

26 May 2023

## Francotyp-Postalia Holding

Germany

### Capital Goods

Guidance for FY23 looks conservative in light of good 1Q23 results – TP increased to EUR 5.00

- **FP's figures for 2022 and 1Q23 are demonstrating that the Future@FP transformation program is increasingly successful, supporting sustainable growth in terms of revenues and profitability.** Normalized sales and EBITDA improved considerably in 1Q23, confirming our view that FP's guidance for FY23 of sales in the range of EUR 245-255mn and EBITDA of EUR 28-31mn is conservative. **We feel very comfortable with our FY23 estimates of EUR 255mn sales (despite presumably negative FX effects for the rest of the year). With EUR 30.7mn, we are projecting EBITDA at the upper end of the guided range.**
- **We are forecasting for FY24 and FY25 3-4% annual revenue growth and significant improvement in reported EBITDA.** Overall, we are projecting sales of EUR 265mn (+3.9% yoy) for FY24 and EUR 274mn (+3.4%) for FY25 (not considering any potential support from M&A). We expect EBITDA to increase disproportionately by 13.1% to EUR 34.4mn in FY24E (13.1% margin) and by 9.3% to EUR 38.0mn in FY25E (13.9% margin). Part of the improvement can be explained by the discontinuation of expenses for the implementation of the ERP/CRM system and corresponding initial cost savings starting in 2H24. Due to only moderately increasing depreciation/amortization, growth in EBIT and net income will be much stronger.
- **We are confirming our Buy rating for FP and are increasing our target price from EUR 4.00 to EUR 5.00.** We still consider FP shares as undervalued. **Based on our reduced earnings projections, FP is valued at a P/E 24E of 5.7x and a P/E 25E of 4.7x as well as EV/EBIT multiples of 5.9x (FY24E) and 4.5x (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. It has to be kept in mind, however, that FP is constantly gaining market share and is the most innovative player in the market. Furthermore, FP is sustainably generating strong free cash flow. This is being reflected in our **DCF model which even derives a "fair value" of around EUR 6.50 per share.**

	2021	2022	2023E	2024E	2025E
Sales (EUR mn)	203.7	251.0	255.0	265.0	274.0
EBITDA (EUR mn)	18.5	27.6	30.7	34.8	38.0
EBIT reported (EUR mn)	-0.7	6.6	9.9	13.5	16.3
EBIT adjusted (EUR mn)	-0.7	6.6	9.9	13.5	16.3
Net income after min.(EUR mn)	0.4	5.5	7.0	9.8	11.9
EPS reported (EUR)	0.02	0.35	0.45	0.62	0.76
EPS adjusted (EUR)	0.02	0.35	0.45	0.62	0.76
DPS (EUR)	0.00	0.00	0.15	0.20	0.25
Dividend yield (%)	0.0	0.0	4.2	5.6	7.0
P/E adjusted (x)	154.0	8.7	7.9	5.7	4.7
P/BV (x)	3.4	2.5	1.9	1.5	1.2
EV/Sales (x)	0.4	0.3	0.3	0.3	0.3
EV/EBITDA (x)	4.8	2.9	2.8	2.3	1.9
EV/EBIT (x)	-134.1	12.2	8.6	5.9	4.5
Net debt/EBITDA (x)	1.1	0.7	0.5	0.3	0.1

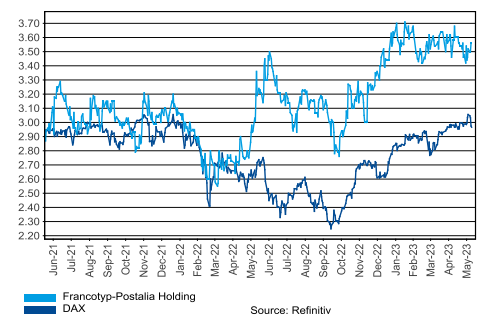
Source: Company data, Baader Helvea Equity Research

### Buy (prev. Buy)

Closing price as of 25-May-23	EUR 3.56
High/Low (12M)	3.71/2.76
<b>Target price (prev. EUR 4.00)</b>	<b>EUR 5.00</b>
Upside to target price (%)	40.4
Expected dividend yield (%)	0.0
Total return potential (%)	40.4

Reuters/Bloomberg	FPHG.DE/FPH GY
Avg. daily turnover (EUR mn)	0.02
Free float (%)	46.0
Market cap. (EUR mn)	56
No. of shares issued (mn)	15.7
<b>Events</b>	
Annual general meeting	14-Jun-2023
1H/2Q	31-Aug-2023
Shareholders	OSP Alpha Management Ltd. 25.34%, Active Ownership Fund 9.51%, SALTARAX GmbH 5.00%, Ludic GmbH 4.57%, Universal Investmentges. 3.37%, Magallanes Value Investors 3.26%, own shares 3.01%

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-0.6	3.8	18.7
rel. DAX	-0.1	0.0	10.1
rel. STOXX Europe 600	1.8	4.1	15.2
rel. SXXP Industrial G&S	-0.2	2.3	12.6

### Changes in estimates

EUR mn	2023E Prev.	Delta (%)	2024E Prev.	Delta (%)
Sales	255.0	0.0	263.0	0.8
EBIT adj.	9.2	7.6	13.0	3.9
EPS adj. (EUR)	0.46	-2.2	0.64	-3.1
DPS (EUR)	0.15	0.0	0.20	0.0

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## Francotyp-Postalia Holding

### SOLID START TO 2023 – FP'S FY23 GUIDANCE LOOKS CONSERVATIVE – FURTHER MARGIN IMPROVEMENT LIKELY FOR FY24 AND FY25

Following the strong sales and earnings growth in FY22 (despite various challenges like supply chain shortages and cost increases), FP had a very solid start to 2023. Taking into consideration that sales and earnings in 1Q22 were boosted by significant one-time effects, FP's 1Q23 figures are demonstrating that the company is well on track in pursuing its transformation program (Future@FP) and to continue on its profitable growth path. Normalized sales and EBITDA improved considerably in 1Q23, confirming our view that FP's guidance for FY23 of sales in the range of EUR 245-255mn and EBITDA of EUR 28-31mn is conservative. In upcoming years the ongoing development and ramp-up of digital products and solutions in combination with the complete implementation of a uniform ERP/CRM system will support growth and margin improvement.

Continued improvement in operating profitability expected, triggered by Future@FP effects and Azolver integration

EUR mn	1Q22	4Q22	FY22	1Q23E Baader	1Q23 Reported	FY23E Baader	FY23E Cons.	FY24E Baader	FY24E Cons.	FY25E Baader
<b>Sales</b>	<b>65.2</b>	<b>62.2</b>	<b>251.0</b>	<b>63.0</b>	<b>63.8</b>	<b>255.0</b>	<b>253.7</b>	<b>265.0</b>	<b>262.2</b>	<b>274.0</b>
Change yoy (%)	26.5	13.5	23.2	-3.4	-2.1	1.6		3.9		3.4
<b>EBITDA</b>	<b>10.3</b>	<b>5.2</b>	<b>27.6</b>	<b>8.0</b>	<b>8.7</b>	<b>30.7</b>	<b>30.5</b>	<b>34.8</b>	<b>32.6</b>	<b>38.0</b>
Margin (%)	15.8	8.4	11.0	12.7	13.6	12.1	12.0	13.1	12.4	13.9
Change yoy (%)	101.5	98.7	49.6	-22.8	-16.1	11.3		13.1		9.3
<b>EBITDA normalized</b>	<b>8.3</b>	<b>5.7</b>	<b>26.2</b>	<b>9.0</b>	<b>9.4</b>	<b>33.6</b>		<b>36.0</b>		<b>38.0</b>
Margin (%)	12.7	9.2	10.4	14.3	14.7	13.2		13.6		13.9
Change yoy (%)	48.2	-19.7	9.6	8.4	13.3	28.1		7.2		5.7
<b>EBIT</b>	<b>5.4</b>	<b>-0.5</b>	<b>6.6</b>	<b>2.8</b>	<b>4.3</b>	<b>9.9</b>	<b>9.6</b>	<b>13.5</b>	<b>11.4</b>	<b>16.3</b>
Margin (%)	8.3	-0.8	2.6	4.4	6.7	3.9	3.8	5.1	4.4	6.0
Change yoy (%)	n.m.	-78.0	n.m.	-48.4	-20.9	49.4		35.6		21.1
<b>EBT</b>	<b>6.1</b>	<b>-1.4</b>	<b>8.6</b>	<b>2.7</b>	<b>3.6</b>	<b>10.2</b>	<b>11.0</b>	<b>14.3</b>	<b>12.9</b>	<b>17.3</b>
Change yoy (%)	353.8	28.2	296.5	-56.1	-41.6	19.4		39.5		21.3
<b>Net income after min.</b>	<b>5.3</b>	<b>-0.6</b>	<b>5.5</b>	<b>1.8</b>	<b>2.4</b>	<b>7.0</b>	<b>7.8</b>	<b>9.8</b>	<b>9.0</b>	<b>11.9</b>
Change yoy (%)	526.8	-66.8	n.m.	-65.4	-55.6	26.6		39.5		21.3
<b>EPS (EUR)</b>	<b>0.33</b>	<b>-0.04</b>	<b>0.35</b>	<b>0.11</b>	<b>0.15</b>	<b>0.45</b>	<b>0.49</b>	<b>0.62</b>	<b>0.57</b>	<b>0.76</b>

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

#### FP reported for 1Q23 very solid earnings figures, surpassing our expectations.

- While reported 1Q23 sales were down 2.1% yoy to EUR 63.8mn, normalized revenues (adjusted for one-off effects and FX changes) even increased by 13.9% to EUR 63.3mn. Revenues in 1Q22 were boosted by the rate change in Germany and a one-off contract at Mail Services. In 1Q23, the consolidation of Azolver supported sales growth.
  - 1Q23 sales were up 8.5% to EUR 38.2mn in the core business **FP Mailing, Shipping & Office Solutions** with franking machines and related services. FP benefited from recurring revenues and EUR 5.7mn revenue contribution from Azolver (acquired on 23 March 2022). The same period last year, however, was impacted by positive one-off effects from the postal rate change in Germany (EUR 2.9mn). FP stated that the overall market trend in the franking business is still challenging with 4-6% yoy decline but FP is now benefiting from the switch of Azolver customers to FP franking machines and FP's product focus on the small mail volume segment. Furthermore, the decertification of older franking systems in the US is offering FP additional business opportunities.
  - As expected, revenues of the **Mail Services** business declined by 23.2% to EUR 17.2mn. In 1Q22, EUR 5.2mn pandemic-related one-off revenues were included (unplanned higher franking volume due to staff absences at customers in light of COVID-19).

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- Revenues of **Digital Business Solutions** increased by 10.5% to EUR 8.4mn with growth in all solutions and supported by the Azolver acquisition (EUR 0.4mn effect). Revenues in 1Q22 (EUR 7.6mn) included EUR 0.4mn one-time sales from pandemic related mailings in Document Workflow Management. The implementation of new technologies in Document Workflow Management is increasing automation and adding more data-driven services to the offering. Business Process Management & Automation again recorded growth in all solutions. Thanks to the development of new features for FP Sign including the documents folder, which makes it easier to sign multiple documents in one step, a rising number of enterprise customers is attracted. In Shipping & Logistics, the new FP Parcel Shipping solution was launched in Norway in 1Q23, enabling customers to manage their parcel shipments quickly and efficiently while saving on shipping costs.
- **Reported EBITDA** in 1Q23 decreased by 16.1% to EUR 8.7mn (13.6% margin vs. 15.8% in 1Q22). Nevertheless, this EBITDA decline is lower than we had expected. The 1Q22 result was boosted by EUR 2.6mn one-off effect related to the rate change in Germany. In terms of normalized EBITDA (adjusted for one-off and currency effects), the result increased in 1Q23 by 15.2% yoy from EUR 8.1mn to EUR 9.4mn. Adjustments in 1Q23 refer to external costs for the ERP/CRM project (EUR +1.0mn) and benefits from FX effects (EUR -0.3mn). In view of lower depreciation and amortization, the decline in (reported) **EBIT** was lower than expected (from EUR 5.4mn to EUR 4.3mn). Considering a temporarily negative financial result (EUR -0.7mn), FP reported for 1Q23 **net profit** of EUR 2.4mn (-55.6% yoy), corresponding to **EPS** of EUR 0.15.
- **Free cash flow** in 1Q23 continued to be strong with EUR 4.5mn (1Q22: EUR 2.0mn reported or EUR 6.1mn adjusted for the cash outflow for the Azolver acquisition). Therefore, **net debt** could be reduced from EUR 18.2mn (31/12/22) to EUR 15.3 mn (31/3/23) despite the ongoing share buy-back. The liquidity situation is very comfortable (EUR 26.2mn unrestricted cash on hand).

**FP confirmed its FY23 guidance provided on 27 April. Following the successful 1Q23 performance we are even more convinced that this guidance offers more upside potential than downside risk.**

- **FP 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** (compared to EUR 26.2mn normalized EBITDA in 2022), **corresponding to an EBITDA margin of 11.4-12.2%**.
  - In the **Mailing, Shipping & Office Solutions** business unit, FP expects slight overall sales growth and slightly improved EBITDA as well as a slightly improved EBITDA margin, particularly due to the measures taken as part of FUTURE@FP and the successful integration of the Azolver companies. On the other hand, the non-recurring effects from the rate-change conversions (EUR 2.6mn EBITDA) will no longer apply in 2023. Despite the overall decline in the market as a whole, FP anticipates a stable or slightly increasing business volume in the franking business. The North American market offers market opportunities due to the changed postal requirements of the United States Postal Service. This will have a positive impact on revenue, EBITDA and EBITDA margin in 2023, each of which is expected to increase slightly.
  - Apart from the ongoing ramp-up of FP Sign and new technologies at Document Workflow Management, additional sales contribution at **Digital Business Solutions** is expected from the expansion and internationalization of digital solutions, which are part of the portfolio through the acquisition of the Azolver companies. One key step is focusing on solutions that offer customers quick and efficient benefits. FP is targeting further acquisitions. The aim is to tap higher-margin business areas in the medium term that boosts the Group's profitability in the long run.
  - The **Mail Services** business segment will continue to be affected by the general decline in letter volumes. In addition, the previous year was affected by positive one-off effects amounting to EUR 12.7mn, which will not be recurring in 2023. Therefore, despite some customer growth, an overall decline in revenue with stable EBITDA and EBITDA margin is expected for FY23.
- **Typically, FP's projection at this time of the year is conservative. Therefore, we feel very comfortable with our FY23 estimates of EUR 255mn sales** (despite presumably negative FX effects for the rest of the year). **With EUR 30.7mn, we are projecting EBITDA at the upper end of the guided range.** In particular, we are confident that FP will benefit in upcoming quarters from earnings contributions from Azolver (after the full integration) and growing franking business in North America. Considering that FP's results will still be affected by charges related to the new ERP system, **we are calculating for FY23 with normalized EBITDA of EUR 33.6mn (13.2% margin).**

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- In light of largely stable depreciation and amortization, EBIT will improve strongly. We are forecasting EUR 9.9mn **EBIT** (+49% yoy), EUR 10.2mn **EBT** (+19% yoy) – considering a weaker financial result (due to higher refinancing costs) – and EUR 7.0mn **net profit** (+27% yoy). Our **EPS projection amounts to EUR 0.45**.
- **As demonstrated in 1Q23, FP is able to generate sustainably strong free cash flow.** Not taking into account additional acquisitions, we are conservatively forecasting EUR 8.3mn free cash flow for FY23 and thus further slight net debt reduction.

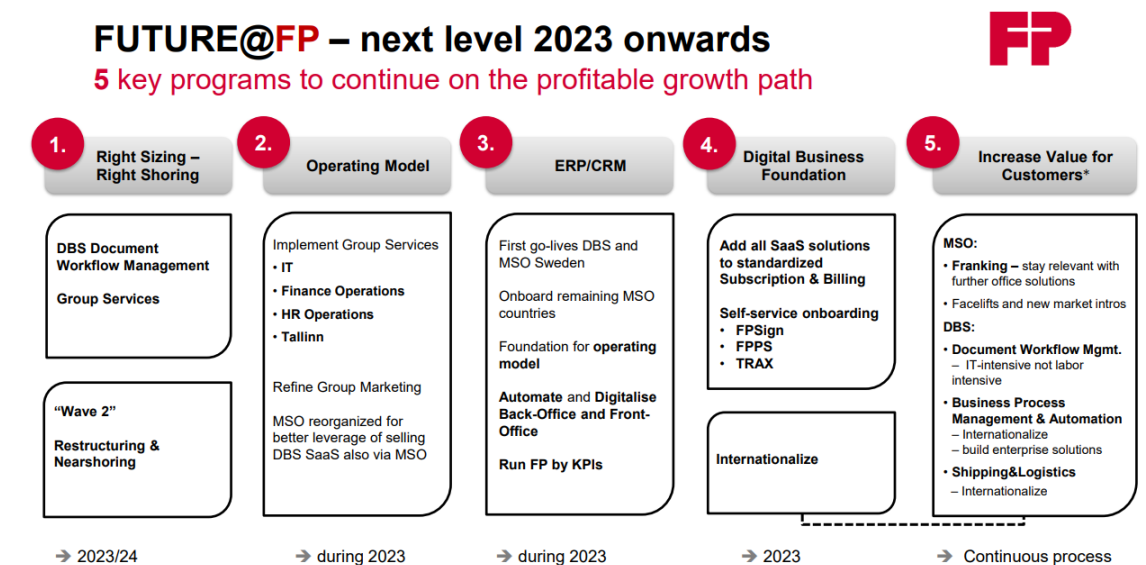
We are projecting moderate revenue growth for the upcoming years and further gradual improvement in the EBITDA margin

**The Future@FP program had been launched in 2021 following the change in the CEO position. It has created the basis for combining growth with an improvement in the operating margin, in particular via a new operating model.** As the market for franking machines is continuing to decline, FP is targeting to more than compensate this with complementary products and digital solutions. All digital solutions are bundled in the Digital Business Solutions business unit. They represent the greatest growth potential for the future, even considering that revenues and earnings contributions are still low. Based on its ability to generate strong cash flow from its franking business and its solid balance sheet, FP is targeting further M&A activities that support the new business model. The company is convinced that these new (digital) business activities will allow for better margins than today's core business unit Mailing, Shipping & Office Solutions.

The basis for being successful is a **new organizational structure** that puts customers at the heart and serves the market through agile business units. "Lean management structures ensure clear responsibilities combined with the greatest possible degree of flexibility, agility and accountability. Service areas support the operating units on the basis of cost efficient, highly-effective processes. Furthermore, the introduction of a uniform ERP/CRM system will also drive the goal of a significant improvement in profitability, sustainable growth and thus an increase in the value of the company".

**In 2022, the successful implementation of Future@FP already delivered clearly positive results by improving the cost base.** Currently, the implementation of a new uniform ERP/CRM system, is the most important task (finalization in 2024). FP is expecting significant cost advantages and improvements in efficiency and effectiveness of processes as soon as this system is fully implemented. The implementation process will result in 2023 in further significant external costs for this project.

[The FUTURE@FP transformation program is progressing in-line with expectations](#)



Source: Company data

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We are forecasting for FY24 and FY25 3-4% annual revenue growth and significant improvement in reported EBITDA.

- **In light of the overall shrinking franking market, we expect for FP only stable or marginally increasing revenues at Mailing, Shipping & Office Solutions.** With its focus on franking machines for smaller letter volumes, market share gains in the US and the conversion of the installed base at the Azolver companies to FP franking machines, FP will continue to increase its market share. **Revenues at Digital Business Solutions will likely increase by a 2-digit percentage (albeit from a still low level).** We are not expecting any growth for the low-margin Mail Services business.
- **Overall, we are projecting sales of EUR 265mn (+3.9% yoy) for FY24 and EUR 274mn (+3.4%) for FY25.** We have not considered any potential support from M&A.
- **EBITDA is expected to increase disproportionately in 2024 (Baader Helvea (E) +13.1% to EUR 34.4mn; 13.1% margin) and 2025 (Baader Helvea (E) +9.3% to EUR 38.0mn; 13.9% margin).** Part of the improvement can be explained by the discontinuation of expenses for the implementation of the ERP/CRM system. Corresponding charges will be already lower in 2024 compared to 2023 and from 2H24 on, we are expecting initial cost savings. Therefore, the expected increase in normalized EBITDA will be much lower. On the other hand, we have considered further product development and ramp-up costs for the digital business.
- As we are expecting only moderately increasing depreciation and amortization and slightly improving financial result compared to 2023, results below the EBITDA line will improve much stronger. In detail, we are forecasting **EBIT** of EUR 13.5mn (FY24E) and EUR 16.3mn (FY25E), **EBT** of EUR 14.3mn (FY24E) and EUR 17.3mn (FY25E) as well as **net profit** of EUR 9.8mn (FY24E) and EUR 11.9mn (FY25E). Our **EPS** projections amount to EUR 0.62 (FY24E) and EUR 0.76 (FY25E).
- After a likely resumption of **dividend** payment for FY23 (Baader Helvea (E) EUR 0.15 dividend per share). We are projecting dividend payments of EUR 0.20 for FY24E and EUR 0.25 for FY25E.



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# WE ARE CONFIRMING OUR BUY RATING AND ARE RAISING OUR TARGET PRICE FROM EUR 4.00 TO EUR 5.00

Even considering that demand for franking machines will continue to shrink, FP is well positioned in this market and will continue to gain market share. Future growth is expected to come from the expansion of the digital business with potential for higher margins. Supported by ongoing cost and efficiency benefits from the Future@FP transformation program (and in particular the successful implementation of the ERP/CRM system), we are projecting significant earnings improvement for the upcoming years.

We therefore consider FP shares as undervalued and confirm our Buy rating. Taking into consideration a discount vs. average valuation multiples of German industrials companies in our coverage, a “fair value” of around EUR 6.50 per share resulting from our DCF model and the fact that investors will still demand a discount for FP shares due to the micro-cap character as well as limited growth potential and limited attractiveness of the franking sector (poor performance of Pitney Bowes and Quadient), we are increasing our target price for FP shares from EUR 4.00 to EUR 5.00.

Based on our earnings projections, FP is valued at P/E's of 8.0x (FY23E), 5.7x (FY24E) and only 4.7x (FY25E) as well as EV/EBIT multiples of 8.6x (FY23E), 5.9x (FY24E) and 4.5x (FY25E).

- This is still far below the average valuation of German industrials companies (30-40% discount in terms of the P/E, 5-20% discount based on EV/EBIT multiples). We are aware that the market is applying a discount for the micro-cap character of the stock and for the shrinking franking business. It has to be kept in mind, however, that FP is constantly gaining market share and is the most innovative player in the market. The new digital business activities, which are still in a very early stage, are offering growth opportunities. Furthermore, FP's expected dividend yield for the upcoming years looks very attractive.
- It has to be considered, however, that valuation multiples of FP's biggest European competitor Quadient are quite low as well (P/E 23E of ~7x, P/E 24E of ~6x, EV/EBIT 23E of ~8.5x, EV/EBIT 24E ~7.3x). In comparison to FP, however, Quadient is strongly indebted (more than EUR 600mn net debt). This is true as well for the global market leader in the market for franking machines, Pitney Bowes (market cap USD 570mn, net debt more than USD 1.6bn!). This also explains the disastrous share price performance of Pitney Bowes (-88% since June 2014, -64% over the recent 5 years). The share price performance of Quadient was very poor as well (-70% since June 2014, -20% over the recent 5 years).
- At our new target price of EUR 5.00, FP would be valued at still very moderate P/E's of 11.2x (FY23E), 8.0x (FY24E) and 6.6x (FY25E) as well as EV/EBIT multiples of 10.9x (FY23E), 7.6x (FY24E) and 5.9x (FY25E). For the year FY24E and FY25E this still corresponds to a significant valuation discount vs. the sector average.

Our DCF model for FP shares shows a fair value of approx. EUR 6.50. We are aware, however, that investors would demand a significant discount from the resulting value due to the micro-cap character of the stock and the limited growth potential (shrinking franking market). Our key assumptions are:

- We are forecasting approx. 2.5% annual sales growth for the years after 2025, consisting of stable to slightly declining franking business and strong growth in the digital business.
- EBITDA margins should stabilize at a level of 13.5-14%.
- FP should be able to generate solid free cash flows of more than EUR 10mn p.a. We have not included any acquisitions in our estimates.
- We are applying 0.5% FCF growth rate for the period 2033-2047, thereafter steady state.
- 9.00% WACC (3.5% risk free rate, 5% market risk premium, beta: 1.5).
- We are deducting EUR 18.1mn net debt and EUR 14.6mn pension provisions from the resulting enterprise value to derive our equity value.

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### DCF model valuation

EUR mn	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
<b>Sales</b>	<b>255.0</b>	<b>265.0</b>	<b>274.0</b>	<b>281.7</b>	<b>289.3</b>	<b>296.8</b>	<b>304.2</b>	<b>311.8</b>	<b>319.6</b>	<b>327.6</b>
<i>Change yoy (%)</i>	1.6	3.9	3.4	2.8	2.7	2.6	2.5	2.5	2.5	2.5
<b>Adjusted EBIT</b>	<b>9.9</b>	<b>13.5</b>	<b>16.3</b>	<b>16.8</b>	<b>17.7</b>	<b>18.3</b>	<b>18.9</b>	<b>19.5</b>	<b>20.2</b>	<b>20.8</b>
as a percentage of sales (%)	3.9	5.1	6.0	6.0	6.1	6.2	6.2	6.2	6.3	6.4
Income taxes	-3.1	-4.2	-5.1	-5.3	-5.6	-5.8	-5.9	-6.1	-6.4	-6.6
Tax ratio (%)	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5
<b>NOPAT</b>	<b>6.8</b>	<b>9.2</b>	<b>11.2</b>	<b>11.5</b>	<b>12.1</b>	<b>12.5</b>	<b>12.9</b>	<b>13.3</b>	<b>13.8</b>	<b>14.3</b>
+ Depreciation/amortization	20.8	21.3	21.7	22.2	22.5	22.8	23.0	23.3	23.5	23.8
- Capital expenditure	19.5	20.5	20.8	21.7	22.2	22.5	23.0	23.5	24.0	24.4
= Depreciation - cap. ex.	1.3	0.8	0.9	0.4	0.3	0.3	0.0	-0.2	-0.5	-0.6
- Change in NWC and adjustments	-0.2	0.2	1.1	0.8	0.5	0.5	0.5	0.5	0.6	0.6
<b>Free cash flow</b>	<b>8.3</b>	<b>9.8</b>	<b>11.0</b>	<b>11.2</b>	<b>11.9</b>	<b>12.3</b>	<b>12.4</b>	<b>12.6</b>	<b>12.8</b>	<b>13.1</b>
<b>Annual present value of FCF</b>	<b>7.6</b>	<b>8.3</b>	<b>8.5</b>	<b>7.9</b>	<b>7.7</b>	<b>7.3</b>	<b>6.8</b>	<b>6.3</b>	<b>5.9</b>	<b>5.5</b>
<b>Sum of present FCF values until 2032E</b>	<b>71.9</b>									
<b>Sum of pres. FCF values 2033E-2047E</b>	<b>46.0</b>									
<b>Present value of terminal value</b>	<b>18.2</b>									
<i>Proportion of terminal value</i>	13.4%									
<b>Growth rate FCF for years 2033E-2047E</b>	<b>0.5%</b>									
<b>Resulting enterprise value</b>	<b>136.0</b>									
Net debt	32.8									
<b>Total equity (fair value)</b>	<b>103.3</b>									
<b>"Fair value" per share (EUR)</b>	<b>6.49</b>									

Source: Company data, Baader Helvea Equity Research

Francotyp-Postalia Holding

CONSOLIDATED INCOME STATEMENT

FY 31 Dec.		2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
<b>Sales</b>	<b>EUR mn</b>	<b>206.3</b>	<b>204.2</b>	<b>209.1</b>	<b>195.9</b>	<b>203.7</b>	<b>251.0</b>	<b>255.0</b>	<b>265.0</b>	<b>274.0</b>
Change yoy	%	1.7	-1.0	2.4	-6.3	4.0	23.2	1.6	3.9	3.4
Change in stock	EUR mn	0.5	-0.3	0.0	-0.4	3.1	0.4	1.0	1.0	1.0
Own work capitalized	EUR mn	10.8	14.1	18.6	7.8	6.2	7.7	6.5	6.5	6.5
<b>Total output</b>	<b>EUR mn</b>	<b>217.7</b>	<b>218.0</b>	<b>227.6</b>	<b>203.2</b>	<b>213.0</b>	<b>259.0</b>	<b>262.5</b>	<b>272.5</b>	<b>281.5</b>
Change yoy	%	1.5	0.1	4.4	-10.7	4.8	21.6	1.3	3.8	3.3
Material expenses	EUR mn	102.9	101.6	101.6	93.9	103.3	124.7	124.4	127.7	130.4
as a percentage of sales	%	49.9	49.8	48.6	47.9	50.7	49.7	48.8	48.2	47.6
Personal expenses	EUR mn	59.2	64.5	60.2	67.8	57.6	65.7	70.0	73.0	75.5
as a percentage of sales	%	28.7	31.6	28.8	34.6	28.3	26.2	27.5	27.5	27.6
Other operating income	EUR mn	4.8	1.9	2.9	4.5	1.7	2.1	2.6	2.8	3.0
as a percentage of sales	%	2.3	0.9	1.4	2.3	0.8	0.8	1.0	1.1	1.1
Other operating expenses	EUR mn	34.1	36.4	35.4	37.2	35.3	43.1	39.9	39.8	40.6
as a percentage of sales	%	16.5	17.8	16.9	19.0	17.3	17.2	15.6	15.0	14.8
<b>EBITDA</b>	<b>EUR mn</b>	<b>26.3</b>	<b>17.3</b>	<b>33.3</b>	<b>8.7</b>	<b>18.5</b>	<b>27.6</b>	<b>30.7</b>	<b>34.8</b>	<b>38.0</b>
as a percentage of sales	%	12.8	8.5	15.9	4.5	9.1	11.0	12.1	13.1	13.9
Change yoy	%	-3.3	-34.3	92.6	-73.8	111.1	49.6	11.3	13.1	9.3
One offs/FX effects	EUR mn	0.0	8.0	1.3	13.1	0.0	0.0	0.0	0.0	0.0
<b>EBITDA adj.</b>	<b>EUR mn</b>	<b>26.3</b>	<b>25.3</b>	<b>34.6</b>	<b>21.8</b>	<b>18.5</b>	<b>27.6</b>	<b>30.7</b>	<b>34.8</b>	<b>38.0</b>
as a percentage of sales	%	12.8	12.4	16.6	11.2	9.1	11.0	12.1	13.1	13.9
Change yoy	%	-3.3	-3.9	36.8	-36.9	-15.5	49.6	11.3	13.1	9.3
Depreciation (normal)	EUR mn	19.1	17.3	27.4	23.0	19.1	21.0	20.8	21.3	21.7
<b>EBIT</b>	<b>EUR mn</b>	<b>7.3</b>	<b>0.0</b>	<b>5.9</b>	<b>-14.2</b>	<b>-0.7</b>	<b>6.6</b>	<b>9.9</b>	<b>13.5</b>	<b>16.3</b>
as a percentage of sales	%	3.5	0.0	2.8	-7.3	-0.3	2.6	3.9	5.1	6.0
Change yoy	%	-25.5	-100.6	n.m.	n.m.	-95.3	n.m.	49.4	35.6	21.1
One offs/Special items	EUR mn	0.0	8.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT adj.</b>	<b>EUR mn</b>	<b>7.3</b>	<b>8.0</b>	<b>7.2</b>	<b>-14.2</b>	<b>-0.7</b>	<b>6.6</b>	<b>9.9</b>	<b>13.5</b>	<b>16.3</b>
as a percentage of sales	%	3.5	3.9	3.4	-7.3	-0.3	2.6	3.9	5.1	6.0
Net financial result	EUR mn	-0.2	1.5	0.0	-0.7	2.8	1.9	0.3	0.8	1.0
as a percentage of sales	%	-0.1	0.7	0.0	-0.4	1.4	0.8	0.1	0.3	0.4
Other financial income/expenses	EUR mn	-0.4	0.1	-0.3	-1.6	1.6	0.4	-0.4	0.0	0.0
<b>EBT</b>	<b>EUR mn</b>	<b>7.1</b>	<b>1.4</b>	<b>5.9</b>	<b>-14.9</b>	<b>2.2</b>	<b>8.6</b>	<b>10.2</b>	<b>14.3</b>	<b>17.3</b>
as a percentage of sales	%	3.4	0.7	2.8	-7.6	1.1	3.4	4.0	5.4	6.3
Change yoy	%	-26.5	-79.7	314.9	n.m.	-114.5	296.5	19.4	39.5	21.3
Income tax expense	EUR mn	2.4	0.5	4.2	0.4	1.8	3.0	3.2	4.5	5.5
Tax rate	%	34.3	35.8	71.3	-2.6	83.1	35.4	31.5	31.5	31.5
<b>Net income reported</b>	<b>EUR mn</b>	<b>4.6</b>	<b>0.9</b>	<b>1.7</b>	<b>-15.3</b>	<b>0.4</b>	<b>5.5</b>	<b>7.0</b>	<b>9.8</b>	<b>11.9</b>
as a percentage of sales	%	2.1	0.4	0.7	-7.5	0.2	2.1	2.7	3.6	4.2
Minorities	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income rep. (after min.)</b>	<b>EUR mn</b>	<b>4.6</b>	<b>0.9</b>	<b>1.7</b>	<b>-15.3</b>	<b>0.4</b>	<b>5.5</b>	<b>7.0</b>	<b>9.8</b>	<b>11.9</b>
Adjustments (net)	EUR mn	0.0	5.3	0.9	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income adj. (after min.)</b>	<b>EUR mn</b>	<b>4.6</b>	<b>6.2</b>	<b>2.6</b>	<b>-15.3</b>	<b>0.4</b>	<b>5.5</b>	<b>7.0</b>	<b>9.8</b>	<b>11.9</b>
as a percentage of sales	%	2.3	3.0	1.2	-7.8	0.2	2.2	2.7	3.7	4.3
Change yoy	%	-20.6	33.4	-58.6	n.m.	-102.4	n.m.	26.6	39.5	21.3
Number of shares	mn	16.2	15.9	15.9	16.0	16.0	15.9	15.7	15.7	15.7
<b>EPS reported</b>	<b>EUR</b>	<b>0.29</b>	<b>0.06</b>	<b>0.11</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>
<b>EPS adjusted</b>	<b>EUR</b>	<b>0.29</b>	<b>0.39</b>	<b>0.16</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>

Source: Company data, Baader Helvea Equity Research



Francotyp-Postalia Holding

CONSOLIDATED BALANCE SHEET

		2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
<b>ASSETS</b>										
Goodwill	EUR mn	8.5	10.4	4.6	3.8	3.9	4.4	4.4	4.4	4.4
Intangible assets	EUR mn	26.7	30.3	34.1	24.5	15.8	15.4	14.2	13.5	13.1
Fixed assets	EUR mn	31.8	29.9	40.4	36.8	36.3	37.9	39.9	41.0	42.0
Associated co./Financial investments	EUR mn	0.2	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Receivables financial Services	EUR mn	11.2	13.1	17.3	15.7	16.6	15.6	17.7	19.0	20.2
Other financial assets	EUR mn	2.4	2.4	2.8	2.2	1.8	1.4	1.8	1.8	1.9
Deferred tax assets	EUR mn	1.4	1.9	1.5	1.5	1.1	1.1	1.3	1.3	1.3
Other long term financial assets	EUR mn	0.2	0.2	0.2	0.6	0.2	0.2	0.7	0.7	0.8
<b>Non-current assets</b>	<b>EUR mn</b>	<b>82.3</b>	<b>88.4</b>	<b>101.6</b>	<b>85.1</b>	<b>75.7</b>	<b>75.9</b>	<b>80.0</b>	<b>81.7</b>	<b>83.7</b>
Inventory	EUR mn	10.6	11.2	12.4	11.5	16.5	19.5	20.2	20.4	21.1
Trade receivables	EUR mn	18.6	19.0	18.1	17.7	19.5	20.7	22.0	23.0	23.8
Receivables financial services	EUR mn	4.0	5.1	6.9	6.7	7.0	7.5	7.5	7.8	8.1
Other short term financial assets	EUR mn	0.0	0.0	0.0	0.6	0.0	0.1	0.0	0.0	0.0
Other short term assets	EUR mn	13.4	12.5	15.2	9.7	8.1	10.3	10.5	10.7	11.0
Tax receivables	EUR mn	5.8	0.2	1.6	5.0	5.5	4.3	5.0	5.0	5.2
Cash and equivalents	EUR mn	34.9	30.9	30.5	36.1	33.3	34.4	35.7	36.9	41.4
<b>Current assets</b>	<b>EUR mn</b>	<b>87.4</b>	<b>78.8</b>	<b>84.7</b>	<b>87.2</b>	<b>89.9</b>	<b>96.8</b>	<b>100.9</b>	<b>103.8</b>	<b>110.6</b>
<b>Total long and short term assets</b>	<b>EUR mn</b>	<b>169.7</b>	<b>167.2</b>	<b>186.3</b>	<b>172.3</b>	<b>165.6</b>	<b>172.7</b>	<b>180.9</b>	<b>185.5</b>	<b>194.2</b>
<b>EQUITY AND LIABILITIES</b>										
Subscribed capital	EUR mn	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3
Capital reserve	EUR mn	34.7	34.7	34.7	34.3	34.3	34.3	34.3	34.3	34.3
Retained earnings	EUR mn	-11.6	-13.8	-12.4	-28.0	-27.7	-23.4	-16.4	-9.0	-0.3
Other comprehensive income	EUR mn	-4.9	-4.1	-4.8	-9.5	-7.4	-3.1	-3.1	-3.1	-3.1
Treasury shares	EUR mn	-1.6	-1.9	-1.9	-1.1	-1.1	-1.6	-1.6	-1.6	-1.6
Minorities	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Equity</b>	<b>EUR mn</b>	<b>33.0</b>	<b>31.3</b>	<b>32.0</b>	<b>12.0</b>	<b>14.5</b>	<b>22.6</b>	<b>29.5</b>	<b>36.9</b>	<b>45.6</b>
Pension provisions	EUR mn	16.5	18.8	20.6	20.5	19.0	14.6	14.7	14.7	14.7
Deferred tax liabilities	EUR mn	1.6	0.2	2.4	2.6	2.7	3.9	4.0	4.1	4.2
Long-term provisions for other risks	EUR mn	1.1	1.4	3.4	5.4	1.4	1.1	1.2	1.3	1.4
Long-term financial indebtedness	EUR mn	43.1	39.1	46.2	43.3	36.7	29.5	29.0	27.0	26.0
Other liabilities	EUR mn	0.1	0.0	0.0	2.5	1.1	1.5	1.6	1.6	1.6
<b>Non-current liabilities</b>	<b>EUR mn</b>	<b>62.5</b>	<b>59.5</b>	<b>72.5</b>	<b>74.2</b>	<b>60.8</b>	<b>50.6</b>	<b>50.5</b>	<b>48.7</b>	<b>47.9</b>
Trade accounts payable	EUR mn	11.2	14.0	14.6	14.1	12.9	13.6	14.1	14.6	15.0
Income tax payable	EUR mn	5.1	3.3	2.7	3.8	5.1	4.3	5.8	6.0	6.3
Short-term provisions for other risks	EUR mn	8.0	11.9	9.6	15.8	16.5	13.9	14.0	13.8	13.5
Short term financial indebtedness	EUR mn	0.4	0.2	4.1	3.7	3.5	11.5	10.5	7.7	6.9
Other liabilities	EUR mn	49.6	47.1	50.8	48.7	52.4	56.1	56.5	57.8	59.0
<b>Current liabilities</b>	<b>EUR mn</b>	<b>74.3</b>	<b>76.5</b>	<b>81.8</b>	<b>86.1</b>	<b>90.3</b>	<b>99.5</b>	<b>100.9</b>	<b>99.9</b>	<b>100.7</b>
<b>Total equity and liabilities</b>	<b>EUR mn</b>	<b>169.7</b>	<b>167.2</b>	<b>186.3</b>	<b>172.3</b>	<b>165.6</b>	<b>172.7</b>	<b>180.9</b>	<b>185.5</b>	<b>194.2</b>

Source: Company data, Baader Helvea Equity Research

## Key data

## Francotyp-Postalia Holding

Germany

## Capital Goods

Reuters: FPHG.DE Bloomberg: FPH GY

## Buy

Price on 25-May-23 EUR 3.56

Target price EUR 5.00

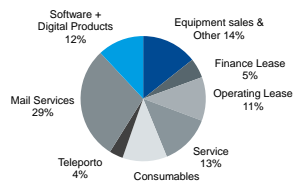
High/Low (12M) EUR 3.71/2.76

Market cap. EUR mn 56

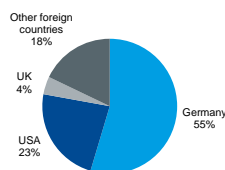
## Company profile

FP is the global no. 3 in the market for franking machines. Further activities comprise consolidation/sorting of business mail and hybrid mail services. FP is currently ramping up new products (e-signature and shipping/logistics solutions).

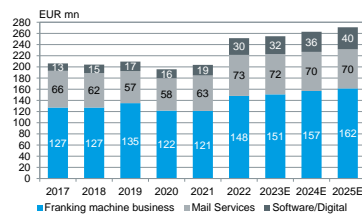
## Sales by product (2022)



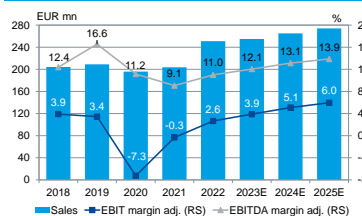
## Sales by region (2022)



## Sales trend by product category



## Sales, EBITDA and adj. EBIT margin trend



Source: Company data, Refinitiv, Baader Helvea Equity Research

Analyst: Peter Rothenaicher

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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	55.9	55.9	55.9
Enterprise value (EUR mn)	97.5	88.9	81.0	85.4	79.3	73.1
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>-</b>	<b>154.0</b>	<b>8.7</b>	<b>7.9</b>	<b>5.7</b>	<b>4.7</b>
P/BV (x)	4.5	3.4	2.5	1.9	1.5	1.2
FCF/EV (%)	13.0	7.3	10.0	9.7	12.3	15.0
FCF yield (%) (FCF/Mcap.)	23.8	13.2	16.8	14.8	17.5	19.6
Dividend yield (%)	0.0	0.0	0.0	4.2	5.6	7.0
EV/Sales (x)	0.5	0.4	0.3	0.3	0.3	0.3
EV/EBITDA adj. (x)	4.5	4.8	2.9	2.8	2.3	1.9
EV/EBIT adj. (x)	-6.9	-134.1	12.2	8.6	5.9	4.5
EV/CE (x)	1.2	1.1	1.0	1.0	0.9	0.8
ROCE/WACC adj. (x)	-2.3	-0.1	1.0	1.4	1.8	2.0
<b>Key company data</b>						
Sales growth (%)	-6.3	4.0	23.2	1.6	3.9	3.4
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>3.9</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	3.3	3.7	4.0
Payout ratio (%)	0.0	0.0	0.0	33.6	32.1	33.1
Gearing (%) (net debt/equity)	198.9	141.3	80.4	50.1	23.7	5.5
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	11.5	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	9.9	13.5	16.3
EBIT adj.	-14.2	-0.7	6.6	9.9	13.5	16.3
EBT	-14.9	2.2	8.6	10.2	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	30	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>

## Francotyp-Postalia Holding

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Company	Key
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Company	Date	Rating	Currency Target price	Closing price as of	Analyst
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Sell	<-10%

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