1mn). Considering updated expectations for 2H21 and the measures already implemented under FUTURE@FP, Francotyp-Postalia increased its forecast for FY21 and now expects revenues in a range of EUR 192-200mn (previously: EUR 185-196mn) and EBITDA of EUR 12-16mn (previously: EUR 6-12mn).
- We were already aware that FP's previous FY21 EBITDA guidance (including significant charges for restructuring measures and the development of new digital solutions around FP Sign and IoT) was very conservative. Our EBITDA projection already amounted to EUR 12.5mn. **In-line with the new guidance, we are now increasing our FY21 sales forecast to EUR 196mn and our EBITDA projection to EUR 15.5mn.** Correspondingly our new expectation for the net loss in FY21 is noteworthy lower than estimated so far. **The release of the full 1H21 report with a conference call is scheduled for 31 August.**
- In view of the better than expected business trend in 2021 and our conviction that FP's cost position will continue to improve in upcoming years, we are confirming our Buy rating and our target price of EUR 4.00. 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	1H20	FY20	1Q21	2Q21E*	1H21E*	FY21E Baader	FY22E Baader
					Baader	Baader		Prev. New	Prev. New
<b>Sales</b>	<b>57.0</b>	<b>42.8</b>	<b>99.7</b>	<b>195.9</b>	<b>51.5</b>	<b>48.0</b>	<b>99.5</b>	<b>189.0</b> <b>196.0</b>	<b>194.0</b> <b>197.0</b>
<i>Change yoy (%)</i>	<i>9.4</i>	<i>-8.9</i>	<i>0.7</i>	<i>-6.3</i>	<i>-9.5</i>	<i>12.3</i>	<i>-0.2</i>	<i>-3.5</i> <i>0.1</i>	<i>-1.0</i> <i>0.5</i>
<b>EBITDA</b>	<b>8.0</b>	<b>5.1</b>	<b>13.1</b>	<b>8.0</b>	<b>4.9</b>	<b>3.9</b>	<b>8.8</b>	<b>12.5</b> <b>15.5</b>	<b>20.9</b> <b>21.4</b>
Margin (%)	14.0	12.0	13.1	4.1	9.6	8.1	8.8	6.6 7.9	10.8 10.9
<b>EBIT</b>	<b>2.6</b>	<b>-0.7</b>	<b>3.2</b>	<b>-14.0</b>	<b>0.5</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-6.5</b> <b>-3.3</b>	<b>1.7</b> <b>2.2</b>
Margin (%)	4.6	-1.6	3.2	-7.1	0.9	-1.7	-0.4	-3.4 -1.7	0.9 1.1
<b>EBT</b>	<b>2.8</b>	<b>-0.1</b>	<b>3.9</b>	<b>-14.7</b>	<b>1.4</b>	<b>-0.4</b>	<b>1.0</b>	<b>-7.0</b> <b>-3.5</b>	<b>1.5</b> <b>2.0</b>
<b>Net income</b>	<b>1.9</b>	<b>-0.1</b>	<b>2.6</b>	<b>-15.1</b>	<b>0.9</b>	<b>-0.3</b>	<b>0.6</b>	<b>-7.0</b> <b>-3.5</b>	<b>1.3</b> <b>1.7</b>

\* Based on pre-released approx. figures for sales and EBITDA

Source: Company data, Baader Helvea Equity Research

- According to preliminary figures, Francotyp-Postalia achieved **revenues** of EUR 48.0mn in 2Q21 (+12.3% yoy) and EUR 99.5mn for 1H21 (-0.2% yoy). Sales improved in the business units Mail Services and Software & Business Process Automation/IoT. The franking machine business performed better than expected in some foreign markets (supported by the expansion of the product portfolio), but overall revenue at Franking & Office Solutions is still below the previous year's level.
- In terms of profitability, **FP benefited from significantly improved cost structures as part of FUTURE@FP.** The cornerstones of the FUTURE@FP transformation program are a simultaneous alignment of the cost base with revenue, the introduction of a new unified ERP/CRM system, focused customer-centric market development through the creation of clearly defined business areas, and a realignment of FP's digital offerings.

### Key financials

EUR mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	195.9	196.0	197.0	201.0	0.9
EBIT adj.	-14.0	-3.3	2.2	8.1	-
EPS adj. (EUR)	-0.94	-0.22	0.11	0.42	-

### Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	0.5	0.5	0.5	0.2
EV/EBIT adj.	-6.9	-28.4	44.4	5.2
P/E adj.	-	-	28.2	7.4

Source: Company data, Baader Helvea Equity Research

## Francotyp-Postalia Holding

### Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS reported (EUR)	0.06	0.11	-0.94	-0.22	0.11	0.42
<b>EPS adjusted (EUR)</b>	<b>0.39</b>	<b>0.16</b>	<b>-0.94</b>	<b>-0.22</b>	<b>0.11</b>	<b>0.42</b>
Dividend (EUR)	0.03	0.00	0.00	0.00	0.00	0.10
Book value (EUR)	1.97	2.01	0.85	0.68	0.78	1.20
Free cash flow (EUR)	0.19	0.11	0.71	0.54	0.47	0.86
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	49.9	49.9	49.9
Enterprise value (EUR mn)	97.4	107.4	96.8	95.2	99.4	42.5
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>9.6</b>	<b>21.6</b>	-	-	<b>28.2</b>	<b>7.4</b>
P/BV (x)	1.9	1.7	3.8	4.6	4.0	2.6
FCF/EV (%)	3.1	1.6	11.8	9.1	7.7	32.6
FCF yield (%) (FCF/Mcap.)	5.0	3.0	21.7	17.4	15.3	27.8
Dividend yield (%)	0.8	0.0	0.0	0.0	0.0	3.2
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	5.5	4.6	1.6
EV/EBIT adj. (x)	12.2	14.9	-6.9	-28.4	44.4	5.2
EV/CE (x)	1.1	1.1	1.2	1.2	1.3	0.5
ROCE/WACC adj. (x)	1.3	1.2	-2.8	-0.7	0.5	1.6
<b>Key company data</b>						
Sales growth (%)	-1.0	2.4	-6.3	0.1	0.5	2.0
EBITDA adj. growth (%)	-3.9	36.8	-39.2	-17.1	22.9	27.5
EBITDA adj. margin (%)	12.4	16.6	10.7	8.9	10.9	13.6
<b>EBIT adj. margin (%)</b>	<b>3.9</b>	<b>3.4</b>	<b>-7.1</b>	<b>-1.7</b>	<b>1.1</b>	<b>4.0</b>
Net adj. margin (%)	3.0	1.2	-7.7	-1.8	0.9	3.4
Free cash flow margin (%)	1.5	0.8	5.8	4.4	3.9	6.9
Payout ratio (%)	51.9	0.0	0.0	0.0	0.0	23.9
Gearing (%) (net debt/equity)	60.4	99.2	174.0	232.5	233.6	115.9
Net debt/EBITDA (x)	1.1	1.0	3.0	1.6	1.4	0.8
Equity ratio (x) (equity/total assets)	18.7	17.2	7.9	6.4	7.5	11.1
Capital employed (EUR mn)	86.9	95.7	78.6	76.5	77.8	78.1
ROCE adj. (%)	9.2	7.5	-17.8	-4.4	2.9	10.4
<b>Income statement (EUR mn)</b>						
Turnover	204.2	209.1	195.9	196.0	197.0	201.0
EBITDA	17.3	33.3	8.0	15.5	21.4	27.3
EBITDA adj.	25.3	34.6	21.1	17.5	21.4	27.3
EBIT	0.0	5.9	-14.0	-3.3	2.2	8.1
EBIT adj.	8.0	7.2	-14.0	-3.3	2.2	8.1
EBT	1.4	5.9	-14.7	-3.5	2.0	7.9
Net profit after minorities	0.9	1.7	-15.1	-3.5	1.7	6.7
Net profit adj.	6.2	2.6	-15.1	-3.5	1.7	6.7
<b>Balance sheet (EUR mn)</b>						
Non-current assets	88	102	82	80	81	82
thereof goodwill	10	5	4	4	4	4
Current assets	79	85	92	89	87	93
<b>Total assets</b>	<b>167</b>	<b>186</b>	<b>174</b>	<b>169</b>	<b>168</b>	<b>175</b>
Shareholders' equity	31	32	14	11	13	19
<b>Total equity and liabilities</b>	<b>167</b>	<b>186</b>	<b>174</b>	<b>169</b>	<b>168</b>	<b>175</b>
Net debt	19	32	24	25	29	22
<b>Cash flow (EUR mn)</b>						
Cash flow from operations	24.2	23.0	22.8	19.7	20.6	26.8
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
<b>Free cash flow</b>	<b>3.0</b>	<b>1.7</b>	<b>11.4</b>	<b>8.7</b>	<b>7.6</b>	<b>13.8</b>
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
<b>Change in cash position</b>	<b>-3.4</b>	<b>-3.1</b>	<b>5.7</b>	<b>2.8</b>	<b>-2.7</b>	<b>5.5</b>

Source: Company data, Baader Helvea Equity Research

## Francotyp-Postalia Holding

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Company	Date	Rating	Currency Target price	Closing price as of	Analyst
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