PRESS RELEASE

FP shows strong growth in software business in first quarter of 2019

- **FP shows strength in core business and grows Software business by more than 22%**
- **Consolidated revenue amounts to € 52.1 million, declining slightly to € 51.2 million after adjustment for currency effects due to slowdown in Mail Services business**
- **Adjusted EBITDA of € 7.4 million**
- **Adjusted free cash flow of € 7.4 million**
- **Forecast for 2019 fiscal year confirmed**

Berlin, 16 May 2019 – Francotyp-Postalia (FP), the expert in secure mail business and secure digital communication processes, has today published its figures for the first quarter of 2019. The company generated revenue of € 52.1 million in the first three months of 2019 after € 53.0 million in the same period of the previous year. Adjusted for positive currency effects and expenses for the JUMP transformation project, EBITDA amounted to € 7.4 million against € 7.6 million in the same period of the previous year.

Revenue in the Franking and Inserting segment amounted to € 33.0 million as against € 32.1 million in the first three months of 2018. This includes positive currency effects of € 0.9 million. While competitors in the franking business recently showed revenue declines, FP is still proving strong. Its performance was particularly positive on the key strategic markets of the US and France.

The Software segment is developing positively with double-digit growth. Revenue climbed by 22.7% to € 4.7 million in the first quarter of 2019 after € 3.8 million in the same period of the previous year. FP has steadily expanded the range of services in this segment as part of its growth strategy ACT and is now benefiting from this. This positive development has been driven by both hybrid mail services and solutions for secure, fully digital communication and the Internet of Things (IoT).

The thin-margin Mail Services segment reported a significant drop in revenue of 15.7% to € 14.4 million due to the results-driven management of the customer portfolio and a general contraction in mail volumes. The reorganisation of sales, new management and the higher postage tariffs expected in the second half of 2019 shall turn the situation around in the second half of the year.

Rüdiger Andreas Günther, CEO of the FP Group, said: “We have made systematic progress in our transformation in the first quarter of 2019, but had a number of challenges to overcome, such as the simultaneous implementation of JUMP. The Software segment is building momentum. We are working flat out to make headway with the expansion of our digital solutions in order to meet the planned growth targets for 2019 and 2020. We have taken the necessary steps in Mail Services and are aiming to get back on track for success.”

Adjusted EBITDA down slightly year-on-year

FP generated EBITDA of € 6.9 million in the first quarter of 2019 as against € 7.4 million one year previously. Adjusted for positive currency effects of € 0.5 million and expenses for the JUMP project of € 0.9 million (Q1 2018: € 0.2 million), EBITDA was € 7.4 million and therefore slightly lower than the level for the same period of the previous year (€ 7.6 million). This corresponds to an adjusted EBITDA margin of 14.5% (Q1 2018: 14.4%).

The positive effect on EBITDA of the adoption of the new IFRS 16 standard in the first three months of 2019 of € 1.0 million was offset almost entirely by amortisation on right-of-use assets of € 0.9 million. The effect of IFRS 16 on consolidated net income was immaterial. Consolidated total assets were up by € 12.5 million as at 31 March 2019 as a result of the adoption of IFRS 16, primarily on account of the capitalisation of right-of-use assets coupled with an increase in financial liabilities. The FP Group’s net debt increased to € 27.9 million as at 31 March 2019, primarily as a result of IFRS 16, as against € 18.1 million as at the end of fiscal 2018.

In total, depreciation, amortisation and write-downs rose by € 1.3 million to € 5.6 million in the first quarter of 2019, in part due to higher amortisation on intangible assets. EBIT therefore totalled € 1.3 million after € 3.2 million in the same period of the previous year. At € 1.2 million, consolidated net income for the first quarter of 2019 fell short of the figure of € 2.2 million in the same quarter of the previous year. Earnings per share (EPS) amounted to 8 cents as against 14 cents in the first quarter of 2018.

The company generated free cash flow of € 2.9 million (Q1/2018: € 2.6 million) in the first three months. Adjusted for investments in finance lease assets and M&A, and for expenditure for the ACT project JUMP, the FP Group generated a free cash flow of € 7.4 million as against € 3.4 million in the same period of the previous year. This demonstrates the capability of the FP business model to generate cash from operations.

Günther explained: "We are only somewhat satisfied with the first quarter of 2019. We are on the right path with our ACT growth strategy, as shown by the successes in our core business and the Software segment. However, Mail Services in particular has to do better in the coming quarters. At the same time, we are continuing the systematic implementation of the JUMP project in order to get our organisation as a whole ready for profitable growth in the years ahead. A transformation such as this takes time, but I feel confidently that our efforts will pay off in the next few quarters."

The company is confirming its forecast for fiscal year 2019. After an uneven start, the company is expecting strong revenue and earnings growth in the second half of the year in particular. The FP Group anticipates a strong increase in revenue in fiscal 2019, with a positive performance in all three segments in the second half of the year. Adjusted for expenses for the ACT project JUMP, the company also expects strong year-on-year growth in EBITDA.

Expenses of a low seven-figure amount are projected for the key ACT project JUMP in 2019. At the same time, the company in anticipating further positive effects from JUMP for 2019. With investments in ACT and new products again set to be at a high level on par with the previous year, the FP Group anticipates that the free cash flow for fiscal 2019 will be positive yet considerably lower than in the previous year after investments in finance lease assets and M&A and expenditure for the ACT project JUMP.

The anticipated development of the financial performance indicators for fiscal 2019 is based on the assumption of constant exchange rates. The goal for fiscal 2020 is still for a revenue of € 250 million and an EBITDA margin of 17%.

Key figures at a glance:

In € million	Q1 2019	Q1 2018	Change
Revenue	52.1	53.0	-1.7%
Cost of materials	25.3	26.7	-5.3%
Staff costs	15.7	14.9	5.6%
Other expenses	8.9	8.6	2.8%
EBITDA	6.9	7.4	-6.7%
Adjusted EBITDA	7.4	7.6	2.6%
EBIT	1.4	3.2	-57.5%
Consolidated net income	1.2	2.2	-44.8%
Earnings per share (€, basic)	0.08	0.14	-44.7%
Earnings per share (€, diluted)	0.08	0.14	-44.7%
Free cash flow	2.9	2.6	12.7%
Adjusted free cash flow	7.4	3.4	116.1 %

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About Francotyp-Postalia:
The listed and international FP Group, headquartered in Berlin, is an expert for secure mailing 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 the efficient processing of mail for companies and public authorities in the “Software”, “Mail Services” and “Franking/Inserting” segments. The Group achieved revenue of more than € 200 million in 2018. Francotyp-Postalia has subsidiaries in ten different countries and is represented by its own network of dealers in an additional 40 countries. With a company history going bank more than 95 years, FP possesses a unique DNA in the areas of actuating elements, sensor systems, cryptography and connectivity. FP has a global market share in franking systems of more than 11%.

You can find out more at www.fp-francotyp.com.