

## Cewe posts record results for 2016

# The value of photofinishing

Dr. Rolf Hollander could not have imagined a better departure: The CEO of Cewe, who will hand over his office to Dr. Christian Friege on July 1, presented record sales and profits at the recent annual press conference for the year 2016. The Photofinishing business unit grew at an above-average rate, also due to the rapid increase in the number of smartphone pictures.

In 2016, Cewe raised its sales by 7 percent to 593.1 million euros and thus significantly exceeded its target of 555 million euros. After-tax earnings climbed



*At his final annual press conference as CEO of Cewe, Dr. Rolf Hollander was able to present a record result.*

by 35.2 percent to 30.4 million euros, and earnings per share rose to 4.25

euros (2015: 3.15 euros). In view of these positive figures, the annual meeting on May 31, 2017 proposed the eighth dividend increase in succession, taking the payout per share from 1.60 euros in the previous year to 1.80 euros. "Our target is to increase Cewe's value year by year, and to also let our shareholders participate in our profit growth in the future," explained Hollander.



*Sales of Cewe Wall Art climbed significantly.*



*The Cewe Photobook remains the most important branded product in the Cewe portfolio.*

The CEO attributed the excellent result to the simultaneous occurrence of three positive factors. Firstly, the repositioning of the Retail business unit in the last few years is now bearing fruit: Although sales were down by 9.7 percent at 54.9 million euros (due to concentration on high-margin products), a small positive operating result (EBIT) of 0.6 million



*Cewe has realigned its retail activities in Central and Eastern Europe and Scandinavia in the last few years: In the spacious stores, there is plenty of room for photo products, while hardware items are restricted to high-margin products.*

euros was achieved. On top of this, the retail businesses in Central and Eastern Europe and Scandinavia are important sales drivers for Cewe Photobooks and other picture products, for which the turnover is allocated to the Photofinishing business unit.



*Dr. Christian Friege will become CEO of Cewe on July 1.*

Secondly, the new Commercial Online Printing business unit, in which Cewe has invested around 90 million euros since the takeover of saxoprint in 2012, posted a positive EBIT for the first time

on a full-year basis of 1.6 million euros. Turnover rose by 8 percent to 84 million euros.

### **Even stronger in Photofinishing**

Thirdly, the strength of the Photofinishing business, which is still the undisputed star of the Cewe portfolio. Compared with the previous year, turnover

rose by 8.9 percent to 452 million euros, and the operating result (EBIT) exceeded the previous year's figure by 29.5 percent to reach 52.0 million euros. The consistent policy of building and expanding a premium brand since the launch of the Cewe Photobook in 2005 has paid off once again, said Hollander. The unaided brand awareness of the Cewe Photobook on the German market has risen to 51 percent (prompted awareness: 70 percent). At the same time, the Net Promoter Score, which shows the readiness of customers to further recommend the respective product, improved further to 58 percent. Such high values are typically only achieved by international top brands. Cewe is thus well-ahead of giants such as Amazon, Mercedes-Benz, Audi, Volkswagen or BMW. Alongside the Cewe Photobook, high-value branded products such as Cewe Calendars, Cewe Cards and



### **Smartphones are growth drivers**

Dr. Reiner Fageth, Member of the Board responsible for Technology, Research and Development, emphasized at the annual press conference the mounting importance of smartphones for the print business. Indeed, the mobile all-rounders are being used ever more frequently not only to take photographs but also to order photo products. Nearly half of all the clicks on the Cewe Internet sites come from mobile devices, said Fageth. On the Cewe Photo Stations with an instant printing function, half the prints now come from smartphones, and even in the processing labs, the proportion has since risen to a third of all photos.

Cewe is responding to this by extending its app portfolio. In addition to the comprehensive Cewe Photo World app, there are now also dedicated apps for ordering specific picture products, e.g. postcards or standard prints. Cewe also has "order-free" apps such as Cewe MyTravel – a community that brings together photographers who enjoy travelling. The company's Cloud service, Cewe MyPhotos, enables customers to access their photos through virtually any networked device.

Cewe Wall Art and photo gifts such as smartphone covers were also important sales drivers in 2016. As a result, the revenue per photo over the year as a whole rose by 9.1 percent to 20.25 cents. In the strong fourth quarter, the figure rose by 7.9 percent to 24.38 cents.

The Cewe balance sheet also shows that market success is not necessarily achieved only by concentrating on cutting costs. As far as marketing expenses are concerned, for example, Cewe posted a new record by spending 54 million euros on the Photofinishing business unit alone. Also important for the company is to nurture the culture of photography, e.g. by sponsoring top caliber photo exhibitions and competitions.

### **Positive outlook**

Cewe aims to continue its positive development again this year. Board member Dr. Christian Friege, who will take over the position of CEO on July 1, anticipates group sales of 585 to 615 million euros with EBIT between 45 and 51 million euros. The after-tax earnings should be around 30-34 million euros. Elements of uncertainty include the higher VAT rate for photo books in Germany since January 1, 2017, and the consequences of Brexit for the British market.

### **Cewe posts again profit in Q1**

This year, as in 2016, Cewe posted a positive result in Q1 which was traditionally a loss-making quarter. With virtually stable sales of 118.6 million euros (Q1 2016: 119.2 million euros), EBIT was at the same level as in the previous year, namely 0.6 million euros. Before special items, EBIT rose slightly from 0.9 million euros in the previous year to 1.0 million euros in Q1 this year. In the Photofinishing business unit, sales were stable with a small rise in earnings. In view of the results from the first quarter, the Board of Management has reinforced its forecast for fiscal 2017.

In the Photofinishing business unit, Cewe achieved sales in the first quarter of 85.6 million euros, basically the same as in the previous year (85.5 million euros). EBIT rose slightly above to 1.3 million euros (Q1 2016: 1.2 million euros), although the previous year's result included an exceptional income of 0.4 million euros from the sale of the small US Internet activity "Smilebooks". This means that Photofinishing achieved a positive result in a first quarter for the second time in the company's history.

The sales structure in this segment has, however, changed: In 2016, the first quarter was characterized by high growth with the Cewe Photo Book, whereas the present development of this product is more like the figures for 2015, and actually shows a decline of 9.3 percent

compared with the same quarter of the previous year. The decline was mainly due to the end of deliveries to a retail partner, who had offered an inadequate margin, explained Cewe.

The increase in VAT on photo books in Germany and Austria also affected the sales volume. Growth with Cewe Wall Art and other branded products were, however, able to fully compensate for the dent in sales curve of the flagship product. The added value thus continues to be positive with sales per photo climbing by 10.4 percent to 19.55 Cents.

Turnover of the Commercial Online Printing business unit grew slightly in Q1 by 0.6 percent to 20.6 million euros. The positive EBIT of 0.1 million euros underscored the development of the previous year (Q1 2016: 0.5 million euros), although growth was slowed down by developments on the British market. There, reduced demand due to Brexit led to a fall in sales in the Commercial Online Printing business unit, which was accompanied by the decline in value of the British currency against the euro. The business unit is nevertheless still on course to reach its targets for the year 2017, said Cewe.

Because of the deliberate abandonment of low-margin product areas, turnover of the Retail business unit fell compared with the same quarter of the previous year by 1 million to 12.8 million euros. EBIT, on the other hand, improved by 0.1 million to -0.3 million euros.