

13 April 2023

## Francotyp-Postalia Holding

Germany

### Capital Goods

Reuters: FPHG.DE Bloomberg: FPH GY

### Buy

Closing price as of  
12-Apr-23 EUR 3.58**Target price EUR 4.00**

High/Low (12M) EUR 3.71/2.64

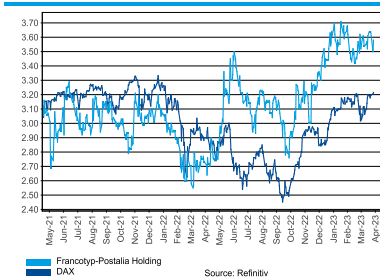
Market cap. EUR mn 57

Enterprise value EUR mn 86

Free float 46.0%

Avg. daily turnover EUR mn 0.02

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	0.3	-1.6	28.3
rel. DAX	-1.5	-5.9	-0.7
rel. STOXX Europe 600	-1.6	-4.3	8.5
rel. SXXP Industrial G&S	0.0	-5.6	4.3

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## BPC ahead on 27 April: FP should have fully realized its FY22 guidance – Cautious optimism for 2023 likely, supported by higher cost savings

### Our conclusion

- As FP had already reported in November 2022 strong sales and earnings figures for 9M22 and confirmed its guidance for 2022 on 14 March with the announcement of a new major shareholder (OSP Alpha Management Ltd. With 25.34% of the shares), **we think that the company's numbers for FY22 should not surprise.** We see a good chance that our estimates of EUR 247mn revenues will be surpassed (guidance: upper level of the range of EUR 229-237mn sales – not considering FX effects). In terms of earnings, FP might have achieved – as indicated — the upper level of the guidance of EUR 24-28mn EBITDA.
- We are confirming our Buy rating for FP and our target price of EUR 4.00.** Based on expected Group earnings, we consider FP shares as strongly undervalued (EV/EBIT of 7.9x for FY23E and 5.7x for FY24E; P/E of 6.6x for FY23E and 5.3x for FY24E). The still continued share buyback program might support further share price increase.

EUR mn	4Q21	FY21	9M22	4Q22E	FY22E	FY22E	FY23	FY23E
				Baader	Baader	Cons.	Baader	Cons.
<b>Sales</b>	<b>54.8</b>	<b>203.7</b>	<b>188.7</b>	<b>58.3</b>	<b>247.0</b>	<b>247.3</b>	<b>255.0</b>	<b>254.3</b>
<i>Change yoy (%)</i>	13.5	4.0	26.8	6.3	21.3		3.2	
<b>EBITDA</b>	<b>2.6</b>	<b>18.5</b>	<b>22.4</b>	<b>5.6</b>	<b>28.0</b>	<b>28.1</b>	<b>32.5</b>	<b>32.5</b>
<i>Margin (%)</i>	4.8	9.1	11.9	9.7	11.3		12.7	
<i>Change yoy (%)</i>	-124.6	111.1	41.4	114.0	51.8		16.1	
<b>EBIT</b>	<b>-2.3</b>	<b>-0.7</b>	<b>7.2</b>	<b>-0.3</b>	<b>6.8</b>	<b>7.4</b>	<b>11.0</b>	<b>11.1</b>
<i>Margin (%)</i>	-4.2	-0.3	3.8	-0.6	3.4		4.3	
<b>EBT</b>	<b>-1.1</b>	<b>2.2</b>	<b>10.0</b>	<b>-0.8</b>	<b>9.2</b>	<b>10.5</b>	<b>12.4</b>	<b>13.6</b>
<b>Net inc. after min.</b>	<b>-1.8</b>	<b>0.4</b>	<b>6.1</b>	<b>-0.1</b>	<b>6.0</b>	<b>6.7</b>	<b>8.6</b>	<b>8.9</b>
<b>EPS (EUR)</b>	<b>-0.11</b>	<b>0.02</b>	<b>0.38</b>	<b>-0.01</b>	<b>0.37</b>	<b>0.42</b>	<b>0.54</b>	<b>0.56</b>

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

- FP's outlook for 2023 will likely be characterized by cautious optimism.** In its core business, FP will benefit from the full integration of Azolver and further cost reductions as well as the necessary replacement of meters in the U.S. that no longer comply with the IMI standard. We are expecting further progress in growth for the digital business. Despite less favorable FX effects and the discontinuation of positive one-off effects on revenues and earnings from the rate change in Germany in early 2022, we are forecasting slight revenue growth for 2023 and an improvement in EBITDA to more than EUR 32mn. We do not exclude, however, that FP will guide somewhat more conservative.
- Azolver should have contributed noteworthy to sales in 4Q22 but integration measures and expenses related to the new ERP system likely did weigh on earnings in 4Q22 (as considered in the guidance of FP).** In terms of business areas, we are expecting ongoing growth for the core business FP Mailing, Shipping & Office Solutions and in particular for the digital business, while revenues at Mail Services might have been down yoy in 4Q22.
- Apart from the dynamic improvement in sales and EBITDA, FP will likely report for FY22 favorable figures below the EBITDA line.** We are expecting EBIT to improve disproportionately to EUR 6.8mn (despite potentially slightly negative EBIT in 4Q22) and are forecasting net profit of EUR 6.0mn as well as EPS of EUR 0.37. Free cash flow should continue to improve as well (EUR 6.9mn in 9M22; EUR 6.5mn in FY21).

### Key financials

EUR mn	2021	2022E	2023E	2024E	CAGR (%)
Sales	203.7	247.0	255.0	263.0	8.9
EBIT adj.	-0.7	6.8	11.0	13.6	-
EPS adj. (EUR)	0.02	0.37	0.54	0.67	208.2

Source: Company data, Baader Helvea Equity Research

### Valuation ratios

x	2021	2022E	2023E	2024E
EV/Sales	0.4	0.4	0.3	0.3
EV/EBIT adj.	n.m.	12.7	7.9	5.7
P/E adj.	154.0	8.2	6.6	5.3

## 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	0.37	0.54	0.67
<b>EPS adjusted (EUR)</b>	<b>0.16</b>	<b>-0.95</b>	<b>0.02</b>	<b>0.37</b>	<b>0.54</b>	<b>0.67</b>
Dividend (EUR)	0.00	0.00	0.00	0.10	0.15	0.20
Book value (EUR)	1.96	0.81	0.98	1.44	1.90	2.41
Free cash flow (EUR)	0.10	0.70	0.41	0.60	1.00	1.14
Avg. no. of shares (mn)	16.3	16.3	16.0	16.0	15.9	15.9
Market cap. (avg./current; EUR mn)	56.5	53.2	49.5	48.7	56.9	56.9
Enterprise value (EUR mn)	108.8	97.5	88.9	86.8	86.4	77.9
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>21.6</b>	<b>-</b>	<b>154.0</b>	<b>8.2</b>	<b>6.6</b>	<b>5.3</b>
P/BV (x)	1.8	4.0	3.1	2.5	1.9	1.5
FCF/EV (%)	1.5	11.7	7.3	11.1	18.5	23.2
FCF yield (%) (FCF/Mcap.)	3.0	21.4	13.2	19.8	28.0	31.8
Dividend yield (%)	0.0	0.0	0.0	2.8	4.2	5.6
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	3.1	2.7	2.2
EV/EBIT adj. (x)	15.1	-6.9	n.m.	12.7	7.9	5.7
EV/CE (x)	1.1	1.2	1.1	1.0	1.0	0.9
ROCE/WACC adj. (x)	1.1	-2.4	-0.1	1.0	1.6	1.9
<b>Key company data</b>						
<b>Sales growth (%)</b>	<b>2.4</b>	<b>-6.3</b>	<b>4.0</b>	<b>21.3</b>	<b>3.2</b>	<b>3.1</b>
EBITDA adj. growth (%)	36.8	-36.9	-15.5	51.8	16.1	9.4
EBITDA adj. margin (%)	16.6	11.2	9.1	11.3	12.7	13.5
<b>EBIT adj. margin (%)</b>	<b>3.4</b>	<b>-7.3</b>	<b>-0.3</b>	<b>2.8</b>	<b>4.3</b>	<b>5.2</b>
Net adj. margin (%)	1.2	-7.8	0.2	2.4	3.4	4.0
Free cash flow margin (%)	0.8	5.8	3.2	3.9	6.3	6.9
Payout ratio (%)	0.0	0.0	0.0	26.8	27.9	30.0
Gearing (%) (net debt/equity)	99.2	179.9	130.0	86.6	38.2	7.9
Net debt/EBITDA (x)	1.0	2.7	1.1	0.7	0.4	0.1
Equity ratio (x) (equity/total assets)	17.2	7.6	9.4	12.9	16.0	19.7
Capital employed (EUR mn)	95.7	80.2	79.1	90.0	88.2	86.0
ROCE adj. (%)	7.5	-17.7	-0.8	7.6	12.5	15.8
<b>Income statement (EUR mn)</b>						
<b>Turnover</b>	<b>209.1</b>	<b>195.9</b>	<b>203.7</b>	<b>247.0</b>	<b>255.0</b>	<b>263.0</b>
EBITDA	33.3	8.7	18.5	28.0	32.5	35.6
EBITDA adj.	34.6	21.8	18.5	28.0	32.5	35.6
EBIT	5.9	-14.2	-0.7	6.8	11.0	13.6
EBIT adj.	7.2	-14.2	-0.7	6.8	11.0	13.6
EBT	5.9	-14.9	2.2	9.2	12.4	15.5
Net profit after minorities	1.7	-15.3	0.4	6.0	8.6	10.6
Net profit adj.	2.6	-15.3	0.4	6.0	8.6	10.6
<b>Balance sheet (EUR mn)</b>						
<b>Non-current assets</b>	<b>102</b>	<b>85</b>	<b>76</b>	<b>83</b>	<b>82</b>	<b>80</b>
thereof goodwill	5	4	4	9	9	9
Current assets	85	88	91	97	107	114
<b>Total assets</b>	<b>186</b>	<b>174</b>	<b>167</b>	<b>180</b>	<b>189</b>	<b>194</b>
Shareholders' equity	32	13	16	23	30	38
<b>Total equity and liabilities</b>	<b>186</b>	<b>174</b>	<b>167</b>	<b>180</b>	<b>189</b>	<b>194</b>
Net debt	32	24	20	20	12	3
<b>Cash flow (EUR mn)</b>						
<b>Cash flow from operations</b>	<b>23.0</b>	<b>23.4</b>	<b>15.1</b>	<b>24.2</b>	<b>28.0</b>	<b>30.2</b>
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	10.2	12.0	12.1
<b>Free cash flow</b>	<b>1.7</b>	<b>11.4</b>	<b>6.5</b>	<b>9.6</b>	<b>16.0</b>	<b>18.1</b>
Dividends paid	-0.5	0.0	0.0	0.0	-1.6	-2.4
Cash flow from financing activities	-4.7	-5.7	-10.9	-8.6	-6.4	-11.4
<b>Change in cash position</b>	<b>-3.1</b>	<b>5.7</b>	<b>-4.3</b>	<b>1.1</b>	<b>9.6</b>	<b>6.7</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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