

25 May 2022

Francotyp-Postalia Holding

Germany

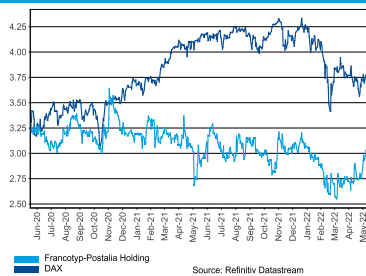
Support Services

Reuters: FPHG.DE Bloomberg: FPH GY

Buy

Closing price as of 24-May-22	EUR 3.01
Target price	EUR 4.00
High/Low (12M)	EUR 3.29/2.55
Market cap.	EUR mn 49
Enterprise value	EUR mn 89
Free float	46.9%
Avg. daily turnover	EUR mn 0.02

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	10.7	13.2	-5.6
rel. DAX	12.2	14.1	6.7
rel. STOXX Europe 600	15.5	14.8	4.4
rel. SXXP Industrial G&S	18.3	19.7	13.6

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Excellent 1Q22 figures with revenues and earnings clearly exceeding expectations – Unchanged FY22 guidance looks conservative

Our conclusion

- Francotyp-Postalia reported excellent figures for 1Q22, demonstrating the success of the company's strategic initiative **FUTURE@FP**. Group sales were up 26.5% yoy to EUR 65.2mn, benefiting from non-recurring effects like the postage rate change in Germany and positive FX effects as well as underlying growth in all business areas (more than 10% sales growth excluding non-recurring effects). With EUR 10.3mn (+101% yoy), **EBITDA** came in significantly higher than expected. **Normalized EBITDA** (adjusted for non-recurring effects) increased by 48% to EUR 8.3mn (12.7% margin), which is a strong outcome. **Net income** of EUR 5.3mn (1Q21: EUR 0.8mn), resulting in **EPS** of EUR 0.33, and **free cash flow** of EUR 2.0mn (despite EUR 4.1mn cash outflow for the acquisition of Azolver) surprised positively as well.
- FP confirmed its guidance for 2022 of EUR 229-237mn sales and EUR 24-28mn EBITDA.** Following the very strong 1Q22 results, this guidance looks conservative and might offer some upside potential. In terms of sales, the management now expects to reach the upper end of the guided range (consolidation of Azolver since end of March 2022). FP emphasized that the 1Q22 results cannot be extrapolated to the next quarters due to the one-off effect related to the rate change and expected costs for the integration of Azolver and the implementation of the new ERP/CRM system. Anyhow, there is no doubt that earnings will continue to improve noteworthy in FY23 as well. Free cash flow in 2022 is expected to surpass the FY21 level of EUR 6.5mn.
- We are confirming our Buy rating for FP and our target price of EUR 4.00.** The Azolver acquisition will further strengthen FP's position in the franking market and will support the expansion in the digital business. Positive earnings effects from Azolver will be seen in 2023. Based on expected Group earnings for 2023, valuation of FP shares (EV/EBIT of 7.3x, P/E of 5.4x) looks highly attractive.

Facts & Analysis

EUR mn	FY20	1Q21	FY21	1Q22E Baader	1Q22 Rep.	FY22E Baader	FY23E Baader
Sales	195.9	51.6	203.7	55.3	65.2	236.0	250.0
Change yoy (%)	-6.3	6.9	4.0	7.3	26.5	15.9	5.9
EBITDA	8.0	2.6	18.5	8.5	10.3	27.3	32.2
Margin (%)	4.1	5.1	9.1	15.4	15.8	11.6	12.9
EBIT	-14.0	-2.1	-0.7	3.6	5.4	5.7	10.2
Margin (%)	-7.1	-4.0	-0.3	6.5	8.3	2.4	4.1
EBT	-14.7	-2.7	2.2	3.8	6.1	6.4	10.8
Net inc. after min.	-15.1	-2.0	0.4	3.2	5.3	5.3	9.1
Change yoy (%)	n.m.	-89.6	-102.4	260.2	506.6	1,356.3	70.7

Source: Company data, Baader Helvea Equity Research

- In its core business **Mailing, Shipping & Office Solutions** (sales +15.8% to EUR 35.3mn), FP benefited from positive effects from the postage rate change in Germany (EUR 2.9mn sales and EUR 2.6mn EBITDA impact) as well as from EUR 1.1mn FX effect. **Mail Services** (sales +41.9% to EUR 23.5mn) saw non-recurring revenue effects of EUR 4-5mn related to the pandemic but could also gain market share and improved productivity. **Digital Business Solutions** (sales +42% to EUR 6.4mn) succeeded in the enhancement of solutions and the continuous onboarding of new customers.

Key financials

EUR mn	2020	2021	2022E	2023E	CAGR (%)
Sales	195.9	203.7	236.0	250.0	8.5
EBIT adj.	-14.2	-0.7	5.7	10.2	-
EPS adj. (EUR)	-0.95	0.02	0.33	0.56	-

Source: Company data, Baader Helvea Equity Research

Valuation ratios

x	2020	2021	2022E	2023E
EV/Sales	0.5	0.4	0.4	0.3
EV/EBIT adj.	-6.9	-135.3	15.6	7.3
P/E adj.	-	154.0	9.1	5.4

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Key data

FY 31 Dec.	2018	2019	2020	2021	2022E	2023E
Share data						
EPS reported (EUR)	0.06	0.11	-0.95	0.02	0.33	0.56
EPS adjusted (EUR)	0.39	0.16	-0.95	0.02	0.33	0.56
Dividend (EUR)	0.03	0.00	0.00	0.00	0.00	0.10
Book value (EUR)	1.92	1.96	0.81	0.97	1.33	1.88
Free cash flow (EUR)	0.18	0.10	0.70	0.40	0.58	1.23
Avg. no. of shares (mn)	16.3	16.3	16.3	16.3	16.3	16.3
Market cap. (avg./current; EUR mn)	61.2	56.5	53.2	50.3	49.1	49.1
Enterprise value (EUR mn)	98.9	108.8	97.5	89.7	88.8	74.6
Valuation						
P/E adj. (x)	9.6	21.6	-	154.0	9.1	5.4
P/BV (x)	2.0	1.8	4.0	3.2	2.3	1.6
FCF/EV (%)	3.0	1.5	11.7	7.3	10.6	26.8
FCF yield (%) (FCF/Mcap.)	4.9	3.0	21.4	13.0	19.1	40.7
Dividend yield (%)	0.8	0.0	0.0	0.0	0.0	3.3
EV/Sales (x)	0.5	0.5	0.5	0.4	0.4	0.3
EV/EBITDA adj. (x)	3.9	3.1	4.5	4.9	3.3	2.3
EV/EBIT adj. (x)	12.4	15.1	-6.9	-135.3	15.6	7.3
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	1.0	1.7
Key company data						
Sales growth (%)	-1.0	2.4	-6.3	4.0	15.9	5.9
EBITDA adj. growth (%)	-3.9	36.8	-36.9	-15.5	48.0	17.9
EBITDA adj. margin (%)	12.4	16.6	11.2	9.1	11.6	12.9
EBIT adj. margin (%)	3.9	3.4	-7.3	-0.3	2.4	4.1
Net adj. margin (%)	3.0	1.2	-7.8	0.2	2.3	3.6
Free cash flow margin (%)	1.5	0.8	5.8	3.2	4.0	8.0
Payout ratio (%)	53.2	0.0	0.0	0.0	0.0	18.0
Gearing (%) (net debt/equity)	60.4	99.2	179.9	130.0	100.4	24.6
Net debt/EBITDA (x)	1.1	1.0	2.7	1.1	0.8	0.2
Equity ratio (x) (equity/total assets)	18.7	17.2	7.6	9.4	12.2	16.2
Capital employed (EUR mn)	86.9	95.7	80.2	79.1	90.1	85.8
ROCE adj. (%)	9.2	7.5	-17.7	-0.8	6.3	11.9
Income statement (EUR mn)						
Turnover	204.2	209.1	195.9	203.7	236.0	250.0
EBITDA	17.3	33.3	8.7	18.5	27.3	32.2
EBITDA adj.	25.3	34.6	21.8	18.5	27.3	32.2
EBIT	0.0	5.9	-14.2	-0.7	5.7	10.2
EBIT adj.	8.0	7.2	-14.2	-0.7	5.7	10.2
EBT	1.4	5.9	-14.9	2.2	6.4	10.8
Net profit after minorities	0.9	1.7	-15.3	0.4	5.3	9.1
Net profit adj.	6.2	2.6	-15.3	0.4	5.3	9.1
Balance sheet (EUR mn)						
Non-current assets	88	102	85	76	83	79
thereof goodwill	10	5	4	4	9	9
Current assets	79	85	88	91	95	110
Total assets	167	186	174	167	178	189
Shareholders' equity	31	32	13	16	22	31
Total equity and liabilities	167	186	174	167	178	189
Net debt	19	32	24	20	22	8
Cash flow (EUR mn)						
Cash flow from operations	24.2	23.0	23.4	15.1	24.0	31.5
of which change in working capital	-4.6	3.5	1.9	7.0	4.6	0.3
Cash flow from investments	-21.2	-21.4	-12.0	-8.5	-14.6	-11.5
of which investment in fixed assets	18.0	21.2	10.0	8.6	10.5	11.5
Free cash flow	3.0	1.7	11.4	6.5	9.4	20.0
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	-10.9	-9.9	-4.8
Change in cash position	-3.4	-3.1	5.7	-4.3	-0.6	15.2

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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