

CEWE

Attractive share price level

Overweight

Old: Overweight

Target price: €63.50

Old: €63.50

- ◆ **Share price decline not justified:** In line with the overall market correction in Germany also CEWE shares have come down (YTD '16 SDax: -11.4%; CEWE shares: -12.8%). This is in our view not justified. CEWE's business is not affected by the problems in the global Oil- and Gas-sector as well as by the weakening economy in China and other developing countries. This situation is comparable to mid-year 2015. Important is to recognize that the share price clearly recovered after the squeeze in June 2015 without any particular newsflow (see our study from 25 June 2015).
- ◆ **Operational business on track:** Watching the overall consumer climate in Germany and the overall Christmas business we confirm our FY2015 estimates. Concerning group sales we are estimating €527m while CEWE's guidance is in a range between €515-535m (FactSet consensus: €533.8m). We are also confirming our 2015F EBIT forecast of €35.9m (CEWE guidance: €32-38m; FactSet consensus: €35.3m).
- ◆ **Online Print division on track:** Following 3Q15 reporting we continue to believe that the Online Print division is on track to reach the "critical" sales level of ~€100m which in our view secures a solid and steady market position. This is an important trigger for the overall investment case. We continue to believe that on EBIT-level the break-even-point will be reached this year (EBIT 2016F: +€0.2m).
- ◆ **Overweight rating confirmed:** Main triggers for the shares in our view are continuing new products and innovations in the photofinishing segment, the expected turnaround 2016F in the Online Print division and also an overall value creating business model measured by a ROCE of >16% compared to a WACC between 8-10%. **Key risks:** 1) Changing customer behaviour could lead to a slowing demand for value added photo products 2) Online Print division will become profitable later than expected. 3) In general 4Q performance will be weaker than expected.

CEWE

Retail & Consumer Goods

Price:	€47.62
Date:	21 Jan 2016
Market cap (€m)	352
Free float (%)	70.7
Daily vol. ('000,3M Ø)	10
Reuters	CWCG.DE
Bloomberg Code	CWC GR
Index	SDAX
ISIN	DE0005403901
Disclosure	2,4

	15F	16F	17F
Rep. EPS (€)	3.28	3.57	3.93
PER	14.5	13.3	12.1

Fig 1 CEWE: Performance by quarter

(€m)	1Q 15	2Q 15	3Q 15	4Q 15F	FY 2015F
CEWE photobooks (units m)	1,159.7	1,120.2	1,383.0	2,342.1	6,005.0
Group sales	106.8	106.1	125.5	188.6	527.0
YoY (%)	3.7%	1.5%	3.0%	-3.0%	0.6%
EBIT	-3.5	-3.5	2.9	40.0	35.9
EBIT-margin (%)	-3.3%	-3.3%	2.3%	21.2%	6.5%
EPS (€)	-0.51	-0.34	0.40	3.72	3.28

Source: Company data, BHF-BANK estimates

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Equity rating key

We have changed our stock recommendations with effect from 26 October 2010. Our ratings are now:

Overweight: We rate the share as significantly undervalued.

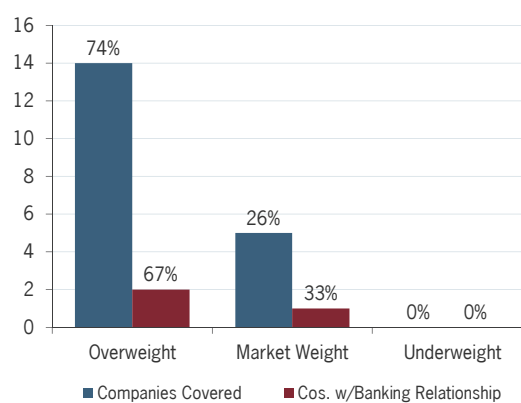
Market Weight: We rate the share valued in line with the market.

Underweight: We rate the share as significantly overvalued.

These ratings relate to our expected performance for each stock relative to their respective sector within the German market over the next twelve months. Our ratings are arrived at by comparing DCF valuations, peer group multiples and asset based valuations across analogue stocks within the sector and market.

Stocks previously rated Strong Buy are now rated Overweight. Stocks previously rated Buy or Reduce are now rated Overweight, Market Weight or Underweight, depending on the balance of expected relative performance. Stocks previously rated Sell are now rated Underweight. We will update our ratings on each stock with each new publication.

Equity rating dispersion and banking relationships



Company	ISIN	Price	Disclosure
CEWE	DE0005403901	€47.62 (21/01/2016)	2,4



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CEWE^[2,4]

	Date of statement	Recommendation		Date of statement	Recommendation
Update	14/12/2015	Overweight	First Take	12/05/2015	Overweight
First Take	18/09/2015	Overweight	First Take	26/03/2015	Overweight
First Take	11/08/2015	Overweight	First Take	25/02/2015	Overweight
Report	25/06/2015	Overweight			

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