

31 August 2023

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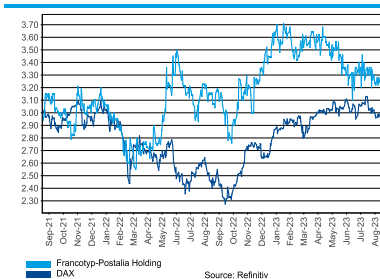
Germany

**Capital Goods**

Reuters: FPHG.DE Bloomberg: FPH GY

**Buy**

Closing price as of 30-Aug-23	EUR 3.26
<b>Target price</b>	<b>EUR 5.00</b>
High/Low (12M)	EUR 3.71/2.76
Market cap.	EUR mn 51
Enterprise value	EUR mn 81
Free float	46.0%
Avg. daily turnover	EUR mn 0.01

**Price relative to Index**

Performance (%)	1M	3M	6M
Absolute	-2.4	-8.4	-6.3
rel. DAX	1.1	-8.3	-9.8
rel. STOXX Europe 600	0.1	-9.0	-5.9
rel. SXXP Industrial G&S	2.6	-7.1	-6.5

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**2Q23: Slightly lower revenues but continued yoy improvement in EBITDA; Upper level of the FY23 guidance seems to be achievable****Our conclusion**

- FP presented very solid 2Q23 figures characterized by **moderately lower revenues** compared to the strong 2Q22 level (-2.5% yoy to EUR 60.8mn) due to negative FX effects and the discontinuation of non-recurring effects (normalized sales in 2Q23 up ~11%) **but clearly improved results**. EBITDA increased by 10.7% yoy to EUR 6.6mn (10.9% margin). FP benefited from an improved cost base and the successful integration of Azolver. Normalized EBITDA even amounted to EUR 9.4mn (+44% yoy; >15% margin) and EBIT is up 121% yoy to EUR 2.3mn. The pretax result (EUR 2.8mn) and net income (EUR 1.0mn; impacted by higher than usual tax charges) are clearly positive. **Free cash flow** of EUR 5.5mn in 1H23 is solid and **net debt** could be reduced from EUR 18.2mn at the year-end 2022 to EUR 14.9mn 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%. We feel comfortable with our projections, which are at the upper level of the guided ranges.
- **We are confirming our Buy rating for FP and our target price of EUR 5.00.** We still consider FP shares as undervalued, even considering the micro-cap character of the stock and the limited attractiveness of the franking market. Based on our projections, **FP is valued at a P/E 24E of 5.3x and a P/E 25E of 4.3x as well at EV/EBIT multiples of 5.5x (FY24E) and 4.2x (FY25E).** FP is constantly gaining market share and is the most innovative player in the market. Furthermore, FP is generating strong free cash flow. This is being reflected in our DCF model which derives a "fair value" of EUR ~6.50 per share.

**Facts & Analysis**

EUR mn	2Q22	1H22	FY22	1Q23	2Q23E	2Q23	1H23	FY23E	FY23E	FY24E	FY24E
					<b>Baader</b>	<b>Rep.</b>	<b>Rep.</b>	<b>Baader</b>	<b>Cons.</b>	<b>Baader</b>	<b>Cons.</b>
<b>Sales</b>	<b>62.4</b>	<b>127.6</b>	<b>251.0</b>	<b>63.8</b>	<b>61.0</b>	<b>60.8</b>	<b>124.6</b>	<b>255.0</b>	<b>252.3</b>	<b>265.0</b>	<b>263.3</b>
<i>Chg. yoy (%)</i>	29.9	28.2	23.2	-2.1	-2.2	-2.5	-2.3	1.6		3.9	
<b>EBITDA</b>	<b>6.0</b>	<b>16.3</b>	<b>27.6</b>	<b>8.7</b>	<b>6.9</b>	<b>6.6</b>	<b>15.3</b>	<b>30.7</b>	<b>30.1</b>	<b>34.8</b>	<b>32.6</b>
Margin (%)	9.6	12.8	11.0	13.6	11.3	10.9	12.3	12.1		13.1	
<i>Chg. yoy (%)</i>	45.3	76.5	49.6	-16.1	16.0	10.7	-6.3	11.3		13.1	
<b>EBITDA norm.</b>	<b>6.5</b>	<b>14.8</b>	<b>26.2</b>	<b>9.4</b>	<b>8.6</b>	<b>9.4</b>	<b>18.8</b>	<b>33.6</b>		<b>36.0</b>	
Margin (%)	10.4	11.6	10.4	14.7	14.1	15.4	15.0	13.2		13.6	
<i>Chg. yoy (%)</i>	41.3	45.1	9.6	13.3	32.1	43.9	26.7	28.1		7.2	
<b>EBIT</b>	<b>1.0</b>	<b>6.4</b>	<b>6.6</b>	<b>4.3</b>	<b>2.0</b>	<b>2.3</b>	<b>6.5</b>	<b>10.7</b>	<b>10.2</b>	<b>13.5</b>	<b>12.8</b>
Margin (%)	1.6	5.0	2.6	6.7	3.3	3.7	5.2	4.2		5.1	
<b>EBT</b>	<b>2.1</b>	<b>8.2</b>	<b>8.6</b>	<b>3.6</b>	<b>2.5</b>	<b>2.8</b>	<b>6.3</b>	<b>11.1</b>	<b>10.5</b>	<b>14.3</b>	<b>11.7</b>
<b>Net income</b>	<b>-0.1</b>	<b>5.2</b>	<b>5.5</b>	<b>2.4</b>	<b>1.4</b>	<b>1.0</b>	<b>3.3</b>	<b>7.0</b>	<b>7.0</b>	<b>9.8</b>	<b>8.4</b>
<b>EPS (EUR)</b>	<b>-0.01</b>	<b>0.32</b>	<b>0.35</b>	<b>0.15</b>	<b>0.09</b>	<b>0.06</b>	<b>0.21</b>	<b>0.45</b>	<b>0.44</b>	<b>0.62</b>	<b>0.52</b>

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

- 2Q23 sales declined by 3.4% to EUR 36.8mn in the core business **FP Mailing, Shipping & Office Solutions** with franking machines and related services exclusively due to negative FX effects. In operating terms, FP is gradually benefiting from the switch of Azolver customers to FP franking machines. FP stated that the overall market in the franking business is still declining, while FP generated in 1H23 moderate organic growth.
- As expected, revenues of the **Mail Services** business declined in 2Q23 (-4.5% to EUR 16.8mn) but part of the missing Corona related one-off sales in 2Q (EUR 4-5mn) could be caught off. Margins could be improved via consistent cost management.
- Revenues of **Digital Business Solutions** increased by 9% to EUR 7.3mn in 2Q and by 9.6% to EUR 15.7mn in 1H23. The company is broadening its input and output management range with data-based services. Another revenue driver is FP Sign (new releases, further integrations). FP Shipping has meanwhile been launched in Norway and the Netherlands.

## Francotyp-Postalia Holding

## Key data

FY 31 Dec.	2020	2021	2022	2023E	2024E	2025E
<b>Share data</b>						
EPS reported (EUR)	-0.95	0.02	0.35	0.45	0.62	0.76
<b>EPS adjusted (EUR)</b>	<b>-0.95</b>	<b>0.02</b>	<b>0.35</b>	<b>0.45</b>	<b>0.62</b>	<b>0.76</b>
Dividend (EUR)	0.00	0.00	0.00	0.15	0.20	0.25
Book value (EUR)	0.73	0.90	1.42	1.88	2.35	2.91
Free cash flow (EUR)	0.78	0.41	0.51	0.53	0.62	0.70
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	51.2	51.2	51.2
Enterprise value (EUR mn)	97.5	88.9	81.0	80.7	74.6	68.4
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>-</b>	<b>154.0</b>	<b>8.7</b>	<b>7.2</b>	<b>5.3</b>	<b>4.3</b>
P/BV (x)	4.5	3.4	2.3	1.7	1.4	1.1
FCF/EV (%)	13.0	7.3	10.0	10.3	13.1	16.0
FCF yield (%) (FCF/Mcap.)	23.8	13.2	16.8	16.2	19.1	21.4
Dividend yield (%)	0.0	0.0	0.0	4.6	6.1	7.7
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	7.5	5.5	4.2
EV/CE (x)	1.2	1.1	1.0	0.9	0.9	0.8
ROCE/WACC adj. (x)	-2.4	-0.1	1.0	1.5	1.8	2.1
<b>Key company data</b>						
<b>Sales growth (%)</b>	<b>-6.3</b>	<b>4.0</b>	<b>23.2</b>	<b>1.6</b>	<b>3.9</b>	<b>3.4</b>
EBITDA adj. growth (%)	-36.9	-15.5	49.6	11.3	13.1	9.3
EBITDA adj. margin (%)	11.2	9.1	11.0	12.1	13.1	13.9
<b>EBIT adj. margin (%)</b>	<b>-7.3</b>	<b>-0.3</b>	<b>2.6</b>	<b>4.2</b>	<b>5.1</b>	<b>6.0</b>
Net adj. margin (%)	-7.8	0.2	2.2	2.7	3.7	4.3
Free cash flow margin (%)	6.5	3.2	3.2	3.2	3.7	4.0
Payout ratio (%)	0.0	0.0	0.0	33.7	32.1	33.1
Gearing (%) (net debt/equity)	198.9	141.3	80.4	50.1	23.8	5.6
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	13.1	16.3	19.9	23.5
Capital employed (EUR mn)	80.2	79.1	84.3	86.6	87.7	89.4
ROCE adj. (%)	-17.7	-0.8	7.9	12.4	15.4	18.3
<b>Income statement (EUR mn)</b>						
Turnover	195.9	203.7	251.0	255.0	265.0	274.0
EBITDA	8.7	18.5	27.6	30.7	34.8	38.0
EBITDA adj.	21.8	18.5	27.6	30.7	34.8	38.0
EBIT	-14.2	-0.7	6.6	10.7	13.5	16.3
EBIT adj.	-14.2	-0.7	6.6	10.7	13.5	16.3
EBT	-14.9	2.2	8.6	11.1	14.3	17.3
Net profit after minorities	-15.3	0.4	5.5	7.0	9.8	11.9
Net profit adj.	-15.3	0.4	5.5	7.0	9.8	11.9
<b>Balance sheet (EUR mn)</b>						
Non-current assets	85	76	76	80	82	84
thereof goodwill	4	4	4	4	4	4
Current assets	87	90	97	101	104	111
<b>Total assets</b>	<b>172</b>	<b>166</b>	<b>173</b>	<b>181</b>	<b>186</b>	<b>194</b>
Shareholders' equity	12	14	23	29	37	46
<b>Total equity and liabilities</b>	<b>172</b>	<b>166</b>	<b>173</b>	<b>181</b>	<b>186</b>	<b>194</b>
Net debt	24	20	18	15	9	3
<b>Cash flow (EUR mn)</b>						
Cash flow from operations	24.7	15.1	22.4	27.8	30.3	31.8
of which change in working capital	1.9	7.0	3.7	0.7	0.8	1.3
Cash flow from investments	-12.0	-8.5	-14.3	-19.5	-20.5	-20.8
of which investment in fixed assets	10.0	8.6	10.1	14.5	15.5	15.8
<b>Free cash flow</b>	<b>12.6</b>	<b>6.5</b>	<b>8.1</b>	<b>8.3</b>	<b>9.8</b>	<b>11.0</b>
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	-7.5	-8.6	-6.5
<b>Change in cash position</b>	<b>7.0</b>	<b>-4.3</b>	<b>3.2</b>	<b>0.8</b>	<b>1.2</b>	<b>4.4</b>

Source: Company data, Baader Helvea Equity Research

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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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