

July 13th, 2018Europe | Germany |
Office Communication SystemsDR. KALLIWODA
RESEARCH GmbH**Initiating Coverage**
BUY

Target Price: EUR 6,50

Industry: Mail Services
Country: Germany

ISIN: DE000FPH9000
Bloomberg: FPH GR
Reuters: FPHG francotyp.de
Website:

Last Price: 3,41
High **Low**
Price 52 W.: 6,10 3,23
Market Cap. (EURm) 56,57
No. of Shares (in m) 16,3

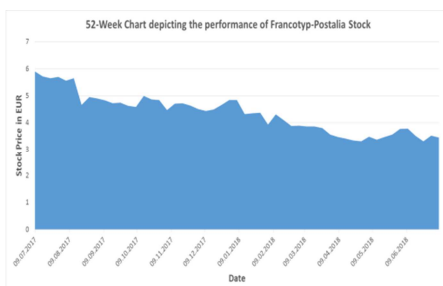
Shareholders

Active Ownership F. 9,5%
InKa GmbH 9,4%
Quaero Capital 5,2%
Free Float 62,4%

Performance

4 Weeks 8,02%
1 Year -35,76%
3 Years -21,94%

Dividend	in EUR	in %
2015	0,16	3,82%
2016 (tax free)	0,12	2,36%
2017	0,16	4,00%
2018 (tax free)	0,12	3,27%

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Also see our Bloomberg page: **KALL****Francotyp-Postalia Holding AG****Potential growth ahead spurred on by ACT**

- FP is a high tech company. Based on its core competence in sensor and actuator systems, connectivity and cryptography, FP develops and distributes franking machines, and is on the verge of diversifying into new digital products and business models. In the Franking machine industry FP ranks third with an 11% global market share (referring to the installed base). FP is also the market leader in Germany, Italy and Austria.
- The ACT strategy launched by the end of 2016 by the Management and Supervisory Boards will become one of the driving forces behind revenue growth in the near future. According to ACT, FP is following a three step approach. Attack in its core franking machine business, in order to gain a greater market share. Secondly, the company will guide the customer from the analogue into the digital world, developing and offering customer friendly added value solutions, based on its core competencies and assets. In addition, FP prepares to enter new markets apart from its present reach and to transform itself into a dynamic digital product and solutions company as well as.
- The Tixi acquisition as well as the rollout of FP Sign (through partnership with e.g. Bundesdruckerei, and Landwehr Computer und Software GmbH and Simpressive), is a manifestation of FP's swift transformation into a digital solution provider. The (Studies +) project is also a highly strategic endorsement of FP technology into a European wide market.
- The recent stock price development has led to a 50% decrease since the 52w high in summer 2017. Currently, FP stock is trading at (TTM) 13x earnings (EBIT) and 2.2x Book value. Furthermore, our DCF appraisal at €8 pershare is a clear assertion that FP is undervalued and will outperform in the future. We are aware of the fact that the price target of €8.00 significantly exceeds the current average targets. This study, obviously, is the first to actually calculate assumptions for these new digital business models. Our assumptions are more conservative than those presented by the company and our model is not taking into account a possible acquisition projected by the company for the period after 2020. It was considered, however, to apply a discount in view of the early stage of the new digital products and the incumbent risks of the transformation process. Therefore, we decided to apply a target price of €650.

EURm	2014	2015	2016	2017	2018E	2019E	2020E
Net sales	170.3	191.1	203.0	206.3	213.6	225.7	245.9
EBITDA	23.1	26.8	27.2	26.3	25.0	28.6	40.6
EBIT	9.8	9.0	9.7	7.3	7.9	10.6	20.9
Net income	5.2	3.7	6.2	4.6	5.7	7.6	14.8
EPS	0.32	0.22	0.36	0.29	0.35	0.46	0.91
BVPS	1.74	2.02	2.11	2.02	2.25	2.65	3.33
RoE	23.4%	11.9%	17.8%	13.5%	16.4%	18.9%	30.3%
EBIT margin	5.8 %	4.7 %	4.8 %	3.5 %	3.7 %	4.7 %	8.5 %
P/E	10.7x	15.1x	9.2x	11.8x	9.6x	7.3x	3.7x
P/BVPS	1.9x	1.7x	1.6x	1.7x	1.5x	1.3x	1.0x
EV/EBITDA	3.1x	2.7x	2.6x	2.7x	2.8x	2.5x	1.8x

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1. Investment Case

FP is a high tech company. While this fact is ignored by some market participants, it has to be noted that FP in its core business of franking and inserting is active in a market with high entry barriers. To obtain approval by the respective postal authorities in each country requires considerable technological skills and expertise as well as a strong focus on research and development.

In the franking machine industry FP ranks third with an 11% global market share (referring to the installed base). As technology leader in the industry, FP is also the market leader in Germany, Italy and Austria with market shares of over 40%. Furthermore, the company is the only enterprise in the industry showing market share and revenue growth in this core franking business.

FP's corporate strategy called ACT, and its subsequent results will become the main forces driving revenue growth. ACT is FP's unique selling point when compared to its competitors. This strategy aims to increase market share in the core business, accompany the customer from the analogue into the digital world and transform FP into a dynamic digital product and service provider. Under its **ACT** corporate strategy FP is pursuing a three-pronged growth approach: **A** = Attack in its core franking business, **C** = Accompany its Customers in their journey from the analogue to the digital, and **T** = Transform its business model as well as its company structure and organization to become a growth company with a focus on innovative products and services beyond its traditional roots.

Attack in core franking business:

Unlike its competitors, FP is not neglecting the franking machine business. In 2016, FP decided to invest in R&D, service and sales, and capitalizes on its technology leadership, user friendly product range and competitive customer care. FP, therefore, wins new customers from the competition while increasing shipments of new machines in most markets.

Customer Journey:

FP leverages its existing customer base of over 200.000 (mostly SME's) who currently use FP franking machines by offering them additional digital products and features. The main advance at present is discoverFP, a portal solution which is currently being rolled out to existing customers and with every new PostBase franking machine. discoverFP not only serves as a customer friendly tool to manage the machine, but also as a showroom and market place for offering and selling new apps, features and solutions. This is intended to generate a constant revenue and cash flow through either flat rates or transaction based payments. It follows FP's traditional DNA to generate recurring revenues.

Transformation:

Based on the technological core of the franking machine, FP has built up over many decades a core competency in sensor systems, actuator systems, connectivity and cryptography. This currently enables FP to expand into completely new and promising business models, especially, the entry into the fast growing market of the Internet-of-Things (IoT). FP has one of the largest IoT installed bases in Germany and a ten year track record in successfully running it (proof of concept). Furthermore, “most of the FM (Franking Machines) are decentralized devices in unsecure environments and we transfer highly secure data –especially money values- from central cloud services to our devices. Based on this experience and expertise we have developed the FP Secure Gateway which allows FP customers to connect their industrial IOT devices to a central IOT cloud services based on our proven and certified technology” (Q1, 2018 telephone conference).

A budget of EUR 6-8 million for the JUMP optimization program is estimated for 2018 which puts some strain on short-term results. This optimization plan will establish competence centres in FP’s HQ as well as shared service centres providing the necessary infrastructure to focus on sales and services.

In 2020, FP targets €250m in turnover and a 17% EBITDA margin. For 2023, the target year of the ACT corporate strategy, FP anticipates revenues of €400 million with a 20% EBITDA margin and €1.00 EPS.

FP is down 40% from its 52-week high. Just recently, the stock rallied 8% after the news of the Tixi acquisition broke out. Using a TTM approach to key financial ratios, FP shares are trading at 13x Earnings (EBIT) and 2.2x Book Value. With a DCF appraisal, valuing the shares at €8 when it’s currently trading at around € 3,41, strengthens the notion that FP is an undervalued company. If the stock reached its €8 target price, it would provideun upside from its current price of 134%. We have concluded that a **BUY** recommendation is best suited, as we believe the stock will outperform in the future.

2. Company Profile

Francotyp-Postalia Holding AG (FP) went public in 2006. With a nearly one century old corporate history FP positions itself as an expert for secure mail business and secure digital communications processes. The current company was formed in 1983 through the merger of Francotyp (founded in 1923) and Postalia (founded in 1938). The company offers franking and inserting systems, mail services and software solutions. In the course of the liberalization of the postal markets, the FP Group has expanded its scope from the manufacturing of franking machines to also providing outsourcing services such as mail consolidation and hybrid solutions for incoming and outgoing mail. FP is headquartered in Berlin, has 1,100 employees in 10 countries and a dealer network spanning additional 40 countries.

2.1. ACT: Potential for Growth and Transformation

ACT is the strategy that was developed by CEO Rüdiger Andreas Günther and his team, and that was passed by the management and the supervisory board at the end of 2016 – it is a vision and a mission for the period until 2023, the company's centennial year. What does ACT stand for? It stands for Attack in the core business, Customer Journey & Transformation. FP wants to attack in its core business, address new and existing markets, achieving greater penetration and market share. Furthermore, the customer is at the centre of FP's way of doing business, FP wants to serve the customer with new solutions, products and services. The customer experience and relationship is paramount in FP's corporate ethos. Furthermore, the B2B business model requires a constant interaction between customers and FP regarding the entire product range. In addition, digitalization is something FP is harnessing in their attempt to become a digital product and solutions provider. Moreover, according to ACT FP will transform itself into a versatile and agile business with an enhanced ability to innovate and respond to customer needs, in the most efficient ways possible.

As a result of ACT, FP ambitiously targets to reach 400 million in revenues and 20% in EBITDA margin by 2023.

To a certain extent, the ACT strategy embodies the various business segments where FP currently operates, and those where it would like to operate in the near future. The Attack component of the ACT corporate strategy is concerned with gaining greater penetration and market share in the franking business. FP has seen that the franking market is demanding machines with a smaller correspondence up to 200 letters a day. Thus, the shift in the demand for machines with smaller correspondence opens opportunities to gain new customers. FP's mail services division sorts letters from large companies (banks, insurance) by zip codes, to Deutsche Post. This line of

business represents between 25% & 33% of yearly revenues, moreover, this low margin operation is exclusive to Germany. FP is shifting and offering software solutions where companies can send documents via internet, which are then posted in an envelope. This shift from the customary to the modern, conveys FP's innovative mentality, influenced by ACT's corporate strategy. A key element of FP's ACT strategy is focussed on detecting new opportunities, emerging from the core competence in sensor and actuator systems, connectivity and cryptography.

2.2. Current Product Areas

- Franking & Inserting

FP develops and manufactures franking systems. With their help, customers can frank their mail automatically within a short time. This is not only efficient, but also reduces postage costs. FP sells and leases not only these systems, but also inserting systems that automatically insert the printed letters into envelopes.

The after-sales business is an important source of revenue. It generates recurring revenues from the sale of consumable materials such as ribbon and ink cartridges, as well as from services, software solutions and teleporto.

The sale and rental of the systems expand the base for the resulting recurring revenues.





Since the beginning of 2012, FP has been manufacturing all of its franking systems exclusively in a production facility in Wittenberge, Brandenburg, Germany.

As part of the strategy to gain market share in the traditional business and to expand into new growth markets, FP also decided to create a new branding and to increase brand awareness. The new claim "German Mailgeneering" hints at the transformation of the company, rooted in the "Made in Germany" promise of quality and innovation but also evolving into additional technologies. A successful implementation of the brand and marketing strategy might additionally support the sales efforts.

- Franking:
 - Franking machines are high tech devices, built around a central computer core module to which sensors as well as transport and stamping motors are attached, data transfer is protected by hardware based cryptography.
 - The FP Group has traditionally mainly focused on the A segment of smaller franking systems. Hence, the Group has leading edge franking machines for smaller and medium volumes of correspondence.
 - A large part of revenue in the franking line of business can be attributed to the “after sales business that generates revenues from the leasing of equipment, the sale of consumables, services and software solutions for cost centre management”. Product sales on the other hand provide the basis for future recurring revenue growth (Source: FP 2017 Annual Report).
 - Major product range: The PostBase family
 - Over 100,000 PostBase’s machines have been delivered worldwide since 2012.
 - All Post Base machines are linked to the FP repository creating an IOT network. From the repository, FP can gather data, upload software to the individual franking machines as well as update the encryption algorithms.

THE NEW MEMBERS: POSTBASE ONE AND POSTBASE 100



			
POSTBASE MINI	POSTBASE	POSTBASE 100	POSTBASE ONE
Letters/minute: Up to 20	Letters/minute: Up to 65	Letters/minute: Up to 100	Letters/minute: Up to 150
Letter opening thickness: 6 mm	Letter opening thickness: 10 mm	Letter opening thickness: 10 mm	Letter opening thickness: 20 mm

Quelle: Francotyp Postalia Holding SE

Inserting Machines:

- FP does not manufacture proprietary inserting machines. The inserting machines that FP sells to the public, are purchased from a third party vendor.

Mail Services:

Some customers with significant volumes of letters no longer want to frank them themselves. They decide instead to outsource these processes. In the Mail Services product area FP collects the items to be dispatched from the customer and franks them, if this has not already been carried out. All letters are automatically sorted according to the postcode/ZIP and delivered in grouped form to the respective Deutsche Post AG letter centre or alternative postal delivery providers. With eight sorting centres in Germany, FP is the leading independent consolidator of business mail in Germany. The largest FP centre for mail consolidation is located in Langenfeld near Düsseldorf – it is supported by seven other smaller centres, including Leipzig, Munich, Hamburg, Frankfurt and Berlin.

This so called consolidation business accounts for approx. 30 percent of Group revenue. Due to the fact that the purchase of postage from Deutsche Post yields no margin for FP it is deemed a challenge by management to increase the profitability in this segment.

Software:

Other customers do not even want to print their own mail. FP offers outsourcing also in this respect. The Software Solutions product area comprises hybrid mail services. Customers send their letters digitally under highest security. FP takes over the printing, folding/inserting, franking and delivery to the post office – all from digital sources (FP Outbound). The recipients then receive a classical letter under normal circumstances.

FP Inbound supplements the Outbound service. FP takes over the incoming mail. Letters to the customer are received, digitised, analysed according to customer-specific criteria and sent to the customer's data or document system in electronic form. It goes without saying that these processes also meet the highest security standards. This also includes the offer of permanently storing all customer correspondence and securing the digital documents with highly developed encryption and signature software.

It has to be noted that the strategic approach to differentiate oneself from the competition in the franking machine business seems to bear fruit. FP indeed has been able to show that it can grow in this market and increase its market share. Our estimate, however, does not show growth rates exceeding an annual 3 per cent. At this rate and based on the current core business alone, FP will fail to reach its consolidated revenue goals. The company, therefore,

relies on the success of the “C” and “T” parts of its strategy. Both new business approaches, however, have yet to prove that they are viable at all. The following chapter describes the products the corporate strategy builds upon and discusses the opportunities and risks arising from them.

2.3. New Digital Products and Business Models

In the 18 months since the beginning of the ACT strategy FP has also started to diversify into New Digital Products and Business Models. Under the “C” part of the strategy FP intends to accompany its customers on their journey from the analogue world to the digital. As one key element, the company is in the process of rolling out a customer portal solution under the discoverFP brand name.

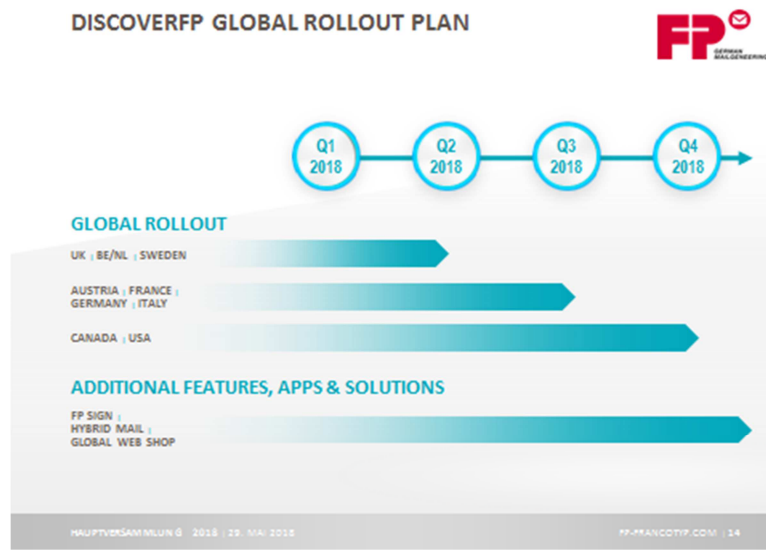
2.3.1. discover FP

One key element of FP’s corporate strategy is the portal solution called “discoverFP”. This portal serves as a bridge between the core businesses and the digital solution segment of the company. discover FP is a customer portal that is being rolled out this year. In the first quarter of 2018 the portal has been activated in the UK, Netherlands and Belgium. Moreover, a worldwide rollout is being carried out throughout 2018. The goal of “discover FP” is to support current and future customers with the transformation of their communication processes. It is intended to allow FP to leverage its base of 200.000 customers by providing a digital marketplace for FP’s and external products and services.



The solutions and services to be sold via the portal are to be successively developed to customer needs. “Agile project methodology ensures that customer feedback is quickly incorporated into the

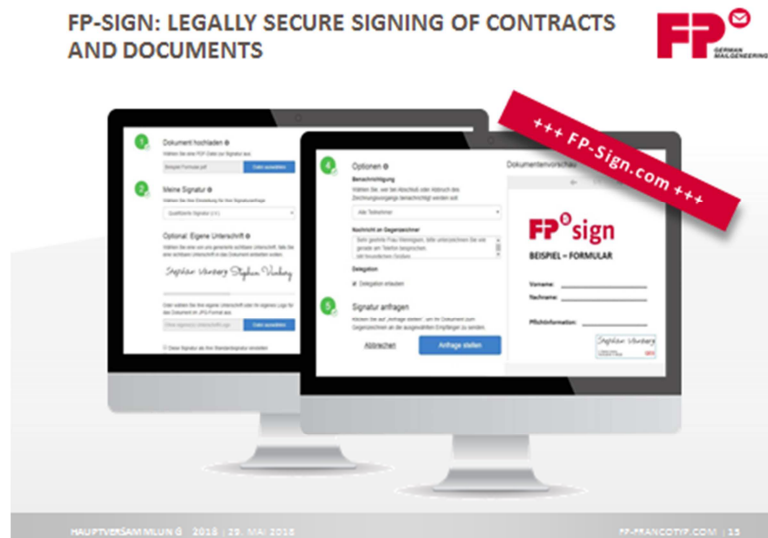
development of further portal functions, meaning that our services are subject to a process of continuous improvement in the interests of customers” (Source: FP Annual Report).



According to the company this will include among others a parcel shipping component, hybrid mail functionality and the signature solution FP Sign.

2.3.2. FP Sign

FP-Sign is a cloud based digital signature solution for the secure legally-compliant digital signing and exchange of contracts and documents. FP’s digital signature solution allows sensitive contract signing and authorisation processes to be completed quickly and easily in a legally secure format. One major advantage is that the solution ensures the highest level of security when transferring data.



The technological quality of the solution and the underlying know-how was endorsed by the EU. Recently, FP won a tender for an EU sponsored R&D project called “STUDIES+”. The aim is to develop a digital system, which helps students to identify themselves at European universities and to submit and receive certified documents. FP is the leader of a consortium including Freie Universität Berlin, Harz University of Applied Sciences, SiXFORM GmbH and Bundesdruckerei GmbH. The European Union is providing funding for this project as part of its support programme “Connecting Europe Facility”. This puts FP in a leadership position in digitizing the European university landscape.

FP Sign Sales Strategies

FP Sign is already in an advanced phase of market launch. The company pursues a differentiated sales approach using three main channels:

- FP Sign will be offered to the existing customer base via the FP Portal.
- Direct sales to large businesses such as banks and insurance companies that handle large amounts of paperwork. FP Sign can help them expedite this process and push towards digitization.
- FP Sign can also be sold through sales cooperation with specialized enterprise software vendors. This form of indirect sale is being realized in partnerships with companies like Simpressive GmbH & Co. KG, Landwehr Computer und Software GmbH, or Bundesdruckerei GmbH.

New Contract with Large Auto Manufacturer

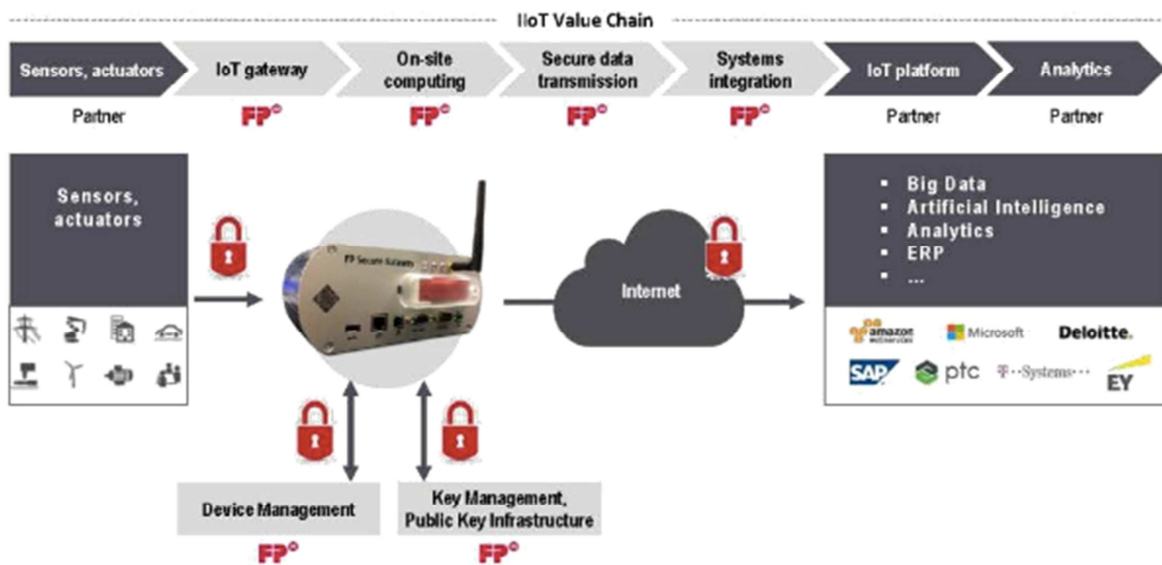
One recent result of the sales cooperation strategy was the announcement that FP Sign will be used at a German automotive group, as an integrated component of Simpressive, a solution by Simpressive GmbH & CO.KG. From the tender to the invoicing, contracts for production services go through numerous stages at the auto manufacturer. The entire workflow management is mapped digitally and transparently by Simpressive therefore speeding the workflow. Additional benefits and increased efficiency gains may arise from the integration of FP Sign. With FP’s digital and legally secure signature solution as a component of Simpressive, signature management is also processed digitally. At the defined stages of the workflow, the required signatures are now provided at the push of a button as a result of FP Sign. The system created by the partnership between FP and Simpressive has now been launched at one of the automotive group’s locations, with more news expected to come out in

the following months. FP and Simpressive intend to continue this partnership. (Source: 24, May 2018. Corporate Press Release).

According to FP management there are additional comparable partnerships being negotiated.

It has to be noted, however, that the pricing scheme for transactions-based payment covers a range of well below € 1.00 per transaction. To arrive at significant revenue, therefore, a large volume of users and transactions is required. The challenge for FP is to increase the number of users as quickly as possible.

2.3.3. FP Secure Gateway to the IOT



The IOT (Internet of Things) is bound to change the habits of people and companies alike. When in the near future, all things from a car to power plant can be connected via an Internet network; it opens a world of possibilities. Thus, this technology will allow different devices, connected via Internet, to interact with other devices. These interactions can range from simple status updates over the coordination of traffic behaviour in cars to complex management of industrial facilities. The data transmitted from these devices must be highly secure. Likewise, “it must be unchanged, complete and authorised by the expected communication participant. In some sensitive areas, confidentiality must also be ensured so that unauthorised individuals or entities are not able to read the content. “FP Secure Gateway” is the perfect solution regarding security requirements in the IOT milieu” (Source: FP Annual Report).

“FP’s Secure Gateway has a scalable number of input sensors. The information recorded by sensors is transmitted to a data centre and safeguarded in accordance with the required level of security. The communication channels are set up in line with the area of application. The volume of data and the available network connection are the main influencing factors” (Source: FP Annual Report).

An important part of FP's expertise lies in the areas regarding sensor and actuator systems, cryptography and connectivity. This proprietary technology is patented, and comes with unique hardware based security features. Thus, the secure gateway is part of FP's core competencies. As stated above, the rollout with an initial test customer has begun (Source: Q1 2018, Quarterly Report).

Acquisition of Tixi.com

In a recent communiqué, FP announced the acquisition of Tixi.com. Tixi is an IoT specialist based in Berlin. Furthermore, the company specializes in machine-to-machine communication, smart metering and IoT gateways for industrial controllers. Tixi's hardware components read and assess data "from programmable logic controllers (PLCs) of machines and systems and from energy meters, e.g. for electricity or water, remotely". Furthermore, the advantage of Tixi Cloud Gateways is that they can be connected to almost any controller or meter, which can then be linked to cloud platforms for data transmission" (DGAP-News: Francotyp Postalia Holding AG. 28.05.2018). With this successful acquisition, FP takes over the employees and customers of Tixi. This provides the company with a faster market penetration and expansion of the range of products and services.

The company's competitive advantage relies on its FP Secure Gateway. This hardware-based gateway offers the highest standard of security in the industry. "FP's IoT Gateway is the development of a security module installed in FP's franking machines. This technology has allowed for the secure transmission of postage payments of over 1 billion euro, in more than 140,000 franking machines around the globe. Furthermore, all Post Base machines are linked to the FP repository creating an IOT network. From the repository, the data from the individual machines are analysed and control commands are put into effect. This means that from the repository, individual franking machines can be coded and decoded. Thus, FP Secure gateway can be used by companies around the world, to interlink technical equipment or machinery and to transfer confidential data to the cloud at the highest security level. FP is thus gaining additional technological options to integrate a virtually unlimited range of sensors and actuators – without further development effort on its part. This will accelerate the FP Secure Gateway's market opportunities considerably. The Tixi business will likewise benefit: Tixi is gaining access to FP's high-security modules and cryptography know-how" (DGAP-News: Francotyp Postalia Holding AG. 28.05.2018).

Regarding the acquisition, Rüdiger Andreas Günther, CEO of FP, has stated that: "in pursuit of our ACT-strategy we capitalize on our proven know how in sensor and actuator systems, connectivity and cryptography to enter new multi-billion-dollar markets such as IoT and cloud technologies". Furthermore, "With this acquisition we gain further momentum. Tixi already has a

large number of renowned customers. FP provides the support required to accelerate growth and acquire new large orders.” (DGAP-News: Francotyp Postalia Holding AG. 28.05.2018).

Technology partnership with Amazon Web Services, Inc.

FP has been accepted as a technology partner of the world’s largest cloud service provider Amazon Web Services (AWS), and offers the FP Secure Gateway and IoT security solutions as part of the AWS Partner Ecosystem. AWS is a subsidiary of Amazon and the global market leader in the field of public cloud services. Again, this is a token of technological competence, it remains to be seen whether the company will be able to translate this position into revenues and earnings.

Business Model

According to company information, FP is in field tests with pilot customers for initial installations of IoT networks with German companies. Customers may include large enterprises with a demand for four digit numbers of IoT gateways. Pricing per module is estimated to be in the mid three-digit Euro range for TiXi products (lower security features) and around 1,000 digit for high security FP Secure Gateways. Orders per customer, therefore, may well reach a seven digit Euro revenue volume. On the other hand, sales cycles for investments of such size usually take a considerable amount of time and management capacity. Losing one such project in the course of the sales process may have considerable impact on reaching budgets and growth targets.

2.4. Markets and Competition

2.4.1. Franking Machines

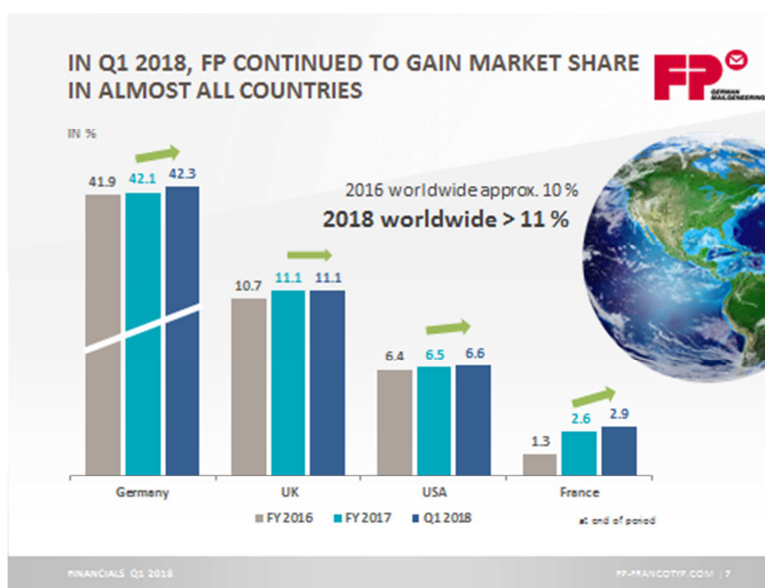
The franking machine market is protected by high entry barriers. As mentioned we are talking about high tech products the main elements and features of which are patent protected. Moreover, each and any individual product has to undergo a diligent and tedious approval process by the postal authorities in each country the product is supposed to be sold.

The market size in the franking machine business is measured in installed base. There are currently around 2 million franking machines installed worldwide. It has to be noted that the number of machines continues to decrease, especially in the segments of large machines (C-Segment, >2,000 letter per day (around 90,000 machines by 31. Dec 2017); B-Segment, 200-2,000

letters per day (around 400,000 machines by 31. Dec 2017). FP traditionally focuses on the A-segment of smaller machines, where it claims a leadership position in terms of technology and ease of use.

Its competitors are Pitney Bowes (PBI), a US public company with a market share of around 60%, and Neopost S.A. (NEO), France, with a market share of currently around 25 %. Two further players from Switzerland and Germany bring the number of players in this market to five.

FP has been able to increase its global market share from approx. 10% to approx. 11% since the beginning of the ACT strategy.



The main differentiating factor is basically the ACT strategy itself, under which FP invests in R&D, sales and service unlike its competitors. This commitment, according to FP, is being honoured by dealers and end customers alike who move to FP. According to management also a slightly shrinking market offers some growth potential for a smaller but dedicated player. This is supported by the revenue development of the top three companies in the market showing a significant decrease of revenue in the franking business at PBI and NEO while FP is able to increase revenue.

FP GROUP IS AHEAD OF PEERS



PEER GROUP COMPARISON	FP [®]	PEER 1	PEER 2
TOTAL REVENUE GROWTH			
FY 2016	6%	-3%	-5%
excluding currency effects	7%	-1%	-4%
H1 2017	4%	0%	-1%
excluding currency effects	4%	0%	0%
FY 2017	2%	-4%	4% *
excluding currency effects	3%	-2%	NA
REVENUE GROWTH FRANKING MACHINE BUSINESS			
FY 2016	2%	-6%	-7%
excluding currency effects	4%	-5%	NA
H1 2017	2%	-3%	-5%
excluding currency effects	3%	-4%	NA
FY 2017	1%	-6%	-5%
excluding currency effects	3%	-4%	NA

* largely driven by M&A

2.4.2. Signature Solutions

The global e-signature market is anticipated to grow at a CAGR of 34.7% during the projection period, to reach \$9,1 billion by 2023. A significant growth in demand for e-signature is anticipated due to surging security concerns among enterprises, growing government focus towards eliminating paperless work coupled with growing e-commerce market and increasing online transactions across the globe. Furthermore, the increasing penetration of internet and cloud computing has enabled the consumers as well as companies to make deals online, which requires authorization of both parties. This has been fueling the e-signature market globally. The growth in online financial transactions is one of the examples of increasing documentations over the web. The developed countries, such as the U.S., are witnessing more rapid growth in online banking transactions, owing to their advanced internet infrastructure. Some of the key players operating in the global e-signature market are Adobe Systems Inc., DocuSign Inc., RPost, SIGNiX Inc., Citrix Systems Inc., SSL Europa France SAS, Assure Sign LLC, Sertifi Inc. and Gemalto NV. (Source: Markets Insider - Global E-Signature Market Size, Share, Development, Growth and Demand Forecast to 2023 - Industry Insights By Type, By Deployment, By Use-Case).

Differentiating factors:

While players like DocuSign address large customers using a key account approach, a smaller player like FP is positioned to gain momentum by addressing SME's, where FP traditionally has a stronghold in a number of countries and is able to leverage its large existing customer base via the

discoverFP portal. In addition, European customers prefer European vendors to US giants – among other things because they are subject to European data security regulation. In a fast growing market FP, therefore sees opportunities to establish a significant footprint over the next few months and years.

2.4.3. IOT

IoT is one of the fastest growing segments in the IT universe. Some estimates claim that there are billions of “connectable devices” worldwide. This complex market encompasses many different “connectable devices” (27 billion as of Dec 2017). A bright spot in this IoT market is the commercial and industrial device, of which market analysts assume that a “greater return on investment can be achieved by adding wired or wireless sensors into an industrial operation. Industrial operation will see a 20% CAGR through 2030, while, consumer electronics will only see a 12.5% CAGR” (Source: semiengineering.com). This stratospheric growth will come about as IoT devices nowadays are more sophisticated. In addition, the decreasing cost of semiconductors enables devices to be more affordable.

When it comes to IoT for the sensor markets, experts are conservatively forecasting that there will be tens of billions of sensors shipped. Industrial and commercial applications will represent most of the IoT sensors market. The most popular use cases are smart buildings and smart lighting, Industrial IoT and smart manufacturing, and smart home and voice control. Security and smart-home services are the prime drivers for the smart home. Moreover, there is still some apprehension as to the security of these “devices”. Concerns about cybersecurity is understandable, consumers and businesses are still reluctant to connect everything without better security framework. The high security standard offered by the FP Secure-Gateway gives FP a competitive edge.

Differentiating factors:

The FP Secure Gateways are currently the only Gateways with hardware based security on the Amazon Partner Network. It remains to be seen whether FP will be able to capitalize on this first mover advantage by quickly building reference cases and carry out successful projects with its initial customers.

3. SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> • FP has over 220,000 systems installed worldwide at around 200,000 customers. FP's global market share is 11%. FP is the market leader in franking systems in Germany, Italy and Austria. • 95 years of experience in technology and innovation. New branding and marketing approach. • With the ACT strategy FP is poised to increase revenue growth and profitability. • ACT strategy aims to transform FP into a new company increasing efficiency, quality and speed, also creating a different and new way of working together in a corporate culture of recognition, proactive thinking and acting: The new FP – “we always think one step ahead and believe in our capabilities”. (Source: FP 2017 Annual Report) • Solid equity quota and credit facility of € 120 m provide headroom for growth financing. • High recurring revenues stabilize cash flows. • Stable dividend payments of 0.12 euro. 	<ul style="list-style-type: none"> • The global franking machine market size is continuing to decrease. • The total mail volume processed by FP in Germany declined by 6.1% to around 199 million letters in fiscal year 2017. From the second quarter of 2017 in particular, the decline in volume led to a tangible slowdown in growth achieved. (Source: FP 2017 Annual Report). • Lack of experience in new digital business models.
Opportunities	Risks
<ul style="list-style-type: none"> • FP has estimated that the corporate strategy including the move to become to a digital product and solution provider will render revenues of € 400 million by 2023. • “Studies +” project as well as the technology partnership with Amazon Web Services are indications of FP's leading edge technology which may help to increase sales in the future. • Sales cooperation with software vendors allow FP to leverage the customer base of the partners • The JUMP program may lead to a significant increase in profitability effective 2020. 	<ul style="list-style-type: none"> • Mail volumes and franking machine demand could decrease faster than anticipated by the company. • In sales partnerships FP fully depends on the success of its partners. • The new digital product and business models have not yet been successful. There is a significant risk that some or all of these new approaches are not accepted by the market and fail. • If the new business models will be successful, FP may face challenges in managing growth and securing the capacity needed.

Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2018

4. Valuation

We used two valuation methods for FP. We first used the Enterprise Value (EV) multiple in an attempt to find the true value of the company's equity. In this case, FP has an EV of (134.2 million), and a Shareholder Value equal to (118.1 million). The company's current market cap is at (55-58 million). Thus, the company is undervalued according to our EV & Shareholder valuations. Using the EV figure as a valuation reference, and then dividing by the number of shares (16.3 million), FP shares would be worth €8.07. Our DCF model for Francotyp Postalia indicates that the shares of the company "today" would be fairly valued at €8,0.

Discounted-Cash-Flow-Modell (Basis 12/2017)

in EUR m	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Net sales	213.6	225.7	245.9	258.2	272.8	292.3	314.6	343.9
(y-o-y change)	3.5%	5.7%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
EBIT	7.9	10.6	20.9	23.1	27.1	32.5	20.6	27.3
(EBIT margin)	3.7%	4.7%	8.5%	8.9%	9.9%	11.1%	6.5%	8.0%
NOPLAT	5.6	7.4	14.6	16.2	19.0	22.8	14.4	19.1
+ Depreciation and Amortization	17.1	18.1	19.7	20.7	21.8	23.4	25.2	27.5
= Net operating cash flow	22.6	25.5	34.3	36.8	40.8	46.2	39.6	46.7
- Total investments (Capex and WC)	-20.8	-26.3	-22.4	-25.6	-27.9	-28.0	-26.4	-29.0
Capital expenditure	-20.8	-21.8	-17.7	-22.0	-22.7	-24.5	-26.4	-29.0
Working capital	0.0	-4.6	-4.8	-3.7	-5.2	-3.5	0.0	0.0
= Free cash flow (FCF)	1.8	-0.9	11.9	11.2	12.9	18.1	13.1	17.6
PV of FCFs	1.6	-0.7	8.7	7.5	7.8	9.9	6.5	7.8
PV of FCFs in explicit period	49.1							
PV of FCFs in terminal period	85.2							
Enterprise value (EV)	134.2							
+ Net cash / - net debt	-16.2							
+ Investitionen / - Minderheiten	0.0							
Shareholder value	118.1							
Number of shares outstanding ('000)	16.3							
WACC	10.7%							
Cost of equity	13.2%							
Pre-tax cost of debt	4.5%							
Normal tax rate	30.0%							
After-tax cost of debt	3.2%							
Share of equity	75.0%							
Share of debt	25.0%							
Fair value per share in € (today)	7.2							
Fair value per share in € (in 12 months)	8.0							

Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2018

5. Financials

5.1. Financial Performance (12M/2017)

The consolidated results of 2017 have been:

in EUR million	2017	2016	Change %
Revenue	206.3	203	1.7%
Change in Inventories	0.5	0.2	237.3%
Other own work capitalised	10.8	11.4	-4.8%
Overall Performance	217.7	214.5	1.5%
Other Income	4.8	3.8	26.6%
Cost of materials	102.9	96.5	6.6%
Staff costs	59.2	57.4	3.1%
Other expenses	34.1	37.1	-8.3%
EBITDA	26.3	27.2	-3.3%
Amortisation, depreciation and write-	19.1	17.5	9.0%
EBIT	7.3	9.7	-25.5%
Net interest income	0.2	-0.2	n/a
Other financial results	-0.4	0.1	n/a
Income Taxes	-2.4	-3.4	-29.1%
Consolidated net income	4.6	6.2	-25.0%

in EUR thousand	2017	2016
Franking	34,980	32,650
Inserting	7,443	7,067
Other	1,273	1,401
Product Sales income	43,696	41,118
Mail Service	65,724	62,834
Service/customer service	18,559	19,699
Equipment hire	33,216	32,748
Consumables	22,818	23,395
Teleporto	9,044	8,973
Software	13,286	14,202
Recurring revenue	162,647	161,851
Total	206,343	202,969

in EUR thousand	2017	2016
Germany	112,846	111,873
USA	46,109	43,524
Europe (not including GER or UK)	25,652	24,562
UK	15,501	17,159
Other	6,235	5,851
Total	206,343	202,969

(Source: FP 2017 Annual Report)

In the last 12M period, FP reported revenues of 206.3m which indicates a 1.66% increase, as compared with the 2016 revenue of 202.9m. On the other hand, EBITDA decreased by 3.3 % from €27.2m in 12M/2016 to €26.3 in 12M/2017 as both, Staff Costs and Cost of Materials were higher than in 2016. According to the company this cost increase can partly be attributed to ACT projects, including the ramp-up of additional sales team in the USA. In total, € 3.5 million were expensed for ACT projects.

Geographically, all key regions increased revenue except for the U.K.

In line with expectations, depreciation and amortisation rose to €19.1m in 12M/2017 compared to €17.5m posted in 12M/2016. With EBIT declining to €3.3m in 12M/2017 from €9.7m million in 12M/2016, net income after taxes and minority interests fell to €4.6m in 2017 from €5.9m million in 2016. This ultimately resulted in earnings per share (undiluted) of € 0.29 in 2017 compared to the € 0.36 per share, achieved in the previous year.

Even though the bottom line results (EBIT & Net Income) were to some extent lower than the results from last year, the top line looks promising. FP was able to increase sales in its core franking and inserting business segment.

The shareholders did partake in the company's success in the form of a dividend amounting to EUR 0.12. The distribution is made from the tax deposit account and is therefore tax-free at the shareholder level. In this respect, the payment from the deposit account as resolved upon by the Annual General Meeting on May the 29th, in Berlin, corresponds to the gross dividend paid in the previous year of EUR 0.16 and at the same time underlines management's commitment to stick to the company's dividend policy.

5.2. Q1/2018 Performance

2018 Q1 results came out May 17th. In the first three months of the 2018 fiscal year, the FP Group developed operationally as we expected. Adjusted for currency effects, revenue amounted to EUR 54.9 million (previous year: EUR 55.5 million). Adjusted for currency effects and initial expenses for the JUMP project, EBITDA increased by 5.3% to EUR 8.7 million. Consolidated net income and the earnings per share remained stable year-on-year.

The FP Group posted revenue of EUR 53.0 million in the first quarter of 2018 compared with EUR 55.5 million in the same quarter of the previous year. The slight decline in revenue in comparison to the outstanding first quarter of the previous year was due primarily to currency effects. In Q1 2018, FP further expanded its market position in its core business with franking machines, gaining market share again in most sales regions. In contrast, in particular the strong euro against the US dollar (up 15.4% compared with the same period of the previous year) negatively impacted the revenue development.

5.3. Assumptions

Our assumptions for our forecasted Sales and Profit are the following:

In 2018 we expect FP to generate small revenue in the two new business areas “Customer” (FP Sign) and “Transformation” (Internet of Things). In consequence, we increase the sales figures of those two divisions with accelerating growth rates whereas we decrease the sales estimates in the traditional division Franking Machine Business. These two segments will be poised for rapid growth in years to come. In addition, we believe that the growth in the Customer and Transformation areas will far outweigh the declining sales in the traditional Franking division. In our projections, there are no potential acquisitions accounted for.

Moreover, we have considered the acquisition of Tixi. This was completed in June 2018 and we have accordingly added our expected revenues and profits to the FP Group.

In our DCF-Model we included R&D expenses in a range of between 11-12 Million Euro.

Depreciation and Amortization should be constantly at around 8% of annual sales revenues. Furthermore, we have derived a WACC of 10,69 %. Regarding our Balance Sheet estimates, we calculate growing cash respective and current assets due to increasing profits and margins in the years to come. We keep, therefore, long terminal debt relatively constant.

6. Outlook

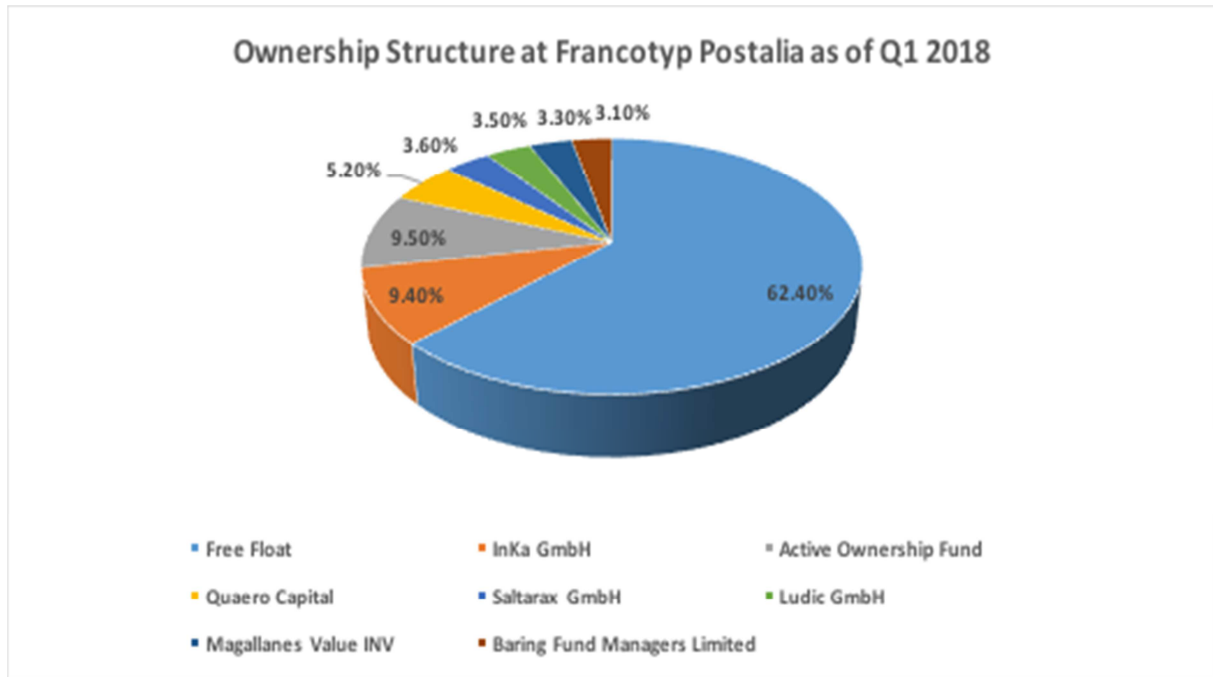
The key question of some market participants is: how will FP be able to carry out its 2023 ACT transformation plan. As stated in the sections above, FP is diversifying into new markets, while strengthening its position in its core business, which may serve as a backbone for many more years to come with sufficient margins and cash flows.

FP continues to operate from a position of strength and consistently continues with its transformation trajectory. The company has a solid equity base and financial stability and flexibility totaling EUR 150 million on the basis of the syndicated loan agreement in place from 2016, which provides scope for further growth. The FP Group invests in its core business and develops new digital products and business models from its core areas of expertise in sensor technology, actuator technology, connectivity and cryptography. At the same time, the company initiated – as a sub-project of the ACT strategy – the JUMP project. With these measures, FP is being realigned across the Group to accelerate revenue growth and raise profitability to the targets communicated by 2020.

Expenses for the JUMP Program amounting to €6 to €8million will be used throughout the fiscal year 2018 with the biggest impact in Q4. This program aims at higher efficiency, speed and quality in all corporate functions and processes, including optimizations in information technology, corporate structure and service functions. Targets also include increased customer loyalty and reducing time-to-market. While this program is supposed to prove to be successful by 2020, it will affect the bottom line in the short run. Thus, it is safe to deduce that net income figures in 12M/2018 will not be outstanding. FP will start to reap the benefits of this program in 2019.

Overall, after a thorough analysis of FP we find the stock to be significantly undervalued, presenting the possibility of a profitable, long-term investment. If successful, the diversification into digital services and IoT will be the main growth driver in the coming years. Organic growth will be achieved through focus on the core business, leveraging the existing customer base as well as through sales partnerships and the entry into the new IoT market. It may be complemented by smaller acquisitions like the recent one of Tixi.com. The ACT strategy is ambitious, but it maps out the course of action that must be followed to achieve the €400 million in revenues and 20% EBITDA margin by 2023. Currently trading at EUR 3.41 a share we believe the stock is undervalued given its growth potential and the market perception. Our DCF appraisal values FP shares at EUR 8 and an Enterprise Value of €134 million furthermore, trading at (TTM) 13X Earnings (EBIT) and 2.2x Book Value, the stock is intrinsically undervalued.

7. Shareholder Structure



Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2018

8. Profit & Loss Statement

Profit and Loss statement										
in mEUR	Fiscal year									
	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E
Net sales	170.31	191.06	202.97	206.34	213.60	225.72	245.94	258.21	272.78	292.25
Change in inventories	0.56	-0.13	0.16	0.52	0.00	0.00	0.00	0.00	0.00	0.00
Capitalised assets	15.50	15.78	11.39	10.84	11.40	11.50	10.80	11.00	12.00	12.20
other operating income	2.35	4.31	3.77	4.77	4.86	4.95	5.04	5.13	5.22	5.31
Total Output	188.71	211.02	218.29	222.48	229.86	242.16	261.77	274.34	289.99	309.77
Cost of goods sold	-82.02	-91.27	-96.52	-102.88	-106.80	-110.60	-113.13	-117.49	-122.75	-130.05
Gross profit	106.69	119.75	121.77	119.60	123.06	131.56	148.64	156.85	167.25	179.71
Personnel costs	-53.48	-57.35	-57.42	-59.23	-61.59	-64.67	-67.91	-71.30	-74.87	-78.61
Depreciation & Amortization	-13.28	-17.80	-17.49	-19.06	-17.09	-18.06	-19.68	-20.66	-21.82	-23.38
Write-downs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expenses	-30.13	-35.59	-37.13	-34.06	-36.44	-38.26	-40.18	-41.78	-43.46	-45.19
EBIT	9.81	9.01	9.74	7.26	7.94	10.57	20.88	23.11	27.10	32.53
Net financial results	-1.40	-1.36	-0.12	-0.19	0.22	0.23	0.24	0.25	0.27	0.28
EBT	8.40	7.65	9.61	7.07	8.16	10.80	21.13	23.36	27.37	32.81
Income taxes	-3.19	-3.93	-3.41	-2.42	-2.45	-3.24	-6.34	-7.01	-8.21	-9.84
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income / loss	5.21	3.72	6.20	4.65	5.71	7.56	14.79	16.35	19.16	22.97
EPS	0.32	0.22	0.36	0.29	0.35	0.46	0.91	1.00	1.18	1.41
Change y-o-y										
Net sales	-	12.18%	6.24%	1.66%	3.52%	5.67%	8.96%	4.99%	5.64%	7.14%
Total Output	6128.02%	11.82%	3.44%	1.92%	3.32%	5.35%	8.10%	4.80%	5.71%	6.82%
Cost of goods sold	-	11.29%	5.75%	6.59%	3.81%	3.56%	2.29%	3.85%	4.48%	5.95%
Gross profit	3421.22%	12.24%	1.69%	-1.78%	2.89%	6.91%	12.98%	5.52%	6.63%	7.46%
Personnel costs	172.81%	7.23%	0.12%	3.15%	4.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Depreciation & Amortization	208.08%	34.09%	-1.76%	9.00%	-10.35%	5.67%	8.96%	4.99%	5.64%	7.14%
Other operating expenses	252.95%	18.12%	4.31%	-8.26%	7.00%	5.00%	5.00%	4.00%	4.00%	4.00%
EBIT	-133.03%	-8.17%	8.12%	-25.47%	9.37%	33.16%	97.62%	10.65%	17.28%	20.04%
Net financial results	-5.91%	-3.35%	-90.92%	51.22%	-218.28%	5.00%	5.00%	5.00%	5.00%	5.00%
EBT	-126.95%	-8.97%	25.66%	-26.45%	15.36%	32.40%	95.64%	10.59%	17.14%	19.89%
Income taxes	28.37%	23.10%	-13.06%	-29.06%	1.02%	32.40%	95.64%	10.59%	17.14%	19.89%
Net income / loss	-115.49%	-28.60%	66.51%	-25.02%	22.83%	32.40%	95.64%	10.59%	17.14%	19.89%
EPS	-103.86%	-29.24%	63.08%	-21.80%	22.83%	32.40%	95.64%	10.59%	17.14%	19.89%
Share in total revenues										
Net sales	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	101.00 %	102.00 %	103.00 %	104.00 %
Total Output	110.81 %	110.45 %	107.55 %	107.82 %	107.61 %	107.29 %	106.44 %	106.25 %	106.31 %	105.99 %
Cost of goods sold	-48.16 %	-47.77 %	-47.55 %	-49.86 %	-50.00 %	-49.00 %	-46.00 %	-45.50 %	-45.00 %	-44.50 %
Gross profit	62.65 %	62.68 %	59.99 %	57.96 %	57.61 %	58.29 %	60.44 %	60.75 %	61.31 %	61.49 %
Personnel costs	-31.40 %	-30.02 %	-28.29 %	-28.70 %	-28.84 %	-28.65 %	-27.61 %	-27.61 %	-27.45 %	-26.90 %
Depreciation & Amortization	-7.79 %	-9.32 %	-8.62 %	-9.24 %	-8.00 %	-8.00 %	-8.00 %	-8.00 %	-8.00 %	-8.00 %
Write-downs	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Other operating expenses	-17.69 %	-18.63 %	-18.29 %	-16.51 %	-17.06 %	-16.95 %	-16.34 %	-16.18 %	-15.93 %	-15.46 %
EBIT	5.76 %	4.71 %	4.80 %	3.52 %	3.72 %	4.68 %	8.49 %	8.95 %	9.93 %	11.13 %
Net financial results	-0.82 %	-0.71 %	-0.06 %	-0.09 %	0.10 %	0.10 %	0.10 %	0.10 %	0.10 %	0.10 %
EBT	4.93 %	4.00 %	4.74 %	3.43 %	3.82 %	4.78 %	8.59 %	9.05 %	10.03 %	11.23 %
Income taxes	-1.87 %	-2.06 %	-1.68 %	-1.17 %	-1.15 %	-1.44 %	-2.58 %	-2.71 %	-3.01 %	-3.37 %
Minority interests	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Net income / loss	3.06 %	1.95 %	3.05 %	2.25 %	2.67 %	3.35 %	6.01 %	6.33 %	7.02 %	7.86 %

Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2018

9. Sales Break-Down

Sales break-down	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Net sales	213.600,50	225.716,15	245.938,15	258.210,91	272.775,15	292.254,47	314.636,96	343.910,77
(change y-o-y)	3,5%	5,7%	9,0%	5,0%	5,6%	7,1%	7,7%	9,3%
Franking Machine Business	212.600,50	218.716,15	224.938,15	230.710,91	236.275,15	241.754,47	247.136,96	252.410,77
	3,0%	2,9%	2,8%	2,6%	2,4%	2,3%	2,2%	2,1%
	99,5%	96,9%	91,5%	89,3%	86,6%	82,7%	78,5%	73,4%
Franking Machine Business	131.182,00	134.855,10	138.631,04	141.958,18	145.081,26	148.127,97	151.090,53	153.961,25
	3,0%	2,8%	2,8%	2,4%	2,2%	2,1%	2,0%	1,9%
	432576706,8%	468801454,5%	487316768,3%	553146178,5%	601553025,2%	638746685,9%	678622537,4%	721480099,4%
Mail Services	67.742,50	69.774,78	71.798,24	73.808,59	75.801,43	77.772,26	79.716,57	81.629,77
	3,1%	3,0%	2,9%	2,8%	2,7%	2,6%	2,5%	2,4%
	1,6%	1,5%	1,5%	1,3%	1,3%	1,2%	1,2%	1,1%
Software	13.676,00	14.086,28	14.508,87	14.944,13	15.392,46	15.854,23	16.329,86	16.819,75
	2,5%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
	87329505,7%	94642634,8%	98476153,7%	111996318,9%	122153110,0%	130211438,6%	139015144,4%	148660456,1%
"Customers"	500,00	2.000,00	7.000,00	9.500,00	10.500,00	12.500,00	15.500,00	17.500,00
	0,2%	300,0%	250,0%	35,7%	10,5%	19,0%	24,0%	12,9%
		0,9%	2,8%	3,7%	3,8%	4,3%	4,9%	5,1%
"Transformation"	500,00	5.000,00	14.000,00	18.000,00	26.000,00	38.000,00	52.000,00	74.000,00
	0,2%	900,0%	180,0%	28,6%	44,4%	46,2%	36,8%	42,3%
		2,2%	5,7%	7,0%	9,5%	13,0%	16,5%	21,5%

Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2018

We have calculated that the revenues for the year 2023 will be of €292 million. Furthermore, these figures do not take into account the €80 million acquisition that is expected to be closed by in the period 2020-2023. In this respect, revenues would total €371 million or more in 2023. As depicted above, we have assessed that the growth of the Franking Machine Business segment (Attack) will decelerate in the coming years. On the other hand, revenue from (Customer and Transformation) will be driving growth in the coming years. FP has stated that revenue from the (Customer and Transformation) side of the business by 2020 will amount to €30 million. In the table above we have been more conservative and believe revenue for those segments will be around €21 million.

On the other hand, year-to-year growth in the (Attack) segment of the business will decelerate in the future, we are confident that high growth, especially in IoT (Transformation) will be an exponential force behind revenue growth. However, growth in the (Customer) segment of the business will also experience growth, but at a steadier rate.

10. Balance Sheet

Balance Sheet										
in mEUR	Fiscal year									
	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E
Assets										
Cash and cash equivalents	16.52	18.21	26.39	34.23	30.28	31.60	39.69	48.25	57.73	68.66
Inventories	10.03	11.69	11.20	10.63	10.68	11.29	12.30	12.91	13.64	14.61
Trade accounts and notes receivables	17.32	16.94	18.97	18.68	19.44	24.83	29.51	33.57	38.19	40.92
Other current assets	14.87	19.70	25.97	23.91	29.90	33.86	36.89	38.73	40.92	43.84
Current assets	58.74	66.55	82.53	87.46	90.30	101.57	118.39	133.46	150.47	168.03
Property, plant and equipment	37.04	41.99	39.35	31.76	33.98	37.38	35.88	38.39	41.08	43.96
Goodwill + intangible assets	32.90	33.03	34.88	35.15	37.25	37.25	39.49	41.86	44.37	47.03
Firmenwert	0.00	0.77	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Other assets	13.45	14.61	10.59	15.42	16.34	18.80	22.55	23.91	25.34	26.86
	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-current assets	83.392	89.627	84.811	82.320	87.577	93.426	97.926	104.160	110.793	117.852
Total assets	142.13	156.17	167.34	169.78	177.88	195.00	216.32	237.62	261.26	285.88
Liabilities										
Trade payables	9.47	9.85	10.61	11.21	11.99	13.43	14.37	15.38	15.53	15.69
Other liabilities	44.93	47.91	52.01	49.69	52.17	56.87	59.71	62.70	65.83	66.49
Short-term financial debt	5.50	4.63	0.91	0.41	0.44	0.47	0.50	0.54	0.58	0.62
Provisions	7.19	9.80	11.60	13.06	13.97	14.95	15.99	17.11	18.31	18.49
Current liabilities	67.09	72.19	75.14	74.37	78.58	85.72	90.59	95.73	100.26	101.29
Long-term financial debt	25.92	31.70	37.53	43.14	42.72	45.14	49.19	51.64	54.56	58.45
Special benefits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pension obligations	17.35	15.45	17.05	16.53	18.48	19.40	20.37	21.39	22.46	23.58
Deferred tax liabilities	0.66	0.69	0.57	1.58	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current liabilities	1.07	0.91	1.10	1.21	1.39	1.60	1.84	2.11	2.43	2.80
Non-current liabilities	44.99	48.75	56.26	62.45	62.59	66.14	71.40	75.15	79.45	84.83
Total liabilities	112.08	120.94	131.39	136.82	141.17	151.87	161.98	170.88	179.70	186.13
Shareholders equity	28.69	33.71	35.95	32.96	36.71	43.13	54.33	66.74	81.56	99.75
Minority interests	1.37	1.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total equity and liabilities	142.13	156.17	167.34	169.78	177.88	195.00	216.32	237.62	261.26	285.88

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11. Cash Flow Statement

Cash Flow statement										
in mEUR	Fiscal year									
	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E
Net income	5.2	3.7	6.2	4.6	5.7	7.6	14.8	16.4	19.2	23.0
Depreciation & Amortisation	13.3	17.8	17.5	19.1	17.1	18.1	19.7	20.7	21.8	23.4
Others	-1.0	-2.9	-1.6	-2.5	-0.8	-2.6	-10.5	-13.0	-15.0	-18.3
Net operating cash flow	17.5	18.6	22.1	21.3	22.0	23.0	24.0	24.0	26.0	28.0
Cash flow from investing	-23.1	20.1	-17.6	-15.5	-14.0	-15.0	-16.0	-16.0	-17.0	-18.0
Free cash flow	-5.6	38.7	4.6	5.8	8.0	8.0	8.0	8.0	9.0	10.0
Cash flow from financing	-7.8	2.4	-0.7	1.1	-0.4	0.5	2.1	0.5	1.0	1.9
Change in cash and equivalents	-	1.7	8.2	7.8	-4.0	1.3	8.1	8.6	9.5	10.9

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12. Ratios

Fiscal year	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E
Gross margin	56.5%	56.7%	55.8%	53.8%	53.5%	54.3%	56.8%	57.2%	57.7%	58.0%
EBITDA margin	13.6%	14.0%	13.4%	12.8%	11.7%	12.7%	16.5%	16.9%	17.9%	19.1%
EBIT margin	5.8%	4.7%	4.8%	3.5%	3.7%	4.7%	8.5%	8.9%	9.9%	11.1%
Net margin	2.8%	1.8%	2.8%	2.1%	2.5%	3.1%	5.6%	6.0%	6.6%	7.4%
Return on equity (ROE)	23.4%	11.9%	17.8%	13.5%	16.4%	18.9%	30.3%	27.0%	25.8%	25.3%
Return on assets (ROA)	6.8%	3.4%	3.9%	2.9%	3.2%	3.9%	7.1%	7.1%	7.6%	8.3%
Return on capital employed (ROCE)	8.1%	5.2%	6.5%	5.9%	5.6%	6.8%	11.6%	11.4%	11.8%	12.3%
Net debt (in EURm)	14.9	18.1	12.0	9.3	12.9	14.0	10.0	3.9	-2.6	-9.6
Net gearing	51.9%	53.7%	33.5%	28.3%	35.1%	32.5%	18.4%	5.9%	-3.2%	-9.6%
Equity ratio	20.2%	21.6%	21.5%	19.4%	20.6%	22.1%	25.1%	28.1%	31.2%	34.9%
Current ratio	87.6%	92.2%	109.8%	117.6%	114.9%	118.5%	130.7%	139.4%	150.1%	165.9%
Quick ratio	50.4%	48.7%	60.4%	71.2%	63.3%	65.8%	76.4%	85.5%	95.7%	108.2%
Net interest cover	7.0	6.6	79.2	39.0	-36.1	-45.7	-86.1	-90.7	-101.3	-115.9
Net debt/EBITDA	0.65	0.68	0.44	0.35	0.51	0.49	0.25	0.09	-0.05	-0.17
CAPEX/Sales	24.2%	19.9%	13.9%	7.3%	9.7%	9.6%	7.2%	8.5%	8.3%	8.4%
Working capital/Sales	-7.1%	-4.9%	-3.2%	-3.7%	-1.9%	-0.1%	1.9%	2.8%	4.2%	5.9%
EV/Sales	0.42	0.37	0.35	0.34	0.33	0.31	0.29	0.28	0.26	0.24
EV/EBITDA	3.08	2.65	2.61	2.70	2.84	2.48	1.75	1.62	1.45	1.27
EV/EBIT	7.25	7.89	7.30	9.80	8.96	6.73	3.40	3.08	2.62	2.19
P/BVPS	1.94	1.70	1.63	1.71	1.53	1.30	1.03	0.83	0.68	0.56
P/E	10.66	15.07	9.24	11.82	9.62	7.27	3.71	3.36	2.87	2.39
P/FCF	-2.48	0.36	3.04	2.40	1.73	1.73	1.73	1.73	1.54	1.39

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