

## P R E S S   R E L E A S E

### **FP maintains its transformation path in Q1 2018**

- Medium-term profitable growth trend intact - Q1 2018 one of the strongest quarters in revenue and earnings in the company's history
- Adjusted for currency effects, revenue achieves EUR 54.9 million
- Adjusted for currency effects and the ACT-project JUMP, EBITDA increased by 5.3 % to EUR 8.7 million
- Adjusted free cash flow achieved EUR 3.4 million
- Forecast for 2018 as a whole confirmed

**Berlin, 17 March 2018** - Francotyp-Postalia Holding AG (FP), the expert in secure mail business and secure digital communication processes, published its figures for the first quarter of 2018 today. In the first three months, the company has developed operationally as planned. Revenue and earnings are among the strongest in the company's history. Adjusted for currency effects, revenue achieved EUR 54.9 million (previous year: EUR 55.5 million). Adjusted for currency effects and initial expenses for the ACT-project JUMP, EBITDA increased by 5.3% to EUR 8.7 million.

The strong Euro, in particular against the US dollar (+15.4 % compared with the same period of the previous year), is reflected in the reported figures for Q1 2018. The exchange rate effects across all currencies were negative, totalling EUR 2.0 million in Q1 2018. Taking account of exchange rate effects, the FP Group generated revenue of EUR 53.0 million. The medium-term growth trend remains intact. Since Q1 2016, the average annual growth rate has amounted to 3.4 % (CAGR at constant exchange rates).

In Q1 2018, revenue in the Franking Systems segment amounted to EUR 32.1 million at current exchange rates compared to EUR 33.8 million in the first three months of 2017. Adjusted for currency effects, revenue in the core business increased to EUR 34.0 million. FP continues to perform well in the industry and repeated the strong success of the previous year. In the first three

months of the current year, FP therefore continued to gain market share worldwide. The company grew particularly in its domestic market of Germany, and the development was also positive in the strategically key foreign markets in the US and France.

The announced realignment in the Mail Services and Software segment is in full swing and business is stabilising. Following the decline in processed mail volume in the 2017 financial year, revenue in the Software segment achieved EUR 3.8 million in Q1 2018 again, reaching the level of the same quarter of the previous year. In Q1 2018, revenue in the Mail Services segment, the business division for professional document management and logistics, amounted to EUR 17.1 million, compared with EUR 17.8 million in the same period of the previous year. The volume of processed letters in the consolidation business was stable. The decline in revenue as against the same quarter of the previous year is due primarily to the largely completed realignment of this product area and to changes in the customer and product mix.

FP is constantly expanding its product and service range with digital solutions as planned. Sales partnerships are a key element in achieving the accelerated growth in this segment which is planned as at 2019. Just 18 months after the start of the ACT growth strategy, further key milestones were reached. In Q1 2018, new collaborations were concluded, for example with Bundesdruckerei GmbH for the legally-binding digital signature solution FP Sign. With the FP Secure Gateway, a key component for secure data transmission in the Internet of Things (IoT), FP has now since very recently also become a technology partner of Amazon Web Services Inc., the world's leading provider of Cloud services.

Rüdiger Andreas Günther, CEO of the FP Group, explains: "Despite some challenges, we are consistently continuing with our transformation trajectory. We are gaining market share in the franking machine business. At the same time, we are working at high pressure to develop our digital solutions and expand our sales teams to ensure the planned growth targets for 2020 are met. Thanks to our innovative technologies, we are proud that we are already being included in the circle of cooperation partners by the leading companies in their sectors."

Another sub-project of the ACT growth strategy also reaches a new milestone. As a result of the implementation of the brand strategy, the company's new claim and vision will also be presented at the company's Annual General Meeting on 29 May 2018. The brand strategy is expected to create and considerably increase recognition and acceptance of the FP brand among customers and other stakeholders worldwide.

### **Adjusted EBITDA above previous year's level**

In Q1 2018, FP generated EBITDA of EUR 7.4 million compared with EUR 8.3 million in the previous year, corresponding to an EBITDA margin of 14.1% (Q1 2017: 15.0%).

With the JUMP project, a key sub-project within the ACT growth strategy, the company is being realigned to accelerate revenue growth and raise profitability to the targets communicated by 2020. The project is about to be completed as planned which is essential for the upcoming implementation of the key "Decide & Design Phase"; in Q1 2018, the expenses incurred for this were still at a low level at EUR 0.2 million. For the 2018 financial year overall, non-recurring expenses of EUR 6.0 - 8.0 million are planned, which will result in annual improvements of EUR 6.0 million as at 2020.

Adjusted for these JUMP expenses and for currency effects of EUR -1.1 million, EBITDA was as much as EUR 8.7 million (corresponding to 15.9 % EBITDA margin on consolidated revenue adjusted for currency effects).

### **Consolidated net income at the level of the previous year**

In Q1 2018, depreciation declined both in absolute terms and in relation to revenue as against the previous year and EBIT totalled EUR 3.2 million after EUR 3.4 million in the previous year. As in the same period of the previous year, consolidated net income totalled EUR 2.2 million. Thus, earnings per share (EPS) remained at the previous year's level and achieved EUR 0.14.

Günther explains: "FP has started the 2018 financial year with good results. We are on the right track with ACT but we have to be even more agile and faster in many areas. Therefore, in the following quarters, we will continue to consistently implement the JUMP project

that has already been announced to align our entire organisation on the profitable growth trajectory for the coming years.”

As announced, FP is significantly investing in its new products. In the first three months of 2018, investment was slightly below the level of Q1 2017. However, in the previous year, this also included expenses of EUR 1.4 million for the acquisition of a customer list.

In the first three months, the company generated free cash flow of EUR 2.6 million (Q1 2017: EUR 1.9 million). Adjusted for investments in finance lease assets and M&A, the FP Group generated free cash flow of EUR 3.4 million as against EUR 4.3 million in the same period of the previous year.

The FP Group confirmed its forecast for the 2018 financial year. The company expects revenue to increase slightly year on year. Adjusted for the expenses of the ACT-project JUMP, the FP Group also expects a slight year-on-year increase in EBITDA. Owing to growing investment in ACT and new products, the company expects free cash flow for 2018 to be positive but well below the previous year when adjusted for M&A and investments in finance lease assets, and before payments in connection with the JUMP project.

The planned payments for JUMP for the quarters to come will contribute significantly to the planned growth rates. It enables the company to generate faster revenue growth with significantly improved profitability. Günther says: “We intend to increase revenues to EUR 250 million and achieve an EBIDA margin of 17% by 2020. We are seeking to achieve earnings per share of more than EUR 1 for the period after 2020. We are convinced that we will meet these ambitious targets. Q1 2018 is another step in this direction.”

The anticipated development of financial performance indicators for the 2018 financial year is based on the assumption of constant exchange rates.

**Key figures at a glance:**

in € million	Q1 2018	Q1 2017	Change
Revenue	53.0	55.5	-4.5%
Cost of materials	26.7	27.5	-2.9%
Staff costs	14.9	15.2	-1.8%
Other expenses	8.6	8.0	8.3%
EBITDA	7.4	8.3	-10.3%
EBIT	3.2	3.4	-8.1%
Consolidated net income	2.2	2.2	-0.1%
Earnings per share (in €, basic)	0.14	0.14	2.1%
Earnings per share (in €, diluted)	0.14	0.13	2.6%
Free cash flow	2.6	1.9	35.7%
Adjusted free cash flow	3.4	4.3	-19.7%

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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 products and services for efficient mail processing, consolidation of business mail and digital solutions for businesses and authorities with its product segments "Franking and Inserting", "Mail Services" and "Software". The Group generated revenue of more than EUR 200 million in 2017. 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 95 years, FP has a unique DNA in the fields of actuator and sensor technology, cryptography and connectivity. It has a share of over 11% in the global market for franking systems.

You can find out more at [www.fp-francotyp.com](http://www.fp-francotyp.com).