

## Focus Money

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### Emotion stabilises business

*The long period of costly Group reconstruction has been completed.  
Photo lab Group CeWe Color can now rake in profits.*

Despite all the technology, some emotional habits appear to remain. Those who wish to indulge in reminiscences of their most recent holiday trip or a grand family celebration are not keen on doing so with their laptop on their knees. Paging through an album is far better – even if these have a new design nowadays: digitally created photo books were the Christmas season blockbusters. In the period from October to December in 2009 alone, CeWe Color sold 1.4 million photo books – around 40 per cent more than in the same period of the previous year. A new quarterly record.

Most technical trends do nevertheless win through. Of the total of 2.6 billion photos sold by the Oldenburg company, only 0.6 billion were analogue prints, 33 per cent fewer than last year. CeWe Color offset this decline with strong digital business. A weak drop of only around 21,000 photos mainly means one thing for the photo lab Group: the turnaround has been achieved. The Group is not planning to spend any more money on restructuring – over the past five years these expenses had considerably reduced earnings for CeWe Color to the amount of an average ten million euros a year.

This is one of the reasons why analysts expect operative earnings to soar, from 13.2 million to 22.3 million euros (see chart on the right). The rising proportion of high-margin products, notably photo books, could even drive this key figure further upwards. Klaus Kränzle, GSC Research analyst, expects that in this case, dividends will amount to 1.30 euros per share. This would be an extremely attractive yield of 5.7 per cent for investors.

Experts also reckon that the operative business conducted by the Oldenburg company is not very sensitive to changes in the economy, “since the products are sold at relatively low prices while the emotional value is generally high,” Volker Sack, analyst with NordLB, writes. Nostalgic feelings don’t even change with technological innovations.

*Tabelle:*

Room for growth

CeWe Color ISIN DE0005403901

50-day period

200-day period

Source:

Bright outlook

Sales (in EUR million)

Ebit (in EUR million)

EBT (in EUR million)

Price-earnings ratio

Stock exchange value: EUR 167 million

Target share price/stop (in EUR)

Analysts' vote      Buy    Hold    Sell

E = expected