

Recommendation: **HOLD** (HOLD) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 47.00** (47.00)

13 November 2014

## 3Q14 with solid figures

### Revenues slightly lower than we had expected

- 3Q14 figures:** Today, CEWE Stiftung & Co KGaA published its 3Q14 report. Overall, the performance in 3Q14 was solid, solely the top line was slightly below our expectation. Therefore, we marginally adjusted our full year revenue estimate. Additionally, we also put our mid-term top line forecast to a slightly more conservative approach, expecting a top line growth of 3.5% in 2015E and 4.2% in 2016E. The growth dynamic remains the digital segment. The key figures are: Group revenues in 9M14 stood at EUR 329.0m which was below last year's level of EUR 345.0m. EBIT was flat yoy at EUR -4.1m in 9M14. Net result stood at EUR -4.5m in 9M14 after EUR -5.5m in 9M13. Regarding the development in 3Q14, the group achieved revenues of EUR 121.8m with an EBIT of EUR 3.2m (3Q13: EUR 6.2m). Net result came in at EUR 2.7m after EUR 4.7m in 3Q13. The translating EPS was at EUR 0.38 in 3Q and at EUR -0.65 for 9M14.
- Segment reporting:** While the segments Fotofinishing and Online showed a yoy top line growth, the Retail unit was significantly down yoy. The 9M14 segment sales in Retail stood at EUR 49.0m after EUR 76.5m last year. EBIT was down to EUR -1.5m after EUR -1.2m in 9M13. Fotofinishing was marginally up yoy to EUR 230m with EBIT at break-even level (9M13: EUR 0.4m). The Online segment showed revenues of EUR 50.0m after EUR 41.6m in 9M13 and EBIT improved from EUR -3.2m to EUR -2.6m.
- Outlook 2014:** 3Q/9M was solid and, hence, the management leave the guidance for 2014 unchanged. Group revenues should still range within EUR 525m to EUR 540m, which equates to a yoy growth of between -1% and +2%. EBIT should range between EUR 30-36m while net income should stand between EUR 19m and EUR 23m, corresponding to an EPS range of EUR 2.84 – EUR 3.45.
- Marginal changes in estimates:** As aforementioned, the top line was marginal below my expectation for 9M. As a result, we updated our estimates for 4Q14E accordingly. For 2014E we now expect group revenues of EUR 529.1m (mid of company range) with an EBIT of EUR 30.5m (lower end of guidance) and EPS at EUR 3.34 (higher end). For 4Q14E this would indicate group revenues of EUR 200.2m after EUR 183.5m in 4Q13. EBIT should therefore amount to EUR 34.6m after EUR 33.5m in 4Q13. Net result in 4Q is assumed to be at EUR 26.4m. The stock momentum was relatively stable over the last couple of weeks, we therefore reiterate our HOLD recommendation with an unchanged PT of EUR 47.00.

| Y/E 31.12., EUR m | 2011  | 2012  | 2013  | 2014E | 2015E | 2016E |
|-------------------|-------|-------|-------|-------|-------|-------|
| Sales revenues    | 469.0 | 503.3 | 528.6 | 529.1 | 547.7 | 570.7 |
| EBITDA            | 67.8  | 65.9  | 67.3  | 68.6  | 72.0  | 77.7  |
| EBIT              | 30.1  | 28.9  | 29.4  | 30.5  | 32.3  | 33.7  |
| Net income/loss   | 18.6  | 18.8  | 21.6  | 22.0  | 23.2  | 23.9  |
| EPS               | 2.84  | 2.88  | 3.29  | 3.34  | 3.53  | 3.63  |
| DPS               | 1.40  | 1.45  | 1.50  | 1.60  | 1.70  | 1.70  |
| EBITDA margin     | 14.5% | 13.1% | 12.7% | 13.0% | 13.1% | 13.6% |
| EBIT margin       | 6.4%  | 5.7%  | 5.6%  | 5.8%  | 5.9%  | 5.9%  |
| EV/EBIT           | 13.9  | 14.5  | 14.3  | 13.8  | 13.0  | 12.5  |
| P/E               | 18.8  | 18.5  | 16.2  | 16.0  | 15.1  | 14.7  |

Source: CEWE Color Stiftung & Co KGaA; CBS



Sources: CBS Research AG, Bloomberg

| Change | 2014E |       | 2015E |       | 2016E |       |
|--------|-------|-------|-------|-------|-------|-------|
|        | new   | old   | new   | old   | new   | old   |
| Sales  | 529.1 | 533.9 | 547.7 | 549.9 | 570.7 | 574.7 |
| EBIT   | 30.5  | 30.2  | 32.3  | 32.4  | 33.7  | 33.9  |
| EPS    | 3.34  | 3.34  | 3.53  | 3.55  | 3.63  | 3.66  |

Internet: www.cewecolor.de Sector: Retail  
WKN: 540390 ISIN: DE0005403901  
Reuters: CWCG.DE Bloomberg: CWC GY

#### Short company profile:

The German photofinisher CeWe Color Holding AG is one of the biggest providers of photographic photofinishing. The company's operational decisions will be accomplished by its subsidiary CeWe Color AG & Co. OHG.

#### Share data:

|   |                  |
|---|------------------|
| Share price (last price):                   | <b>EUR 53.40</b> |
| Shares outstanding (m):                     | 7.38             |
| Market capitalisation (EURm):               | 393.9            |
| Enterprise value (EURm):                    | 420.0            |
| Ø daily trading volume (3m, no. of shares): | 11,047           |

#### Performance data:

|                                   |           |
|-----------------------------------|-----------|
| High 52 weeks:                    | EUR 61.05 |
| Low 52 weeks:                     | EUR 39.50 |
| Absolute performance (12 months): | 30.6%     |
| Relative performance (vs.SDAX):   |           |
| 1 month                           | 1.8%      |
| 3 months                          | 8.2%      |
| 6 months                          | 1.7%      |
| 12 months                         | 25.0%     |

#### Shareholders:

|   |       |
|---|-------|
| Community of Sen. h.c. Heinz Neumüller: | 27.4% |
| CeWe Stiftung :                         | 2.5%  |
| Others, free float:                     | 70.1% |

#### Financial calendar:

|             |            |
|-------------|------------|
| FY14 report | March 2015 |
|-------------|------------|

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## Appendix

### Profit and loss account

|  | IFRS | EUR 1,000 | 2011           | 2012           | 2013           | 2014E          | 2015E          | 2016E          |
|--|------|-----------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenues</b>                                |      |           | <b>469,043</b> | <b>503,346</b> | <b>528,569</b> | <b>529,142</b> | <b>547,662</b> | <b>570,664</b> |
| YoY growth                                     |      |           | 5.0%           | 7.3%           | 12.7%          | 0.1%           | 3.5%           | 4.2%           |
| Change in inventory                            |      |           | 0              | 64             | 326            | 326            | 338            | 352            |
| as % of sales                                  |      |           | 0.0%           | 0.0%           | 0.1%           | 0.1%           | 0.1%           | 0.1%           |
| Other own work capitalized                     |      |           | 937            | 1,052          | 1,034          | 1,035          | 1,071          | 1,116          |
| as % of sales                                  |      |           | 0.2%           | 0.2%           | 0.2%           | 0.2%           | 0.2%           | 0.2%           |
| Other operating income                         |      |           | 23,142         | 29,682         | 24,589         | 21,166         | 21,906         | 22,827         |
| as % of sales                                  |      |           | 4.9%           | 5.9%           | 4.7%           | 4.0%           | 4.0%           | 4.0%           |
| Cost of materials                              |      |           | -173,631       | -186,234       | -190,017       | -186,787       | -196,063       | -203,727       |
| as % of sales                                  |      |           | -37.0%         | -37.0%         | -35.9%         | -35.3%         | -35.8%         | -35.7%         |
| <b>Gross profit</b>                            |      |           | <b>319,491</b> | <b>347,910</b> | <b>364,501</b> | <b>364,882</b> | <b>374,914</b> | <b>391,231</b> |
| as % of sales                                  |      |           | 68.1%          | 69.1%          | 69.0%          | 69.0%          | 68.5%          | 68.6%          |
| Personnel cost                                 |      |           | -108,506       | -122,531       | -129,882       | -128,581       | -128,701       | -131,253       |
| as % of sales                                  |      |           | -23.1%         | -24.3%         | -24.6%         | -24.3%         | -23.5%         | -23.0%         |
| Other operating expenses                       |      |           | -147,360       | -159,439       | -167,352       | -167,738       | -174,216       | -182,296       |
| as % of sales                                  |      |           | -31.4%         | -31.7%         | -31.7%         | -31.7%         | -31.8%         | -31.9%         |
| <b>EBITDA</b>                                  |      |           | <b>63,625</b>  | <b>65,940</b>  | <b>67,267</b>  | <b>68,562</b>  | <b>71,997</b>  | <b>77,683</b>  |
| as % of sales                                  |      |           | 13.6%          | 13.1%          | 12.7%          | 13.0%          | 13.1%          | 13.6%          |
| Depreciation and amortisation                  |      |           | -33,498        | -37,019        | -37,902        | -38,098        | -40,527        | -39,946        |
| as % of sales                                  |      |           | -7.1%          | -7.4%          | -7.2%          | -7.2%          | -7.4%          | -7.0%          |
| <b>EBIT</b>                                    |      |           | <b>30,127</b>  | <b>28,921</b>  | <b>29,365</b>  | <b>30,464</b>  | <b>32,312</b>  | <b>33,669</b>  |
| as % of sales                                  |      |           | 6.4%           | 5.7%           | 5.6%           | 5.8%           | 5.9%           | 5.9%           |
| Net financial results                          |      |           | -954           | -2,203         | -1,547         | -1,158         | -1,206         | -1,231         |
| <b>EBT (Earnings before income taxes)</b>      |      |           | <b>29,173</b>  | <b>26,718</b>  | <b>27,818</b>  | <b>29,307</b>  | <b>31,106</b>  | <b>32,438</b>  |
| as % of sales                                  |      |           | 6.2%           | 5.3%           | 5.3%           | 5.5%           | 5.7%           | 5.7%           |
| Income taxes (including others)                |      |           | -10,585        | -7,893         | -6,199         | -7,323         | -7,879         | -8,540         |
| as % of EBT                                    |      |           | -36.3%         | -29.5%         | -22.3%         | -25.0%         | -25.3%         | -26.3%         |
| <b>Group net income including minorities</b>   |      |           | <b>18,588</b>  | <b>18,825</b>  | <b>21,619</b>  | <b>21,983</b>  | <b>23,227</b>  | <b>23,898</b>  |
| Minority interests                             |      |           | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| <b>Net income attributable to shareholders</b> |      |           | <b>18,588</b>  | <b>18,825</b>  | <b>21,619</b>  | <b>21,983</b>  | <b>23,227</b>  | <b>23,898</b>  |
| as % of sales                                  |      |           | 4.0%           | 3.7%           | 4.1%           | 4.2%           | 4.2%           | 4.2%           |
| Shares outstanding (in m), weighted            |      |           | 6.54           | 6.54           | 6.58           | 6.58           | 6.58           | 6.58           |
| <b>Basic earnings per share (EUR)</b>          |      |           | <b>2.84</b>    | <b>2.88</b>    | <b>3.29</b>    | <b>3.34</b>    | <b>3.53</b>    | <b>3.63</b>    |

Source: CEWE Stiftung & Co. KGaA, CBS Research AG

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

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Recommendation history over the last 12 months for the company analysed in this report:

| Date             | Recommendation | Price at change date | Price target |
|------------------|----------------|----------------------|--------------|
| 11 November 2013 | HOLD           | EUR 41.85            | EUR 42.00    |
| 26 February 2014 | HOLD           | EUR 49.00            | EUR 47.00    |
| 27 March 2014    | HOLD           | EUR 52.00            | EUR 47.00    |
| 13 May 2014      | HOLD           | EUR 55.84            | EUR 47.00    |

|                  |      |           |           |
|------------------|------|-----------|-----------|
| 13 August 2014   | HOLD | EUR 49.80 | EUR 47.00 |
| 13 November 2014 | HOLD | EUR 53.40 | EUR 47.00 |

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