

Q1 2015: mixed bag, though core is strong

- Summary:** Following Q1 2015 results we update our model and reduce our EPS estimates by 1-4% to reflect lower growth in the Commercial online printing division, although we still expect 17% sales CAGR 2014-17E. On adjusted estimates, our new price target of EUR68, the average of DCF and CFRoEV 2016E, offers 17% upside potential and supports our Buy rating. However, less than 25% upside potential means that we remove CEWE from our Alpha list.
- Q1 2015 results - mixed bag: Positives** were a) better than expected growth in the Photofinishing division (+7.6% yoy) and reduction in its losses by half to EUR1.1m, and b) stable underlying profits in the Retail division despite ongoing optimisation of its Polish business and more clarity on restructuring costs with EUR0.6m booked in Q1 2015 and no extra costs expected. However, slowdown in Commercial online printing is **negative news**. While growth is still solid at 10%, continuous slowdown indicates the shift from offline to online is taking longer than anticipated and is one of the main reasons for the reduction in our estimates.
- Outlook:** Management reiterated its 2015 guidance of EUR32m-38m of EBIT versus EUR33m in 2014 or a EUR2m increase of 2014 guidance. We view this as rather conservative, given no Photokina (imaging fair) this year already implies EUR1m lower opex and reduced losses in Q1 2015 by almost EUR1m yoy. Thus we are at the upper end of the guidance and 4% ahead of consensus.
- Changes in estimates:** We reduce our estimates to reflect slower growth in Commercial online printing, though at EUR81m we are slightly above the guided EUR80m of sales in this division. We trim our earnings expectations for this division, leading to a 1-2% reduction in group EBIT. We reduce EPS by 1-4% in 2015-17E.
- Valuation:** With reduced estimates our new EUR68 price target (from EUR71) offers 17% upside potential. We note >3% dividend yield and that we are 5%/11% ahead of consensus EPS 2015/16E. As Q2 is generally loss making with sales shifting from Q2 towards Christmas, we do not view Q2 results as a potential catalyst for the stock. However, the CMD at the Dresden online printing production site at the end of September is likely to be a catalyst with more focus on efforts since the Saxoprint acquisition with details of measures to improve efficiency and cost optimisation at this division.

Y/E 31.12., EURm	2011	2012	2013	2014	2015	2016	2017
Sales	469	507	536	524	539	559	581
EBITDA	64	66	67	66	72	79	87
EBIT	30	29	29	33	37	41	49
Net profit	19	19	21	21	25	29	35
Y/E net debt (net cash)	-7	27	23	-20	-9	-24	-45
EPS (reported)	2.84	2.88	3.22	3.02	3.58	4.07	4.89
EPS (recurring)	2.84	2.88	3.77	3.02	3.58	4.07	4.89
CPS	8.58	7.27	9.10	8.45	0.71	9.51	10.33
DPS	1.40	1.47	1.50	1.60	1.75	1.95	2.30
Gross margin	63.0%	63.4%	64.6%	68.9%	69.4%	69.5%	69.4%
EBITDA margin	13.6%	13.0%	12.5%	12.6%	13.4%	14.2%	15.0%
EBIT margin	6.4%	5.7%	5.4%	6.2%	6.8%	7.4%	8.4%
Dividend yield	4.5%	4.7%	4.2%	3.1%	3.0%	3.3%	3.9%
ROCE	18.1%	14.9%	12.5%	14.3%	15.5%	16.1%	19.1%
EV/sales	0.4	0.5	0.5	0.7	0.8	0.7	0.7
EV/EBITDA	3.2	3.8	4.1	5.5	5.9	5.2	4.5
EV/EBIT	6.9	8.6	9.5	11.2	11.6	10.0	8.0
P/E	10.9	10.9	9.5	17.0	16.5	14.5	12.1
Cash flow RoEV	12.3%	10.9%	9.8%	7.2%	6.0%	8.3%	10.3%

Source: Company data, Berenberg

20 May 2015

BUY

Current price **Price target**
EUR58.99 EUR68.00

15/05/2015 XETRA Close

Market cap (EURm) 417
Reuters CWCG.DE
Bloomberg CWC GY

Changes made in this note

Rating: Buy (no change)
Price target: EUR68.00 (EUR71.00)

Estimates changes

	2015E		2016E		2017E	
	old	Δ %	old	Δ %	old	Δ %
Sales	542	-0.5	566	-1.3	591	-1.8
EBIT	37	-0.4	42	-2.4	49	-1.3
EPS	3.61	-0.9	4.26	-4.5	5.05	-3.2

Source: Berenberg estimates

Share data

Shares outstanding (m) 7
Enterprise value (EURm) 426
Daily trading volume 19,927

Key data

Price/book value 2.2
Net gearing -4.6%
CAGR sales 2014-2017 3.5%
CAGR EPS 2014-2017 17.4%



Interactive model [click here to explore](#)



* there may be a delay for the new estimates to be updated on the interactive model

BUY

20 May 2015

Current price Price target

EUR58.99 EUR68.00

15/05/2015 XETRA Close

Market cap (EURm) 417
EV (EURm) 426
Trading volume 19,927
Free float 70.1%

Non-institutional shareholders

27.4% Neumüller heirs
2.5% CEWE Stiftung & Co. KGaA

Share performance

High 52 weeks EUR62.18
Low 52 weeks EUR45.87

Business description

Photo services provider

Performance relative to

	SXXP	SDAX
1mth	3.6%	1.5%
3mth	-0.3%	-5.1%
12mth	0.8%	-6.0%

Investment thesis

- CEWE is a high-quality company with a strong management track record. This is evident in the shift from analogue to digital and in the leading market position gained in the digital photofinishing and photobook market in western Europe.
- The Photofinishing division is set to benefit from an increasing share of more-profitable photogift products, supporting margin expansion.
- The Commercial online printing division is a key growth driver, but is currently loss-making, given its expansion and marketing costs. It is, however, set to break even in 2015/16E and contribute 10% to group EBIT by 2017E.
- Our valuation is an average of DCF and CFROEV using 2016E.

Profit and loss summary

EURm	2013	2014	2015E	2016E	2017E
Revenues	536	524	539	559	581
EBITDA	67	66	72	79	87
EBITA	40	41	45	49	57
EBIT	29	33	37	41	49
Associates contribution	0	0	0	0	0
Net interest	-2	-1	0	0	1
Tax	5	10	11	12	15
Minorities	0	0	0	0	0
Net income adj.	21	21	25	29	35
EPS reported	3.22	3.02	3.58	4.07	4.89
EPS adjusted	3.77	3.02	3.58	4.07	4.89
Year end shares	7	7	7	7	7
Average shares	7	7	7	7	7
DPS	1.50	1.60	1.75	1.95	2.30

Cash flow summary

EURm	2013	2014	2015E	2016E	2017E
Net income	21	21	25	29	35
Depreciation	38	33	36	38	38
Working capital changes	-14	10	-11	-2	-2
Other non-cash items	1	5	-4	0	0
Operating cash flow	46	70	45	66	71
Capex	35	35	45	38	37
FCFE	10	34	1	28	35
Acquisitions, disposals	0	-8	0	0	0
Other investment CF	-2	-3	0	0	0
Dividends paid	10	11	11	12	14
Buybacks, issuance	1	24	0	0	0
Change in net debt	-4	-43	11	-15	-21
Net debt	23	-20	-9	-24	-45
FCF per share	1.58	4.82	0.10	3.89	4.89

Growth and margins

	2013	2014	2015E	2016E	2017E
Revenue growth	5.7%	-2.3%	2.9%	3.7%	3.9%
EBITDA growth	1.1%	-0.9%	9.3%	9.5%	9.7%
EBIT growth	-0.4%	12.8%	12.6%	11.7%	18.8%
EPS adj growth	31.0%	-20.0%	18.5%	14.0%	20.0%
FCF growth	-39.2%	204.9%	-98.0%	3987.2%	25.8%
EBITDA margin	12.5%	12.6%	13.4%	14.2%	15.0%
EBIT margin	5.4%	6.2%	6.8%	7.4%	8.4%
Net income margin	4.0%	4.1%	4.7%	5.2%	6.0%
FCF margin	1.9%	6.5%	0.1%	4.9%	6.0%

Key ratios

	2013	2014	2015E	2016E	2017E
Net debt / equity	16.2%	-11.4%	-4.6%	-11.7%	-20.0%
Net debt / EBITDA	0.3	-0.3	-0.1	-0.3	-0.5
Avg cost of debt	4.8%	6.3%	4.0%	4.0%	4.0%
Tax rate	22.6%	32.1%	31.0%	30.0%	30.0%
Interest cover	17.0	27.8	409.4	0.0	0.0
Payout ratio	50.2%	53.0%	48.9%	47.9%	47.0%
ROCE	12.5%	14.3%	15.5%	16.1%	19.1%
Capex / sales	6.9%	7.4%	8.3%	6.8%	6.3%
Capex / depreciation	98.1%	115.9%	125.0%	99.5%	95.7%

Valuation metrics

	2013	2014	2015E	2016E	2017E
P / adjusted EPS	9.5	17.0	16.5	14.5	12.1
P / book value	1.6	2.1	2.2	2.1	1.9
FCF yield	4.4%	9.4%	0.2%	6.6%	8.3%
Dividend yield	4.2%	3.1%	3.0%	3.3%	3.9%
EV / sales	0.5	0.7	0.8	0.7	0.7
EV / EBITDA	4.1	5.5	5.9	5.2	4.5
EV / EBIT	9.5	11.2	11.6	10.0	8.0
EV / FCF	26.5	10.7	633.3	15.0	11.3
EV / cap. employed	1.7	2.3	2.6	2.3	2.2

Key risks to our investment thesis

- Q4 accounts for most annual earnings, thus presenting execution risk and making CEWE dependent on a single quarter.
- Additional investments in the Commercial online printing division to support market share gains in a structurally changing printing market could push the break-even point beyond 2015E and dilute margins in 2016E.
- A weaker macro environment and consumer spending in eastern Europe and Scandinavia, where CEWE is present with retail operations and pricing pressure on photo hardware. The underperforming Polish business has led to EUR3m losses in 2014E, and restructuring costs are not excluded.

Q1 2015 – mixed bag

Positives

- Photofinishing sales growth of 7.6% to EUR75.5m was better than expected, though management cautioned it was partially due to easy comps (Q1 2014: sales declined 1% yoy) and its EBIT losses have halved to EUR1.1m. This is positive as it demonstrates steady growth and eases investors' concern about the sustainability of CEWE's core business, and demonstrates improving mix (ASP was up 8.6% yoy) supportive to the divisional earnings in absolute terms and as a percentage of sales.
- the Retail division still suffered from business realignment and thus an 18.5% sales decline to EUR13.4m, and posted the same losses as last year of EURO.6m adjusted for EURO.6m one-offs. The management indicates that no more one-offs are expected for the restructuring in Poland, and thus we expect losses to diminish in this division from -EUR2.9m last year to -EUR2.2m in FY 2015. We view Q1 2015 results as a positive as uncertainty regarding Retail restructuring is easing and underlying earnings are relatively stable.

Negatives

- Commercial online printing reported 9.6% increase in sales to EUR17.9m with EBIT loss flat yoy at -EUR1.3m. Management expects a further reduction in losses in 2015 and contribution to earnings from 2016E onwards. While the expected reduction in losses is positive, we have been expecting higher organic growth and a better earnings development in 2015/16E. Now it seems that the transition from offline to online, although it is taking place, is a rather slow process. According to management, CEWE is able to gain market share in Germany and has higher growth rates outside Germany albeit from a small base. We still view commercial online printing as a massive opportunity for CEWE in the long term and expect CEWE to at least double its earnings with market share gains and a market shift to online. However, we view this slowdown in growth as negative and one of the main reasons for today's earnings downgrades. We also see risk to the company guidance of EUR100m of sales from commercial online printing by 2016E, though we are not sure if this guidance is reflected in consensus and thus do not see risk to consensus downgrades.

Q1 2015 reported versus estimates

CEWESTIFTUNG in EURm	Q1 2012 2014	Q1 2015 Reported	Q1 2015 Berenberg
Sales	103.0	106.8	105.3
yoy	-4.8%	3.7%	2.3%
Photofinishing	70.2	75.5	73.7
yoy	-0.8%	7.6%	5.0%
Online printing	16.3	17.9	18.0
yoy		9.6%	10.0%
Retail	16.4	13.4	13.6
yoy	-33.2%	-18.5%	-17.0%
new EBIT	-4.2	-3.5	-3.7
EBIT old reporting	-4.0	-3.3	-3.5
margin	-3.9%	-3.1%	-3.4%
yoy		-17.6%	-11.5%
Photofinishing	-2.3	-1.1	-1.5
margin	-3.3%	-1.5%	-2.1%
yoy		-52.2%	-32.7%
Online printing	-1.2	-1.3	-1.0
Retail	-0.7	-1.2	-1.0
Net profit - reported	-4.2	-3.6	-3.6
margin	-4.1%	-3.4%	-3.5%
EPS - reported	-0.60	-0.51	-0.52

Source: Company reports, Berenberg estimates

Change in estimates, valuation

Following Q1 2015 results we adjust our estimates to reflect:

- lower growth in commercial online printing division with EUR95m of sales by 2016E down from EUR101.5m old estimates and below company guidance of EUR100m;
- slightly lower EBIT in Photofinishing segment in 2016E due to the Photokina imaging fair that takes place every other year;
- increased capex to EUR44.5m in 2015E, up from old estimates of EUR40.5m due to guided investments in HQ of up to EUR10m in 2015E; and
- all in all we reduce our EBIT estimates by 0.4%/2.4%/1.3% for 2015/16/17E and reduce EPS by 1%/4%/2% over the same period.

We still believe that the company guidance is relatively conservative and thus we are at the upper end of the guidance and 4% ahead of consensus EBIT for 2015E. We are 5% and 11% ahead of consensus EPS estimates for 2015/16E.

Berenberg versus consensus estimates

FY					
Berenberg					
	Last fiscal year	Current Y	Next fiscal year	Next fiscal year +1	
Sales	524	539	559	581	
yoy		2.9%	3.7%	3.9%	
EBITDA	66	72	79	87	
yoy		9.3%	9.5%	9.7%	
as % of sales	12.6%	13.4%	14.2%	15.0%	
EBIT	33	37	41	49	
yoy		12.6%	11.7%	18.8%	
as % of sales	6.2%	6.8%	7.4%	8.4%	
Net income	21	25	29	35	
yoy		18.5%	14.0%	20.0%	
Consensus					
	Last fiscal year	Current Y	Next fiscal year	Next fiscal year +1	
Sales	524	534	547	563	
yoy		1.9%	2.5%	2.8%	
EBITDA	66	71	76	80	
yoy		7.7%	5.8%	5.4%	
as % of sales	12.6%	13.4%	13.8%	14.1%	
EBIT	33	35	39	42	
yoy		8.6%	8.6%	8.6%	
as % of sales	6.2%	6.6%	7.0%	7.4%	
Net income	21	24	26	28	
yoy		11.7%	7.3%	11.0%	
EPS	3.02	3.41	3.67	4.06	
Diff. vs. consensus					
	Last fiscal year	Current Y	Next fiscal year	Next fiscal year +1	
Sales		1.0%	2.1%	3.2%	
EBITDA		1.5%	5.0%	9.3%	
EBIT		3.7%	6.7%	16.7%	
Net income		6.0%	12.6%	21.8%	
EPS		4.9%	11.2%	20.3%	

Source: Berenberg estimates, Bloomberg

Division sales and EBIT breakdown 2009-2017E

EUR m	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E
Divisional sales									
Photofinishing	316.3	336.0	355.5	359.3	375.4	386.0	393.7	401.3	408.6
Retail	93.5	110.8	112.2	105.0	101.1	67.3	63.9	62.0	60.2
Online	0.0	0.0	1.4	43.0	59.8	70.5	81.4	95.4	111.9
TTL	409.8	446.8	469.0	507.2	536.2	523.8	539.0	558.7	580.7
Divisional sales shares									
Photofinishing	77.2%	75.2%	75.8%	70.8%	70.0%	73.7%	73.0%	71.8%	70.4%
Retail	22.8%	24.8%	23.9%	20.7%	18.8%	12.8%	11.9%	11.1%	10.4%
Online	0.0%	0.0%	0.3%	8.5%	11.1%	13.5%	15.1%	17.1%	19.3%
TTL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Divisional sales growth									
Photofinishing	-2.5%	6.2%	5.8%	1.1%	4.5%	2.8%	2.0%	1.9%	1.8%
Retail	-2.2%	18.5%	1.3%	-6.4%	-3.7%	-33.4%	-5.0%	-3.0%	-3.0%
Online	na	na	na	2996.8%	39.1%	17.9%	15.4%	17.3%	17.3%
TTL	-2.4%	9.0%	5.0%	8.1%	5.7%	-2.3%	2.9%	3.7%	3.9%
Divisional EBIT									
Photofinishing	26.5	28.5	30.5	32.0	39.5	39.3	41.4	41.6	43.7
Retail	1.7	1.8	2.4	1.7	0.1	-2.9	-2.2	-0.8	0.1
Online	0.0	0.0	-2.8	-4.8	-4.3	-2.9	-2.4	0.3	5.1
TTL	28.2	30.4	30.1	28.9	35.3	33.5	36.8	41.1	48.8
Divisional EBIT share									
Photofinishing	93.9%	93.9%	101.4%	110.7%	111.9%	117.2%	112.6%	101.1%	89.4%
Retail	6.1%	6.1%	8.0%	5.8%	0.2%	-8.7%	-6.0%	-1.9%	0.2%
Online	0.0%	0.0%	-9.4%	-16.5%	-12.1%	-8.6%	-6.6%	0.8%	10.4%
TTL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Divisional EBIT margin									
Photofinishing	8.4%	8.5%	8.6%	8.9%	10.5%	10.2%	10.5%	10.4%	10.7%
Retail	1.8%	1.7%	2.2%	1.6%	0.1%	-4.3%	-3.5%	-1.3%	0.2%
Online	0.0%	0.0%	-204.5%	-11.1%	-7.2%	-4.1%	-3.0%	0.3%	4.5%
TTL	6.9%	6.8%	6.4%	5.7%	6.6%	6.4%	6.8%	7.4%	8.4%

Source: Company reports, Berenberg estimates

Our new price target EUR68 is an average of DCF (EUR74.4) and CFROEV 2016E (EUR62.2) and indicates 17% upside potential.

DCF valuation model

DCF model											
EUR m	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Terminal value
Operating profit (NOPAT)	25.4	28.8	34.2	36.6	38.3	38.4	38.6	39.1	39.5	39.4	
Change working capital	-11.4	-1.8	-2.0	-2.3	-2.2	-2.0	-2.1	-2.1	-1.9	-1.3	
Depreciation	35.6	38.2	38.2	39.6	40.8	42.0	43.1	44.3	45.4	46.1	
Investments	44.5	38.0	36.5	39.6	40.8	42.0	43.1	44.3	45.4	46.1	
Net cash flow	0.7	27.4	34.2	34.6	36.4	36.8	36.9	37.4	38.0	38.5	557.6
Present value	0.7	24.0	27.6	25.7	25.0	23.3	21.5	20.1	20.4	20.7	299.5
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
									Long-term growth rate		1.5%
DCF per share derived from											
Total present value	508										WACC derived from
thereof terminal value:	59%										Interest costs, pre-tax
Net debt at year start	-20										Tax rate
Investments, minorities & others	-2										Interest costs, after taxes
Equity value	526										Required ROE
No. of outstanding shares	7.1										Risk premium
											Risk-free (10y. bond)
Discounted cash flow per share (EUR)	74.4										Beta

CEWE Stiftung & Co KGaA

European Mid-Cap – Internet

Sensitivity analysis DCF								
Fair value per share (EUR)				Long-term growth rate				
				0.5%	1.0%	1.5%	2.0%	2.5%
Beta	1.2	WACC	9.7%	60	62	64	66	69
	1.1		9.1%	64	66	69	71	75
	1.0		8.5%	69	71	74	78	82
	0.9		7.9%	74	77	81	86	91
	0.8		7.3%	81	85	89	95	102

Source: Berenberg estimates

CFRoEV valuation method

CEWE Stiftung & Co KGaA			
<i>Fair value = (cash flow return / hurdle rate) = (adj. EBIT after taxes / hurdle rate)</i>			
<i>Business year end: 31.12</i>	2015	2016	2017
EBIT	36.8	41.1	48.8
+ Depreciation of fixed assets	27.5	30.0	30.1
+ Amortisation of intangible assets	8.1	8.2	8.0
- Maintenance capex	35.6	38.2	38.2
= Adjusted EBIT	36.8	41.1	48.8
- Taxes (normalised tax rate)	11.0	12.3	14.6
- Minorities	0.0	0.0	0.0
= Adjusted cash flow after tax	25.7	28.8	34.2
Hurdle rate	7.0%	7.0%	7.0%
= Fair EV	368	411	488
- Net debt (cash)	-8.6	-23.8	-44.6
- Pension provisions	17.6	17.9	18.2
+ Accumulated dividends outstanding	11.3	23.7	37.5
= Fair market capitalization	370	440	552
Number of shares (million)	7.08	7.08	7.08
Number of options / dilutive shares	0.00	0.00	0.00
Fully diluted no. of shares	7.08	7.08	7.08
Fair value per share (EUR)	52.3	62.2	78.0
Current value per share	58.5	58.5	58.5
premium (-) / discount (+) in %	-11%	6%	33%

Source: Berenberg estimates

Financials

Profit and loss account

Year-end December(EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Sales	469	507	536	524	539	559	581
Own work capitalised	1	1	1	1	1	1	1
Total sales	470	508	538	525	540	560	582
Other operating income	23	30	25	21	23	23	24
Material expenses	174	186	190	163	165	171	178
Personnel expenses	109	122	130	136	138	140	143
Other operating expenses	147	164	175	182	188	193	199
Unusual or infrequent items	0	0	0	0	0	0	0
EBITDA	64	66	67	66	72	79	87
EBITDA margin	13.6%	13.0%	12.5%	12.6%	13.4%	14.2%	15.0%
Depreciation	26	28	26	26	28	30	30
EBITA	38	38	40	41	45	49	57
Amortisation of goodwill	0	0	4	0	0	0	0
Amortisation of intangible assets	8	9	8	8	8	8	8
Impairment charges	0	0	0	0	0	0	0
EBIT	30	29	29	33	37	41	49
EBIT margin	6.4%	5.7%	5.4%	6.2%	6.8%	7.4%	8.4%
Interest income	0	0	0	0	0	0	1
Interest expenses	1	2	2	1	0	0	0
Other financial result	0	0	0	0	0	0	0
Financial result	-1	-2	-2	-1	0	0	1
Income on ordinary activities before taxes	29	27	27	31	37	41	49
Extraordinary income/loss	0	0	0	0	0	0	0
EBT	29	27	27	31	37	41	49
Taxes	11	8	6	10	11	12	15
Tax rate	36%	29%	23%	32%	31%	30%	30%
Net income from continuing operations	19	19	21	21	25	29	35
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income	19	19	21	21	25	29	35
Minority interest	0	0	0	0	0	0	0
Net income (net of minority interest)	19	19	21	21	25	29	35

Source: Company data, Berenberg estimates

Balance sheet

Year-end December (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Intangible assets	22	50	45	45	44	43	43
Property, plant and equipment	79	101	99	103	113	113	112
Financial assets	5	5	7	16	16	16	16
Fixed assets	106	156	151	163	172	171	170
Inventories	48	63	59	49	50	52	54
Accounts receivable	78	72	89	84	87	90	93
Other current assets	22	12	12	8	8	8	9
Liquid assets	31	13	14	28	16	26	47
Deferred taxes	5	8	9	8	8	8	8
Deferred charges and prepaid expenses	0	0	0	0	0	0	0
Current assets	183	169	183	177	170	185	212
TOTAL	290	325	334	340	341	357	382
Shareholders' equity	121	132	143	174	187	203	223
Minority interest	0	0	0	0	0	0	0
Long-term debt	17	28	7	3	3	3	3
Pensions provisions	11	17	18	22	18	18	18
Other provisions	14	6	9	8	8	8	8
Non-current liabilities	41	51	34	33	28	29	29
short-term debt	7	13	30	5	5	0	0
Accounts payable	90	102	101	96	89	92	95
Advance payments	0	0	0	0	0	0	0
Other liabilities	29	23	23	29	30	31	32
Deferred taxes	1	4	3	3	3	3	3
Other accruals	0	0	0	0	0	0	0
Current liabilities	127	142	157	133	126	125	130
TOTAL	290	325	334	340	341	357	382

Source: Company data, Berenberg estimates

Cash flow statement

EUR m	2011	2012	2013	2014	2015E	2016E	2017E
Net profit/loss	19	19	21	21	25	29	35
Depreciation of fixed assets (incl. leases)	26	28	26	26	28	30	30
Amortisation of goodwill	0	0	4	0	0	0	0
Amortisation of intangible assets	8	9	8	8	8	8	8
Other	4	-8	1	5	-4	0	0
Cash flow from operations before changes in w/c	56	48	60	60	57	67	73
Change in inventory	2	-15	4	10	-1	-2	-2
Change in accounts receivable	-6	6	-17	4	-2	-3	-4
Change in accounts payable	8	12	-1	-5	-7	3	4
Change in other working capital	0	0	0	0	0	0	0
Change in working capital	4	3	-14	10	-11	-2	-2
Cash flow from operating activities	60	51	46	70	45	66	71
Maintenance capex	27	27	28	28	36	30	29
Cash flow from operating activities after maintenance	33	24	17	41	10	35	42
Capex, excluding maintenance	3	7	7	7	9	8	7
Payments for acquisitions	0	24	0	5	0	0	0
Financial investments	0	-11	2	3	0	0	0
Income from asset disposals	0	1	2	1	0	0	0
Cash flow from investing activities	-30	-46	-35	-43	-45	-38	-37
Cash flow before financing	30	5	11	26	1	28	35
Increase/decrease in debt position	-7	-9	-1	-26	0	-5	0
Purchase of own shares	7	0	-1	0	0	0	0
Capital measures	0	0	0	24	0	0	0
Dividends paid	8	9	10	11	11	12	14
Others	-1	-5	0	0	0	0	0
Effects of exchange rate changes on cash	0	0	0	0	0	0	0
Cash flow from financing activities	-23	-23	-10	-13	-11	-17	-14
Increase/decrease in liquid assets	7	-17	0	13	-11	10	21
Liquid assets at end of period	31	13	14	27	16	26	47

Source: Company data, Berenberg estimates

Growth rates yoy

(%)	2011	2012	2013	2014	2015E	2016E	2017E
Net sales	5.0 %	8.1 %	5.7 %	-2.3 %	2.9 %	3.7 %	3.9 %
EBITDA	-3.5 %	3.9 %	1.1 %	-0.9 %	9.3 %	9.5 %	9.7 %
EBIT	5.1 %	0.5 %	6.2 %	0.4 %	10.6 %	9.8 %	15.3 %
Net income	35.4 %	2.1 %	11.7 %	0.8 %	18.5 %	14.0 %	20.0 %
EPS reported	40.6 %	14 %	11.9 %	-6.4 %	18.5 %	14.0 %	20.0 %
EPS recurring	30.1 %	14 %	31.0 %	-20.0 %	18.5 %	14.0 %	20.0 %

Source: Company data, Berenberg estimates

Ratios

Ratios	2011	2012	2013	2014	2015E	2016E	2017E
Asset utilisation efficiency							
Capital employed turnover	4.1	3.2	3.2	3.4	3.0	3.1	3.3
Operating assets turnover	4.1	3.8	3.7	3.8	3.3	3.4	3.5
Plant turnover	5.9	5.0	5.4	5.1	4.8	4.9	5.2
Inventory turnover (sales/inventory)	9.8	8.1	9.1	10.7	10.7	10.7	10.7
Operational efficiency							
Operating return	55.3%	49.4%	46.0%	47.4%	45.0%	48.5%	53.1%
Total operating costs / sales	86.6%	87.2%	87.8%	87.6%	86.7%	86.0%	85.2%
Sales per employee	166.1	190.2	200.0	194.4	199.0	205.3	212.3
EBITDA per employee	22.5	24.8	24.9	24.6	26.7	29.1	31.8
EBIT margin	6.4%	5.7%	5.4%	6.2%	6.8%	7.4%	8.4%
Return on capital							
EBIT / Y/E capital employed	26.2%	18.3%	17.4%	21.2%	20.7%	23.0%	27.4%
EBIT / avg. capital employed	25.9%	21.2%	17.8%	20.4%	22.2%	23.0%	27.4%
EBITDA / Y/E capital employed	55.4%	41.6%	40.3%	43.1%	40.7%	44.3%	48.8%
EBITDA / avg. capital employed	54.6%	48.3%	41.1%	41.4%	43.6%	44.4%	48.7%
Return on equity							
Net profit / Y/E equity	15.3%	14.4%	14.8%	12.3%	13.6%	14.2%	15.5%
Recurring net profit / Y/E equity	15.3%	14.4%	14.8%	12.3%	13.6%	14.2%	15.5%
Net profit / avg. equity	15.3%	15.0%	15.4%	13.5%	14.0%	14.8%	16.3%
Recurring net profit / avg. equity	15.3%	15.0%	15.4%	13.5%	14.0%	14.8%	16.3%
Security							
Net debt (if net cash=0)	-7	27	23	-20	-9	-24	-45
Debt / equity	-5.5%	20.3%	16.2%	-11.4%	-4.6%	-11.7%	-20.0%
Net gearing	-5.5%	20.3%	16.2%	-11.4%	-4.6%	-11.7%	-20.0%
Interest cover	21.1	11.9	15.7	23.0	118.7	199.2	459.6
EBITDA / interest paid	44.6	26.9	36.2	46.7	233.8	384.5	819.1
Altman's z-score	5.2	4.1	4.6	5.3	5.4	5.5	5.5
Dividend payout ratio	46%	51%	50%	53%	49%	48%	47%
Liquidity							
Current ratio	1.4	1.2	1.2	1.3	1.3	1.5	1.6
Acid test ratio	1.1	0.7	0.8	1.0	0.9	1.1	1.2
Free cash flow	1.6	0.9	0.5	1.6	0.0	1.0	1.0
Funds management							
Avg. working capital / sales	8.0%	6.7%	7.4%	8.0%	7.9%	8.8%	8.8%
Cash flow / sales	5.4%	5.4%	5.0%	5.0%	4.8%	6.1%	7.0%
Free cash flow/sales	6.4%	3.4%	1.9%	6.5%	0.1%	4.9%	6.0%
Inventory processing period (days)	101	123	114	110	111	112	111
Receivables collection period (days)	61	52	60	59	59	59	59
Payables payment period (days)	190	201	194	216	196	196	196
Cash conversion cycle (days)	-28	-26	-20	-47	-26	-26	-26
Trade creditors / trade debtors	115.8%	141.6%	113.9%	114.0%	102.2%	102.2%	102.2%
Other							
Interest received / avg. cash	1.4%	1.5%	1.0%	1.2%	1.0%	1.5%	2.0%
Interest paid / avg. debt	5.2%	7.6%	4.8%	6.3%	4.0%	4.0%	4.0%
Capex / dep'n	90.5%	62.6%	98.1%	115.9%	125.0%	99.5%	95.7%
Cost per employee	36	37	38	39	40	41	42
Capex / sales	6.5%	4.6%	6.9%	7.4%	8.3%	6.8%	6.3%
Maint. capex / sales	5.8%	5.3%	5.3%	5.4%	6.6%	5.4%	5.0%
Cash flow	25	27	27	26	26	34	40
Cash ROCE	21.8%	20.0%	16.6%	16.5%	15.5%	19.2%	22.7%
Free cash flow	14.8%	8.3%	4.4%	9.4%	0.2%	6.6%	8.3%

Source: Company data, Berenberg estimates

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<u>25 February 15</u>	<u>71.00</u>	<u>Buy</u>	<u>28 June 11</u>
<u>20 May 15</u>	<u>68.00</u>	<u>Buy</u>	

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