

Strong Photofinishing, but weak Retail

- **Summary:** CEWE has released preliminary results. Adjusted for changes in its reporting method, EBIT was in line with consensus, while EPS missed by 6% due to a higher tax rate. The Photofinishing and Online segments were in line or better than both expectations and company guidance. However, Retail's problems in Poland weighed on earnings and led to a miss versus our estimates. We adjust our model and reduce our EPS forecast by 8-12% due to Retail losses. We roll over the valuation and our new price target of EUR71 indicates c20% upside potential.
- **Preliminary results:** Sales of EUR524m (FX adjusted: EUR527.5m) beat our forecasts but were a slight miss versus guidance of EUR525m-540m and 1% below consensus. Reported EBIT of EUR32.6m includes taxes previously declared below the EBIT line. Adjusted for this, EBIT came in at EUR33.5m, in line with consensus and within the guidance range of EUR30m-36m. Adjusted for EUR0.9m in non-cash option-plan expenses and EUR1.3m Photokina expenses, EBIT came in at EUR35.7m, the same level as last year. Photofinishing and Online developed, respectively, in line with and ahead of expectations, but Retail was a disappointment, posting a -EUR2.9m loss versus a EUR0.1m profit in 2013. This is the main reason that CEWE missed our estimates. A higher tax rate of 32.4% versus consensus of 28% and our 29.5% led to an EPS miss of 6%.
- **Photofinishing:** The division had a strong Christmas, with 6.6% sales growth and estimated 10-12% EBIT growth in Q4 2014. Reported EBIT was EUR38.4m for FY 2014 (EUR39.5m in FY 2013). Adjusted for changes in taxes, Photokina and stock options, we expect a Photofinishing EBIT of EUR40m in Q4 and EUR41m for FY 2014. This is, respectively, in line with and slightly above our estimate of EUR40m.
- **Online:** Losses fell from -EUR4.3m in 2013 to -EUR2.9m in 2014. Growth slowed to 13% in Q4 2014 (20% in 9M 2014). We understand that the focus is on earnings (set to break even in FY 2015E or 2016E at the latest) and expansion beyond Germany. CEWE is well positioned to consolidate the market organically and via M&A given its strong balance sheet, in our view.
- **Disappointing Retail (13% of group sales; online and offline hardware retail):** Poland underperformed due to the failures of the old management. New management has cleaned up the low-margin wholesale business. We believe the focus is on improving the store set-up and network.
- **Estimate changes:** We adjust our estimates for Retail losses. We cannot exclude restructuring charges in this unit and model EUR2m-3m losses in FY 2015-16E (including restructuring). We cut our estimates slightly for Online, but still expect it to post positive EBIT by 2017E (EUR5.2m, or 10% of group earnings) and be the key earnings growth driver. We are in line with 2015E consensus, and 10% ahead of consensus for 2016E earnings.

Y/E 31.12., EURm	2011	2012	2013	2014	2015	2016	2017
Sales	469	507	535	524	542	566	591
EBITDA	64	66	67	69	73	81	88
EBIT	30	29	29	33	37	42	49
Net profit	19	19	22	21	26	30	36
Y/E net debt (net cash)	-7	18	22	-20	-29	-46	-69
EPS (reported)	2.84	2.88	3.29	3.01	3.61	4.26	5.05
EPS (recurring)	2.84	2.88	3.84	3.01	3.61	4.26	5.05
CPS	8.58	7.27	9.16	8.06	0.71	9.78	10.55
DPS	1.40	1.47	1.50	1.60	1.75	1.95	2.31
Gross margin	63.0%	63.4%	64.5%	68.0%	68.3%	68.4%	68.3%
EBITDA margin	13.6%	13.0%	12.6%	13.1%	13.5%	14.3%	14.9%
EBIT margin	6.4%	5.7%	5.5%	6.2%	6.8%	7.4%	8.4%
Dividend yield	4.5%	4.7%	4.2%	3.1%	3.0%	3.3%	4.0%
ROCE	18.1%	15.5%	13.2%	14.3%	16.2%	18.1%	21.3%
EV/sales	0.4	0.5	0.5	0.7	0.7	0.7	0.6
EV/EBITDA	3.2	3.6	4.1	5.3	5.5	4.8	4.1
EV/EBIT	6.9	8.3	9.4	11.0	10.9	9.1	7.3
P/E	10.9	10.9	9.3	17.0	16.1	13.7	11.5
Cash flow RoEV	12.3%	11.3%	9.9%	7.6%	7.1%	9.2%	11.4%

Source: Company data, Berenberg

25 February 2015

BUY

Current price **Price target**
EUR58.24 **EUR71.00**

24/02/2015 XETRA Close

Market cap (EURm) 363
Reuters CWCG.DE
Bloomberg CWC GY

Changes made in this note

Rating: Buy (no change)
Price target: EUR71.00 (EUR69.00)

Estimates changes

	2014		2015E		2016E	
	old	Δ %	old	Δ %	old	Δ %
Sales	519	0.9	544	-0.5	574	-1.4
EBIT	36	-8.8	41	-10.3	45	-7.4
EPS	3.44	-12.4	4.09	-11.8	4.63	-8.0

Source: Berenberg estimates

Share data

Shares outstanding (m) 7
Enterprise value (EURm) 361
Daily trading volume 19,927

Key data

Price/book value 2.0
Net gearing -11.4%
CAGR sales 2014-2017 4.1%
CAGR EPS 2014-2017 18.7%



CEWE Stiftung & Co KGaA has been an Alpha stock since 4 July 2013. Please click here for the Alpha report.

BUY

25 February 2015

Current price **Price target**

EUR58.24 EUR71.00

24/02/2015 XETRA Close

Market cap (EURm) 363
EV (EURm) 361
Trading volume 19,927
Free float 69.8%

Non-institutional shareholders

27.4% Neumüller heirs
2.5% CEWE Stiftung & Co. KGaA

Share performance

High 52 weeks EUR60.10
Low 52 weeks EUR45.87

Business description

Photo services provider

Performance relative to

	SXXP	SDAX
1mth	8.8%	6.6%
3mth	3.1%	-1.9%
12mth	6.5%	9.3%

Investment thesis

- CEWE is a high-quality company with a strong management track record. This is evident in the shift from analogue to digital and in the leading market position gained in the digital photofinishing and photobook market in western Europe.
- The Photofinishing division is set to benefit from an increasing share of more-profitable photogift products, supporting margin expansion.
- The Online division is a key growth driver, but is currently loss-making, given its expansion and marketing costs. It is, however, set to break even in 2015E and contribute 10% to group EBIT by 2017E.
- Our valuation is an average of DCF and CFROEV using 2016E.

Profit and loss summary

EURm	2012	2013	2014E	2015E	2016E
Revenues	507	535	524	542	566
EBITDA	66	67	69	73	81
EBITA	38	41	41	45	50
EBIT	29	29	33	37	42
Associates contribution	0	0	0	0	0
Net interest	-2	-2	-1	0	1
Tax	7	5	10	11	13
Minorities	0	0	0	0	0
Net income adj.	19	22	21	26	30
EPS reported	2.90	3.29	3.01	3.61	4.26
EPS adjusted	2.88	3.84	3.01	3.61	4.26
Year end shares	7	7	7	7	7
Average shares	7	7	7	7	7
DPS	1.47	1.50	1.60	1.75	1.95

Cash flow summary

EURm	2012	2013	2014E	2015E	2016E
Net income	19	22	21	26	30
Depreciation	37	38	36	36	39
Working capital changes	3	-14	6	-1	-2
Other non-cash items	-8	1	0	0	0
Operating cash flow	51	46	63	61	67
Capex	34	35	37	41	38
FCFE	17	11	26	20	29
Acquisitions, disposals	-12	0	0	0	0
Other investment CF	11	-2	0	0	0
Dividends paid	9	10	10	11	12
Buybacks, issuance	0	1	26	0	0
Change in net debt	25	4	-42	-9	-17
Net debt	18	22	-20	-29	-46
FCF per share	2.60	1.65	3.71	2.87	4.13

Growth and margins

	2012	2013	2014E	2015E	2016E
Revenue growth	8.1%	5.5%	-2.0%	3.4%	4.5%
EBITDA growth	3.9%	1.8%	1.9%	6.9%	10.2%
EBIT growth	-3.5%	1.0%	11.2%	13.0%	14.0%
EPS adj growth	1.4%	33.2%	-21.4%	19.7%	18.2%
FCF growth	-43.2%	-36.8%	125.2%	-22.5%	43.9%
EBITDA margin	13.0%	12.6%	13.1%	13.5%	14.3%
EBIT margin	5.7%	5.5%	6.2%	6.8%	7.4%
Net income margin	3.7%	4.0%	4.1%	4.7%	5.3%
FCF margin	3.4%	2.0%	5.0%	3.8%	5.2%

Key ratios

	2012	2013	2014E	2015E	2016E
Net debt / equity	13.9%	15.5%	-11.4%	-15.3%	-22.1%
Net debt / EBITDA	0.3	0.3	-0.3	-0.4	-0.6
Avg cost of debt	8.8%	5.5%	5.0%	4.0%	4.0%
Tax rate	29.4%	22.3%	32.4%	31.0%	30.0%
Interest cover	13.7	17.2	29.4	0.0	0.0
Payout ratio	50.5%	45.6%	53.1%	48.5%	45.7%
ROCE	15.5%	13.2%	14.3%	16.2%	18.1%
Capex / sales	4.6%	7.0%	7.0%	7.5%	6.7%
Capex / depreciation	62.6%	98.1%	101.9%	111.4%	98.4%

Valuation metrics

	2012	2013	2014E	2015E	2016E
P / adjusted EPS	10.9	9.3	17.0	16.1	13.7
P / book value	1.6	1.7	2.0	2.2	2.0
FCF yield	8.3%	4.6%	7.2%	4.9%	7.1%
Dividend yield	4.7%	4.2%	3.1%	3.0%	3.3%
EV / sales	0.5	0.5	0.7	0.7	0.7
EV / EBITDA	3.6	4.1	5.3	5.5	4.8
EV / EBIT	8.3	9.4	11.0	10.9	9.1
EV / FCF	14.2	25.4	13.8	19.7	13.1
EV / cap. employed	1.8	1.8	2.3	2.5	2.4

Key risks to our investment thesis

- Q4 accounts for most annual earnings, thus presenting execution risk and making CEWE dependent on a single quarter.
- Additional investments in the Online division to support market share gains in a structurally changing printing market could push the break-even point beyond 2015E and dilute margins in 2016E.
- A weaker macro environment and consumer spending in eastern Europe and Scandinavia, where CEWE is present with retail operations and pricing pressure on photo hardware. Underperforming Polish business has led to EUR3m losses in 2014E, and restructuring costs are not excluded.

Preliminary results and changes in estimates

The table below details the preliminary results versus our and consensus expectations.

While we do not have consensus split by divisions, we believe CEWE has beaten consensus forecasts in its two core segments: Photofinishing and Online. This is positive. Retail presents a risk because the unit requires restructuring and must be turned around. However, it also offers an upside risk if the turnaround happens faster than we anticipate. The core segments, meanwhile, are doing significantly better than consensus expects.

We highlight, once again, the:

- very strong performance in the Photofinishing division, with recurring EBIT growth of 10-12% in Q4 2014 and a 5% increase in FY 2014E; and
- diminishing losses in the Online division, which performed slightly ahead of our estimates, thereby confirming that management is on track to reach break-even in FY 2015E or 2016E at the latest.

FY 2014 preliminary results versus our and consensus estimates

CEWE STIFTUNG in EURm	Q4 FY 13	Q4 2014 Reported	Q4 2014 Consensus	Q4 2014 Berenberg	FY 2013	FY 2014 Reported	FY 2014 Berenberg	FY 2014 Consensus	Reported vs Consensus
Sales	191.2	194.8	200.0	190.4	536.2	523.8	519.4	529.0	-1%
yoy	6.5%	1.9%	4.6%	-0.4%	5.5%	-2.3%	-3.1%		
Photofinishing	146.4	156.0		150.9	375.5	386.0	380.9		
yoy	7.7%	6.6%		3.1%	2.8%	1.4%			
Online printing	18.2	20.5		21.7	59.8	70.5	71.7		
yoy		12.7%		19.5%		17.9%	19.9%		
Retail	24.6	18.3		17.7	101.1	67.3	66.8		
yoy	-19.5%	-25.6%		-27.8%	-9.9%	-33.4%	-33.9%		
new EBIT	33.6	37.3			28.9	32.6			
EBIT old reporting	33.5	38.0	37.6	39.9	29.4	33.5	35.8	33.5	0%
margin	17.5%	19.5%	18.8%	20.9%	5.5%	6.4%	6.9%		
yoy		13.6%	12.4%	19.2%		14.1%	21.9%		
Photofinishing*	35.8	40.2		40.0	39.5	41.5	40.0		
margin	24.4%	25.8%		26.5%	10.5%	10.8%			
yoy		12.5%		11.9%		5.1%			
Online printing	-1.0	-0.3		-0.6	-4.3	-2.9	-3.2		
Retail	1.3	-1.4		0.4	0.1	-2.9	-1.0		
Net profit - reported	27.1	25.8	27.3	28.8	21.6	21.4	24.4	22.8	-6%
margin	14.2%	13.2%	13.6%	15.1%	4.0%	4.1%	4.7%		
EPS - reported	4.12	3.70	3.93	4.13	3.29	3.07	3.50	3.30	-7%

Source: Company reports, Berenberg estimates, Bloomberg

Following our changes in estimates, we are broadly in line with consensus for 2015E as we incorporate ongoing losses in the Retail division (-EUR2m-3m losses in FY 2015-16E). We are, however, more optimistic than consensus about the Photofinishing and Online segments. For 2016E we are in line with consensus on the top line (possibly because we factor in lower Retail sales, and a higher share of sales coming from Photofinishing and Online) but 4% ahead on EBIT and almost 10% ahead on net income.

Berenberg versus consensus estimates

FY				
Berenberg				
	Last fiscal year	Current Y	Next fiscal year	
Sales	524	542	566	
yoy		3.4%	4.5%	
EBITDA	69	73	81	
yoy		6.9%	10.2%	
as % of sales	13.1%	13.5%	14.3%	
EBIT	33	37	42	
yoy		13.0%	14.0%	
as % of sales	6.2%	6.8%	7.4%	
Net income	21	26	30	
yoy		19.7%	18.2%	
Consensus				
	Last fiscal year	Current Y	Next fiscal year	
Sales	524	546	564	
yoy		4.2%	3.3%	
EBITDA	69	75	80	
yoy		9.8%	6.9%	
as % of sales	13.1%	13.8%	14.3%	
EBIT	33	37	40	
yoy		13.8%	8.9%	
as % of sales	6.2%	6.8%	7.2%	
Net income	21	25	27	
yoy		17.9%	9.2%	
Diff. vs. consensus				
	Last fiscal year	Current Y	Next fiscal year	
Sales		-0.8%	0.4%	
EBITDA		-2.6%	0.3%	
EBIT		-0.7%	4.0%	
Net income		1.5%	9.9%	

Source: Berenberg estimates

Sales and EBIT development by division, 2009-2017E

EUR m	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E
Divisional sales									
Photofinishing	316.3	336.0	355.5	359.3	375.7	386.2	393.9	401.5	409.6
Retail	93.5	110.8	112.2	105.0	101.1	67.3	63.9	63.3	62.7
Online	0.0	0.0	1.4	43.0	59.8	70.5	83.9	101.5	119.1
TTL	409.8	446.8	469.0	507.2	536.5	524.0	541.7	566.3	591.3
Divisional sales shares									
Photofinishing	77.2%	75.2%	75.8%	70.8%	70.0%	73.7%	72.7%	70.9%	69.3%
Retail	22.8%	24.8%	23.9%	20.7%	18.8%	12.8%	11.8%	11.2%	10.6%
Online	0.0%	0.0%	0.3%	8.5%	11.1%	13.5%	15.5%	17.9%	20.1%
TTL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Divisional sales growth									
Photofinishing	-2.5%	6.2%	5.8%	1.1%	4.6%	2.8%	2.0%	1.9%	2.0%
Retail	-2.2%	18.5%	1.3%	-6.4%	-3.7%	-33.4%	-5.0%	-1.0%	-1.0%
Online	na	na	na	2996.8%	39.1%	17.9%	19.0%	20.9%	17.3%
TTL	-2.4%	9.0%	5.0%	8.1%	5.8%	-2.3%	3.4%	4.5%	4.4%

Source: Berenberg estimates

Sales and EBIT development by division, 2009-2017E continued

EUR m	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E
Divisional EBIT									
Photofinishing	26.5	28.5	30.5	32.0	39.5	40.0	41.6	42.5	43.5
Retail	1.7	1.8	2.4	1.7	0.1	-2.9	-3.3	-1.7	0.8
Online	0.0	0.0	-2.8	-4.8	-4.3	-2.9	-1.4	1.4	5.2
TTL	28.2	30.4	30.1	28.9	35.3	34.2	36.9	42.1	49.4
Divisional EBIT share									
Photofinishing	93.9%	93.9%	101.4%	110.7%	111.9%	117.0%	112.7%	100.9%	88.0%
Retail	6.1%	6.1%	8.0%	5.8%	0.2%	-8.4%	-8.9%	-4.1%	1.6%
Online	0.0%	0.0%	-9.4%	-16.5%	-12.1%	-8.6%	-3.8%	3.2%	10.6%
TTL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Divisional EBIT margin									
Photofinishing	8.4%	8.5%	8.6%	8.9%	10.5%	10.4%	10.6%	10.6%	10.6%
Retail	1.8%	1.7%	2.2%	1.6%	0.1%	-4.3%	-5.1%	-2.7%	1.2%
Online	0.0%	0.0%	-204.5%	-11.1%	-7.2%	-4.2%	-1.7%	1.3%	4.4%
TTL	6.9%	6.8%	6.4%	5.7%	6.6%	6.5%	6.8%	7.4%	8.4%
Divisional EBIT growth									
Photofinishing		7.7%	7.1%	4.8%	23.4%	1.4%	4.0%	2.1%	2.3%
Retail		8.0%	31.3%	-30.7%	-95.5%	-3884.9%	14.4%	-47.5%	-144.8%
Online				68.3%	-10.4%	-31.4%	-51.8%	-195.9%	285.1%
TTL		7.8%	-0.8%	-4.0%	22.0%	-3.0%	7.9%	14.1%	17.3%

Source: Berenberg estimates

Valuation

We value CEWE using an average of DCF (EUR76) and CFROEV (EUR67), to take into account its long-term potential alongside its short/mid-term prospects.

We roll over the valuation and use CFROEV 2016E (previously 2015E). We also reduce our risk-free rate to 2.5% (previously 3%) to account for a lower yield environment, with a 2.2-2.4% risk free rate in Germany over the last decade. Thus our WACC is reduced from 9.0% to 8.5%, given the company's net cash position, which is still rather conservative.

Our new price target of EUR71.0 indicates more than 20% upside potential. The company trades at 13.7x P/E 2016E compared to a 19% EPS CAGR 2014-17E and a 15% ROCE over the last five years, despite its investments in the still-loss-making Online division.

DCF valuation model

DCF model											
EUR m	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Terminal value
Operating profit (NOPAT)	25.5	29.5	34.6	37.1	38.8	38.9	39.0	39.6	40.0	39.9	
Change working capital	-1.4	-1.9	-2.0	-2.1	-1.9	-1.8	-1.8	-1.9	-1.7	-1.1	
Depreciation	36.4	38.7	38.5	39.9	41.2	42.4	43.5	44.8	45.8	46.6	
Investments	40.5	38.0	36.5	39.9	41.2	42.4	43.5	44.8	45.8	46.6	
Net cash flow	20.3	28.5	35.0	35.4	37.2	37.6	37.6	38.2	38.7	39.1	567.3
Present value	18.9	24.5	27.8	25.8	25.1	23.3	21.5	20.1	20.4	20.6	299.0
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Long-term growth rate											1.5%
DCF per share derived from						WACC derived from					
Total present value	527					Interest costs, pre-tax	4.0%				
thereof terminal value:	57%					Tax rate	31.0%				
Net debt at year start	-20					Interest costs, after taxes	2.8%				
Investments, minorities & others	-11					Required ROE	8.5%				
Equity value	536					Risk premium	6.0%				
No. of outstanding shares	7.1					Risk-free (10y. bond)	2.5%				
Discounted cash flow per share (EUR)	75.8					Beta	1.0				

Sensitivity analysis DCF								
Fair value per share (EUR)			Long-term growth rate					
			0.5%	1.0%	1.5%	2.0%	2.5%	
Beta	1.2	WACC	9.7%	61	63	65	68	70
	1.1		9.1%	66	68	70	73	77
	1.0		8.5%	70	73	76	80	84
	0.9		7.9%	76	79	83	88	93
	0.8		7.3%	83	87	92	97	104

Source: Berenberg estimates

CEWE Stiftung & Co KGaA

European Mid-Cap – Internet

CFRoEV valuation model

CEWE Stiftung & Co KGaA			
<i>Fair value = (cash flow return / hurdle rate) = (adj. EBIT after taxes / hurdle rate)</i>			
<i>Business year end: 31.12</i>	2015	2016	2017
EBIT	36.9	42.1	49.4
+ Depreciation of fixed assets	28.4	30.5	30.5
+ Amortisation of intangible assets	8.0	8.1	8.0
- Maintenance capex	36.4	38.7	38.5
= Adjusted EBIT	36.9	42.1	49.4
- Taxes (normalised tax rate)	11.1	12.6	14.8
- Minorities	0.0	0.0	0.0
= Adjusted cash flow after tax	25.8	29.5	34.6
Hurdle rate	7.0%	7.0%	7.0%
= Fair EV	369	421	494
- Net debt (cash)	-29.3	-46.2	-68.6
- Pension provisions	18.1	18.4	18.8
+ Accumulated dividends outstanding	12.7	26.8	42.2
= Fair market capitalization	393	475	586
Number of shares (million)	7.08	7.08	7.08
Number of options / dilutive shares	0.00	0.00	0.00
Fully diluted no. of shares	7.08	7.08	7.08
Fair value per share (EUR)	55.5	67.2	82.9
Current value per share	58.2	58.2	58.2
premium (-) / discount (+) in %	-5%	15%	42%

Source: Berenberg estimates

Financials

Profit and loss account

Year-end December(EUR m)	2011	2012	2013	2014E	2015E	2016E	2017E
Sales	469	507	535	524	542	566	591
Own work capitalised	1	1	1	1	1	1	1
Total sales	470	508	536	525	543	567	592
Other operating income	23	30	25	24	25	25	26
Material expenses	174	186	190	167	172	179	188
Personnel expenses	109	122	130	133	136	140	143
Other operating expenses	147	164	174	180	187	193	200
Unusual or infrequent items	0	0	0	0	0	0	0
EBITDA	64	66	67	69	73	81	88
EBITDA margin	13.6%	13.0%	12.6%	13.1%	13.5%	14.3%	14.9%
Depreciation	26	28	26	28	28	31	31
EBITA	38	38	41	41	45	50	57
Amortisation of goodwill	0	0	4	0	0	0	0
Amortisation of intangible assets	8	9	8	8	8	8	8
Impairment charges	0	0	0	0	0	0	0
EBIT	30	29	29	33	37	42	49
EBIT margin	6.4%	5.7%	5.5%	6.2%	6.8%	7.4%	8.4%
Interest income	0	0	0	0	1	1	2
Interest expenses	1	2	2	2	1	0	0
Other financial result	0	0	0	0	0	0	0
Financial result	-1	-2	-2	-1	0	1	2
Income on ordinary activities before taxes	29	27	28	32	37	43	51
Extraordinary income/loss	0	0	0	0	0	0	0
EBT	29	27	28	32	37	43	51
Taxes	11	8	6	10	11	13	15
Tax rate	36%	29%	22%	32%	31%	30%	30%
Net income from continuing operations	19	19	22	21	26	30	36
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income	19	19	22	21	26	30	36
Minority interest	0	0	0	0	0	0	0
Net income (net of minority interest)	19	19	22	21	26	30	36

Source: Company data, Berenberg estimates

Balance sheet

Year-end December (EUR m)	2011	2012	2013	2014E	2015E	2016E	2017E
Intangible assets	22	50	45	44	43	42	42
Property, plant and equipment	79	101	99	101	106	106	104
Financial assets	5	5	7	7	7	7	7
Fixed assets	106	156	151	152	156	155	153
Inventories	48	63	59	58	60	63	66
Accounts receivable	78	72	89	82	85	88	92
Other current assets	22	12	12	11	12	12	13
Liquid assets	31	13	14	48	42	53	76
Deferred taxes	5	7	7	7	7	7	7
Deferred charges and prepaid expenses	0	0	0	0	0	0	0
Current assets	183	167	181	206	205	224	254
TOTAL	290	324	331	358	361	379	407
Shareholders' equity	121	130	140	178	192	209	231
Minority interest	0	0	0	0	0	0	0
Long-term debt	17	23	7	7	7	7	7
Pensions provisions	11	17	18	18	18	18	19
Other provisions	14	12	10	10	10	10	11
Non-current liabilities	41	53	35	35	35	36	37
short-term debt	7	8	29	20	5	0	0
Accounts payable	90	102	101	99	102	107	112
Advance payments	0	0	0	0	0	0	0
Other liabilities	29	26	23	23	23	24	25
Deferred taxes	1	4	3	3	3	3	3
Other accruals	0	0	0	0	0	0	0
Current liabilities	127	140	156	145	134	134	140
TOTAL	290	324	331	358	361	379	407

Source: Company data, Berenberg estimates

Cash flow statement

EUR m	2011	2012	2013	2014E	2015E	2016E	2017E
Net profit/loss	19	19	22	21	26	30	36
Depreciation of fixed assets (incl. leases)	26	28	26	28	28	31	31
Amortisation of goodwill	0	0	4	0	0	0	0
Amortisation of intangible assets	8	9	8	8	8	8	8
Other	4	-8	1	0	0	0	0
Cash flow from operations before changes in w/c	56	48	60	57	62	69	75
Change in inventory	2	-15	4	1	-2	-3	-3
Change in accounts receivable	-6	6	-17	7	-3	-4	-4
Change in accounts payable	8	12	-1	-2	3	5	5
Change in other working capital	0	0	0	0	0	0	0
Change in working capital	4	3	-14	6	-1	-2	-2
Cash flow from operating activities	60	51	46	63	61	67	73
Maintenance capex	27	27	28	29	32	30	29
Cash flow from operating activities after maintenance	33	24	18	34	28	37	44
Capex, excluding maintenance	3	7	7	7	8	8	7
Payments for acquisitions	0	24	0	0	0	0	0
Financial investments	0	-11	2	0	0	0	0
Income from asset disposals	0	1	2	0	0	0	0
Cash flow from investing activities	-30	-46	-35	-37	-41	-38	-37
Cash flow before financing	30	5	11	26	20	29	36
Increase/decrease in debt position	-7	-9	-1	-9	-15	-5	0
Purchase of own shares	7	0	-1	0	0	0	0
Capital measures	0	0	0	26	0	0	0
Dividends paid	8	9	10	10	11	12	14
Others	-1	-5	0	0	0	0	0
Effects of exchange rate changes on cash	0	0	0	0	0	0	0
Cash flow from financing activities	-23	-23	-10	7	-26	-17	-14
Increase/decrease in liquid assets	7	-17	1	33	-6	12	22
Liquid assets at end of period	31	13	14	48	42	53	76

Source: Company data, Berenberg estimates

Growth rates yoy

(%)	2011	2012	2013	2014E	2015E	2016E	2017E
Net sales	5.0 %	8.1 %	5.5 %	-2.0 %	3.4 %	4.5 %	4.4 %
EBITDA	-3.5 %	3.9 %	1.8 %	1.9 %	6.9 %	10.2 %	9.0 %
EBIT	5.1 %	0.5 %	7.3 %	-0.3 %	10.3 %	11.8 %	14.4 %
Net income	35.4 %	2.1 %	13.9 %	-1.3 %	19.7 %	18.2 %	18.5 %
EPS reported	40.6 %	1.4 %	14.1 %	-8.3 %	19.7 %	18.2 %	18.5 %
EPS recurring	30.1 %	1.4 %	33.2 %	-21.4 %	19.7 %	18.2 %	18.5 %

Source: Company data, Berenberg estimates

Ratios

Ratios	2011	2012	2013	2014E	2015E	2016E	2017E
Asset utilisation efficiency							
Capital employed turnover	4.1	3.4	3.3	3.3	3.3	3.5	3.6
Operating assets turnover	4.1	3.8	3.7	3.7	3.7	3.8	3.9
Plant turnover	5.9	5.0	5.4	5.2	5.1	5.4	5.7
Inventory turnover (sales/inventory)	9.8	8.1	9.0	9.0	9.0	9.0	9.0
Operational efficiency							
Operating return	55.3%	49.4%	46.3%	48.4%	49.5%	53.8%	58.6%
Total operating costs / sales	86.6%	87.2%	87.7%	87.1%	86.7%	85.9%	85.3%
Sales per employee	166.1	190.2	199.5	194.5	200.1	208.1	216.2
EBITDA per employee	22.5	24.8	25.1	25.4	27.1	29.7	32.2
EBIT margin	6.4%	5.7%	5.5%	6.2%	6.8%	7.4%	8.4%
Return on capital							
EBIT / Y/E capital employed	26.2%	19.6%	18.1%	20.7%	22.7%	25.8%	30.5%
EBIT / avg. capital employed	25.9%	22.1%	18.9%	20.4%	23.1%	25.9%	30.4%
EBITDA / Y/E capital employed	55.4%	44.5%	41.5%	43.5%	45.1%	49.6%	54.3%
EBITDA / avg. capital employed	54.6%	50.2%	43.3%	42.9%	45.8%	49.6%	54.1%
Return on equity							
Net profit / Y/E equity	15.3%	14.5%	15.4%	12.0%	13.3%	14.4%	15.5%
Recurring net profit / Y/E equity	15.3%	14.5%	15.4%	12.0%	13.3%	14.4%	15.5%
Net profit / avg. equity	15.3%	15.1%	16.0%	13.4%	13.8%	15.1%	16.3%
Recurring net profit / avg. equity	15.3%	15.1%	16.0%	13.4%	13.8%	15.1%	16.3%
Security							
Net debt (if net cash=0)	-7	18	22	-20	-29	-46	-69
Debt / equity	-5.5%	13.9%	15.5%	-11.4%	-15.3%	-22.1%	-29.7%
Net gearing	-5.5%	13.9%	15.5%	-11.4%	-15.3%	-22.1%	-29.7%
Interest cover	21.1	11.9	15.9	20.7	46.8	108.3	171.4
EBITDA / interest paid	44.6	26.9	36.4	43.6	93.0	207.8	305.0
Altman's z-score	5.2	4.6	4.6	5.2	5.3	5.4	5.4
Dividend payout ratio	46%	51%	46%	53%	49%	46%	46%
Liquidity							
Current ratio	1.4	1.2	1.2	1.4	1.5	1.7	1.8
Acid test ratio	1.1	0.7	0.8	1.0	1.1	1.2	1.3
Free cash flow	1.6	0.9	0.5	1.2	0.8	1.0	1.0
Funds management							
Avg. working capital / sales	8.0%	6.7%	7.4%	8.4%	7.7%	7.7%	7.7%
Cash flow / sales	5.4%	5.4%	5.1%	5.2%	5.3%	6.2%	7.0%
Free cash flow/sales	6.4%	3.4%	2.0%	5.0%	3.8%	5.2%	6.1%
Inventory processing period (days)	101	123	114	127	128	128	128
Receivables collection period (days)	61	52	61	57	57	57	57
Payables payment period (days)	190	201	194	216	218	218	217
Cash conversion cycle (days)	-28	-26	-20	-32	-33	-33	-33
Trade creditors / trade debtors	115.8%	141.6%	113.9%	121.0%	121.0%	121.0%	121.0%
Other							
Interest received / avg. cash	1.4%	1.5%	1.0%	1.5%	2.0%	3.0%	3.0%
Interest paid / avg. debt	5.2%	8.8%	5.5%	5.0%	4.0%	4.0%	4.0%
Capex / dep'n	90.5%	62.6%	98.1%	101.9%	111.4%	98.4%	94.8%
Cost per employee	36	37	38	39	40	41	42
Capex / sales	6.5%	4.6%	7.0%	7.0%	7.5%	6.7%	6.2%
Maint. capex / sales	5.8%	5.3%	5.3%	5.6%	6.0%	5.4%	4.9%
Cash flow	25	27	27	27	29	35	41
Cash ROCE	21.8%	20.8%	17.6%	17.2%	17.9%	21.7%	25.3%
Free cash flow	14.8%	8.3%	4.6%	7.2%	4.9%	7.1%	8.8%

Source: Company data, Berenberg estimates

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<u>27 February 14</u>	<u>63.00</u>	<u>Buy</u>	<u>28 June 11</u>
<u>31 March 14</u>	<u>69.00</u>	<u>Buy</u>	
<u>25 February 15</u>	<u>71.00</u>	<u>Buy</u>	

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