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FP: H1 2019 clear focus on ACT – revenue forecast adjusted for full year 2019

- FP continues to grow strongly by 20.6% in Software/Digital segment to a total of € 8.9 million
- Revenue in mail services declined by 18.3% to € 26.2 million
- Total revenue reaches € 99.0 million; revenue adjusted for currency effects EUR 97.4
- EBITDA - adjusted for currency effects and expenses for the ACT project JUMP – at € 13.1 million
- Adjusted free cash flow at € 4.0 million

Berlin, 22 August 2019 – Francotyp-Postalia (FP), the expert in secure mail business and secure digital communication processes (ISIN DE000FPH9000), generated revenue of € 99.0 million on the basis of preliminary figures in the first half of fiscal 2019, compared to € 104.8 million in the same period of the previous year. Adjusted for currency effects, revenue amounted to € 97.4 million in the first half of 2019. The decline in revenue was in particular determined by the Mail Services segment, while the Software/Digital segment grew by 20.6% to a total of € 8.9 million (H1 2018: € 7.4 million).

Revenue in the Franking segment amounted to € 64.0 million as against € 65.4 million in the first six months of 2018. This was due to a deterioration in global economic prospects, as well as a partial deferral of sales into the second half 2019 due to the launch of the new and innovative PostBase Vision franking system. Nevertheless, FP asserts itself against the rest of the industry in a difficult market environment and slightly increased its global market share once again to 11.8%.

The Software/ Digital segment continued to develop positively in the first half of 2019 with a dynamic growth. Revenue climbed by 20.6% to € 8.9 million after € 7.4 million in the same period of the previous year. FP has steadily expanded the range of services in this segment as part of its ACT strategy. The positive development has been driven in particular by hybrid mail services and IoT. FP is thus continuing its transformation from a “franking machine manufacturer” to a provider of secure digital communication.

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The low-margin Mail Services segment was – as in the first quarter of 2019 – influenced by an earnings-focused management of the customer portfolio and a general decline in mail volume. The revenues in the first half of 2019 amounted to € 26.2 million, compared with EUR 32.0 million in the same period of the previous year. For the second half of 2019, FP expects a trend reversal in the segment due to the realignment of sales and the impact from the postage tariff increase by DPAG.

Adjusted preliminary EBITDA reaches € 13.1 million

On the basis of preliminary calculations, FP generated EBITDA of € 11.6 million in the reporting period as against € 12.8 million in the same period of the previous year. Earnings were adversely affected by the ACT project JUMP in the first six months of 2019. These extraordinary expenses totalled € 2.2 million in the reporting period (same period of the previous year: € 0.9 million). In connection with the further implementation of the ACT project JUMP, recurring savings of € 0.5 million were achieved in the first half of 2019. There were positive effects in the reporting period from the application of the new standard IFRS 16 “Leases” amounting to € 1.8 million and from currency effects, especially from the performance of the euro against the US dollar, totalling € 0.8 million. Adjusted for exchange rate effects and the expenses for the ACT project JUMP, EBITDA amounted to € 13.1 million in the first half of 2019, 4.6% down on the EBITDA, adjusted for JUMP expenses of € 13.7 million in the same period of the previous year (corresponding to a 13.4% EBITDA margin, after 13.1% in the same period of the previous year).

Depreciation and amortisation increased considerably by € 2.3 million to € 10.9 million compared to the first half of the previous year. This was due in particular to the first-time application of IFRS 16 and higher depreciation on intangible assets. Earnings before interest and taxes (EBIT) reached € 0.7 million after € 4.2 million in the same period of the previous year. This results in consolidated earnings of € 0.6 million for FP in the first half of 2019 as against € 3.2 million in the previous year. Earnings per share (EPS) amounted to € 0.04 as against € 0.20 in the first half of 2018.

The company generated a free cash flow of € -1.3 million (H1 2018: € 0.0 million) in the first six months. Adjusted for investments in finance lease assets and M&A, and for expenditure for the ACT

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project JUMP, the FP Group generated an adjusted free cash flow of € 4.0 million as against € 3.5 million in the same period of the previous year.

FP adjusts revenue guidance for 2019 as a whole and confirms EBITDA and free cash flow forecast

FP has adjusted its revenue forecast for the full year 2019. This is based on the general economic slowdown, the significant decline in revenue in the low-margin Mail Services segment, a partial deferral of sales in the core franking business as well as a positive, however lower than initially planned revenue development in the Software/ Digital segment.

Accordingly, the company expects revenue for the financial year 2019 to be slightly higher than previous year's level. A strong increase in revenue was originally forecasted for 2019. At the same time, the FP Group confirms its forecast for EBITDA and expects a strong increase year on year, when adjusted for expenses for the ACT project JUMP.

In addition, the company confirms the forecast for adjusted free cash flow. With further investments in ACT and new products and services, the FP Group continues to expect that the adjusted free cash flow for the financial year 2019 will be positive, yet considerably lower than in the previous year.

Rüdiger Andreas Günther, CEO of the FP Group: "We are not satisfied with the first half of 2019. We are focusing more strongly and we will remain fully committed to the consistent implementation of our ACT strategy in the second half of 2019. In the coming months, we expect further impetus from our new innovative products and services. We will continue on our profitable growth path and establish ourselves as the relevant expert for secure mailing business and secure digital communication."

The anticipated development of the financial performance indicators for financial year 2019 is based on the assumption of constant exchange rates.

PRESS RELEASE

Key figures at a glance:

In € million	H1 2019	H1 2018	Change (in %)
Revenue	99.0	104.8	-5.5%
Cost of materials	48.9	52.3	-6.6%
Staff costs	30.6	31.0	-1.1%
Other expenses	18.7	17.7	5.7%
EBITDA	11.6	12.8	-9.3%
Adjusted EBITDA	13.1	13.7	-4.6%
EBIT	0.7	4.2	-84.1%
Consolidated net income	0.6	3.1	-81.9%
Earnings per share (in €, basic/diluted)	0.04	0.20	-81.9%
Free cash flow	-1.3	0.0	n/a
Adjusted free cash flow	4.0	3.5	13.8%

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About Francotyp-Postalia (FP)

The FP Group, a listed international company headquartered in Berlin, is an expert in secure mail business and secure digital communication processes. As the market leader in Germany and Austria, the FP Group offers digital solutions in addition to products and services for the consolidation of business mail and efficient mail processing for companies and public authorities in its “Software”, “Mail Services” and “Franking/Inserting” product segments. The Group generated revenue of more than € 200 million in 2018. Francotyp-Postalia is represented in ten countries with its own subsidiaries and in a further 40 countries via its own network of dealers. Thanks to a history spanning more than 96 years, FP has a unique DNA in the fields of actuator and sensor technology, cryptography and connectivity. FP has a global market share in franking systems of more than 11%.