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FP with strong third quarter – Significant growth in earnings in the first nine months of 2019

- Adjusted EBITDA up 19.9% at EUR 22.0 million
- Revenue comes to EUR 152.4 million compared with EUR 154.3 million in same period of previous year
- FP grows by 2.7% to EUR 98.3 million in core business; software business up 16.1% at EUR 12.9 million
- Adjusted free cash flow reaches EUR 7.0 million
- Forecast for 2019 fiscal year confirmed

Berlin, 21 November 2019 - Francotyp-Postalia (FP), an expert in secure digital communication (ISIN DE000FPH9000), achieved a strong third quarter of 2019. The company was able to make up almost completely for the mixed first half of 2019 and to increase earnings significantly. In 2019, the company generated revenue of EUR 152.4 million compared with EUR 154.3 million in the same period of the previous year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) adjusted for positive currency effects and expenses for the JUMP transformation project increased significantly by 19.9% to EUR 22.0 million as against EUR 18.4 million in the same period of the previous year.

Revenue in the Franking and Inserting segment increased to EUR 98.3 million as against EUR 95.8 million in the first nine months of the previous year. As such, FP once again successfully prevailed against the market trend and the competition, as it has done repeatedly since 2016. Its global market share rose to 12.0%. FP is recording a particularly positive performance in Germany and in the strategically important foreign markets of the US and France. In the US, the new franking system PostBase Vision was launched at the start of the third quarter of 2019. In Germany, its official sales launch took place in the fourth quarter. The sales launch in other core regions such as France and the UK is planned for the coming months. Revenue in the Franking and Inserting segment for the nine-month period includes positive currency effects of EUR 2.2 million.

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FP posts double-digit growth in Software/Digital segment

The Software/Digital segment continued to develop positively with double-digit growth. Revenue in first nine months of the year was up 16.1% at EUR 12.9 million compared with EUR 11.2 million in same period of previous year FP has steadily expanded the range of services in this segment as part of its ACT growth strategy. In addition to hybrid mail services, solutions for secure, fully digital communication and the Internet of Things (IoT) therefore also made a contribution.

Revenue in the Mail Services segment, which focuses on the collection, franking and consolidation of business mail, amounted to EUR 41.1 million in the first nine months of 2019 as against EUR 47.3 million in the same period of the previous year. As expected, the processed mail volume continued to decrease. However, the business position was improved in the third quarter and the decline in revenue was successfully reduced as compared to the first half of 2019. The increase in postage prices by Deutsche Post as of 1 July 2019 had a positive impact in this context. In addition, FP is implementing further strategic measures aimed at bringing about a sustained turnaround.

FP achieves significant increase in adjusted EBITDA

FP generated EBITDA of EUR 20.7 million in the reporting period as against EUR 17.0 million in the same period of the previous year. The application of the new standard IFRS 16 Leases thereby resulted in positive earnings effects of EUR 2.8 million. The result also includes extraordinary expenses for the ACT project JUMP totalling around EUR 2.4 million (same period of the previous year: EUR 1.4 million). In connection with the further implementation of the JUMP project, recurring savings of EUR 1.5 million were achieved in the first nine months of 2019. There were also positive exchange-rate effects, particularly from the development of the euro against the US dollar, totalling EUR 1.0 million. Adjusted for exchange-rate effects and expenses for the ACT project JUMP, EBITDA amounted to EUR 22.0 million in the first nine months of 2019, up 19.9% on the previous year's adjusted EBITDA of EUR 18.4 million. The adjusted EBITDA margin thus climbed to 14.7% as compared to 11.9% in the same period of the previous year.

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Depreciation and amortisation increased by 27.3% year-on-year to EUR 16.3 million. This was particularly due to effects from the application of IFRS 16 and higher amortisation of intangible assets. Earnings before interest and taxes (EBIT) increased to EUR 4.4 million after EUR 4.2 million in the same period of the previous year.

Based on a slower business development and scaling than anticipated at the time of acquisition, FP made an impairment on an investment valued at equity (Juconn) of EUR 0.9 million in the third quarter of 2019. Consolidated net income for the first nine months of 2019 came in at EUR 2.6 million compared to EUR 3.2 million in the previous year. Earnings per share (EPS) reached 16 Cents compared to 20 Cents in the previous year. Without the impairment, consolidated net income and EPS would have been on previous year's level.

In the first nine months of 2019, the company generated free cash flow of EUR 0.6 million versus EUR -2.7 million in the same period of the previous year. Adjusted for investments in finance lease assets and M&A and for expenses for the ACT project JUMP, the FP Group generated free cash flow of EUR 7.0 million as against EUR 4.3 million in the same period of the previous year.

Rüdiger Andreas Günther, CEO of the FP Group, said: “As expected, FP achieved a strong third quarter of 2019. We are back on track. While revenue was roughly on a par with the previous year, we significantly improved our earnings. In the first nine months of the year, adjusted EBITDA increased significantly by almost 20% year-over-year. Although global outlook has deteriorated, we are optimistic, that with our continued and full commitment we will achieve our targets for 2019.”

FP confirms forecast for 2019 as a whole

The company is confirming its forecast for fiscal year 2019. Based on the forecast adjusted and published on 22 August 2019, FP expects revenue for the year as a whole to be slightly higher than the previous year's level. Adjusted for expenses for the ACT project JUMP, the company still expects a strong year-on-year rise in EBITDA. In light of further investments in ACT and in new products and services, FP

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anticipates positive adjusted free cash flow significantly below the previous year's level in 2019 as a whole.

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

Key figures at a glance:

in EUR million	9M 2019	9M 2018
Revenue	152.4	154.3
Cost of materials	74.7	77.3
Staff costs	45.8	45.9
Other expenses	27.5	26.4
EBITDA	20.7	17.0
Adjusted EBITDA	22.0	18.4
EBIT	4.4	4.2
Consolidated net income	2.6	3.2
Earnings per share (in EUR, basic/diluted)	0.16	0.20
Free cash flow	0.6	-2.7
Adjusted free cash flow	7.0	4.3

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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 2018. 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 96 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 comes to twelve percent.



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