

31 March 2020

Personalized for Francotyp-Postalia Holding AG, Maik Laske

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Francotyp-Postalia Holding

Germany

Support Services

Reuters: FPHG.DE Bloomberg: FPH GY

Buy

Closing price as of 30-Mar-20 EUR 3.04

Target price EUR 5.00

High/Low (12M) EUR 4.19/2.81

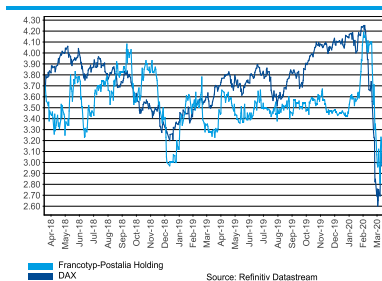
Market cap. EUR mn 48

Enterprise value EUR mn 93

Free float 75.0%

Avg. daily turnover EUR mn 0.14

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-25.3	-11.9	-14.1
rel. DAX	-7.9	14.0	6.9
rel. STOXX Europe 600	-9.1	12.5	5.8
rel. SXXP Industrials	-3.0	18.3	9.4

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Solid performance of adjusted EBITDA in 2019 – COVID-19 pandemic will have a significantly negative sales and earnings impact in 2020

Our conclusion

- Francotyp-Postalia announced **solid preliminary key figures for 2019**. EBITDA adjusted for currency effects and expenses for the JUMP project improved to around EUR 33mn vs. EUR 25.1mn in 2018. It has to be considered, however, that accounting changes contributed around EUR 5mn to the increase. Sales in 2019 (around EUR 209mn) benefited as well from this effect. **As FP will consider goodwill impairments in its 2009 accounts, the net result will presumably only reach the previous year's level.**
- Due to the impact of the COVID-19 pandemic, **FP now expects for 2020 a significant decline in revenue, EBITDA and adjusted free cash flow compared to the previous year.** The company had initially planned for 2020 5-8% revenue increase and adj. EBITDA in the range of EUR 30-34mn. **We will correspondingly have to adjust our estimates.**
- In the current situation, **FP will focus on securing and expanding the existing Group liquidity** in order to secure the Group's strategic and operational goals in the long term. Therefore, the company **decided not to propose any dividend payment for 2019**. Due to the current conditions, the publication of the detailed preliminary figures for FY19, which was planned for 31 March, will be postponed probably by a few days.

Facts & Analysis

EUR mn	9M18	4Q18	FY18	9M19	4Q19E Baader	4Q19 Prel.	FY19E Baader	FY19 Prel.
Sales	154.3	49.9	204.2	152.4	52.3	~57	204.7	~209
Change yoy (%)	0.3	-4.9	-1.0	-1.2	4.8		0.2	
EBITDA adj.	18.4	6.7	25.1	22.0	8.3	~11	30.3	~33
Margin (%)	11.9	13.3	12.3	14.5	15.9		14.8	
Change yoy (%)	-6.2	-0.5	-4.7	19.7	25.3		21.0	
EBIT	4.2	-4.5	-0.3	4.4	2.2		6.6	
Margin (%)	2.7	-9.0	-0.1	2.9	4.2		3.2	
Change yoy (%)	-15.9	n.a.	n.a.	4.9	n.a.		n.a.	
EBT	4.9	-3.7	1.3	3.9	2.0		5.9	
Change yoy (%)	-8.3	n.a.	-82.3	-21.2	n.a.		373.6	
Net incl. after min.	3.2	-2.3	0.9	2.6	1.4		3.9	stable
Change yoy (%)	-4.4	n.a.	-80.7	-19.9	n.a.		340.8	

Source: Company data, Baader Helvea Equity Research

- Based on preliminary figures, **FY19 EBITDA (adjusted for (positive) currency effects and expenses for the ACT project)** improved to around EUR 33mn (previous year EUR 25.1mn). According to FP, this is based on the successful implementation of the ACT strategy. Furthermore, the reassessment of the useful life of leased products for lessor accounting purposes and the first-time application of IFRS 16 to the FP Group as lessee contributed around EUR 5mn to the increase.
- At EUR 209mn, **sales** slightly surpassed the previous year's level, however, including positive effects from the aforementioned accounting change. **Adjusted free cash flow** reached the previous year's level (2018: EUR 10.9mn).
- According to preliminary calculations, **the consolidated net result will only reach the previous year's level due to impairments of the goodwill of freesort GmbH and intangible assets (FP Sign).**

Key financials

EUR mn	2018	2019E	2020E	2021E	CAGR (%)
Sales	204.2	204.7	221.6	234.2	4.7
EBIT adj.	7.7	8.1	11.0	14.0	22.0
EPS adj. (EUR)	0.39	0.31	0.49	0.63	17.3

Valuation ratios

x	2018	2019E	2020E	2021E
EV/Sales	0.5	0.5	0.4	0.4
EV/EBIT adj.	12.3	12.7	8.5	6.3
P/E adj.	9.6	11.2	6.2	4.8

Source: Company data, Baader Helvea Equity Research

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Key data

FY 31 Dec.	2016	2017	2018	2019E	2020E	2021E
Share data						
EPS reported (EUR)	0.36	0.29	0.06	0.25	0.49	0.63
EPS adjusted (EUR)	0.36	0.29	0.39	0.31	0.49	0.63
Dividend (EUR)	0.16	0.12	0.03	0.06	0.18	0.22
Book value (EUR)	2.24	2.03	2.10	2.39	2.85	3.33
Free cash flow (EUR)	0.28	0.36	0.59	0.34	0.41	0.58
Avg. no. of shares (mn)	16.1	16.2	15.9	15.9	15.9	15.9
Market cap. (avg./current; EUR mn)	67.8	84.6	59.8	55.1	48.4	48.4
Enterprise value (EUR mn)	104.7	36.0	94.8	103.4	93.0	88.3
Valuation						
P/E adj. (x)	11.7	17.9	9.6	11.2	6.2	4.8
P/BV (x)	1.9	2.6	1.8	1.4	1.1	0.9
FCF/EV (%)	5.3	700.3	11.3	5.6	7.0	10.4
FCF yield (%) (FCF/Mcap.)	6.7	6.8	15.7	9.8	13.5	18.9
Dividend yield (%)	3.8	2.3	0.8	1.7	5.9	7.2
EV/Sales (x)	0.5	0.2	0.5	0.5	0.4	0.4
EV/EBITDA adj. (x)	3.8	1.4	3.8	3.4	2.8	2.3
EV/EBIT adj. (x)	10.7	5.0	12.3	12.7	8.5	6.3
EV/CE (x)	1.1	0.4	1.1	1.0	0.9	0.8
ROCE/WACC adj. (x)	1.4	1.1	1.3	1.3	1.6	2.0
Key company data						
Sales growth (%)	6.2	1.7	-1.0	0.2	8.3	5.7
EBITDA adj. growth (%)	1.6	-3.3	-4.7	21.0	11.0	11.8
EBITDA adj. margin (%)	13.4	12.8	12.3	14.8	15.2	16.1
EBIT adj. margin (%)	4.8	3.5	3.8	4.0	5.0	6.0
Net adj. margin (%)	2.9	2.3	3.0	2.4	3.5	4.3
Free cash flow margin (%)	2.2	2.8	4.6	2.6	3.0	3.9
Payout ratio (%)	43.9	42.0	53.3	24.2	37.0	35.1
Gearing (%) (net debt/equity)	55.0	59.0	56.7	84.8	62.9	44.8
Net debt/EBITDA (x)	0.7	0.7	1.1	1.1	0.8	0.6
Equity ratio (x) (equity/total assets)	21.5	19.4	20.0	20.7	23.7	27.0
Capital employed (EUR mn)	94.0	85.2	86.9	104.0	107.0	109.5
ROCE adj. (%)	10.4	8.5	8.9	7.8	10.3	12.8
Income statement (EUR mn)						
Turnover	203.0	206.3	204.2	204.7	221.6	234.2
EBITDA	27.2	26.3	17.1	28.8	33.7	37.6
EBITDA adj.	27.2	26.3	25.1	30.3	33.7	37.6
EBIT	9.7	7.3	-0.3	6.6	11.0	14.0
EBIT adj.	9.7	7.3	7.7	8.1	11.0	14.0
EBT	9.6	7.1	1.3	5.9	11.5	14.5
Net profit after minorities	5.9	4.6	0.9	3.9	7.7	10.0
Net profit adj.	5.9	4.6	6.2	4.9	7.7	10.0
Balance sheet (EUR mn)						
Non-current assets	10	15	17	20	20	21
thereof goodwill	8	8	10	10	10	10
Current assets	83	87	79	79	85	89
Total assets	167	170	167	184	191	196
Shareholders' equity	36	33	33	38	45	53
Total equity and liabilities	167	170	167	184	191	196
Net debt	20	19	19	32	29	24
Cash flow (EUR mn)						
Cash flow from operations	22.1	21.3	31.0	28.4	27.8	31.2
of which change in working capital	5.9	-2.7	-4.6	2.5	2.9	2.3
Cash flow from investments	-17.6	-15.5	-21.7	-23.0	-21.3	-22.0
of which investment in fixed assets	16.9	15.5	18.2	22.0	21.3	22.0
Free cash flow	4.6	5.8	9.4	5.4	6.5	9.2
Dividends paid	-1.9	-2.6	-1.9	-0.5	-0.5	-2.4
Cash flow from financing activities	-0.7	1.1	-10.2	-11.1	-5.5	-9.4
Change in cash position	3.8	6.9	-0.9	-5.7	1.1	-0.2

Source: Company data, Baader Helvea Equity Research

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