

1 September 2022

## Francotyp-Postalia Holding

Germany

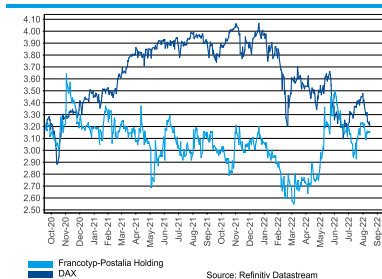
### Support Services

Reuters: FPHG.DE Bloomberg: FPH GY

### Buy

Closing price as of 31-Aug-22	EUR 3.16
<b>Target price</b>	<b>EUR 4.00</b>
High/Low (12M)	EUR 3.50/2.55
Market cap.	EUR mn 51
Enterprise value	EUR mn 88
Free float	44.6%
Avg. daily turnover	EUR mn 0.02

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	6.4	-1.6	13.7
rel. DAX	11.2	9.2	24.9
rel. STOXX Europe 600	11.7	4.8	22.1
rel. SXXP Industrial G&S	14.7	4.8	26.2

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## 2Q22 with strong revenue growth and solid profitability – Unchanged FY22 guidance looks conservative – We feel comfortable with our estimates

### Our conclusion

- Francotyp-Postalia reported solid figures for 2Q22, demonstrating the success of the company's strategic initiative **FUTURE@FP**. Group sales were up 29.9% yoy to EUR 62.4mn (1H22 +28.2% to EUR 127.6mn), benefiting from the first-time consolidation of Azolver (EUR 6.6mn) and positive FX effects. With EUR 6.0mn (+45.3% yoy), **EBITDA** fully met our expectations. **Normalized EBITDA** (adjusted for non-recurring effects) increased from EUR 4.6mn in 2Q21 to EUR 6.5mn in 2Q22 and from EUR 10.2mn in 1H21 to EUR 14.8mn in 1H22. The sequential decline vs. 1Q22 (EUR 10.3mn EBITDA incl. EUR 2.6mn one-off effect from the postage rate change in Germany) does not come as a surprise, not least as cost increases (i.e. for electronic components) and implementation costs for the new ERP/CRM system had a negative effect. EBIT (EUR 1.0mn) and EBT (EUR 2.1mn) exceeded our expectations, while **net income in 2Q22** (EUR -0.1mn) was impacted by much higher than usual tax payments (expected annual tax rate: 30%). **Free cash flow** of EUR 7.4m for 1H22 (1H21: EUR 4.0mn) despite EUR 4.1mn cash outflow for the Azolver acquisition is a positive outcome. **Net debt** could be reduced from EUR 20.5mn at the year-end 2021 to EUR 16.0mn despite the Azolver acquisition.
- FP confirmed its sales guidance for 2022 of EUR 229-237mn excluding any FX effects (EUR 2.8mn in 1H22) and is assuming 3-6% organic growth. Including FX effects, FP is expecting sales in excess of EUR 240mn (in-line with our projections). As expected, the EBITDA forecast of EUR 24-28mn has been confirmed. FP expects underlying business (excluding one-off effects) to improve in 2H22. We feel comfortable with our EBITDA 22E projection of EUR 27.8mn. Free cash flow in 2022 will surpass the FY21 level of EUR 6.5mn. There is no doubt in our view that earnings will continue to improve noteworthy in FY23 as well, supported by earnings contributions from Azolver (after the full integration) and hopefully higher selling prices and cost reductions.
- We are confirming our Buy rating for FP and our target price of EUR 4.00. The Azolver acquisition is strengthening FP's position in the franking market and will support the expansion in the digital business. Based on expected Group earnings for 2023, valuation of FP shares (EV/EBIT of 7.7x, P/E of 6.7x) looks very attractive.

### Facts & Analysis

EUR mn	2Q21	1H21	FY21	1Q22	2Q22E	2Q22	1H22	FY22E	FY22E	FY23E	FY23E
				Baader	Baader	Rep.	Rep.	Baader	Cons.	Baader	Cons.
Sales	48.0	99.5	203.7	65.2	60.5	62.4	127.6	243.0	239.3	252.0	249.0
Chg. yoy (%)	12.3	-0.2	4.0	26.5	26.0	29.9	28.2	19.3		3.7	
EBITDA	4.1	9.2	18.5	10.3	5.8	6.0	16.3	27.8	28.0	32.2	31.5
Margin (%)	8.6	9.3	9.1	15.8	9.6	9.6	12.8	11.4		12.8	
Chg. yoy (%)	-19.7	-29.6	111.1	109.5	48.5	45.3	76.5	50.5		16.0	
EBIT	-0.6	-0.2	-0.7	5.4	0.6	1.0	6.4	6.7	7.4	10.2	10.5
Margin (%)	-1.3	-0.2	-0.3	8.3	1.0	1.6	5.0	2.7		4.1	
EBT	-0.5	0.9	2.2	6.1	0.8	2.1	8.2	8.2	8.9	11.0	11.7
Net income	-0.3	0.6	0.4	5.3	0.5	-0.1	5.2	5.7	6.3	7.6	8.1
EPS (EUR)	-0.02	0.04	0.02	0.33	0.03	-0.01	0.32	0.36	0.39	0.47	0.50

Source: Company data, Refinitiv Datastream consensus data (mean), Baader Helvea Equity Research

- In its core business **Mailing, Shipping & Office Solutions** (2Q22 sales +30% to EUR 38.9mn; 1H22 +22.6% to EUR 74.2mn; 2.3% organic growth), FP benefited from positive FX effects and the Azolver consolidation, while in terms of profitability high purchase prices for semiconductors, acquisition costs and expenses for the new ERP/CRM system did weigh on results. **Mail Services** (sales +34% to EUR 16.5mn in 2Q22, +38.5% to EUR 40.0mn) could gain market share and improved productivity. **Digital Business Solutions** (sales +23% to EUR 7.0mn in 2Q22, +32% to EUR 13.4mn in 1H22) succeeded in the enhancement of solutions and the continuous onboarding of new customers, while the IoT business continued to be weak. Losses could be further reduced.

## Francotyp-Postalia Holding

### Key data

FY 31 Dec.	2019	2020	2021	2022E	2023E	2024E
<b>Share data</b>						
EPS reported (EUR)	0.11	-0.95	0.02	0.36	0.47	0.54
<b>EPS adjusted (EUR)</b>	<b>0.16</b>	<b>-0.95</b>	<b>0.02</b>	<b>0.36</b>	<b>0.47</b>	<b>0.54</b>
Dividend (EUR)	0.00	0.00	0.00	0.00	0.15	0.18
Book value (EUR)	1.96	0.81	0.98	1.49	1.96	2.35
Free cash flow (EUR)	0.10	0.70	0.41	0.61	0.97	1.02
Avg. no. of shares (mn)	16.3	16.3	16.0	16.0	16.0	16.0
Market cap. (avg./current; EUR mn)	56.5	53.2	49.5	50.7	50.7	50.7
Enterprise value (EUR mn)	108.8	97.5	88.9	88.2	78.5	71.7
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>21.6</b>	<b>-</b>	<b>154.0</b>	<b>8.8</b>	<b>6.7</b>	<b>5.9</b>
P/BV (x)	1.8	4.0	3.1	2.1	1.6	1.3
FCF/EV (%)	1.5	11.7	7.3	11.1	19.8	22.9
FCF yield (%) (FCF/Mcap.)	3.0	21.4	13.2	19.3	30.6	32.4
Dividend yield (%)	0.0	0.0	0.0	0.0	4.7	5.7
EV/Sales (x)	0.5	0.5	0.4	0.4	0.3	0.3
EV/EBITDA adj. (x)	3.1	4.5	4.8	3.2	2.4	2.1
EV/EBIT adj. (x)	15.1	-6.9	-134.1	13.2	7.7	6.1
EV/CE (x)	1.1	1.2	1.1	1.0	0.9	0.8
ROCE/WACC adj. (x)	1.1	-2.5	-0.1	1.0	1.5	1.7
<b>Key company data</b>						
Sales growth (%)	2.4	-6.3	4.0	19.3	3.7	3.2
EBITDA adj. growth (%)	36.8	-36.9	-15.5	50.5	16.0	5.5
EBITDA adj. margin (%)	16.6	11.2	9.1	11.4	12.8	13.1
<b>EBIT adj. margin (%)</b>	<b>3.4</b>	<b>-7.3</b>	<b>-0.3</b>	<b>2.7</b>	<b>4.1</b>	<b>4.5</b>
Net adj. margin (%)	1.2	-7.8	0.2	2.4	3.0	3.3
Free cash flow margin (%)	0.8	5.8	3.2	4.0	6.2	6.3
Payout ratio (%)	0.0	0.0	0.0	0.0	31.6	33.5
Gearing (%) (net debt/equity)	99.2	179.9	130.0	81.9	31.2	7.9
Net debt/EBITDA (x)	1.0	2.7	1.1	0.7	0.3	0.1
Equity ratio (x) (equity/total assets)	17.2	7.6	9.4	13.2	16.6	19.5
Capital employed (EUR mn)	95.7	80.2	79.1	90.1	87.8	85.3
ROCE adj. (%)	7.5	-17.7	-0.8	7.4	11.6	13.7
<b>Income statement (EUR mn)</b>						
Turnover	209.1	195.9	203.7	243.0	252.0	260.0
EBITDA	33.3	8.7	18.5	27.8	32.2	34.0
EBITDA adj.	34.6	21.8	18.5	27.8	32.2	34.0
EBIT	5.9	-14.2	-0.7	6.7	10.2	11.7
EBIT adj.	7.2	-14.2	-0.7	6.7	10.2	11.7
EBT	5.9	-14.9	2.2	8.2	11.0	12.6
Net profit after minorities	1.7	-15.3	0.4	5.7	7.6	8.6
Net profit adj.	2.6	-15.3	0.4	5.7	7.6	8.6
<b>Balance sheet (EUR mn)</b>						
Non-current assets	102	85	76	83	81	79
thereof goodwill	5	4	4	9	9	9
Current assets	85	88	91	97	109	114
<b>Total assets</b>	<b>186</b>	<b>174</b>	<b>167</b>	<b>180</b>	<b>190</b>	<b>194</b>
Shareholders' equity	32	13	16	24	31	38
<b>Total equity and liabilities</b>	<b>186</b>	<b>174</b>	<b>167</b>	<b>180</b>	<b>190</b>	<b>194</b>
Net debt	32	24	20	20	10	3
<b>Cash flow (EUR mn)</b>						
Cash flow from operations	23.0	23.4	15.1	24.4	27.5	28.5
of which change in working capital	3.5	1.9	7.0	4.6	0.8	0.9
Cash flow from investments	-21.4	-12.0	-8.5	-14.6	-12.0	-12.1
of which investment in fixed assets	21.2	10.0	8.6	10.5	12.0	12.1
<b>Free cash flow</b>	<b>1.7</b>	<b>11.4</b>	<b>6.5</b>	<b>9.8</b>	<b>15.5</b>	<b>16.4</b>
Dividends paid	-0.5	0.0	0.0	0.0	0.0	-2.4
Cash flow from financing activities	-4.7	-5.7	-10.9	-8.1	-4.8	-11.4
<b>Change in cash position</b>	<b>-3.1</b>	<b>5.7</b>	<b>-4.3</b>	<b>1.7</b>	<b>10.7</b>	<b>5.0</b>

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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