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## Francotyp-Postalia Holding

Germany

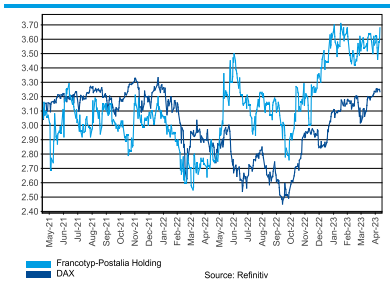
### Capital Goods

Reuters: FPHG.DE Bloomberg: FPH GY

### Buy

Closing price as of 26-Apr-23	EUR 3.68
<b>Target price</b>	<b>EUR 4.00</b>
High/Low (12M)	EUR 3.71/2.70
Market cap.	EUR mn 59
Enterprise value	EUR mn 80
Free float	46.0%
Avg. daily turnover	EUR mn 0.02

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	4.0	4.0	20.7
rel. DAX	-1.7	-0.4	1.0
rel. STOXX Europe 600	-1.3	1.9	7.8
rel. SXXP Industrial G&S	0.7	2.2	7.9

**Analyst:**  
**Peter Rothenaicher**  
+49 89 5150 1817  
peter.rothenaicher@baaderbank.de

## Upper level of the FY22 earnings guidance achieved – Cautiously optimistic outlook for FY23

### Our conclusion

- FP presented very solid FY22 figures characterized by **strong revenue growth** ahead of expectations (+23.2% to EUR 251mn, benefiting from the Azolver acquisition, FX effects and non-recurring effects) and favorable results, largely meeting our expectations and with EUR 27.6mn EBITDA the upper end of the company's guidance. **Normalized EBITDA** adjusted for non-recurring effects like the ERP project (EUR 4.0mn charges), FX effects (EUR +2.0mn) and the postage rate change (EUR +2.6mn) increased from EUR 23.9mn in 2021 to EUR 26.2mn in 2022 (11.2% normalized margin). **EBIT** improved from EUR -0.7mn to EUR 6.6mn in 2022 and **net profit** amounted to EUR 5.5mn, corresponding to **EPS** of EUR 0.35. **Free cash flow** of EUR 8.1mn in 2022 was strong and **net debt** could be reduced from EUR 20.5mn at the year-end 2021 to EUR 18.1mn despite the cash outflow for the Azolver acquisition and the share buyback.
- FP's guidance for 2023 is cautiously optimistic.** The company is projecting revenues in the range of EUR 245-255mn (compared to normalized revenues of EUR 229mn in 2022) and EBITDA of EUR 28-31mn. Typically, FP's projection at this time of the year is conservative. Therefore, we feel still comfortable with our FY23 estimates of EUR 255mn sales (despite presumably negative FX effects). We have moderately reduced our EBITDA projection from EUR 32.5mn to EUR 30.7mn due to ongoing charges related to the new ERP system as well as high investment in new digital products and product launches in the classic business. Nevertheless, FP will benefit from earnings contributions from Azolver (after the full integration) and growing franking business in North America.
- We are confirming our Buy rating for FP and our target price of EUR 4.00.** Based on our expected Group earnings, we consider FP shares as strongly undervalued (EV/EBIT of 8.6x for FY23E and 5.5x for FY24E; P/E of 8.0x for FY23E and 5.8x for FY24E).

### Facts & Analysis

EUR mn	4Q21	FY21	9M22	4Q22	FY22E	FY22E	FY22	FY23E Baader		FY24E
				Rep.	Baader	Cons.	Rep.	Prev.	New	Baader
<b>Sales</b>	<b>54.8</b>	<b>203.7</b>	<b>188.7</b>	<b>62.3</b>	<b>247.0</b>	<b>247.3</b>	<b>251.0</b>	<b>255.0</b>	<b>255.0</b>	<b>263.0</b>
Change yoy (%)	13.5	4.0	26.8	13.6	21.3		23.2	3.2	1.6	3.1
<b>EBITDA</b>	<b>2.6</b>	<b>18.5</b>	<b>22.4</b>	<b>5.2</b>	<b>28.0</b>	<b>28.1</b>	<b>27.6</b>	<b>32.5</b>	<b>30.7</b>	<b>35.0</b>
Margin (%)	4.8	9.1	11.9	8.4	11.3		11.0	12.7	12.1	13.3
Change yoy (%)	n.a.	111.1	41.4	99.5	51.8		49.7	16.1	11.2	13.8
<b>EBIT</b>	<b>-2.3</b>	<b>-0.7</b>	<b>7.2</b>	<b>-0.5</b>	<b>6.8</b>	<b>7.4</b>	<b>6.6</b>	<b>11.0</b>	<b>9.2</b>	<b>13.0</b>
Margin (%)	-4.2	-0.3	3.8	-0.8	3.4		2.6	4.3	3.6	4.9
<b>EBT</b>	<b>-1.1</b>	<b>2.2</b>	<b>10.0</b>	<b>-1.5</b>	<b>9.2</b>	<b>10.5</b>	<b>8.5</b>	<b>12.4</b>	<b>10.6</b>	<b>14.9</b>
<b>Net income</b>	<b>-1.8</b>	<b>0.4</b>	<b>6.1</b>	<b>-0.6</b>	<b>6.0</b>	<b>6.7</b>	<b>5.5</b>	<b>8.6</b>	<b>7.3</b>	<b>10.2</b>
<b>EPS (EUR)</b>	<b>-0.11</b>	<b>0.02</b>	<b>0.38</b>	<b>-0.04</b>	<b>0.37</b>	<b>0.42</b>	<b>0.35</b>	<b>0.54</b>	<b>0.46</b>	<b>0.64</b>

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

- In its core business **Mailing, Shipping & Office Solutions** (FY22 sales +23% to EUR 151.3mn; 1% organic growth), FP benefited from positive FX effects, the rate change in Germany and the Azolver consolidation, while on the other hand high purchase prices for semiconductors, acquisition costs and expenses for the new ERP/CRM system did weigh on results. **Mail Services** (sales +23% to EUR 73.4mn in 2022) could gain market share (in particular in 1H22) and sales were boosted by pandemic-related special one-time orders and high franking volume. Productivity could be improved but part of the additional sales had no earnings impact. **Digital Business Solutions** (sales +34% to EUR 28.4mn in FY22) succeeded in the enhancement of solutions and the continuous onboarding of new customers as well as contributions from the Azolver acquisition (not least for shipping & logistics).

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### Key data

FY 31 Dec.	2019	2020	2021	2022E	2023E	2024E
<b>Share data</b>						
EPS reported (EUR)	0.11	-0.95	0.02	0.35	0.46	0.64
<b>EPS adjusted (EUR)</b>	<b>0.16</b>	<b>-0.95</b>	<b>0.02</b>	<b>0.35</b>	<b>0.46</b>	<b>0.64</b>
Dividend (EUR)	0.00	0.00	0.00	0.00	0.15	0.20
Book value (EUR)	1.96	0.81	0.98	1.41	1.88	2.37
Free cash flow (EUR)	0.10	0.70	0.41	0.51	1.12	1.11
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	48.5	58.5	58.5
Enterprise value (EUR mn)	108.8	97.5	88.9	82.5	79.7	71.1
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>21.6</b>	<b>-</b>	<b>154.0</b>	<b>8.7</b>	<b>8.0</b>	<b>5.8</b>
P/BV (x)	1.8	4.0	3.1	2.6	2.0	1.6
FCF/EV (%)	1.5	11.7	7.3	9.9	22.3	24.9
FCF yield (%) (FCF/Mcap.)	3.0	21.4	13.2	16.9	30.3	30.2
Dividend yield (%)	0.0	0.0	0.0	0.0	4.1	5.4
EV/Sales (x)	0.5	0.5	0.4	0.3	0.3	0.3
EV/EBITDA adj. (x)	3.1	4.5	4.8	3.0	2.6	2.0
EV/EBIT adj. (x)	15.1	-6.9	-134.1	12.4	8.6	5.5
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	1.3	1.8
<b>Key company data</b>						
<b>Sales growth (%)</b>	<b>2.4</b>	<b>-6.3</b>	<b>4.0</b>	<b>23.2</b>	<b>1.6</b>	<b>3.1</b>
EBITDA adj. growth (%)	36.8	-36.9	-15.5	49.7	11.2	13.8
EBITDA adj. margin (%)	16.6	11.2	9.1	11.0	12.1	13.3
<b>EBIT adj. margin (%)</b>	<b>3.4</b>	<b>-7.3</b>	<b>-0.3</b>	<b>2.6</b>	<b>3.6</b>	<b>4.9</b>
Net adj. margin (%)	1.2	-7.8	0.2	2.2	2.9	3.9
Free cash flow margin (%)	0.8	5.8	3.2	3.3	7.0	6.7
Payout ratio (%)	0.0	0.0	0.0	0.0	32.5	31.2
Gearing (%) (net debt/equity)	99.2	179.9	130.0	85.1	21.7	-5.5
Net debt/EBITDA (x)	1.0	2.7	1.1	0.7	0.2	-0.1
Equity ratio (x) (equity/total assets)	17.2	7.6	9.4	13.1	16.2	19.8
Capital employed (EUR mn)	95.7	80.2	79.1	85.3	82.7	80.0
ROCE adj. (%)	7.5	-17.7	-0.8	7.8	11.2	16.2
<b>Income statement (EUR mn)</b>						
Turnover	209.1	195.9	203.7	251.0	255.0	263.0
EBITDA	33.3	8.7	18.5	27.6	30.7	35.0
EBITDA adj.	34.6	21.8	18.5	27.6	30.7	35.0
EBIT	5.9	-14.2	-0.7	6.6	9.2	13.0
EBIT adj.	7.2	-14.2	-0.7	6.6	9.2	13.0
EBT	5.9	-14.9	2.2	8.5	10.6	14.9
Net profit after minorities	1.7	-15.3	0.4	5.5	7.3	10.2
Net profit adj.	2.6	-15.3	0.4	5.5	7.3	10.2
<b>Balance sheet (EUR mn)</b>						
Non-current assets	102	85	76	79	77	75
thereof goodwill	5	4	4	9	9	9
Current assets	85	88	91	93	108	115
<b>Total assets</b>	<b>186</b>	<b>174</b>	<b>167</b>	<b>173</b>	<b>185</b>	<b>190</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>173</b>	<b>185</b>	<b>190</b>
Net debt	32	24	20	19	7	-2
<b>Cash flow (EUR mn)</b>						
Cash flow from operations	23.0	23.4	15.1	21.8	29.7	29.8
of which change in working capital	3.5	1.9	7.0	2.6	0.8	0.9
Cash flow from investments	-21.4	-12.0	-8.5	-13.6	-12.0	-12.1
of which investment in fixed assets	21.2	10.0	8.6	9.2	12.0	12.1
<b>Free cash flow</b>	<b>1.7</b>	<b>11.4</b>	<b>6.5</b>	<b>8.2</b>	<b>17.7</b>	<b>17.7</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	-6.3	-4.0	-10.9
<b>Change in cash position</b>	<b>-3.1</b>	<b>5.7</b>	<b>-4.3</b>	<b>1.9</b>	<b>13.7</b>	<b>6.8</b>

Source: Company data, Baader Helvea Equity Research

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**Baader Helvea AG, Talstrasse 9, 8001 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
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## Francotyp-Postalia Holding

## Contacts

**Markus Mayer**

Head of Research  
+49 89 5150 1818  
markus.mayer@baaderbank.de

**EQUITY RESEARCH****Capital Goods**

Capital Goods (Switzerland)	Emrah Basic, CFA	+41 43 388 9250	ebasic@helvea.com
Capital Goods (Switzerland)	Michael Roost	+41 43 388 9261	mroost@helvea.com
Capital Goods	Christian Obst, CEFA	+49 89 5150 1805	christian.obst@baaderbank.de
Capital Goods (Germany)	Peter Rothenaicher	+49 89 5150 1817	peter.rothenaicher@baaderbank.de

**Chemicals**

Markus Mayer	+49 89 5150 1818	markus.mayer@baaderbank.de
Andreas von Arx	+41 43 388 9257	avonarx@helvea.com
Konstantin Wiechert	+41 43 388 9213	kwiechert@helvea.com

**Consumer**

Consumer Durables / Food Retail / Non-Food Retail Food & Beverages	Volker Bosse, CEFA Co-Head Equity Research Andreas von Arx	+49 89 5150 1815  +41 43 388 9257	volker.bosse@baaderbank.de  avonarx@helvea.com
--	--	---	--

**Financial Services**

Gerhard Schwarz, CEFA Andreas von Arx	+49 89 5150 1812 +41 43 388 9257	gerhard.schwarz@baaderbank.de avonarx@helvea.com
--	-------------------------------------	---

**Metals & Mining**

Christian Obst, CEFA	+49 89 5150 1805	christian.obst@baaderbank.de
----------------------	------------------	------------------------------

**Pharma**

Leonildo Delgado, PhD Konstantin Wiechert	+41 43 388 9226 +41 43 388 9213	ldelgado@helvea.com kwiechert@helvea.com
--	------------------------------------	---

**Real Estate**

Andre Remke, CFA Co-Head Equity Research Andreas von Arx	+49 89 5150 1816  +41 43 388 9257	andre.remke@baaderbank.de avonarx@helvea.com
--	---	---

**Technology**

Software / IT Services / Support Services	Knut Woller, CEFA	+49 89 5150 1807	knut.woller@baaderbank.de
---	-------------------	------------------	---------------------------

**Transport**

Christian Obst, CEFA	+49 89 5150 1805	christian.obst@baaderbank.de
----------------------	------------------	------------------------------

**Utilities**

Andreas von Arx	+41 43 388 9257	avonarx@helvea.com
-----------------	-----------------	--------------------

**EQUITY STRATEGY**

Gerhard Schwarz, CEFA Head of Equity Strategy	+49 89 5150 1812	gerhard.schwarz@baaderbank.de
--	------------------	-------------------------------

**EQUITY SALES**

Frankfurt	+49 69 1388 1357
London	+44 20 7054 7100
Munich	+49 89 5150 1850
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Frankfurt	+49 69 1388 1355
London	+44 20 7054 7100
Munich	+49 89 5150 1870
New York	+1 212 935 5150
Zurich	+41 43 388 9200

**PUBLICATION ADDRESSES**

**Baader Bank AG**  
**Equity Research**  
Weihenstephaner Strasse 4  
85716 Unterschleissheim, Germany

T +49 89 5150 1810

**Baader Helvea AG**  
**Equity Research**  
Talstrasse 9  
8001 Zurich, Switzerland

T +41 43 388 9250