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Francotyp-Postalia Holding

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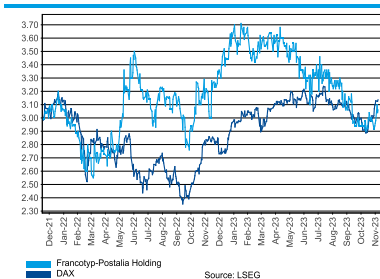
Capital Goods

Reuters: FPHG.DE Bloomberg: FPH GY

Buy

Closing price as of 22-Nov-23	EUR 3.06
Target price	EUR 5.00
High/Low (12M)	EUR 3.71/2.90
Market cap.	EUR mn 48
Enterprise value	EUR mn 75
Free float	46.0%
Avg. daily turnover	EUR mn 0.01

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	4.1	-5.6	-12.6
rel. DAX	-3.8	-7.2	-10.9
rel. STOXX Europe 600	-1.3	-6.8	-10.1
rel. SXXP Industrial G&S	-6.0	-7.6	-8.8

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3Q23: Lower revenues but continued solid earnings trend – FY23 guidance confirmed but revenues likely at the low end of the range

Our conclusion

- FP presented solid 3Q23 figures considering the challenging economic environment. **Revenues** declined by 4.9% qoq and 5.5% yoy to EUR 57.8mn in light of more exposed customer reluctance and due to EUR 1.8mn negative FX effects. Despite the lower sales volume, however, EBITDA even increased (yoy and qoq) to EUR 6.9mn (11.9% margin), supported by the improved cost base and the successful integration of Azolver. While EBITDA additionally benefited with EUR 2.0mn from the release of restructuring provisions, FX effects had a negative impact of EUR 1.0mn. Normalized EBITDA amounted to EUR 6.6mn in 3Q23 vs. EUR 5.7mn in 3Q22 (11.4% margin) and to EUR 25.4mn in 9M23 (13.9% margin) vs. EUR 20.5mn in 9M22. 3Q23 EBIT is up 246% yoy to EUR 2.6mn, while the pretax result (EUR 2.7mn) and net income (EUR 1.1mn) increased strongly as well (despite some tax payments related to previous years). **Free cash flow** of EUR 5.6mn in 9M23 (9M22: EUR 6.9mn) is solid and **net debt** could be reduced from EUR 18.2mn at the year-end 2022 to EUR 17.4mn despite the continued share buyback. **FP confirmed its guidance for FY23 of EUR 245-255mn revenues** (compared to normalized sales of EUR 229mn in 2022) and **EBITDA of EUR 28-31mn** (vs. EUR 27.6mn reported and EUR 26.2mn normalized EBITDA in 2022), corresponding to an EBITDA margin of 11.4-12.2%. The management indicated that sales will come in at the lower end of the range. We are now projecting EUR 245mn sales and EUR 29.5mn EBITDA (12.0% margin).
- We are confirming our Buy rating for FP and our target price of EUR 5.00.** We still consider FP shares as undervalued. Based on our earnings projections, FP is valued at a P/E 24E of 5.0x and a P/E 25E of 4.4x as well at EV/EBIT multiples of 5.2x (FY24E) and 4.3x (FY25E). This is far below the average valuation of German industrials companies. We are aware that the market is applying a discount for the micro-cap character of FP shares and the limited attractiveness of the franking market. However, FP is highly innovative, is constantly gaining market share and is generating strong free cash flow. This is being reflected in our DCF model which derives a “fair value” of around EUR 6.80 per share.

Facts & Analysis

EUR mn	3Q22	9M22	FY22	2Q23	3Q23E	3Q23	9M23	FY23E	FY23E	FY24E
					Baader	Rep.	Rep.	Baader	Cons.	Baader
Sales	61.2	188.7	251.0	60.8	58.0	57.8	182.5	245.0	247.7	257.0
Chg. yoy (%)	24.0	26.8	23.2	-2.5	-5.2	-5.5	-3.3	-2.4		4.9
EBITDA	6.1	22.4	27.6	6.6	6.2	6.9	22.2	29.5	29.5	32.6
Margin (%)	9.9	11.9	11.0	10.9	10.7	11.9	12.2	12.0		12.7
Chg. yoy (%)	-7.7	41.4	49.6	10.7	2.0	13.6	-0.9	6.9		10.5
EBIT	0.7	7.2	6.6	2.3	1.8	2.6	9.1	11.3	10.8	13.3
Margin (%)	1.2	3.8	2.6	3.7	3.1	4.4	5.0	4.6		5.2
EBT	1.8	10.0	8.6	2.8	1.9	2.7	9.0	11.7	10.8	14.1
Net income	0.9	6.1	5.5	1.0	1.2	1.1	4.5	7.0	7.2	9.7
EPS (EUR)	0.06	0.38	0.35	0.06	0.08	0.07	0.29	0.45	0.44	0.62

Source: Company data, LSEG consensus data, Baader Helvea Equity Research

- 3Q23 sales declined by 8.9% to EUR 35.0mn in the core business **FP Mailing, Shipping & Office Solutions** with franking machines and related services mainly due to weaker demand in Germany and the U.S. as well as negative FX effects. On the other hand, FP is gradually benefiting from the switch of Azolver customers to FP franking machines.
- Revenues of the **Mail Services** business improved in 3Q23 by 3.8% to EUR 16.5mn despite the economic weakness. Margins could be improved via consistent cost management.
- Revenues of **Digital Business Solutions** declined in 3Q23 from EUR 6.7mn to EUR 6.0mn due to a strong decline in business of a key customer in output management. FP is still broadening its product range (i.e. new FP Sign release) and intensifying internationalization (i.e. with FP Shipping).

Francotyp-Postalia Holding

Key data

FY 31 Dec.	2020	2021	2022	2023E	2024E	2025E
Share data						
EPS reported (EUR)	-0.95	0.02	0.35	0.45	0.62	0.69
EPS adjusted (EUR)	-0.95	0.02	0.35	0.45	0.62	0.69
Dividend (EUR)	0.00	0.00	0.00	0.15	0.20	0.25
Book value (EUR)	0.73	0.90	1.42	1.82	2.29	2.78
Free cash flow (EUR)	0.78	0.41	0.51	0.51	0.69	0.76
Avg. no. of shares (mn)	16.3	16.0	15.9	15.7	15.7	15.7
Market cap. (avg./current; EUR mn)	53.2	49.5	48.2	48.0	48.0	48.0
Enterprise value (EUR mn)	97.5	88.9	81.0	75.3	69.8	64.4
Valuation						
P/E adj. (x)	-	154.0	8.7	6.8	4.9	4.4
P/BV (x)	4.5	3.4	2.1	1.7	1.3	1.1
FCF/EV (%)	13.0	7.3	10.0	10.6	15.4	18.6
FCF yield (%) (FCF/Mcap.)	23.8	13.2	16.8	16.6	22.4	25.0
Dividend yield (%)	0.0	0.0	0.0	4.9	6.5	8.2
EV/Sales (x)	0.5	0.4	0.3	0.3	0.3	0.2
EV/EBITDA adj. (x)	4.5	4.8	2.9	2.6	2.1	1.8
EV/EBIT adj. (x)	-6.9	-134.1	12.2	6.7	5.2	4.3
EV/CE (x)	1.2	1.1	1.0	0.9	0.8	0.8
ROCE/WACC adj. (x)	-2.4	-0.1	1.0	1.7	1.9	2.0
Key company data						
Sales growth (%)	-6.3	4.0	23.2	-2.4	4.9	4.3
EBITDA adj. growth (%)	-36.9	-15.5	49.6	6.9	10.5	9.2
EBITDA adj. margin (%)	11.2	9.1	11.0	12.0	12.7	13.3
EBIT adj. margin (%)	-7.3	-0.3	2.6	4.6	5.2	5.6
Net adj. margin (%)	-7.8	0.2	2.2	2.9	3.8	4.1
Free cash flow margin (%)	6.5	3.2	3.2	3.3	4.2	4.5
Payout ratio (%)	0.0	0.0	0.0	33.6	32.5	36.0
Gearing (%) (net debt/equity)	198.9	141.3	80.4	43.9	19.5	3.9
Net debt/EBITDA (x)	2.7	1.1	0.7	0.4	0.2	0.0
Equity ratio (x) (equity/total assets)	6.9	8.7	13.1	15.7	19.3	22.6
Capital employed (EUR mn)	80.2	79.1	84.3	82.8	83.4	84.1
ROCE adj. (%)	-17.7	-0.8	7.9	13.7	16.0	17.7
Income statement (EUR mn)						
Turnover	195.9	203.7	251.0	245.0	257.0	268.0
EBITDA	8.7	18.5	27.6	29.5	32.6	35.6
EBITDA adj.	21.8	18.5	27.6	29.5	32.6	35.6
EBIT	-14.2	-0.7	6.6	11.3	13.3	14.9
EBIT adj.	-14.2	-0.7	6.6	11.3	13.3	14.9
EBT	-14.9	2.2	8.6	11.7	14.1	15.9
Net profit after minorities	-15.3	0.4	5.5	7.0	9.7	10.9
Net profit adj.	-15.3	0.4	5.5	7.0	9.7	10.9
Balance sheet (EUR mn)						
Non-current assets	85	76	76	77	79	79
thereof goodwill	4	4	4	4	4	4
Current assets	87	90	97	105	108	114
Total assets	172	166	173	183	186	193
Shareholders' equity	12	14	23	29	36	44
Total equity and liabilities	172	166	173	183	186	193
Net debt	24	20	18	13	7	2
Cash flow (EUR mn)						
Cash flow from operations	24.7	15.1	22.4	23.5	25.3	26.8
of which change in working capital	1.9	7.0	3.7	-0.8	0.9	1.8
Cash flow from investments	-12.0	-8.5	-14.3	-15.5	-14.5	-14.8
of which investment in fixed assets	10.0	8.6	10.1	13.5	14.5	14.8
Free cash flow	12.6	6.5	8.1	8.0	10.8	12.0
Dividends paid	0.0	0.0	0.0	0.0	-2.4	-3.1
Cash flow from financing activities	-5.7	-10.9	-4.9	-2.0	-7.0	-5.3
Change in cash position	7.0	-4.3	3.2	6.0	3.8	6.7

Source: Company data, Baader Helvea Equity Research

Francotyp-Postalia Holding**Disclaimer****Baader Bank AG, Weißenstephaner Strasse 4, 85716 Unterschleißheim, Germany****Baader Helvea AG, Freigutstrasse 12, 8002 Zurich, Switzerland****Baader Helvea Limited, 5 Royal Exchange Buildings, London EC3V 3NL, United Kingdom**

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
Francotyp-Postalia Holding	26-May-23	Buy	EUR	5.00	3.56 25-May-23	Peter Rothenaicher

Francotyp-Postalia Holding

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