

CEWE

Market Weight

Old: Market Weight

Very promising start into FY 2016

Target price: €59.80

Old: €59.80

- ◆ **Surprisingly good start into 2016 (Conference call):** High momentum in business in 4Q15 could partly be transferred into 1Q16. Group sales increased by 11.6% to €119.2m and came out higher both than our and consensus estimates (see Fig. 1). For the first time CEWE was able to report a positive reported EBIT in a first quarter: €0.9 vs. €-3.5m a year earlier. EBIT adjusted came out at €0.5m (€-2.5m). ROCE of 19.2% was significantly above WACC of 7.5% (BHF-BANK).
- ◆ **Photofinishing on the sunny side:** Sale of CEWE PHOTOBOKS increased by 10.2% to 1.28m. Divisional sales reported a strong growth of 13.2% to €85.5m, while EBIT came out at €1.3m (€-0.8m). Innovation day for new photo products has taken place and so far the product-related preparation for the next Christmas season is under way. Price per photo increased: €0.1772 (€0.1625). No specific news on the VAT issue for photobooks.
- ◆ **Capacity expansion in Online Print:** Online Print reported a sales growth of 14.3% to €20.4m (€17.9m), while EBIT moved into positive territory: €0.5m (€-1.3m). Some investments in capacity expansion were made (printing machines) so that a sales level of ~€100m is achievable now. For the current year we expect sales to reach €87.0m.
- ◆ **Financial guidance 2016 confirmed:** CEWE has left financial guidance 2016 unchanged (Group sales: €555m-575m; EBIT: €38m-44m). Our mid- to long-term view on the company is still positive but in short-term we see a limited share price potential (see our Update from 29 April 2016). **Key risks:** 1) Changing customer behaviour could lead to slowing demand for value added photo products. 2) Online Print division will become sustainable profitable later than expected. 3) 4Q operational performance will be weaker than expected. 4) VAT increase for photobooks becoming effective from 2017 onwards will not be cancelled.

CEWE

Retail & Consumer Goods

Price:	€56.50
Date:	11 May 2016
Market cap (€m)	418
Free float (%)	70
Daily vol. ('000,3M Ø)	13
Reuters	CWCG.DE
Bloomberg Code	CWC GR
Index	SDAX
ISIN	DE0005403901
Disclosure	2,4

	16F	17F	18F
Rep. EPS (€)	3.83	4.06	4.22
PER	14.7	13.9	13.4

Fig 1 CEWE Stiftung: 1Q key financials

(€m)	1Q15 reported	1Q16F BHF-BANK estimate	1Q16F consensus estimate	1Q16 CEWE reported
CEWE photobooks (units,'000)	1,159.7	1,165.0	n.a.	1,277.7
Sales	106.8	114.5	113.7	119.2
EBIT	-3.5	-0.7	-0.8	0.9
Net profit after minorities	-3.6	-1.5	-0.1	0.6
EPS basic (€)	-0.51	-0.21	-0.25	0.09

Source: Company data, FactSet, BHF-BANK estimates

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Equity rating key

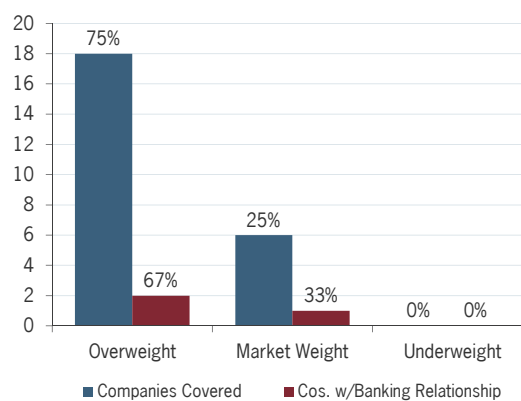
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Market Weight: We rate the share valued in line with the market.
Underweight: We rate the share as significantly overvalued.

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	€56.50 (11/05/2016)	2,4



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CEWE^[2,4,5]

	Date of statement	Recommendation		Date of statement	Recommendation
Update	29/04/2016	Market Weight	Update	14/12/2015	Overweight
First Take	20/04/2016	Overweight	First Take	18/09/2015	Overweight
Update	31/03/2016	Overweight	First Take	11/08/2015	Overweight
First Take	25/02/2016	Overweight	Report	25/06/2015	Overweight
First Take	22/01/2016	Overweight	First Take	12/05/2015	Overweight

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