



CEWE Stiftung & Co. KGaA

Room for further growth

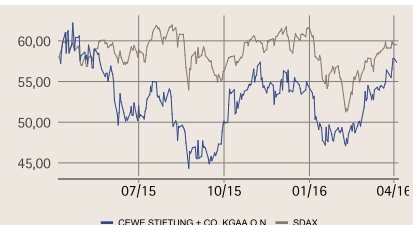
06/04/2016

Buy (Buy)
65.00 EUR (60.00 EUR)

Close 04/04/2016 57.38 EUR
Bloomberg: CWC GY WKN: 540390
Sector Consumer

Share price performance

52 week high	62.18 EUR
52 week low	44.34 EUR
Compared to	SDAX
YTD	8.4%
1 month	2.5%
12 months	-6.2%



Share data

EV (m EUR; 2016)	402.2
Market Cap (m EUR)	408.5
No. of shares (m)	7.1
Free float	69.9%

Next event

Quarterly Results 12/05/2016

Change in model

	Sales	EBIT	EPS
2016e	4.8%	9.7%	11.7%
2017e	4.8%	10.6%	12.4%
2018e	---	---	---

Analyst

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See end of document for disclaimer.

CEWE - one of our top small cap recommendations - has outperformed the market by 8.4% ytd. After the analyst conference and our roadshow in Frankfurt, we have raised our forecasts and arrive at a new price target of € 65.00. BUY reiterated.

INVESTMENT CASE

- CEWE is pushing on with growing its market share in value-added products to compensate for the decline in analogue and digital prints. The product mix offers an opportunity to slightly increase the margins further.
- The commercial online print business is benefiting from customers trending towards cheap and very small batches with just-in-time delivery.
- The situation with regard to VAT on photobooks remains unclear. We still believe that the tax increase may be revoked or at least mitigated by an interim solution. The increase is based on a decision of the EU's Customs Tariff Committee, which assigned a new customs tariff to photobooks. As the VAT legislation in Germany and Austria is based on these tariffs, the decision resulted in an - albeit unintended - increase in the VAT rate at a national level. CEWE said the tax change could have an EBIT impact of between € 0 and an amount in the high single-digit millions (on an annual basis).
- The 2016 guidance is based on an unchanged VAT rate for photobooks, which is a fair assumption, in our view. CEWE is targeting an EBIT range of € 38-44 m (2015: € 36.8 m). Growth should be driven by all segments (split BHL: 40% Photo Finishing, 40% Commercial Online Printing, 20% Retail).

CATALYSTS

The company's CFO, Dr Olaf Holzkämper, will be present at our German Investment Conference on 13 April 2016.

VALUATION

Our price target of € 65.00 is still DCF-based. In addition, a dividend yield of 3% appears attractive.

in m EUR	2014	2015	2016e	2017e	2018e
Sales	523.8	554.2	570.8	587.9	605.6
EBIT	32.6	36.8	42.6	46.3	50.2
EBIT margin	6.2%	6.6%	7.5%	7.9%	8.3%
Net financial debt	-23.5	-15.0	-28.9	-46.3	-66.0
Free cash-flow	28.1	4.4	22.8	29.2	31.8
EPS (in EUR)	3.08	3.24	4.03	4.38	4.75
DPS (in EUR)	1.55	1.60	1.65	1.70	1.75
Dividend yield	3.0%	2.9%	2.9%	3.0%	3.0%
EV/Sales	0.7	0.7	0.7	0.7	0.6
EV/EBIT	11.0	10.8	9.4	8.3	7.3
Price Earnings ratio (P/E)	16.7	16.8	14.2	13.1	12.1

Source: Company information, Bankhaus Lampe Research estimates

COMPARISON OF NUMBERS

The table below shows our new estimates compared with our previous forecasts at the group level, and it compares our numbers with the current FactSet consensus:

Bankhaus Lampe	2016e old	2016e new	Change	2017e old	2017e new	Change	2018e old	2018e new	Change
Sales	544.9	570.8	4.8%	561.2	587.9	4.8%	---	605.6	---
EBIT	38.8	42.6	9.8%	41.8	46.3	10.7%	---	50.2	---
EBIT margin	7.1%	7.5%	0,3 PP	7.4%	7.9%	0,4 PP	---	8.3%	---
EPS (€)	3.61	4.03	11.8%	3.90	4.38	12.3%	---	4.75	---
DPS (€)	1.65	1.65	0.0%	1.70	1.70	0.0%	---	1.75	---

Source: Bankhaus Lampe Research

BHL vs. Consensus	2016e			2017e			2018e		
EUR m	BHL	Consensus	Delta	BHL	Consensus	Delta	BHL	Consensus	Delta
Sales	570.8	559.0	2.1%	587.9	572.0	2.8%	605.6	601.4	0.7%
EBIT	42.6	40.0	6.3%	46.3	43.3	7.0%	50.2	46.6	7.7%
EBIT margin	7.5%	7.2%	0,3 PP	7.9%	7.6%	0,3 PP	8.3%	7.7%	0,5 PP
EPS (€)	4.03	3.75	7.7%	4.38	4.09	7.1%	4.75	4.56	4.1%
DPS (€)	1.65	1.65	0.0%	1.70	1.70	0.0%	1.75	1.75	0.0%

Source: Company information, Consensus FactSet, Bankhaus Lampe Research

DCF MODEL

We evaluate CEWE based on a DCF model. As a result of our higher estimates, we now arrive at a price target of € 65.00

CEWE	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	Terminal Value
DCF model (EUR m)									
EBIT	42.6	46.3	50.2	51.2	52.2	53.2	54.3	55.4	55.9
Taxes	-13.6	-14.8	-16.1	-16.4	-16.7	-17.0	-17.4	-17.7	-17.9
NOPAT	29.0	31.5	34.1	34.8	35.5	36.2	36.9	37.7	38.0
+ Depreciation	36.0	37.0	38.0	38.8	39.5	40.3	41.1	42.0	42.4
- Capex	-42.4	-37.0	-38.0	-38.8	-39.5	-40.3	-41.1	-42.0	-42.4
+/- Change in working capital	2.6	-2.0	-2.0	-2.0	-2.1	-2.1	-2.2	-2.2	-2.2
+/- Other cash items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cashflow	25.2	29.5	32.1	32.8	33.4	34.1	34.8	35.5	35.8
Discounting period in years	0.7	1.7	2.7	3.7	4.7	5.7	6.7	7.7	8.7
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Present value	23.8	25.9	26.2	24.8	23.4	22.2	21.0	19.9	275.8

Calculation of fair value per share

Sum of all present values	463
thereof Terminal Value	60%
+ Financial Assets	9.4
- Minorities	0.4
- Pension provisions	-22.9
- Net financial debt (start of year)	15.0
Fair equity value	465
No. of shares [in mio.]	7.1

WACC model

Risk-free rate	1.69%
Equity risk premium	6.5%
Beta	1.4
Expected return on investment	10.7%
Cost of debt	5.00%
Tax rate	32.0%
Cost of debt after taxes	3.40%

Fair value per share [in €] 65.20

Source: Company information, Bankhaus Lampe Research

Sensitivity of fair value per share

		TV growth				
		0.0%	0.5%	1.0%	1.5%	2.0%
Beta	1.0	75.6	80.0	85.3	91.7	99.7
	1.2	66.9	70.1	73.9	78.5	83.9
	1.4	59.9	62.4	65.2	68.5	72.4
	1.6	54.2	56.2	58.3	60.8	63.7
	1.8	49.5	51.1	52.8	54.7	56.9

Source: Company information, Bankhaus Lampe Research

Model assumptions

Short-term CAGR (first 3 years)	10.9%
Medium-term CAGR (next 5 years)	2.0%
Terminal value growth (ad infinity)	1.0%
Terminal value EBIT margin	9.0%

Key figures

CEWE Stiftung & Co. KGaA – Income statement

in m EUR	2014	2015	2016e	2017e	2018e
Sales	523.8	554.2	570.8	587.9	605.6
Own work capitalised	1.1	1.3	1.3	1.3	1.3
Total sales	524.9	555.4	572.1	589.2	606.9
Material expenses	-162.7	-162.2	-167.0	-172.1	-177.2
Personnel expenses	-135.9	-143.7	-148.1	-152.5	-157.1
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0
Other operating result	-160.3	-174.4	-178.4	-181.4	-184.4
EBITDA	66.0	75.1	78.6	83.3	88.2
Depreciation	33.5	38.4	36.0	37.0	38.0
EBITA	32.6	36.8	42.6	46.3	50.2
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0
EBIT	32.6	36.8	42.6	46.3	50.2
Financial result	-1.0	-0.5	-0.5	-0.5	-0.5
Income on ordinary activities	31.5	36.3	42.1	45.8	49.7
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0
EBT	31.5	36.3	42.1	45.8	49.7
Taxes	-10.1	-13.6	-13.4	-14.6	-15.9
Net income from cont. operations	21.4	22.7	28.7	31.2	33.8
Net income from disc. operations	0.0	0.4	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Net income (adj.)	21.4	23.1	28.7	31.2	33.8
No. of shares	7.0	7.1	7.1	7.1	7.1
EPS	3.08	3.24	4.03	4.38	4.75

Source: Company information, Bankhaus Lampe Research estimates

	2014	2015	2016e	2017e	2018e
Gross margin	68.9%	70.7%	70.7%	70.7%	70.7%
EBITDA margin	12.6%	13.6%	13.8%	14.2%	14.6%
EBITA margin	6.2%	6.6%	7.5%	7.9%	8.3%
EBIT margin	6.2%	6.6%	7.5%	7.9%	8.3%
EBT margin	6.0%	6.6%	7.4%	7.8%	8.2%
Net profit margin	4.1%	4.2%	5.0%	5.3%	5.6%
Tax rate	32.0%	37.4%	31.8%	31.9%	32.0%

Source: Company information, Bankhaus Lampe Research estimates

Growth rates yoy	2014	2015	2016e	2017e	2018e
Sales	-2.3%	5.8%	3.0%	3.0%	3.0%
EBITDA	-1.2%	13.8%	4.6%	5.9%	5.9%
EBIT	12.5%	13.0%	15.8%	8.6%	8.4%
EBT	15.9%	15.2%	16.0%	8.7%	8.5%
Net income (adj.)	-4.3%	7.8%	24.4%	8.6%	8.4%
EPS	-9.6%	5.4%	24.4%	8.6%	8.4%

Source: Company information, Bankhaus Lampe Research estimates

CEWE Stiftung & Co. KGaA – Balance sheet

Assets (in m EUR)	2014	2015	2016e	2017e	2018e
Fixed assets	167.8	182.3	188.8	188.8	188.8
Property, plant and equipment	102.5	108.6	115.0	115.0	115.0
Intangible assets	44.7	54.7	54.7	54.7	54.7
Financial assets	8.2	9.4	9.4	9.4	9.4
Other long-term assets	12.4	9.7	9.7	9.7	9.7
Current assets	171.9	173.3	185.6	205.0	226.7
Inventories	48.9	50.7	53.0	55.0	57.0
Accounts receivable	84.3	90.4	85.0	85.0	85.0
Other current assets	11.0	10.5	11.0	11.0	11.0
Securities	0.0	0.0	0.0	0.0	0.0
Cash	27.7	21.7	36.6	54.0	73.7
Total assets	339.7	355.6	374.3	393.8	415.5
Equity and liabilities in m EUR					
Shareholders' equity	173.6	187.2	204.6	224.0	245.7
Shareholders' equity (before minority)	173.6	187.6	204.9	224.4	246.1
Minorities	0.0	-0.4	-0.4	-0.4	-0.4
Non-current liabilities	27.8	27.5	30.8	30.8	30.8
Pension provisions	21.9	22.9	22.9	22.9	22.9
Other provisions	0.2	0.2	0.2	0.2	0.2
Long-term financial debt	2.7	1.8	2.7	2.7	2.7
Other long-term debt	3.0	2.6	5.0	5.0	5.0
Current liabilities	138.2	140.9	139.0	139.0	139.0
Short-term debt	1.6	4.9	5.0	5.0	5.0
Other accruals short-term	7.7	10.0	8.0	8.0	8.0
Accounts payable	96.1	90.9	91.0	91.0	91.0
Other liabilities	32.8	35.0	35.0	35.0	35.0
Total equity and liabilities	339.7	355.6	374.3	393.8	415.5

Source: Company information, Bankhaus Lampe Research estimates

CEWE Stiftung & Co. KGaA – Balance sheet structure

Assets	2014	2015	2016e	2017e	2018e
Fixed assets	49.4%	51.3%	50.4%	47.9%	45.4%
Property, plant and equipment	30.2%	30.5%	30.7%	29.2%	27.7%
Intangible assets	13.2%	15.4%	14.6%	13.9%	13.2%
Current assets	50.6%	48.7%	49.6%	52.1%	54.6%
Inventories	14.4%	14.3%	14.2%	14.0%	13.7%
Accounts receivable	24.8%	25.4%	22.7%	21.6%	20.5%
Cash	8.1%	6.1%	9.8%	13.7%	17.7%
Equity and liabilities					
Shareholders' equity	51.1%	52.7%	54.6%	56.9%	59.1%
Non-current liabilities	8.2%	7.7%	8.2%	7.8%	7.4%
Pension provisions	6.5%	6.5%	6.1%	5.8%	5.5%
Long-term financial debt	0.8%	0.5%	0.7%	0.7%	0.6%
Current liabilities	40.7%	39.6%	37.1%	35.3%	33.5%
Short-term debt	0.5%	1.4%	1.3%	1.3%	1.2%
Accounts payable	28.3%	25.6%	24.3%	23.1%	21.9%

Source: Company information, Bankhaus Lampe Research estimates

CEWE Stiftung & Co. KGaA – Cash flow statement

in m EUR	2014	2015	2016e	2017e	2018e
Net income (adj.)	21.4	23.1	28.7	31.2	33.8
Depreciation	33.5	38.4	36.0	37.0	38.0
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0
Change of provisions	1.8	3.2	-2.1	0.0	0.0
Other	-2.5	5.3	0.0	0.0	0.0
Operating Cash-flow before changes in w/c	54.2	70.0	62.6	68.2	71.8
Change in inventory	10.2	-1.8	-2.3	-2.0	-2.0
Change in accounts receivable	4.5	-6.2	5.4	0.0	0.0
Change in accounts payable	-5.0	-5.2	0.1	0.0	0.0
Change in other working capital positions	7.2	2.9	-0.6	0.0	0.0
Operating Cash-flow	71.2	59.6	65.3	66.2	69.8
Capex, excluding maintenance	-35.4	-38.3	-42.4	-37.0	-38.0
Payments for acquisitions	-4.9	-15.4	0.0	0.0	0.0
Financial investments	-3.4	-2.2	0.0	0.0	0.0
Income from asset disposals	0.6	0.6	0.0	0.0	0.0
Income from financial investments	0.0	0.0	0.0	0.0	0.0
Cash-flow from investing activities	-43.1	-55.2	-42.4	-37.0	-38.0
Free cash-flow	28.1	4.4	22.8	29.2	31.8
Capital measures	26.8	0.0	0.0	0.0	0.0
Increase/decrease in debt position	-26.1	1.6	1.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0
Other financing Cash-flow	-4.6	-0.7	2.4	0.0	0.0
Dividend paid	-10.6	-11.3	-11.4	-11.7	-12.1
Cash-flow from financing activities	-14.5	-10.3	-8.0	-11.7	-12.1
Increase/ decrease in liquid assets	13.6	-5.9	14.9	17.4	19.7
Effects of exchange rate changes	0.1	-0.1	0.0	0.0	0.0
Cash at beginning of period	14.0	27.7	21.7	36.6	54.0
Change in total cash and cash equivalents	13.6	-6.0	14.9	17.4	19.7
Cash at end of period	27.7	21.7	36.6	54.0	73.7

Source: Company information, Bankhaus Lampe Research estimates

CEWE Stiftung & Co. KGaA – Ratios

	2014	2015	2016e	2017e	2018e
Per Share Data					
EPS	3.08	3.24	4.03	4.38	4.75
Book value per share	24.94	26.30	28.73	31.46	34.51
Free Cash-flow per share	4.03	0.62	3.21	4.10	4.47
Dividend per share	1.55	1.60	1.65	1.70	1.75
Valuation ratios					
EV/Sales	0.7	0.7	0.7	0.7	0.6
EV/EBITDA	5.4	5.3	5.1	4.6	4.1
EV/EBIT	11.0	10.8	9.4	8.3	7.3
Price Earnings ratio (P/E)	16.7	16.8	14.2	13.1	12.1
Price to book (total equity)	2.1	2.1	2.0	1.8	1.7
Dividend yield	3.0%	2.9%	2.9%	3.0%	3.0%
Profitability ratios					
EBITDA margin	12.6%	13.6%	13.8%	14.2%	14.6%
EBIT margin	6.2%	6.6%	7.5%	7.9%	8.3%
Net return on sales	4.1%	4.2%	5.0%	5.3%	5.6%
Return on capital employed (ROCE)	16.3%	17.0%	18.1%	18.2%	18.2%
Productivity ratios					
Capital turnover	39.1%	42.0%	41.3%	40.4%	39.6%
Operating leverage	-5.4	2.2	5.3	2.9	2.8
Sales per employee	162,715	162,044	163,090	165,617	168,217
EBIT per employee	10,114	10,754	12,169	13,032	13,934
Number of employees (in thousands)	3.2	3.4	3.5	3.6	3.6
Financial ratios					
Equity ratio	51.1%	52.7%	54.6%	56.9%	59.1%
Net financial debt (in m EUR)	-23.5	-15.0	-28.9	-46.3	-66.0
Net debt / Equity	-13.5%	-8.0%	-14.1%	-20.7%	-26.9%
Interest cover	0.0	0.0	0.0	0.0	0.0
Net debt / EBITDA	-0.36	-0.20	-0.37	-0.56	-0.75
Working Capital (in m EUR)	37.1	50.2	47.0	49.0	51.0
Change Working Capital (in m EUR)	-9.8	13.2	-3.2	2.0	2.0
WC /sales	7.1%	9.1%	8.2%	8.3%	8.4%
Stocks in days of sales	34	33	34	34	34
Trade debtors in days of sales	59	60	54	53	51
Trade creditors in days of COGS/Material cost	67	60	58	56	55
Cash conversion cycle	26	33	30	31	30
Invest. (property/plant/equity) / Depreciation	105.9%	99.8%	117.9%	100.0%	100.0%
Others					
Sales CAGR (last 3 years)	3.7%	3.0%	2.1%	3.9%	3.0%
EBIT CAGR (last 3 years)	2.6%	8.2%	13.7%	12.4%	10.9%
Net income CAGR (last 3 years)	4.8%	7.0%	8.7%	13.3%	13.5%
Pay out ratio	50.4%	49.3%	40.9%	38.8%	36.9%
Free cash-flow (in m EUR)	28.1	4.4	22.8	29.2	31.8
Free cash flow yield	7.8%	1.1%	5.6%	7.1%	7.8%

Source: Company information, Bankhaus Lampe Research estimates

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Rating system

Shares are rated based upon analyst forecasts with regard to the performance of the share during a period of twelve months. The rating "Buy" within this general concept means that the share's forecast performance is at least 10%. "Hold" means a price movement in a bandwidth of -10% to 10%. "Sell" means that the share's forecast performance is less than -10%.

Explanation of valuation

Unless shown otherwise, the stated upside targets are based upon either a discounted cash-flow pricing or upon a comparison of the performance ratios of companies that the respective analyst considers to be comparable, or upon a combination of these two analyses. Analysts modify the result of this fundamental assessment to incorporate the potential trend in market sentiment.

Overview of changes in our recommendations/price targets in the previous twelve months for: CEWE Stiftung & Co. KGaA (CWC GY), Close (04/04/2016): 57.38 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

Date of publication	Price at recommendation	Rating	Price target
12/02/2016	47.40 EUR	Buy	60.00 EUR
07/04/2015	59.31 EUR	Hold	60.00 EUR

The distribution of recommendations in our investments universe is currently as follows (date: 01/04/2016)

Rating	Basis: all analysed companies	Basis: companies with investment banking relationships
Buy	53.0%	60.0%
Hold	41.0%	40.0%
Sell	6.0%	0.0%
Under Review	0.0%	0.0%

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Potential conflicts of interests may exist in the following companies named in this research report.

Company	Disclosure
CEWE Stiftung & Co. KGaA	2

2. Bankhaus Lampe KG or an affiliated company regularly deals in this company's shares.

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06 April 2016

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