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Francotyp-Postalia Holding

Germany

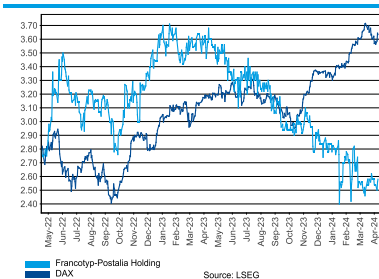
Capital Goods

Reuters: FPHG.DE Bloomberg: FPH GY

Buy

Closing price as of 24-Apr-24	EUR 2.58
Target price	EUR 5.00
High/Low (12M)	EUR 3.68/2.40
Market cap.	EUR mn 41
Enterprise value	EUR mn 63
Free float	46.0%
Avg. daily turnover	EUR mn 0.02

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	2.4	-6.5	-11.6
rel. DAX	3.0	-13.6	-33.2
rel. STOXX Europe 600	3.2	-12.5	-27.9
rel. SXXP Industrial G&S	4.5	-15.4	-42.5

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FY23 earnings targets fully achieved – Slightly more cautious outlook for 2024 due to challenging economic environment and following CEO change

Our conclusion

- **Francotyp-Postalia (FP) presented very solid FY23 figures despite a moderate revenue decline:** While **reported revenues** declined by 3.6% yoy to EUR 241.8mn, **revenues** adjusted for one-time effects related to the rate change in Germany at the beginning of 2022, non-recurring sales at Mail Services and FX effects (EUR -4.1mn) have been up. The slight guidance miss (EUR 245-255mn) was mainly related to lower volumes in the low-margin Mail Services business and the loss of a customer in output management. Despite the lower sales volume EBITDA reached with EUR 31.0mn (12.8% margin) the top end of the guided range of EUR 28-31mn. **Normalized EBITDA** adjusted for non-recurring effects like the One ERP project (EUR 3.9mn charges), FX effects (EUR -2.4mn) and the release of restructuring provisions (EUR +4.8mn) increased from EUR 26.2mn in 2022 to EUR 32.5mn in 2023 (13.2% normalized margin). **EBIT** improved from EUR 6.6mn to EUR 13.0mn and **net profit** amounted to EUR 10.0mn (EPS of EUR 0.67), considerably surpassing expectations. **Free cash flow** of EUR 9.1mn in 2023 was once again very strong and **net debt** could be reduced from EUR 18.1mn at the year-end 2022 to EUR 14.4mn despite the share buyback. FP does not intend to pay a dividend for 2023.
- **FP's guidance for 2024 is slightly more cautious, considering the challenging economic environment and declining mail volume.** The company is projecting revenues and EBITDA to be constant or slightly below the 2023 level (at constant currencies). Typically, FP's projection at this time of the year is conservative and this should be true in 2024 not least due to the change in the CEO position as of March. So far Mr. Contzen has not disclosed his ideas about the strategic orientation of FP in detail but in our view, there is no doubt that he intends to accelerate the digital transformation of FP. As this might result in additional investment in new products, offerings, and structures and as the economic environment for FP's business remains challenging, this explains the cautious guidance.
- **We are confirming our Buy rating for FP and our target price of EUR 5.00.** Based on expected Group earnings, we consider FP shares as strongly undervalued (EV/EBIT 24E of 4.7; P/E 24E of 5.2).

Facts & Analysis

EUR mn	4Q22	FY22	9M23	4Q23	FY23E	FY23E	FY23	FY24E	FY24E
				Rep.	Baader	Cons.	Rep.	Baader	Cons.
Sales	62.2	251.0	182.5	59.4	240.0	243.7	241.8	241.0	248.6
Change yoy (%)	13.5	23.2	-3.3	-4.6	-4.4		-3.6	-0.3	
EBITDA	5.2	27.6	22.2	8.9	29.5	29.1	31.0	30.3	29.7
Margin (%)	8.4	11.0	12.2	14.9	12.3		12.8	12.6	
Change yoy (%)	98.7	49.6	-0.9	69.6	7.0		12.5	-2.5	
EBIT	-0.5	6.6	9.1	4.0	11.8	11.0	13.1	12.0	11.5
Margin (%)	-0.8	2.6	5.0	6.7	4.9		5.4	5.0	
EBT	-1.4	8.6	9.0	3.9	11.7	11.0	12.9	12.0	11.3
Net inc. after min.	1.9	8.0	4.5	6.0	7.0	6.7	10.4	8.6	8.0
EPS (EUR)	0.12	0.50	0.29	0.38	0.45	0.39	0.67	0.55	0.56

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

- In its core business **Mailing, Shipping & Office Solutions** (FY23 sales -1.1% to EUR 146.8mn; 1.3% FX-adjusted growth), FP suffered from the discontinuation of the positive effects from the rate change in Germany in 2022. Positive earnings effects resulted from the successful integration of Azolver. The revenue decline at **Mail Services** (-9.0% to EUR 66.8mn in 2023) was purely related to the discontinuation of the pandemic-related special one-time orders in 2022. Margins could be improved due to consistent cost management. Revenues at **Digital Business Solutions** declined by 3.1% to EUR 27.9mn mainly related to lower output management business (problems of one specific customer). FP Sign and Shipping & Logistics were able to expand their offering (i.e. integration of Azolver solutions) and to onboard new customers.

Francotyp-Postalia Holding

Key data

FY 31 Dec.	2020	2021	2022	2023	2024E	2025E
Share data						
EPS reported (EUR)	-0.95	0.02	0.50	0.67	0.55	0.58
EPS adjusted (EUR)	-0.95	0.02	0.50	0.67	0.55	0.58
Dividend (EUR)	0.00	0.00	0.00	0.00	0.15	0.15
Book value (EUR)	0.73	0.90	1.57	2.19	2.75	3.18
Free cash flow (EUR)	0.78	0.41	0.51	0.58	0.57	0.65
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	51.9	40.5	40.5
Enterprise value (EUR mn)	97.5	88.9	81.0	80.3	62.7	57.3
Valuation						
P/E adj. (x)	-	154.0	6.1	4.9	4.7	4.4
P/BV (x)	4.5	3.4	1.6	1.5	0.9	0.8
FCF/EV (%)	13.0	7.3	10.0	11.4	14.2	17.9
FCF yield (%) (FCF/Mcap.)	23.8	13.2	16.8	17.6	21.9	25.4
Dividend yield (%)	0.0	0.0	0.0	0.0	5.8	5.8
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	6.1	5.2	4.6
EV/CE (x)	1.2	1.1	1.0	1.0	0.8	0.7
ROCE/WACC adj. (x)	-2.5	-0.1	1.0	2.0	1.8	1.8
Key company data						
Sales growth (%)	-6.3	4.0	23.2	-3.6	-0.3	3.7
EBITDA adj. growth (%)	-36.9	-15.5	49.6	12.5	-2.5	6.4
EBITDA adj. margin (%)	11.2	9.1	11.0	12.8	12.6	12.9
EBIT adj. margin (%)	-7.3	-0.3	2.6	5.4	5.0	5.0
Net adj. margin (%)	-7.8	0.2	3.2	4.3	3.6	3.6
Free cash flow margin (%)	6.5	3.2	3.2	3.8	3.7	4.1
Payout ratio (%)	0.0	0.0	0.0	0.0	27.3	26.0
Gearing (%) (net debt/equity)	198.9	141.3	72.5	41.9	18.5	5.3
Net debt/EBITDA (x)	2.7	1.1	0.7	0.5	0.3	0.1
Equity ratio (x) (equity/total assets)	6.9	8.7	14.4	19.5	23.5	26.3
Capital employed (EUR mn)	80.2	79.1	84.3	81.3	80.2	80.8
ROCE adj. (%)	-17.7	-0.8	7.9	16.1	14.9	15.5
Income statement (EUR mn)						
Turnover	195.9	203.7	251.0	241.8	241.0	250.0
EBITDA	8.7	18.5	27.6	31.0	30.3	32.2
EBITDA adj.	21.8	18.5	27.6	31.0	30.3	32.2
EBIT	-14.2	-0.7	6.6	13.1	12.0	12.5
EBIT adj.	-14.2	-0.7	6.6	13.1	12.0	12.5
EBT	-14.9	2.2	8.6	12.9	12.0	12.6
Net profit after minorities	-15.3	0.4	8.0	10.4	8.6	9.1
Net profit adj.	-15.3	0.4	8.0	10.4	8.6	9.1
Balance sheet (EUR mn)						
Non-current assets	85	76	76	78	78	79
thereof goodwill	4	4	4	4	4	4
Current assets	87	90	97	98	105	110
Total assets	172	166	173	176	183	189
Shareholders' equity	12	14	25	34	43	50
Total equity and liabilities	172	166	173	176	183	189
Net debt	24	20	18	14	8	3
Cash flow (EUR mn)						
Cash flow from operations	24.7	15.1	22.4	23.6	24.6	25.1
of which change in working capital	1.9	7.0	5.6	-4.6	0.8	1.2
Cash flow from investments	-12.0	-8.5	-14.3	-14.4	-15.7	-14.8
of which investment in fixed assets	10.0	8.6	10.1	13.5	14.2	14.8
Free cash flow	12.6	6.5	8.1	9.1	8.9	10.3
Dividends paid	0.0	0.0	0.0	0.0	0.0	-2.4
Cash flow from financing activities	-5.7	-10.9	-4.9	-12.8	2.7	-5.6
Change in cash position	7.0	-4.3	3.2	-3.7	11.6	4.7

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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