

30 April 2021

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Francotyp-Postalia Holding

Germany

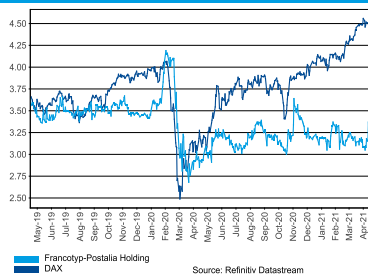
Support Services

Reuters: FPHG.DE Bloomberg: FPH GY

Buy

Closing price as of 29-Apr-21	EUR 3.22
Target price	EUR 4.00
High/Low (12M)	EUR 3.64/2.85
Market cap.	EUR mn 52
Enterprise value	EUR mn 102
Free float	46.9%
Avg. daily turnover	EUR mn 0.03

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	0.6	1.6	5.9
rel. DAX	-1.6	-11.2	-24.7
rel. STOXX Europe 600	-2.0	-9.3	-22.5
rel. SXXP Industrials	-3.3	-11.6	-26.8

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High net loss but strong free cash flow in FY20 – Disappointing FY21 earnings guidance due to COVID-19 effects and ongoing restructuring

Our conclusion

- Following the release of initial sales and earnings indications on 24 February, final FY20 figures (6.3% sales decline, EUR 15mn pretax profit and net loss) did not come as a negative surprise any more. Adjusted for EUR 9mn restructuring charges (provisions for severance payments for Board members/senior management and for general personnel reduction) and EUR 4.1mn de-recognition of intangible assets for the ERP/CRM project, EBITDA would have amounted to EUR 21.1mn. Free cash flow of EUR 11.2mn in 2020 was even stronger than expected.
- Guidance for FY21, however, looks disappointing. While the sales forecast of EUR 185-196mn is in-line with our previous expectations (negative COVID-19 demand effects), the projection of only EUR 6-12mn EBITDA (and correspondingly a high net loss) is sobering. Nevertheless, we think this guidance is on the conservative side, considering additional charges for capacity adjustments (Baader Helvea (E) EUR 2mn) as well as costs related to the development of new digital solutions around FP Sign and IoT, providing increased value for customers. In addition, only part of the charges for a new ERP/CRM system can be capitalized. Adjusted for these costs and considering initial savings from personnel reduction, we would derive normalized EBITDA of EUR 18-20mn. A positive aspect is that FP once again expects clearly positive free cash flow. The company's net debt (EUR 23.8mn at the end of 2020) will remain moderate.
- EBITDA of close to EUR 30mn should be achievable again in 2023. While sales in the franking machine business might continue to decline moderately, we are expecting initial sales contributions from FP's new digital products. The cost position will presumably continue to improve and we do not expect any additional structural charges. We are forecasting for FY23 approx. EUR 7mn net profit, EUR 0.42 EPS and the resumption of the dividend payment. In upcoming years, further sales and earnings growth should be possible. Nevertheless, we are aware that uncertainties remain high. The new management has so far provided only a rough overview of the strategic ideas without any concrete figures and projections. For the time being, we are keeping our Buy rating and our target price of EUR 4.00 as 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	4Q19	FY19	4Q20E Baader	4Q20 Rep.	FY20E Baader	FY20 Rep.	FY21E Baader Prev.	Baader New	FY22E Baader Prev.	Baader New	FY23E Baader
Sales	56.7	209.1	50.4	48.3	198.0	195.9	191.3	189.0	200.2	196.0	202.0
Change yoy (%)	13.5	2.4	-11.0	-14.8	-5.3	-6.3	-3.4	-3.5	-3.4	3.7	3.1
EBITDA	12.4	33.3	-12.1	-11.5	7.4	8.0	25.0	12.5	31.1	22.9	29.2
Margin (%)	21.8	15.9	-24.0	-23.8	3.7	4.1	13.1	6.6	13.1	11.7	14.4
EBITDA adj.	12.4	33.3	3.9	1.6	23.4	21.1	25.0	14.5*	31.1	22.9	29.2
Margin (%)	21.8	15.9	7.8	3.3	11.8	10.7	13.1	7.7	13.1	11.7	14.4
EBIT	1.2	5.9	-21.5	-18.8	-16.6	-14.0	5.0	-8.0	10.5	2.3	8.2
Margin (%)	2.1	2.8	-42.6	-39.0	-8.4	-7.1	2.6	-4.2	2.6	1.2	4.0
EBT	1.9	5.9	-21.8	-20.3	-16.2	-14.7	4.5	-8.5	10.3	2.1	8.0
Net income	-1.1	1.7	-15.1	-18.9	-11.4	-15.1	3.1	-8.5	7.1	1.7	6.8
EPS reported	-0.07	0.11	-0.94	-1.18	-0.71	-0.94	0.19	-0.53	0.44	0.11	0.42

* Adjustment exclusively for restructuring charges

Source: Company data, Baader Helvea Equity Research

Key financials

EUR mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	195.9	189.0	196.0	202.0	1.0
EBIT	-14.0	-8.0	2.3	8.2	-
EPS adj. (EUR)	-0.94	-0.53	0.11	0.42	-

Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	0.5	0.5	0.5	0.2
EV/EBIT	-	-	45.7	5.8
P/E adj.	-	-	29.3	7.7

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	-0.53	0.11	0.42
EPS adjusted (EUR)	0.39	0.16	-0.94	-0.53	0.11	0.42
Dividend (EUR)	0.03	0.00	0.00	0.00	0.00	0.10
Book value (EUR)	1.97	2.01	0.85	0.37	0.48	0.90
Free cash flow (EUR)	0.19	0.11	0.71	0.25	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	51.8	51.8	51.8
Enterprise value (EUR mn)	97.4	107.4	96.8	101.8	106.0	47.2
Valuation						
P/E adj. (x)	9.6	21.6	-	-	29.3	7.7
P/BV (x)	1.9	1.7	3.8	8.7	6.7	3.6
FCF/EV (%)	3.1	1.6	11.8	3.9	7.2	29.4
FCF yield (%) (FCF/Mcap.)	5.0	3.0	21.7	7.7	14.7	26.8
Dividend yield (%)	0.8	0.0	0.0	0.0	0.0	3.1
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	7.0	4.6	1.6
EV/EBIT adj. (x)	12.2	14.9	-6.9	-12.8	45.7	5.8
EV/CE (x)	1.1	1.1	1.2	1.3	1.4	0.6
ROCE/WACC adj. (x)	1.3	1.2	-2.8	-1.7	0.5	1.6
Key company data						
Sales growth (%)	-1.0	2.4	-6.3	-3.5	3.7	3.1
EBITDA adj. growth (%)	-3.9	36.8	-39.2	-31.0	57.7	27.2
EBITDA adj. margin (%)	12.4	16.6	10.7	7.7	11.7	14.4
EBIT adj. margin (%)	3.9	3.4	-7.1	-4.2	1.2	4.0
Net adj. margin (%)	3.0	1.2	-7.7	-4.5	0.9	3.3
Free cash flow margin (%)	1.5	0.8	5.8	2.1	3.9	6.9
Payout ratio (%)	51.9	0.0	0.0	0.0	0.0	23.8
Gearing (%) (net debt/equity)	60.4	99.2	174.0	502.8	446.4	188.3
Net debt/EBITDA (x)	1.1	1.0	3.0	2.4	1.5	0.9
Equity ratio (x) (equity/total assets)	18.7	17.2	7.9	3.6	4.7	8.5
Capital employed (EUR mn)	86.9	95.7	78.6	76.3	77.6	77.9
ROCE adj. (%)	9.2	7.5	-17.8	-10.4	3.0	10.5
Income statement (EUR mn)						
Turnover	204.2	209.1	195.9	189.0	196.0	202.0
EBITDA	17.3	33.3	8.0	12.5	22.9	29.2
EBITDA adj.	25.3	34.6	21.1	14.5	22.9	29.2
EBIT	0.0	5.9	-14.0	-8.0	2.3	8.2
EBIT adj.	8.0	7.2	-14.0	-8.0	2.3	8.2
EBT	1.4	5.9	-14.7	-8.5	2.1	8.0
Net profit after minorities	0.9	1.7	-15.1	-8.5	1.7	6.8
Net profit adj.	6.2	2.6	-15.1	-8.5	1.7	6.8
Balance sheet (EUR mn)						
Non-current assets	88	102	82	80	81	82
thereof goodwill	10	5	4	4	4	4
Current assets	79	85	92	84	82	88
Total assets	167	186	174	164	163	170
Shareholders' equity	31	32	14	6	8	14
Total equity and liabilities	167	186	174	164	163	170
Net debt	19	32	24	30	34	27
Cash flow (EUR mn)						
Cash flow from operations	24.2	23.0	22.8	15.0	20.6	26.9
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
Free cash flow	3.0	1.7	11.4	4.0	7.6	13.9
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
Change in cash position	-3.4	-3.1	5.7	-1.9	-2.7	5.6

Source: Company data, Baader Helvea Equity Research

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
Francotyp-Postalia Holding	28-May-20	Buy	EUR	4.00	3.10 27-May-20	Peter Rothenaicher

Francotyp-Postalia Holding

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