



## CEWE Stiftung &amp; Co. KGaA

Neutral → | Target 84.00 EUR

Price (23/02/2017) : 77.75 EUR | Upside : 8 %

Est.chng	2016e	2017e
EPS	5.6%	7.0%

Very strong performance in 2016, but share price hurt by VAT increase on photo books and lack of visibility

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## Strong 2016 figures beat increased guidance and our estimates

CEWE issued the following preliminary 2016 sales and EBIT figures:

EURm	2016	2015	Δ yoy	Guidance	Oddo Seydler estimates	Δ Actual vs OS estimates	Consensus estimates	Δ Actual vs Consensus
Sales	593.1	554.2	7.0%	555-575	586.3	1.2%	586.7	1.1%
EBIT	47.0	36.4	29.1%	40-46	44.0	6.8%	45.5	3.3%

Source: Company data, Oddo Seydler Bank AG, Factset (consensus)

Sales and earnings came in above our estimates/consensus and above the company's guidance, even though it just raised its EBIT guidance in November 2016 from € 38-44m to € 40-46m.

## New estimates for adjusted and reported EPS 2016e

We have matched our estimates for 2016 to the preliminary figures. Based on preliminary 2016 EBIT (€ 47.0m) and EBT (€ 46.2m), the financial result apparently included another one-off effect booked in Q4 in addition to the interest on a tax refund already booked in Q3. We have adjusted our EPS estimate 2017e not only for the restructuring result and other one-offs included in EBIT, but also for the assumed one-offs in the financial result and in the tax item. We increase our estimate for adjusted EPS from € 4.26 to € 4.50, and our estimate for reported EPS from € 4.40 to € 4.79 (both 2017e).

## Increased estimates for 2017 and 2018, but high estimation risk

CEWE's share price performance is currently mainly driven by investors' scepticism over the impact of the German VAT hike on photo books on customer demand (see our last updates on CEWE). We assume CEWE's photobook revenue in Germany might be around € 100m (c.16-18% of total group sales). So far, management has only issued vague guidance on the possible influence of the VAT hike on EBIT (a range "from 0 euros to not more than a high single-digit €m amount"). Management recently told us that it is still too early to give an indication on this. We assume, however, that customers in the premium segment, where CEWE is positioned, emphasise quality over price. Photo books available in the entry price segment are less differentiated and thus more prone to price pressure, while CEWE's offering in the premium segment, with its wide selection of paper qualities and book covers, should be less susceptible to elasticity of demand. Overall, we assume CEWE will be less affected than many competitors due to its high-end positioning. Nevertheless, we expect the photo book market to reshuffle, as competitors may continually adjust their pricing in the course of the year. It is still unclear how CEWE and its retail partners will split possible price cuts in the future. Discussions on this topic might prove complex due to the large number of retail partners.

Based on the stronger than expected 2016 figures, we revise up our estimates for 2017e and 2018e, but emphasise that estimation risk is relatively high due to the VAT issue.

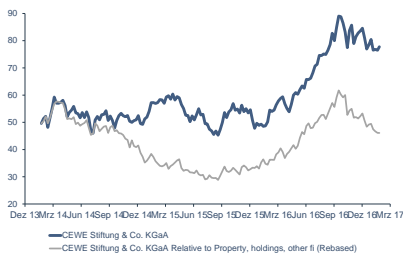
## Maintain Neutral until we have more visibility on the VAT issue

We assume that the uncertainty regarding the VAT impact on demand will continue to negatively affect the share price for the time being and therefore stick to our Neutral rating, despite our unchanged and relatively high TP of € 84.00. We hope CEWE will be able to give clearer indications for 2017 when it publishes its annual report on 23 March.

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## Capital

## CWC GY | CWC G.DE

Market Cap (EURm)	556
Enterprise value (EURm)	522
Extrema 12 months	49.52 - 90.55
Free Float (%)	70.5

Performance (%)	1m	3m	12m
Absolute	-0.2	-7.1	55.5
Perf. rel. Country Index	-3.4	-15.1	36.7
Perf. rel. Property, holding	-4.7	-14.2	35.7

P&L	12/16e	12/17e	12/18e
Sales (EURm)	593	609	630
EBITDA (EURm)	82.8	87.5	91.6
Current EBIT (EURm)	45.6	50.2	53.9
Attr. net profit (EURm)	34.3	33.8	36.4
Adjusted EPS (EUR)	4.50	4.74	5.10
Dividend (EUR)	1.70	1.75	1.85
P/E (x)	14.9	16.4	15.3
P/B (x)	2.3	2.4	2.2
Dividend Yield (%)	2.5	2.3	2.4
FCF yield (%)	2.2	5.3	5.7
EV/Sales (x)	0.78	0.86	0.80
EV/EBITDA (x)	5.6	6.0	5.5
EV/Current EBIT (x)	10.2	10.4	9.3
Gearing (%)	-7	-14	-20
Net Debt/EBITDA(x)	ns	ns	ns

## Next Events

23.03.2017	FY Results
11.05.2017	Q1 Results
31.05.2017	Annual General meeting
10.08.2017	Q2 Results

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**CWCG.DE | CWC GY**  
**Specialist Retailing | Germany**

	Neutral					Price 77.75EUR		
	Upside	8.04%				TP 84.00EUR		
<b>PER SHARE DATA (EUR)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Adjusted EPS	2.84	2.88	3.39	3.08	3.24	4.50	4.74	5.10
<b>Reported EPS</b>	<b>2.84</b>	<b>2.88</b>	<b>3.39</b>	<b>3.08</b>	<b>3.24</b>	<b>4.79</b>	<b>4.74</b>	<b>5.10</b>
Growth in EPS(%)	-	1.4%	17.6%	-9.2%	5.2%	39.0%	5.4%	7.4%
Net dividend per share	1.40	1.45	1.50	1.55	1.60	1.70	1.75	1.85
FCF to equity per share	4.65	-1.16	1.90	4.31	0.82	1.45	4.15	4.41
Book value per share	18.38	19.95	21.71	24.94	26.25	29.33	32.39	35.72
Number of shares market cap	6.54	6.54	6.58	6.96	7.13	7.15	7.13	7.13
Number of diluted shares	6.54	6.54	6.58	6.96	7.13	7.15	7.13	7.13
<b>VALUATION</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
12m highest price	35.98	35.00	42.96	60.10	62.18	90.55	86.08	
12m lowest price	25.78	27.50	30.42	41.42	44.34	47.11	74.07	
(*) Reference price	30.89	31.38	35.82	51.37	53.64	67.01	77.75	77.75
Capitalization	202	205	236	358	383	479	555	555
Restated Net debt	-6.7	18.1	16.3	-23.5	-15.0	-15.3	-32.8	-51.8
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Enterprise Value</b>	<b>195</b>	<b>223</b>	<b>252</b>	<b>334</b>	<b>368</b>	<b>464</b>	<b>522</b>	<b>503</b>
P/E (x)	10.9	10.9	10.6	16.7	16.6	14.9	16.4	15.3
P/CF (x)	3.9	3.7	4.0	6.3	5.7	6.9	7.8	7.5
Net Yield (%)	4.5%	4.6%	4.2%	3.0%	3.0%	2.5%	2.3%	2.4%
FCF yield (%)	15.0%	ns	5.3%	8.4%	1.5%	2.2%	5.3%	5.7%
P/B incl. GW (x)	1.68	1.57	1.65	2.06	2.04	2.28	2.40	2.18
P/B excl. GW (x)	1.68	1.57	1.65	2.06	2.04	2.28	2.40	2.18
EV/Sales (x)	0.42	0.44	0.47	0.64	0.66	0.78	0.86	0.80
EV/EBITDA (x)	3.1	3.4	3.8	5.1	4.9	5.6	6.0	5.5
<b>EV/EBIT (x)</b>	<b>6.5</b>	<b>7.7</b>	<b>8.7</b>	<b>10.3</b>	<b>10.0</b>	<b>10.2</b>	<b>10.4</b>	<b>9.3</b>
(*) historical average price								
<b>PROFIT AND LOSS (EURm)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Sales	469	507	536	524	554	593	609	630
EBITDA	64	66	67	66	75	83	88	92
Depreciations	-33.5	-37.0	-37.9	-33.5	-38.4	-37.2	-37.4	-37.7
<b>Current EBIT</b>	<b>30.1</b>	<b>29.1</b>	<b>28.9</b>	<b>32.6</b>	<b>36.8</b>	<b>45.6</b>	<b>50</b>	<b>54</b>
Published EBIT	30.1	29.1	28.9	32.6	36.8	47.0	50	54
Net financial income	-1.0	-2.2	-1.9	-1.0	-0.5	-0.8	-0.6	-0.5
Corporate Tax	-10.6	-8.0	-4.8	-10.1	-13.6	-12.4	-16.0	-17.1
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.4	0.4	0.3	0.1
Attributable net profit	18.6	18.8	22.3	21.4	23.1	34.3	33.8	36.4
<b>Adjusted attributable net profit</b>	<b>18.6</b>	<b>18.8</b>	<b>22.3</b>	<b>21.4</b>	<b>23.1</b>	<b>32.2</b>	<b>33.8</b>	<b>36.4</b>
<b>BALANCE SHEET (EURm)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Goodwill	9.1	28.5	25.4	25.4	37.4	36.5	36.5	36.5
Other intangible assets	13.0	21.8	20.0	19.3	17.2	19.3	18.0	17.7
Tangible fixed assets	79.2	101	98.6	103	109	121	123	124
WCR	21.8	12.0	23.8	12.0	22.8	31.7	35.0	39.0
Financial assets	13.8	14.3	19.2	21.9	20.3	20.4	20.4	20.4
Ordinary shareholders equity	120	130	143	174	187	210	231	255
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	120	130	143	174	187	210	231	255
Non-current provisions	23.3	29.3	27.8	31.0	34.1	34.3	34.3	34.3
<b>Net debt</b>	<b>-6.7</b>	<b>18.1</b>	<b>16.3</b>	<b>-23.5</b>	<b>-15.0</b>	<b>-15.3</b>	<b>-32.8</b>	<b>-51.8</b>
<b>CASH FLOW STATEMENT (EURm)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
<b>EBITDA</b>	<b>63.6</b>	<b>66.1</b>	<b>66.8</b>	<b>66.0</b>	<b>75.1</b>	<b>82.8</b>	<b>87.5</b>	<b>91.6</b>
Change in WCR	8.6	-6.0	-13.1	13.0	-7.7	-8.7	-3.3	-4.0
Interests & taxes	-10.7	-13.5	-7.9	-8.5	-9.8	-13.2	-16.6	-17.6
Others	-1.0	2.3	-0.3	-0.8	1.3	-0.1	0.0	0.0
Operating Cash flow	60.4	48.9	45.7	69.8	58.9	60.9	67.6	70.0
CAPEX	-30.0	-56.5	-33.2	-39.7	-53.0	-50.5	-38.0	-38.5
<b>Free cash-flow</b>	<b>30.4</b>	<b>-7.6</b>	<b>12.5</b>	<b>30.0</b>	<b>5.9</b>	<b>10.4</b>	<b>29.6</b>	<b>31.5</b>
Acquisitions / disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	-8.5	-9.2	-9.5	-10.6	-11.1	-11.5	-12.2	-12.5
Net capital increase	-6.5	0.5	0.5	23.7	-0.2	0.0	0.0	0.0
Others	-7.1	-11.8	-1.3	-26.0	1.6	0.0	0.0	0.0
Change in net debt	14.0	-8.6	1.4	39.7	-7.6	-1.1	17.4	19.0
<b>GROWTH MARGINS PRODUCTIVITY</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Sales growth	-	8.1%	5.7%	-2.3%	5.8%	7.0%	2.8%	3.4%
<b>Lfi sales growth</b>	<b>-</b>	<b>8.1%</b>	<b>5.7%</b>	<b>-2.3%</b>	<b>5.8%</b>	<b>7.0%</b>	<b>2.8%</b>	<b>3.4%</b>
Current EBIT growth	-	-3.5%	-0.4%	12.5%	13.0%	23.9%	10.1%	7.5%
Growth in EPS(%)	-	1.4%	17.6%	-9.2%	5.2%	39.0%	5.4%	7.4%
Net margin	4.0%	3.7%	4.2%	4.1%	4.2%	5.4%	5.6%	5.8%
<b>EBITDA margin</b>	<b>13.6%</b>	<b>13.0%</b>	<b>12.5%</b>	<b>12.6%</b>	<b>13.6%</b>	<b>14.0%</b>	<b>14.4%</b>	<b>14.5%</b>
<b>Current EBIT margin</b>	<b>6.4%</b>	<b>5.7%</b>	<b>5.4%</b>	<b>6.2%</b>	<b>6.6%</b>	<b>7.7%</b>	<b>8.2%</b>	<b>8.6%</b>
CAPEX / Sales	-6.5%	-11.3%	-6.6%	-7.7%	-9.7%	-8.5%	-6.2%	-6.1%
WCR / Sales	4.7%	2.4%	4.4%	2.3%	4.1%	5.3%	5.7%	6.2%
Tax Rate	36.3%	29.9%	17.7%	32.0%	37.4%	26.8%	32.3%	32.0%
Normative tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Asset Turnover	-	3.5	3.2	3.2	3.2	3.0	2.9	2.9
<b>ROCE post-tax (normative tax rate)</b>	<b>-</b>	<b>14.2%</b>	<b>12.2%</b>	<b>13.9%</b>	<b>14.9%</b>	<b>16.2%</b>	<b>16.7%</b>	<b>17.6%</b>
ROCE post-tax hors GW (normative tax rate)	-	16.3%	14.6%	16.5%	18.2%	19.9%	20.2%	21.2%
ROE	-	15.0%	16.3%	13.5%	12.8%	16.2%	15.4%	15.0%
<b>DEBT RATIOS</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Gearing	-6%	14%	11%	-14%	-8%	-7%	-14%	-20%
Net Debt / Market Cap	-0.03	0.09	0.07	-0.07	-0.04	-0.03	-0.06	-0.09
<b>Net debt / EBITDA</b>	<b>ns</b>	<b>0.27</b>	<b>0.24</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>
EBITDA / net financial charges	66.7	30.0	35.9	63.7	163.7	103.5	156.3	169.7

## Mention of conflicts of interest

### • Valuation method

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo Securities' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

### • Our stock market recommendations

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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## Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
11.11.16	Neutral	84.00	77.45	Martin Decot
12.08.16	Buy	80.00	74.60	Martin Decot

## Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(417)	48%	43%	9%
Liquidity providers coverage	(152)	52%	43%	5%
Research service coverage	(67)	57%	40%	3%
Investment banking services	(40)	75%	20%	5%

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Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution? No

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