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FP: Growth as Planned – Focus on Transformation

- FP generates revenue of EUR 154.3 million and grows by 2.2% to EUR 157.3 million after adjustment for currency effects
- EBITDA amounts to EUR 17.0 million; adjusted for currency effects and expenses for the ACT project JUMP, it rises 2.7% to EUR 20.2 million
- Adjusted free cash flow reaches EUR 4.3 million
- Expenses of EUR 1.4 million for JUMP in the first nine months of 2018
- Forecast for 2018 fiscal year confirmed

Berlin, 15 November 2018 - Francotyp-Postalia Holding AG (FP), the expert in secure mail business and secure digital communication processes, developed as planned in the first nine months of the 2018 fiscal year. The company is continuing to grow. The FP Group generated consolidated revenue of EUR 154.3 million and grew by 2.2% to EUR 157.3 million after adjustment for currency effects. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 17.0 million. Adjusted for currency effects and expenses for the ACT project JUMP, it rose 2.7% to EUR 20.2 million. Negative currency effects impacted revenue by EUR 3.0 million and EBITDA by EUR 1.8 million in the first nine months. Adjusted free cash flow reached EUR 4.3 million. With all three key figures, FP thus remains on track to achieve the forecast for the 2018 fiscal year.

Among the financial performance indicators used to manage the company, the FP Group also reports adjusted key figures in order to convey decision-relevant information for assessing changes in revenue and on the development of the FP Group’s operational performance and changes in its cash and cash equivalents. Around 55% of revenue in the Franking and Inserting segment is generated in foreign currencies. In addition, the implementation of the ACT strategy and investments in finance lease assets and M&A are influencing the current and medium-term development of EBITDA and free cash flow. The forecast announced at the beginning of the 2018 fiscal year for the financial performance indicators is accordingly also based on adjusted key figures.

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Transformation creates momentum

The transformation of the FP Group is creating additional momentum in all product segments and at all levels of the company. For example, the development of the new generation of franking machines will soon be completed. The market launch is scheduled to begin at the start of 2019. Meanwhile, FP is also increasingly investing in the development of new, digital products and business models. As of the beginning of 2019, the signature solution FP Sign will be sold not just via sales partnerships and in direct sales in Germany, where initial sustainable successes have been achieved, but will also be offered to all existing customers in our core markets for the first time. In the area of the Internet of Things, the range of products and solutions will be supplemented further. Customers were already acquired for a long-term strategic cooperation in the third quarter of 2018. This approach of primarily catering to the Industry 4.0 and energy transition sectors, where the company already has expertise and existing customers, is now being strategically developed and implemented in sales.

Growth in core business – negative impact from currency effects

As in the first half of the year, the stronger euro vis-a-vis the US dollar in particular compared to the previous year is reflected in the FP Group's figures for the first nine months of 2018. In franking business, revenue increased by 0.9% to EUR 95.8 million as against EUR 94.9 million in the first nine months of 2017. Adjusted for currency effects, revenue in core business increased by 4.1% to EUR 98.8 million. FP is thus continuing its excellent performance compared with the industry and repeating the successes of the previous quarters. In the first nine months of 2018, FP gained further market share worldwide. The company grew in its domestic market of Germany in particular, and sales successes were achieved again in the strategically important foreign markets of the US and France. In the third quarter of 2018, FP increased its installed base in the Group (not including international dealers) again, counter to the market trend. The frontrunners were the US, Canada and France.

Market launch of digital products on schedule – still in ramp-up phase

Revenue in the Software segment increased by 13.4% to EUR 11.2 million in the first nine months of 2018. The revenue contribution of the new digital products was not yet material. FP is constantly expanding its product and service range with digital solutions as planned.

In the Mail Services segment, revenue amounted to EUR 47.4 million in the first nine months of 2018 as against EUR 49.1 million in the same period of the previous year. The volume of processed letters decreased slightly. The decline in revenue is also due primarily to the realignment of this product area and to changes in the customer and product mix.

Rüdiger Andreas Günther, CEO of the FP Group, explains: “Less than two years ago, we started implementing our ACT growth strategy. Now we are pressing ahead with the transformation of the company with increasing dynamism. We are making even better use of our potential. We are gaining additional momentum in franking machine business, and with our new digital products and business models we are laying the foundations for dynamic growth in the years ahead.”

JUMP project enters into implementation phase and impacts EBITDA

In the first nine months of 2018, FP generated EBITDA of EUR 17.0 million as compared to EUR 19.6 million in the same period of the previous year. Adjusted for negative currency effects of EUR 1.8 million and expenses for JUMP of EUR 1.4 million, EBITDA amounted to EUR 20.2 million, corresponding to an adjusted EBITDA margin of 12.8%. This earnings development is in line with the forecast published at the beginning of the 2018 fiscal year.

The company completed the “decide and design phase” of the JUMP project as planned in the third quarter of 2018 and started executing and implementing it in the fourth quarter.
With JUMP, the central project of the ACT growth strategy, FP is transforming into a more agile, dynamically growing company. As planned and announced, high expenses will impact earnings in the fourth quarter of 2018 in particular. For the 2018 fiscal year overall, non-recurring expenses for JUMP of between EUR 6.0 million and EUR 8.0 million are planned. Starting from 2020, the company anticipates annual EBITDA improvements of EUR 6.0 million.

With the measures, FP is being realigned across the Group in order to raise profitability to the targets communicated by 2020 and to accelerate revenue growth. Key elements of JUMP include the introduction of a uniform ERP/CRM system throughout the organisation and the establishment of two Shared Service Centres for North America and Europe in order to handle administrative tasks in a concentrated manner. The JUMP measures also include streamlining the management level in international sales and replacing the current decentralised organisation consisting of independent sales companies with three sales regions.

Consolidated net income and EPS almost at previous year's level

As planned, depreciation declined both in absolute terms and in relation to revenue, due primarily to lower depreciation on leased products including finance lease assets. It fell by 12.4% to EUR 12.8 million in the first nine months of 2018. EBIT therefore totalled EUR 4.2 million after EUR 5.0 million in the same period of the previous year. Consolidated net income amounted to EUR 3.2 million compared to EUR 3.4 million in the same period of the previous year. Earnings per share (EPS) were almost at the previous year's level at EUR 0.20 in the first nine months of 2018.

As part of the ACT growth strategy, the FP Group is increasingly investing in new products and business models. In addition, the company already invested in acquiring the operations of the Berlin-based IoT specialist Tixi.com in the first half of 2018, and in the third quarter of 2018 it acquired an online dealer for franking machine supplies in the US. A total of EUR 3.5 million was invested in acquisitions in the first nine months of 2018. Primarily due to the high investments, free cash flow after nine months amounted to EUR -2.7 million, compared with EUR 4.5 million in the same period of the previous year. Adjusted for investments in finance lease assets and M&A and for initial expenses for the ACT project JUMP, the FP Group generated free cash flow of EUR 4.3 million as against EUR 8.0 million in the same period of the previous year. This development had already been announced with the forecast published in March for the 2018 fiscal year.

CEO Günther explains: “With the ACT growth strategy, we have started out on the path of transforming FP. One central sub-project is JUMP. In implementing this and radically reorganising the entire Group, we are also paving the way in organisational terms for strong, sustainable, profitable growth. We are developing growing momentum now. This will make a key contribution to achieving our targets: By

2020, we aim to generate revenues of EUR 250 million and an EBITDA margin of 17%."

Forecast for the 2018 fiscal year confirmed

The FP Group is confirming its forecast for the 2018 fiscal year. The company expects revenue to increase slightly year on year. Adjusted for the expenses of the JUMP project, the FP Group also expects a slight year-on-year increase in EBITDA. Owing to growing investment in ACT and new products, the company expects free cash flow for 2018 to be positive but well below the previous year when adjusted for M&A and investments in finance lease assets, and before payments in connection with the JUMP project.

The anticipated development of financial performance indicators for the 2018 fiscal year is based on the assumption of constant exchange rates.

Key figures at a glance:

In EUR million	9M 2018	9M 2017	Change
Revenue	154.3	153.9	0.3%
Cost of materials	77.3	76.6	0.9%
Staff costs	45.9	45.0	2.0%
Other expenses	26.4	24.4	8.3%
EBITDA	17.0	19.6	-13.3%
EBIT	4.2	5.0	-15.8%
Consolidated net income	3.2	3.4	-4.4%
Earnings per share (in €, diluted)	0.20	0.20	-1.2%
Earnings per share (in €, basic)	0.20	0.21	-2.1%
Free cash flow	-2.7	4.5	n/a
Adjusted free cash flow	4.3	8.0	-46.8%

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About Francotyp-Postalia (FP)
The listed and globally operating FP Group with headquarters in Berlin, Germany, is an expert for secure mailing business and secure digital communication processes. As market leader in Germany and Austria, the FP Group offers products and services in the areas “Franking and Folding/Inserting”, “Mail Services” and “Software” for the efficient processing of mail, consolidation of business mail, and digital solutions for companies and authorities. The Group achieved revenues of more than EUR 200 million in 2017. Francotyp-Postalia has subsidiaries based in ten different countries and is represented by its own trading network in an additional 40 countries. With a company history spanning 95 years, FP possesses a unique DNA in the areas of actuating elements, sensor systems, cryptography and connectivity. FP’s global market share for franking systems is more than eleven percent.
You can find out more at www.fp-francotyp.com.