

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 39.00** (39.00)

15 November 2011

No surprises in 3Q11

FY11 estimates still more bullish than guidance

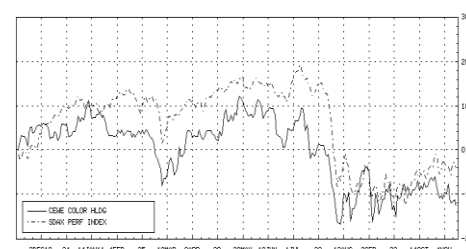
- 3Q11 report:** Today, CeWe Color published its 3Q11 report. Overall, the figures came in with no surprises. Group revenues amounted to EUR 121.771m in 3Q, equivalent to a YoY growth of 4.6%. In 9M revenues stood at EUR 308.1m, up by 3.8% YoY. Adjusted by currency effects, group revenues would have been at EUR 305.4m. EBITDA was at EUR 16.93m (margin: 13.9%) in 3Q and EUR 29.35m (margin: 9.5%) in 9M11. After D&A expenses EBIT resulted in EUR 8.9m in 3Q and EUR 4.4m in 9M. Although 3Q's net income of EUR 6.4m was lower than corresponding quarter last year (EUR 9.4m), the result in 9M11 was quite higher. The company managed to reach the profit zone already within 3Q unlike 2010 (9M11: EUR +0.45m; 9M10: EUR -1.13m). Hence, EPS in 3Q/9M stood at EUR 0.95 and EUR 0.07 respectively.
- Confirmation of guidance 2011:** In the course of the 3Q/9M report the group confirmed its already given guidance. For FY11 the management forecast total revenues in the range of EUR 447-460m with EBIT to come in within EUR 28-31m. Net income is expected to range between EUR 16m and EUR 19m, implying an EPS in the range of EUR 2.36-2.80. To achieve the full year EPS guidance the company's 4Q performance have to reach at least an EPS of EUR 2.29. Therefore, net income in 4Q must be higher than EUR 15.6m which is only EUR 0.8m or 5% higher than generated in 4Q10. As we remain bullish for 4Q and stick to our given estimates for FY11 we expect net income to achieve EUR 19.8m in 4Q (EPS: EUR 2.91).
- Segment reporting:** In 9M the Fotofinishing segment achieved total revenues (external) of EUR 226.8m (Adjusted by FX: EUR 225.3m). EBIT in this segment was at EUR 3.6m or 1.6% (adjusted by FX: 1.6%). Two of the four regions achieved the profit zone within 9M – Central Europe (+4.4m) and Benelux (EUR +0.8m). Western Europe (EUR -0.7m) and Cent. East. Europe (EUR -0.9m) still performed in the red. The Retail unit in 9M was quite positive. Revenues of EUR 80.1m result in an EBIT of EUR 0.8m, corresponding to an increase of almost 100% YoY.
- Unchanged price target:** Considering a very strong 4Q performance which should help the stock to get back on track, we reiterate our BUY recommendation with an **unchanged PT of EUR 39.00 per share**.

Key data:

Y/E 31.12., EUR m	2009	2010	2011E	2012E	2013E
Sales revenues	409.8	446.8	465.4	491.0	515.5
EBITDA	55.9	65.9	67.5	69.8	76.1
EBIT	18.7	28.2	34.2	35.5	42.5
Net income/loss	6.7	13.7	20.2	23.3	28.3
EPS	0.99	2.02	2.98	3.43	4.16
DPS	1.05	1.25	1.40	1.70	1.90
EBITDA margin	13.6%	14.7%	14.5%	14.2%	14.8%
EBIT margin	4.6%	6.3%	7.3%	7.2%	8.3%
EV/EBIT	11.2	7.4	6.1	5.9	4.9
P/E	27.7	13.6	9.2	8.0	6.6

Source: CeWe Color Holding AG; CBS Research AG

Share price (dark) vs. SDAX



Sources: CBS Research AG, Bloomberg

Change	2011E		2012E		2013E	
	new	old	new	old	new	old
Sales	-	465.4	-	491.0	-	515.5
EBIT	34.2	33.5	35.5	35.0	-	42.5
EPS	2.98	2.91	3.43	3.31	-	4.16

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):	EUR 27.45
Shares outstanding (m):	7.38
Market capitalisation (EURm):	202.5
Enterprise value (EURm):	209.3
Ø daily trading volume (3m, no. of shares):	12,614

Performance data:

High 52 weeks:	EUR 35.98
Low 52 weeks:	EUR 24.50
Absolute performance (12 months):	-12.4%
Relative performance (vs.SDAX):	
1 month	-4.5%
3 months	0.6%
6 months	-5.9%
12 months	-12.1%

Shareholders:

Community of Sen. h.c. Heinz Neumüller:	27.4%
NordLB:	5.0%
CeWe Color Holding AG:	6.8%
Schroder plc:	3.0%
Others, free float:	57.8%

Financial calendar:

German Equiy Forum 21-23 November 2011

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Appendix

Company guidance and CBSRe forecast

(in EURm)	Guidance FY11	CBSR FY11E
Revenues	447-460	465.4
EBIT	28-31	34.2
EBT	26-29	33.1
Net income	16-19	20.2
EPS (in EUR)	2-36-2-80	2.98
CEWE PHOTOBOOK	4.6-4.8m	4.86
Photos	2.23-2.36bn	2.38
Analog	0.23-0.26bn	0.25
Digital	2.0-2.1bn	2.13

Source: CeWe Color Holding AG, CBS Research AG

Appendix

Profit and loss account

	IFRS	EUR 1,000	2008	2009	2010	2011E	2012E	2013E
Revenues			419,989	409,813	446,800	465,370	490,965	515,513
YoY growth			6.0%	-2.4%	9.0%	4.2%	5.5%	5.0%
Change in inventory as % of sales			-97 0.0%	42 0.0%	-11 0.0%	-19 0.0%	-18 0.0%	-19 0.0%
Other own work capitalized as % of sales			1,621 0.4%	1,249 0.3%	1,486 0.3%	1,489 0.3%	1,571 0.3%	1,650 0.3%
Other operating income as % of sales			27,332 6.5%	28,273 6.9%	24,929 5.6%	23,426 5.0%	22,584 4.6%	23,714 4.6%
Cost of materials as % of sales			-163,217 -38.9%	-154,735 -37.8%	-168,660 -37.7%	-172,652 -37.1%	-180,675 -36.8%	-189,709 -36.8%
Gross profit as % of sales			285,628 68.0%	284,642 69.5%	304,544 68.2%	317,613 68.2%	334,427 68.1%	351,149 68.1%
Personell cost as % of sales			-104,979 -25.0%	-104,788 -25.6%	-102,320 -22.9%	-107,218 -23.0%	-114,886 -23.4%	-117,022 -22.7%
Other operating expenses as % of sales			-127,887 -30.5%	-123,961 -30.2%	-136,362 -30.5%	-142,869 -30.7%	-149,744 -30.5%	-158,018 -30.7%
EBITDA as % of sales			52,762 12.6%	55,893 13.6%	65,862 14.7%	67,527 14.5%	69,797 14.2%	76,109 14.8%
Depreciation and amortisation as % of sales			-40,410 -9.6%	-37,238 -9.1%	-37,710 -8.4%	-33,329 -7.2%	-34,294 -7.0%	-33,573 -6.5%
EBIT as % of sales			12,352 2.9%	18,655 4.6%	28,152 6.3%	34,198 7.3%	35,503 7.2%	42,536 8.3%
Net financial results			-1,692	-1,894	-1,776	-1,060	-959	-851
EBT (Earnings before income taxes) as % of sales			10,660 2.5%	16,761 4.1%	26,376 5.9%	33,138 7.1%	34,544 7.0%	41,685 8.1%
Income taxes (including others) as % of EBT			-3,620 -34.0%	-10,021 -59.8%	-12,659 -48.0%	-12,907 -39.0%	-11,220 -32.5%	-13,405 -32.2%
Group net income including minorities			7,040	6,740	13,717	20,231	23,324	28,280
Minority interests			2.0	-5.0	2.0	7.2	7.9	8.3
Net income attributable to shareholders as % of sales			7,038 1.7%	6,745 1.6%	13,715 3.1%	20,223 4.3%	23,316 4.7%	28,272 5.5%
Shares outstanding (in thousands), weighted			6,936	6,797	6,797	6,797	6,797	6,797
Basic earnings per share (EUR)			1.01	0.99	2.02	2.98	3.43	4.16

Source: CeWe Color Holding AG, CBS Research AG

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Date	Recommendation	Price at change date	Price target
16 November 2010	BUY	EUR 32.09	EUR 37.00
23 February 2011	BUY	EUR 33.25	EUR 39.00
31 March 2011	BUY	EUR 31.62	EUR 39.00
12 May 2011	BUY	EUR 34.60	EUR 39.00
18 August 2011	BUY	EUR 26.15	EUR 39.00

15 November 2011	BUY	EUR 27.45	EUR 39.00
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