

Buy EUR 87.00 Price EUR 77.61 Upside 12.1 %	Value Indicators: EUR DCF: 87.03 FCF-Value Potential 2018e: 86.30	Share data: Bloomberg: CWC GR Reuters: CWCG ISIN: DE0005403901	Description: Europe's leading industrial photofinisher and provider of personalised photo products
	Market Snapshot: EUR m Market cap: 554 No. of shares (m): 7 EV: 537 Freefloat MC: 390 Ø Trad. Vol. (30d): 1.11 m	Shareholders: Freefloat: 70.5 % Heirs Senator Neumüller: 27.4 % CeWe Stiftung & Co. KGaA: 2.1 %	Risk Profile (WRe): 2017e Beta: 1.0 Price / Book: 2.5 x Equity Ratio: 54 %

Outlook and 2016 results underline growth and margin potential

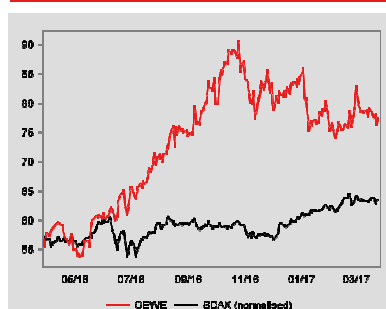
Convincing performance in Photofinishing in Q4: In the important Q4 period (>40% of FY sales, >90% of FY EBIT) sales increased significantly in the core Photofinishing segment, rising by 8.4% from EUR 175m to EUR 190m. There was slight increase of 0.5% in the total number of printed photos and a marginal decrease of 0.4% in the number of Photobooks sold. This underlines the clear focus on added-value products as the strong Q4 sales growth was mainly driven by higher average order values. This development also led to an increase in profitability. In Photofinishing, Q4 EBIT increased by 14% from EUR 42m to EUR 48m (adjusted for non-operating items). The continued strong performance in Photofinishing compensated for weaker Q4 EBIT contributions from the Online Printing and Others segments. **In the full year 2016, the revenue per photo again increased significantly by 9.1% to 20.25 Eurocent**, which illustrates the success of Cewe's Photofinishing strategy.

Outlook underpins continuation of growth trend: For 2017, the management expects a slight sales increase in Photofinishing. It forecasts group sales of EUR 585-615m with the volume of Photobooks sold remaining almost flat (6.00-6.25m after 6.2m in 2016). The group expects EBIT of EUR 45-51m. While the lower end of the corridor seems cautious in light of the recent performance, this outlook mainly reflects the uncertainties from increased VAT on Photobooks in Germany (from 7% to 19%) in the current year.

Limited impact from higher VAT on German Photobooks: Owing to its high competitive quality with a premium brand position and the rather limited price sensitivity in this category, we expect no significant impact from the higher VAT on customer orders. Therefore, we are confirming our current earnings estimates, which are at the upper end of the target corridor.

Steady EBIT margin increase should continue: Overall, we expect an increase in the EBIT margin from 7.9% in 2016 to 8.7% in 2019. This development is mainly based on the activities outside the Photofinishing segment (where we assume a stable EBIT margin of 11%). For the Online Printing segment we expect annual growth rates of around 8% and an EBIT margin improvement from 1.9% (2016) to 4.4% in 2019. Moreover, the EBIT dilution from the segment Others (EUR -7.2m EBIT in 2016 incl. goodwill impairment of EUR 3.9m) should be lower from 2017 onwards.

We are confirming our Buy recommendation with an unchanged PT of EUR 87.00, based on our DCF model. The margin potential, steady dividend growth, a strong balance sheet (equity ratio>50%, net cash position) and the long-standing track record with a good market position underline this investment case. After the significant underperformance since the start of the year (share price -15% YTD), we regard the current share price level as a good buying opportunity.



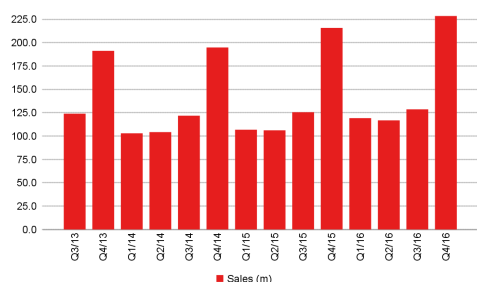
Rel. Performance vs SDAX:

1 month:	-1.5 %
6 months:	-14.1 %
Year to date:	-13.4 %
Trailing 12 months:	24.9 %

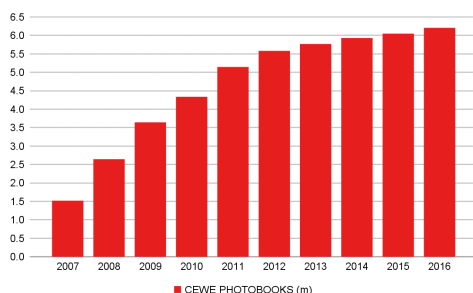
Company events:

11.05.17	Q1
31.05.17	AGM
10.08.17	Q2
10.11.17	Q3

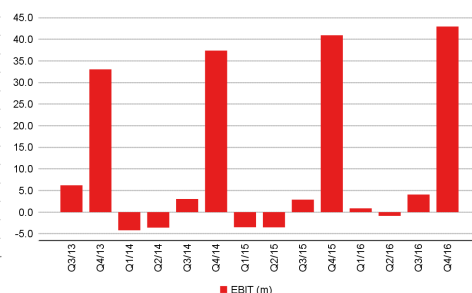
FY End: 31.12. in EUR m	CAGR (16-19e)	2013	2014	2015	2016	2017e	2018e	2019e
Sales	4.1 %	536	524	554	593	615	643	670
Change Sales yoy		5.7 %	-2.3 %	5.8 %	7.0 %	3.7 %	4.6 %	4.2 %
Gross profit margin		64.8 %	69.2 %	71.0 %	71.6 %	71.3 %	71.3 %	71.3 %
EBITDA	3.1 %	67	66	75	90	89	94	99
Margin		12.5 %	12.6 %	13.6 %	15.2 %	14.4 %	14.5 %	14.8 %
EBIT	7.3 %	29	33	37	47	50	54	58
Margin		5.4 %	6.2 %	6.6 %	7.9 %	8.2 %	8.4 %	8.7 %
Net income	9.5 %	22	21	23	30	34	37	40
EPS	9.4 %	3.39	3.07	3.24	4.25	4.82	5.17	5.57
EPS adj.	9.4 %	3.51	3.00	3.24	4.25	4.82	5.17	5.57
DPS	5.3 %	1.50	1.55	1.60	1.80	1.90	2.00	2.10
Dividend Yield		4.2 %	3.0 %	3.0 %	2.7 %	2.4 %	2.6 %	2.7 %
FCFPS		1.98	5.14	1.38	4.77	1.39	3.02	3.77
FCF / Market cap		5.5 %	10.0 %	2.6 %	7.1 %	1.8 %	3.9 %	4.9 %
EV / Sales		0.5 x	0.7 x	0.7 x	0.8 x	0.9 x	0.8 x	0.8 x
EV / EBITDA		4.1 x	5.4 x	5.2 x	5.1 x	6.1 x	5.7 x	5.2 x
EV / EBIT		9.5 x	11.0 x	10.6 x	9.7 x	10.7 x	9.8 x	8.9 x
P / E		10.6 x	16.7 x	16.6 x	15.8 x	16.1 x	15.0 x	13.9 x
P / E adj.		10.2 x	17.1 x	16.6 x	15.8 x	16.1 x	15.0 x	13.9 x
FCF Yield Potential		8.7 %	5.2 %	5.4 %	8.4 %	6.9 %	7.7 %	8.7 %
Net Debt		41	2	8	-21	-17	-24	-35
ROCE (NOPAT)		13.6 %	12.3 %	12.4 %	16.3 %	18.0 %	18.2 %	18.9 %
Guidance:	2017: sales EUR 585-615m; EBIT EUR 45-51m; EPS EUR 4.23-4.81							

Sales development
in EUR m

Source: Warburg Research

Number of CEWE PHOTOBOOKS
2015; in million units

Source: Warburg Research

EBIT development
in EUR m

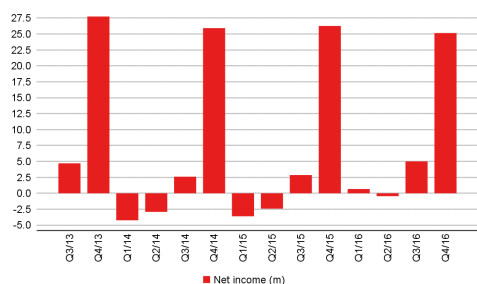
Source: Warburg Research

Company Background

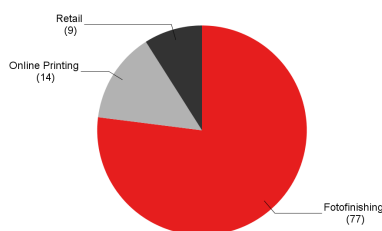
- CEWE is Europe's largest industrial photofinisher with a market share of ca. 40%. The company mainly develops digital photographs in 11 photo labs across Europe.
- The company also sells personalised photo products and, with the CEWE PHOTOBOOK, is the best-known and most successful producer of photobooks.
- In online printing the company is expected to generate c. EUR 100m of sales by FY 2016 and contribute to CEWE's earnings after a ramp-up phase of several years
- With more than 30,000 trade customers (drug stores, photographic retailers, internet partners) CEWE has the broadest base of outlets of all photo finishers, supplying a total of 24 European countries.
- The products are distributed via trading partners and over the internet.

Competitive Quality

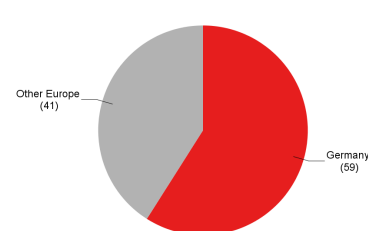
- CEWE has the broadest distribution base of all industrial photofinishers. The dense regional presence facilitates rapid market-share gains.
- CEWE's distribution base of more than 34,000 trade partners represents a significant competitive advantage in the digital market, as it enables broad market coverage.
- The company has a clear competitive advantage with its high brand awareness in Europe (mainly thanks to the CEWE PHOTOBOOK).
- The broad range of products and the resulting higher revenues per photo secure CEWE's strong market position in a highly competitive market.
- The digital online printing business broadens the company's customer base and offers synergies with the company's ancestral business

Net income development
in EUR m

Source: Warburg Research

Sales by segments
2016; in %

Source: Warburg Research

Sales by regions
2016, in %

Source: Warburg Research

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	
Sales	615	643	670	693	717	741	764	788	812	834	855	874	n.a.	1.5 %
Sales change	3.7 %	4.6 %	4.2 %	3.5 %	3.4 %	3.3 %	3.2 %	3.1 %	3.0 %	2.8 %	2.5 %	2.2 %	n.a.	
EBIT	50	54	58	60	62	63	65	67	65	67	64	61	n.a.	n.a.
EBIT-margin	8.2 %	8.4 %	8.7 %	8.7 %	8.6 %	8.5 %	8.5 %	8.5 %	8.0 %	8.0 %	7.5 %	7.0 %	n.a.	
Tax rate (EBT)	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	n.a.	n.a.
NOPAT	35	37	40	42	43	43	45	46	45	46	44	42	n.a.	
Depreciation	39	40	41	43	44	46	47	47	49	50	51	52	n.a.	n.a.
in % of Sales	6.3 %	6.1 %	6.1 %	6.2 %	6.2 %	6.2 %	6.2 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	n.a.	
Changes in provisions	2	1	1	-1	-1	1	0	0	0	0	0	0	n.a.	n.a.
Change in Liquidity from														
- Working Capital	8	4	3	2	2	3	2	2	2	2	2	2	n.a.	n.a.
- Capex	50	45	45	43	44	46	47	47	49	50	51	52	n.a.	
Capex in % of Sales	8.1 %	7.0 %	6.7 %	6.2 %	6.2 %	6.2 %	6.2 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	n.a.	n.a.
Other	0	0	0	0	0	0	0	0	0	0	0	0	n.a.	
Free Cash Flow (WACC Model)	17	29	34	39	40	41	43	44	43	44	42	40	n.a.	36
PV of FCF	16	26	29	30	29	28	28	27	24	23	21	19	n.a.	284
share of PVs	11.79 %			40.76 %										47.45 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	2.50 %	Financial Strength	1.00
Cost of debt (after tax)	3.4 %	Liquidity (share)	1.00
Market return	7.00 %	Cyclicality	1.00
Risk free rate	1.50 %	Transparency	1.00
		Others	1.00
WACC	6.91 %	Beta	1.00

Valuation (m)

Present values 2029e	315		
Terminal Value	284		
Financial liabilities	2		
Pension liabilities	25		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	49	No. of shares (m)	7.1
Equity Value	621	Value per share (EUR)	87.03

Sensitivity Value per Share (EUR)

		Terminal Growth									Delta EBIT-margin						
Beta	WACC	0.75 %	1.00 %	1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.19	7.9 %	71.41	72.38	73.42	74.54	75.76	77.07	78.51	1.19	7.9 %	58.04	63.54	69.04	74.54	80.05	85.55	91.05
1.09	7.4 %	76.40	77.59	78.88	80.28	81.79	83.45	85.28	1.09	7.4 %	62.35	68.33	74.30	80.28	86.25	92.23	98.20
1.05	7.2 %	79.18	80.51	81.94	83.51	85.22	87.09	89.16	1.05	7.2 %	64.78	71.02	77.26	83.51	89.75	96.00	102.24
1.00	6.9 %	82.18	83.66	85.27	87.03	88.96	91.09	93.45	1.00	6.9 %	67.42	73.96	80.49	87.03	93.57	100.11	106.65
0.95	6.7 %	85.42	87.08	88.90	90.89	93.08	95.51	98.21	0.95	6.7 %	70.31	77.17	84.03	90.89	97.75	104.61	111.47
0.91	6.4 %	88.95	90.82	92.87	95.13	97.63	100.41	103.53	0.91	6.4 %	73.48	80.70	87.91	95.13	102.34	109.56	116.77
0.81	5.9 %	97.00	99.40	102.06	105.01	108.32	112.06	116.30	0.81	5.9 %	80.87	88.92	96.96	105.01	113.06	121.11	129.16

- EBIT margin potential in online printing. Mid-term margin decline assumed due to highly competitive market

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2013	2014	2015	2016	2017e	2018e	2019e	
Net Income before minorities	22	21	23	30	34	37	40	
+ Depreciation + Amortisation	38	33	38	43	39	40	41	
- Net Interest Income	-2	-1	0	-1	-1	0	0	
- Maintenance Capex	38	38	41	36	36	36	36	
+ Other	0	0	0	0	0	0	0	
= Free Cash Flow Potential	24	19	21	38	37	41	45	
Free Cash Flow Yield Potential	8.7 %	5.2 %	5.4 %	8.4 %	6.9 %	7.7 %	8.7 %	
WACC	6.91 %	6.91 %	6.91 %	6.91 %	6.91 %	6.91 %	6.91 %	
= Enterprise Value (EV)	276	359	391	457	538	531	519	
= Fair Enterprise Value	349	268	303	557	539	592	653	
- Net Debt (Cash)	-47	-47	-47	-47	-44	-52	-65	
- Pension Liabilities	25	25	25	25	27	28	29	
- Other	0	0	0	0	0	0	0	
- Market value of minorities	0	0	0	0	0	0	0	
+ Market value of investments	0	0	0	0	0	0	0	
= Fair Market Capitalisation	371	289	325	578	556	616	689	
No. of shares (total) (m)	7	7	7	7	7	7	7	
= Fair value per share (EUR)	56.62	41.61	45.49	81.05	77.97	86.30	96.55	
premium (-) / discount (+) in %					0.5 %	11.2 %	24.4 %	
Sensitivity Fair value per Share (EUR)								
WACC	9.91 %	37.16	29.18	32.63	57.42	55.09	61.18	68.83
	8.91 %	41.00	32.12	35.96	63.53	61.00	67.68	76.00
	7.91 %	45.80	35.80	40.12	71.18	68.41	75.81	84.98
	6.91 %	52.00	40.54	45.49	81.05	77.97	86.30	96.55
	5.91 %	60.29	46.90	52.68	94.25	90.76	100.33	112.05
	4.91 %	71.95	55.84	62.80	112.84	108.76	120.08	133.86
	3.91 %	89.59	69.35	78.10	140.93	135.97	149.94	166.83

- After transition from analog to digital high cash flow can be expected in the future
- Significant upside potential despite high investments in particular for the online printing business

Peer Group

Company	Price	EV / Sales 17e	EV / EBITDA 17e 18e	EV / EBIT 17e 18e	P / E 17e 18e	EPS CAGR (16-19e)
Prices in local currency						
Average		-	- -	- -	- -	-
Median		-	- -	- -	- -	-
CEWE	77.61	0.9	6.1 5.7	10.7 9.8	16.1 15.0	9.4 %
Delta to median		-	- -	- -	- -	-

■ ...

Valuation

	2013	2014	2015	2016	2017e	2018e	2019e
Price / Book	1.6 x	2.1 x	2.0 x	2.3 x	2.5 x	2.4 x	2.2 x
Book value per share ex intangibles	14.84	18.56	18.64	22.35	23.50	24.90	26.60
EV / Sales	0.5 x	0.7 x	0.7 x	0.8 x	0.9 x	0.8 x	0.8 x
EV / EBITDA	4.1 x	5.4 x	5.2 x	5.1 x	6.1 x	5.7 x	5.2 x
EV / EBIT	9.5 x	11.0 x	10.6 x	9.7 x	10.7 x	9.8 x	8.9 x
EV / EBIT adj.*	9.5 x	11.0 x	10.6 x	9.7 x	10.7 x	9.8 x	8.9 x
P / FCF	18.1 x	10.0 x	38.7 x	14.0 x	55.7 x	25.7 x	20.6 x
P / E	10.6 x	16.7 x	16.6 x	15.8 x	16.1 x	15.0 x	13.9 x
P / E adj.*	10.2 x	17.1 x	16.6 x	15.8 x	16.1 x	15.0 x	13.9 x
Dividend Yield	4.2 %	3.0 %	3.0 %	2.7 %	2.4 %	2.6 %	2.7 %
Free Cash Flow Yield Potential	8.7 %	5.2 %	5.4 %	8.4 %	6.9 %	7.7 %	8.7 %

*Adjustments made for: -

Company Specific Items

	2013	2014	2015	2016	2017e	2018e	2019e
CEWE PHOTOBOOKS	5,768,000	5,929,000	6,048,000	6,207,000	6,250,000	6,375,000	6,500,000

Consolidated profit & loss

In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Sales	536	524	554	593	615	643	670
Change Sales yoy	5.7 %	-2.3 %	5.8 %	7.0 %	3.7 %	4.6 %	4.2 %
Increase / decrease in inventory	0	0	0	0	0	0	0
Own work capitalised	1	1	1	1	0	0	0
Total Sales	538	525	555	593	615	643	670
Material expenses	190	163	162	169	177	185	192
Gross profit	348	362	393	425	438	458	478
<i>Gross profit margin</i>	<i>64.8 %</i>	<i>69.2 %</i>	<i>71.0 %</i>	<i>71.6 %</i>	<i>71.3 %</i>	<i>71.3 %</i>	<i>71.3 %</i>
Personnel expenses	130	136	144	153	159	165	172
Other operating income	25	21	20	21	21	22	23
Other operating expenses	175	182	194	202	212	222	230
Unfrequent items	0	0	0	0	0	0	0
EBITDA	67	66	75	90	89	94	99
<i>Margin</i>	<i>12.5 %</i>	<i>12.6 %</i>	<i>13.6 %</i>	<i>15.2 %</i>	<i>14.4 %</i>	<i>14.5 %</i>	<i>14.8 %</i>
Depreciation of fixed assets	38	33	38	36	39	40	41
EBITA	29	33	37	54	50	54	58
Amortisation of intangible assets	0	0	0	0	0	0	0
Goodwill amortisation	0	0	0	7	0	0	0
EBIT	29	33	37	47	50	54	58
<i>Margin</i>	<i>5.4 %</i>	<i>6.2 %</i>	<i>6.6 %</i>	<i>7.9 %</i>	<i>8.2 %</i>	<i>8.4 %</i>	<i>8.7 %</i>
EBIT adj.	29	33	37	47	50	54	58
Interest income	0	0	0	1	0	0	0
Interest expenses	2	1	1	2	1	1	0
Other financial income (loss)	0	0	0	0	0	0	0
EBT	27	31	36	46	50	54	58
<i>Margin</i>	<i>5.1 %</i>	<i>6.0 %</i>	<i>6.6 %</i>	<i>7.8 %</i>	<i>8.1 %</i>	<i>8.3 %</i>	<i>8.6 %</i>
Total taxes	5	10	14	16	15	17	18
Net income from continuing operations	22	21	23	30	34	37	40
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	22	21	23	30	34	37	40
Minority interest	0	0	0	0	0	0	0
Net income	22	21	23	30	34	37	40
<i>Margin</i>	<i>4.2 %</i>	<i>4.1 %</i>	<i>4.2 %</i>	<i>5.1 %</i>	<i>5.6 %</i>	<i>5.8 %</i>	<i>5.9 %</i>
Number of shares, average	7	7	7	7	7	7	7
EPS	3.39	3.07	3.24	4.25	4.82	5.17	5.57
EPS adj.	3.51	3.00	3.24	4.25	4.82	5.17	5.57

*Adjustments made for:

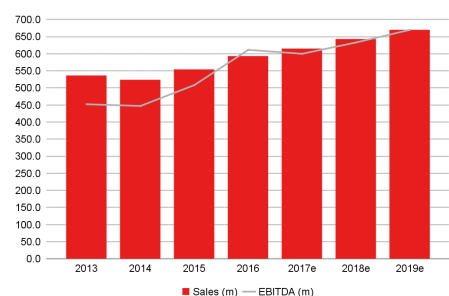
Guidance: 2017: sales EUR 585-615m; EBIT EUR 45-51m; EPS EUR 4.23-4.81

Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Total Operating Costs / Sales	87.8 %	87.6 %	86.7 %	84.8 %	85.6 %	85.5 %	85.2 %
Operating Leverage	-0.1 x	-5.5 x	2.2 x	4.0 x	1.8 x	1.7 x	1.8 x
EBITDA / Interest expenses	30.9 x	46.6 x	86.3 x	53.0 x	147.8 x	187.0 x	247.6 x
Tax rate (EBT)	17.7 %	32.1 %	37.4 %	34.3 %	31.0 %	31.0 %	31.0 %
Dividend Payout Ratio	44.2 %	50.4 %	50.2 %	42.4 %	39.7 %	38.7 %	37.7 %
Sales per Employee	166,123	162,715	162,044	169,650	171,625	175,062	177,964

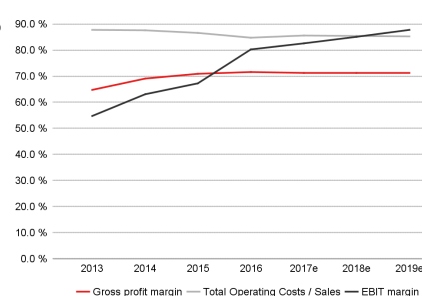
Sales, EBITDA

in EUR m

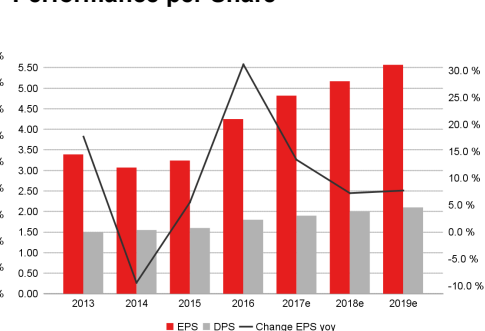


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

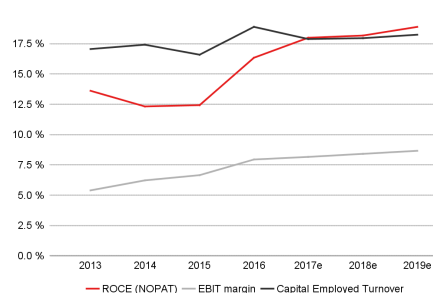
Consolidated balance sheet

In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Assets							
Goodwill and other intangible assets	45	45	55	45	50	55	60
thereof other intangible assets	20	19	17	19	24	29	34
thereof Goodwill	25	25	37	26	26	26	26
Property, plant and equipment	99	103	109	125	131	132	131
Financial assets	5	8	9	11	11	11	11
Other long-term assets	0	0	0	0	0	0	0
Fixed assets	149	155	173	181	192	198	202
Inventories	59	49	51	49	50	52	54
Accounts receivable	89	84	90	84	98	103	108
Liquid assets	14	28	22	49	49	56	69
Other short-term assets	23	23	20	18	18	18	18
Current assets	185	184	183	200	215	230	249
Total Assets	334	340	356	381	407	427	451
Liabilities and shareholders' equity							
Subscribed capital	19	19	19	19	19	19	19
Capital reserve	57	69	70	71	71	71	71
Retained earnings	90	94	106	123	136	152	169
Other equity components	-23	-9	-7	-8	-9	-9	-9
Shareholders' equity	143	174	188	205	218	233	250
Minority interest	0	0	0	0	0	0	0
Total equity	143	174	187	205	218	233	250
Provisions	27	30	33	40	42	43	44
thereof provisions for pensions and similar obligations	18	22	23	25	27	28	29
Financial liabilities (total)	37	8	7	2	5	5	5
thereof short-term financial liabilities	26	2	5	1	3	3	3
Accounts payable	101	96	91	96	103	106	110
Other liabilities	26	32	38	38	40	41	42
Liabilities	191	166	168	176	189	194	200
Total liabilities and shareholders' equity	334	340	356	381	407	427	451

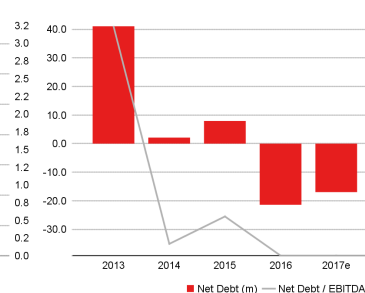
Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Efficiency of Capital Employment							
Operating Assets Turnover	3.7 x	3.8 x	3.5 x	3.7 x	3.5 x	3.6 x	3.7 x
Capital Employed Turnover	2.9 x	3.0 x	2.8 x	3.2 x	3.1 x	3.1 x	3.1 x
ROA	14.9 %	13.7 %	13.4 %	16.8 %	17.9 %	18.7 %	19.8 %
Return on Capital							
ROCE (NOPAT)	13.6 %	12.3 %	12.4 %	16.3 %	18.0 %	18.2 %	18.9 %
ROE	16.3 %	13.5 %	12.8 %	15.5 %	16.3 %	16.4 %	16.5 %
Adj. ROE	16.9 %	13.2 %	12.8 %	15.5 %	16.3 %	16.4 %	16.5 %
Balance sheet quality							
Net Debt	41	2	8	-21	-17	-24	-35
Net Financial Debt	23	-20	-15	-47	-44	-52	-65
Net Gearing	28.8 %	1.2 %	4.2 %	-10.4 %	-7.8 %	-10.2 %	-14.2 %
Net Fin. Debt / EBITDA	34.6 %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value / Share	21.7	25.0	26.3	28.7	30.5	32.6	35.0
Book value per share ex intangibles	14.8	18.6	18.6	22.4	23.5	24.9	26.6

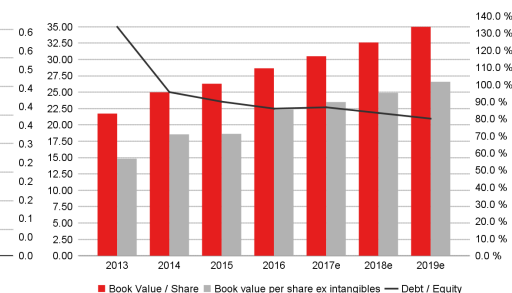
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

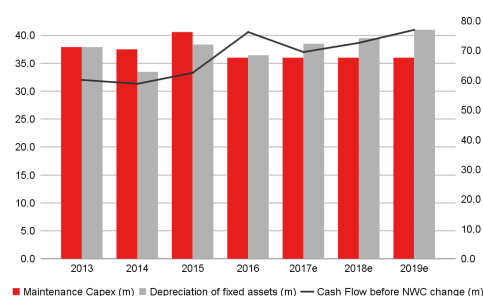
In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Net income	22	21	23	30	34	37	40
Depreciation of fixed assets	38	33	38	36	39	40	41
Amortisation of goodwill	0	0	0	7	0	0	0
Amortisation of intangible assets	0	0	0	0	0	0	0
Increase/decrease in long-term provisions	0	4	1	3	2	1	1
Other non-cash income and expenses	0	0	0	0	-5	-5	-5
Cash Flow before NWC change	60	59	62	76	69	73	77
Increase / decrease in inventory	4	10	-2	1	-1	-2	-2
Increase / decrease in accounts receivable	-17	4	-6	6	-14	-5	-5
Increase / decrease in accounts payable	-1	-5	-5	5	7	3	4
Increase / decrease in other working capital positions	2	3	0	-5	-2	-2	-2
Increase / decrease in working capital (total)	-12	12	-13	8	-10	-6	-5
Net cash provided by operating activities [1]	48	71	49	84	60	67	72
Investments in intangible assets	0	0	0	0	-5	-5	-5
Investments in property, plant and equipment	-35	-35	-39	-50	-45	-40	-40
Payments for acquisitions	0	0	-5	-3	0	0	0
Financial investments	-1	-2	0	0	0	0	0
Income from asset disposals	1	-6	0	0	0	0	0
Net cash provided by investing activities [2]	-35	-43	-44	-52	-50	-45	-45
Change in financial liabilities	-3	-26	-1	-5	3	0	0
Dividends paid	-9	-11	-11	-11	-13	-14	-14
Purchase of own shares	0	0	0	0	0	0	0
Capital measures	0	-3	0	0	0	0	0
Other	0	25	0	0	0	0	0
Net cash provided by financing activities [3]	-12	-14	-12	-16	-10	-14	-14
Change in liquid funds [1]+[2]+[3]	1	14	-7	15	0	8	13
Effects of exchange-rate changes on cash	0	0	0	0	0	0	0
Cash and cash equivalent at end of period	14	28	20	37	49	56	69

Financial Ratios

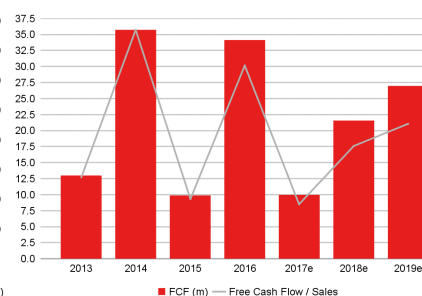
	2013	2014	2015	2016	2017e	2018e	2019e
Cash Flow							
FCF	13	36	10	34	10	22	27
Free Cash Flow / Sales	2.4 %	6.8 %	1.8 %	5.8 %	1.6 %	3.4 %	4.0 %
Free Cash Flow Potential	24	19	21	38	37	41	45
Free Cash Flow / Net Profit	58.3 %	167.3 %	42.8 %	112.4 %	28.9 %	58.3 %	67.7 %
Interest Received / Avg. Cash	2.2 %	1.2 %	1.7 %	2.5 %	0.2 %	0.2 %	0.2 %
Interest Paid / Avg. Debt	6.3 %	6.3 %	12.0 %	40.7 %	19.1 %	11.0 %	8.9 %
Management of Funds							
Investment ratio	6.6 %	6.8 %	7.1 %	8.4 %	8.1 %	7.0 %	6.7 %
Maint. Capex / Sales	7.1 %	7.2 %	7.3 %	6.1 %	5.9 %	5.6 %	5.4 %
Capex / Dep	93.0 %	105.9 %	102.7 %	115.0 %	129.9 %	113.9 %	109.8 %
Avg. Working Capital / Sales	7.4 %	8.0 %	7.9 %	7.4 %	6.7 %	7.3 %	7.5 %
Trade Debtors / Trade Creditors	87.8 %	87.7 %	99.5 %	87.6 %	95.1 %	97.2 %	98.2 %
Inventory Turnover	3.2 x	3.3 x	3.2 x	3.4 x	3.5 x	3.5 x	3.6 x
Receivables collection period (days)	60	59	60	52	58	58	59
Payables payment period (days)	194	216	205	208	213	210	209
Cash conversion cycle (Days)	-62	-88	-72	-86	-93	-90	-90

CAPEX and Cash Flow

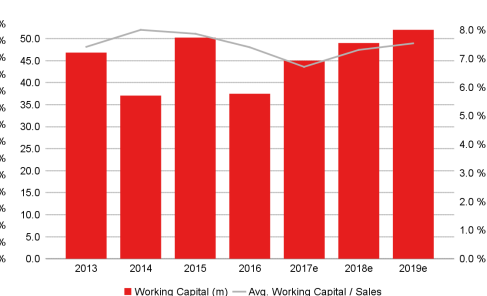
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

LEGAL DISCLAIMER

This research report ("investment recommendation" or "recommendation") was prepared by the Warburg Research GmbH, a fully owned subsidiary of the M.M.Warburg & CO (AG & Co.) KGaA and is passed on by the M.M.Warburg & CO (AG & Co.) KGaA. It contains selected information and does not purport to be complete. The report is based on publicly available information and data ("the information") believed to be accurate and complete. Warburg Research GmbH neither examines the information for accuracy and completeness, nor guarantees its accuracy and completeness. Possible errors or incompleteness of the information do not constitute grounds for liability of M.M.Warburg & CO (AG & Co.) KGaA or Warburg Research GmbH for damages of any kind whatsoever, and M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are not liable for indirect and/or direct and/or consequential damages. In particular, neither M.M.Warburg & CO (AG & Co.) KGaA nor Warburg Research GmbH are liable for the statements, plans or other details contained in these analyses concerning the examined companies, their affiliated companies, strategies, economic situations, market and competitive situations, regulatory environment, etc. Although due care has been taken in compiling this research report, it cannot be excluded that it is incomplete or contains errors. M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH, their shareholders and employees are not liable for the accuracy and completeness of the statements, estimations and the conclusions derived from the information contained in this document. Provided a research report is being transmitted in connection with an existing contractual relationship, i.e. financial advisory or similar services, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH shall be restricted to gross negligence and wilful misconduct. In case of failure in essential tasks, M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are liable for normal negligence. In any case, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH is limited to typical, expectable damages. This research report does not constitute an offer or a solicitation of an offer for the purchase or sale of any security. Partners, directors or employees of M.M.Warburg & CO (AG & Co.) KGaA, Warburg Research GmbH or affiliated companies may serve in a position of responsibility, i.e. on the board of directors of companies mentioned in the report. Opinions expressed in this report are subject to change without notice. All rights reserved.

COPYRIGHT NOTICE

This work including all its parts is protected by copyright. Any use beyond the limits provided by copyright law without permission is prohibited and punishable. This applies, in particular, to reproductions, translations, microfilming, and storage and processing on electronic media of the entire content or parts thereof.

DISCLOSURE ACCORDING TO §34B OF THE GERMAN SECURITIES TRADING ACT (WHPG), THE ORDINANCE ON THE ANALYSIS OF FINANCIAL INSTRUMENTS (FINANV) AND MAR INCL. COMMISSION DELEGATED REGULATION (EU) 2016/958

The valuation underlying the investment recommendation for the company analysed here is based on generally accepted and widely used methods of fundamental analysis, such as e.g. DCF Model, Free Cash Flow Potential, Peer Group Comparison or Sum of the Parts Model. The result of this fundamental valuation is modified to take into consideration the analyst's assessment as regards the expected development of investor sentiment and its impact on the share price.

Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

This commentary reflects the opinion of the relevant author at the point in time of its compilation. A change in the fundamental factors underlying the valuation can mean that the valuation is subsequently no longer accurate. Whether, or in what time frame, an update of this commentary follows is not determined in advance.

Additional internal and organisational arrangements to prevent or to deal with conflicts of interest have been implemented. Among these are the spatial separation of Warburg Research GmbH from M.M.Warburg & CO (AG & Co.) KGaA and the creation of areas of confidentiality. This prevents the exchange of information, which could form the basis of conflicts of interest for Warburg Research in terms of the analysed issuers or their financial instruments.

The analysts of Warburg Research GmbH do not receive a gratuity – directly or indirectly – from the investment banking activities of M.M.Warburg & CO (AG & Co.) KGaA or of any company within the Warburg Group.

All prices of financial instruments given in this investment recommendation are the closing prices on the last stock-market trading day before the publication date stated, unless another point in time is explicitly stated.

M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are subject to the supervision of the Federal Financial Supervisory Authority, BaFin. M.M.Warburg & CO (AG & Co.) KGaA is additionally subject to the supervision of the European Central Bank (ECB).

SOURCES

All data and consensus estimates have been obtained from FactSet except where stated otherwise.

Additional information for clients in the United States

1. This research report (the "Report") is a product of Warburg Research GmbH, Germany, a fully owned subsidiary of M.M.Warburg & CO (AG & Co.) KGaA, Germany (in the following collectively "Warburg"). Warburg is the employer of the research analyst(s), who have prepared the Report. The research analyst(s) reside outside the United States and are not associated persons of any U.S. regulated broker-dealer and therefore are not subject to the supervision of any U.S. regulated broker-dealer.
2. The Report is provided in the United States for distribution solely to "major U.S. institutional investors" under Rule 15a-6 of the U.S. Securities Exchange Act of 1934.
3. Any recipient of the Report should effect transactions in the securities discussed in the Report only through J.P.P. Euro-Securities, Inc., Delaware.
4. J.P.P. Euro-Securities, Inc. does not accept or receive any compensation of any kind for the dissemination of the research reports from Warburg.

Reference in accordance with section 34b of the German Securities Trading Act (WpHG), the Ordinance on the Analysis of Financial Instruments (FinAnV), MAR and Commission Delegated Regulation (EU) regarding possible conflicts of interest with companies analysed:

- 1- Warburg Research, or an affiliated company, or an employee of one of these companies responsible for the compilation of the research, hold a **share of more than 5%** of the equity capital of the analysed company.
- 2- Warburg Research, or an affiliated company, within the last twelve months participated in the **management of a consortium** for an issue in the course of a public offering of such financial instruments, which are, or the issuer of which is, the subject of the investment recommendation.
- 3- Companies affiliated with Warburg Research **manage financial instruments**, which are, or the issuers of which are, subject of the investment recommendation, in a market based on the provision of buy or sell contracts.
- 4- MMWB, Warburg Research, or an affiliated company, reached an agreement with the issuer to provide **investment banking and/or investment services** and the relevant agreement was in force in the last 12 months or there arose for this period, based on the relevant agreement, the obligation to provide or to receive a service or compensation - provided that this disclosure does not result in the disclosure of confidential business information.
- 5- The company compiling the analysis or an affiliated company had reached an **agreement on the compilation of the investment recommendation** with the analysed company.
- 6- Companies affiliated with Warburg Research **regularly trade** financial instruments of the analysed company or derivatives of these.
- 6a- Warburg Research, or an affiliated company, holds a **net long position of more than 0.5%** of the total issued share capital of the analysed company.
- 6b- Warburg Research, or an affiliated company, holds a **net short position of more than 0.5%** of the total issued share capital of the analysed company.
- 6c- The issuer holds shares of more than 5% of the total issued capital of Warburg Research or an affiliated company.
- 7- The company preparing the analysis as well as its affiliated companies and employees have **other important interests** in relation to the analysed company, such as, for example, the exercising of mandates at analysed companies.

Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
CEWE	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005403901.htm

INVESTMENT RECOMMENDATION

Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

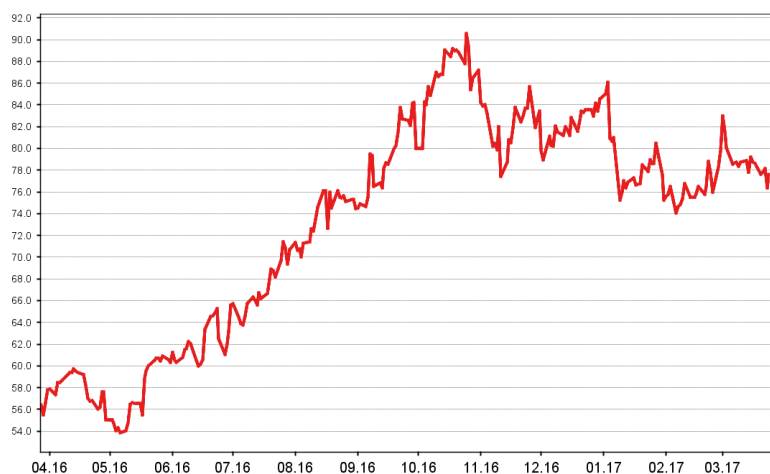
WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	122	62
Hold	65	33
Sell	9	5
Rating suspended	1	1
Total	197	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	27	71
Hold	8	21
Sell	2	5
Rating suspended	1	3
Total	38	100

PRICE AND RATING HISTORY CEWE AS OF 27.03.2017


Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

EQUITIES

Roland Rapelius +49 40 3282-2673
Head of Equities rrapelius@mmwarburg.com

RESEARCH

Michael Heider +49 40 309537-280
Head of Research mheider@warburg-research.com

Henner Rüschemeyer +49 40 309537-270
Head of Research hrueschmeier@warburg-research.com

Lucas Boventer +49 40 309537-290
Renewables, Internet, Media lboventer@warburg-research.com

Christian Cohrs +49 40 309537-175
Engineering, Logistics ccohrs@warburg-research.com

Felix Ellmann +49 40 309537-120
Software, IT fellmann@warburg-research.com

Jörg Philipp Frey +49 40 309537-258
Retail, Consumer Goods jfrey@warburg-research.com

Marie-Thérèse Grübner +49 40 309537-240
Small Cap Research mgruebner@warburg-research.com

Ulrich Huwald +49 40 309537-255
Health Care, Pharma uhuwald@warburg-research.com

Thilo Kleibauer +49 40 309537-257
Retail, Consumer Goods tkleibauer@warburg-research.com

Eggert Kuls +49 40 309537-256
Engineering ekuls@warburg-research.com

Henrik Paganetty +49 40 309537-185
Telecommunications hpaganetty@warburg-research.com

Andreas Pläsier +49 40 309537-246
Banks, Financial Services aplaesier@warburg-research.com

Jochen Reichert +49 40 309537-130
Telco, Internet, Media jreichert@warburg-research.com

J. Moritz Rieser +49 40 309537-260
Real Estate mrieser@warburg-research.com

Arash Roshan Zamir +49 40 309537-155
Cap. Goods, Renewables aroshanzamir@warburg-research.com

Malte Schaumann +49 40 309537-170
Technology mschaumann@warburg-research.com

Oliver Schwarz +49 40 309537-250
Chemicals, Agriculture oschwarz@warburg-research.com

Marc-René Tonn +49 40 309537-259
Automobiles, Car Suppliers mtonn@warburg-research.com

Björn Voss +49 40 309537-254
Steel, Car Suppliers bvoss@warburg-research.com

Alexander Wahl +49 40 309537-230
Car Suppliers, Construction awahl@warburg-research.com

Andreas Wolf +49 40 309537-140
Software, IT awolf@warburg-research.com

INSTITUTIONAL EQUITY SALES

Holger Nass +49 40 3282-2669
Head of Equity Sales, USA hnass@mmwarburg.com

Klaus Schilling +49 40 3282-2664
Dep. Head of Equity Sales, GER kschilling@mmwarburg.com

Tim Beckmann +49 40 3282-2665
United Kingdom tbeckmann@mmwarburg.com

Lyubka Bogdanova +49 69 5050-7411
United Kingdom, Australia lbogdanova@mmwarburg.com

Jens Buchmüller +49 69 5050-7415
Scandinavia, Austria jbuchmueller@mmwarburg.com

Paul Dontenwill +49 40 3282-2666
USA, Poland, The Netherlands pdontenwill@mmwarburg.com

Matthias Fritsch +49 40 3282-2696
United Kingdom mfritsch@mmwarburg.com

Michael Kriszun +49 40 3282-2695
United Kingdom mkriszun@mmwarburg.com

Marc Niemann +49 40 3282-2660
Germany mniemann@mmwarburg.com

Sanjay Oberoi +49 69 5050-7410
United Kingdom soberoi@mmwarburg.com

Simon Pallhuber +49 69 5050-7414
Switzerland, France spallhuber@mmwarburg.com

Angelika Flegler +49 69 5050-7417
Roadshow/Marketing aflegler@mmwarburg.com

Juliane Willenbruch +49 40 3282-2694
Roadshow/Marketing jwillenbruch@mmwarburg.com

SALES TRADING

Oliver Merkel +49 40 3282-2634
Head of Sales Trading omerckel@mmwarburg.com

Elyaz Dust +49 40 3282-2702
Sales Trading edust@mmwarburg.com

Michael Ilgenstein +49 40 3282-2700
Sales Trading milgenstein@mmwarburg.com

Bastian Quast +49 40 3282-2701
Sales Trading bquast@mmwarburg.com

Jörg Treptow +49 40 3262-2658
Sales Trading jtreptow@mmwarburg.com

Jan Walter +49 40 3262-2662
Sales Trading jwalter@mmwarburg.com

MACRO RESEARCH

Carsten Klude +49 40 3282-2572
Macro Research cklude@mmwarburg.com

Dr. Christian Jasperneite +49 40 3282-2439
Investment Strategy cjasperneite@mmwarburg.com

Our research can be found under:

Warburg Research research.mmwarburg.com/en/index.html
Bloomberg MMWA GO
FactSet www.factset.com

Thomson Reuters www.thomsonreuters.com
Capital IQ www.capitaliq.com

For access please contact:

Andrea Schaper +49 40 3282-2632
Sales Assistance aschaper@mmwarburg.com

Kerstin Muthig +49 40 3282-2703
Sales Assistance kmuthig@mmwarburg.com