



Baseball Hold | Reza Vahdati | Winner CEWE Photo Award 2019



# Results Q3 2020

Analyst Conference Call

CEWE Stiftung & Co. KGaA

November 12, 2020

*cewe*

*This presentation contains forward-looking statements that are based on current assumptions and forecasts of the management of CEWE. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our Company. The Company assumes no liability to update these forward-looking statements or to conform them to future events or developments.*

*All numbers are calculated as exactly as possible and rounded for the presentation. Due to this, rounding differences might occur.*

The logo for cewe, featuring a stylized red 'M' icon followed by the word 'cewe' in a red, lowercase, cursive font.

**M** cewe



# CEWE acts with clear priorities in Corona crisis

1

We focus on **health and safety** of our employees

2

We **secure production capabilities** of our laboratories and printing plants

3

We **keep online and mobile sites up** and **communicate with our customers**

4

We ensure **cost reductions** and **review investments**

5

We prepare the **re-start of Retail and Commercial Online-Print**

6

We seek „**Corona-upsides**“

# With a slight head start in the fourth quarter: EBIT after 9 months EUR 1.4 million ahead of PY

- **Photofinishing** saw coronavirus-related **change in holiday travel behaviour in Q3** resulting in fewer (holiday) photos overall: **turnover** declines by 5.0% to **EUR 110.4 million**. Given that **EBIT** is still strong at **EUR 0.2 million** (Q3 2019: EUR 0.8 million).
- **Commercial Online-Print** is still **significantly affected by the corona situation**, turnover at EUR 15.4 million in Q3 is 38.1% below the previous year's level. Efficient cost management kept the decline in earnings under control: **EBIT** of **EUR -1.6 million** is EUR 0.7 million weaker than in previous year's Q3.
- **(Hardware-)Retail** returns to its "pre-coronavirus trend" in Q3: **turnover** declines by 12.5% to **EUR 9.0 million**. **EBIT** improved slightly to **EUR -0.05 million** (Q3 2019: EUR -0.11 million).
- **Group EBIT in Q3 is at EUR -1.6 million** (Q3 2019: EUR -0.5 million). After 9 months in 2020 CEWE remains **ahead of last year's EBIT with EUR 1.4 million**: Group EBIT is at EUR -0.6 million after EUR -2.0 million in 2019.

# Agenda

## 1. Corporate Development by Business Segments

1.1 Photofinishing

1.2 Retail

1.3 Commercial Online-Print

1.4 Other

## 2. Group Results

## 3. Financial Details

## 4. Q&A-Session





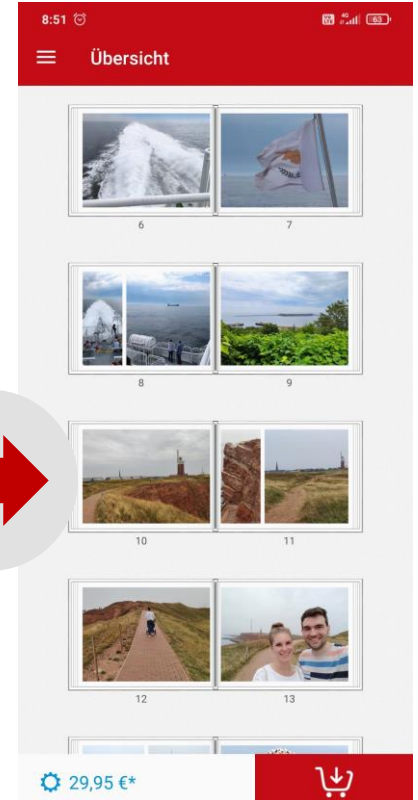
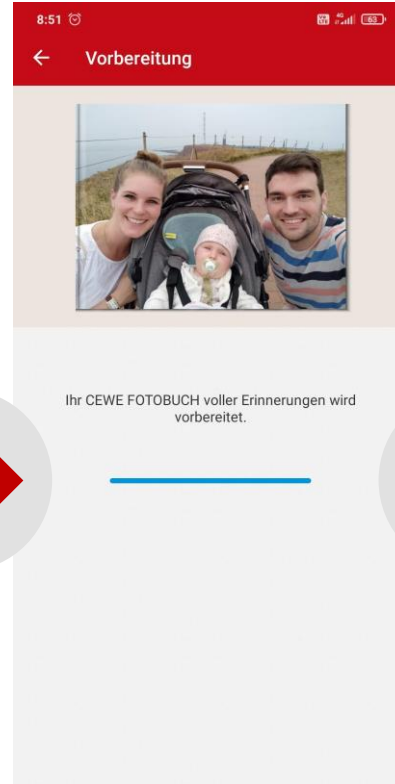
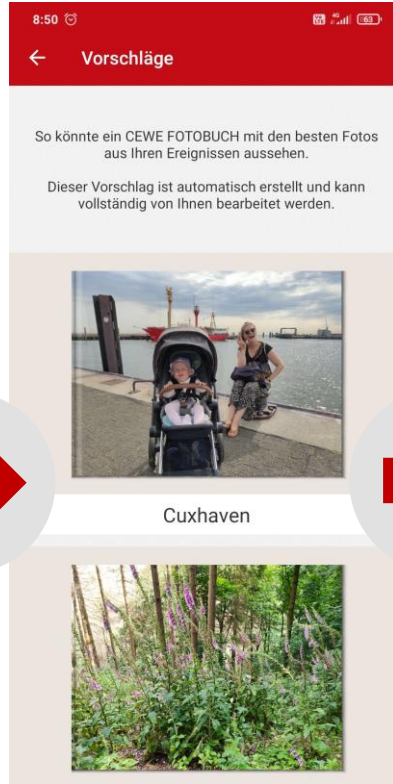
# 1.1 Photofinishing

# New trading partner Boots in Great Britain : Rollout is going extremely well despite corona





# NEW: CEWE Photo World App with automatically generated suggestions



# CHERZ

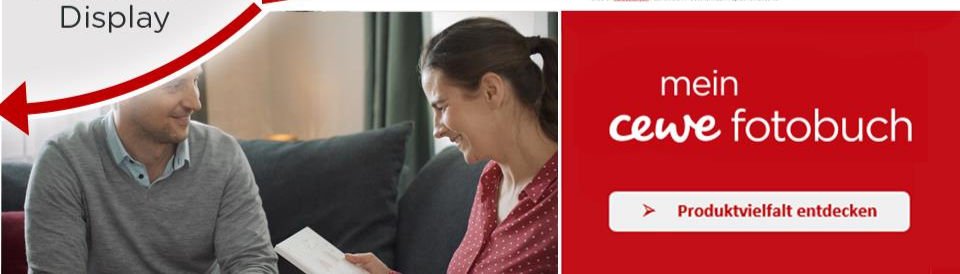


















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Premium poster in a gallery frame



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Calendars





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Photo advent calendar with kinder® chocolate



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Cards





mein  
cewe fotobuch

our year



2020

## Christmas campaign 2020: “My very personal gift”



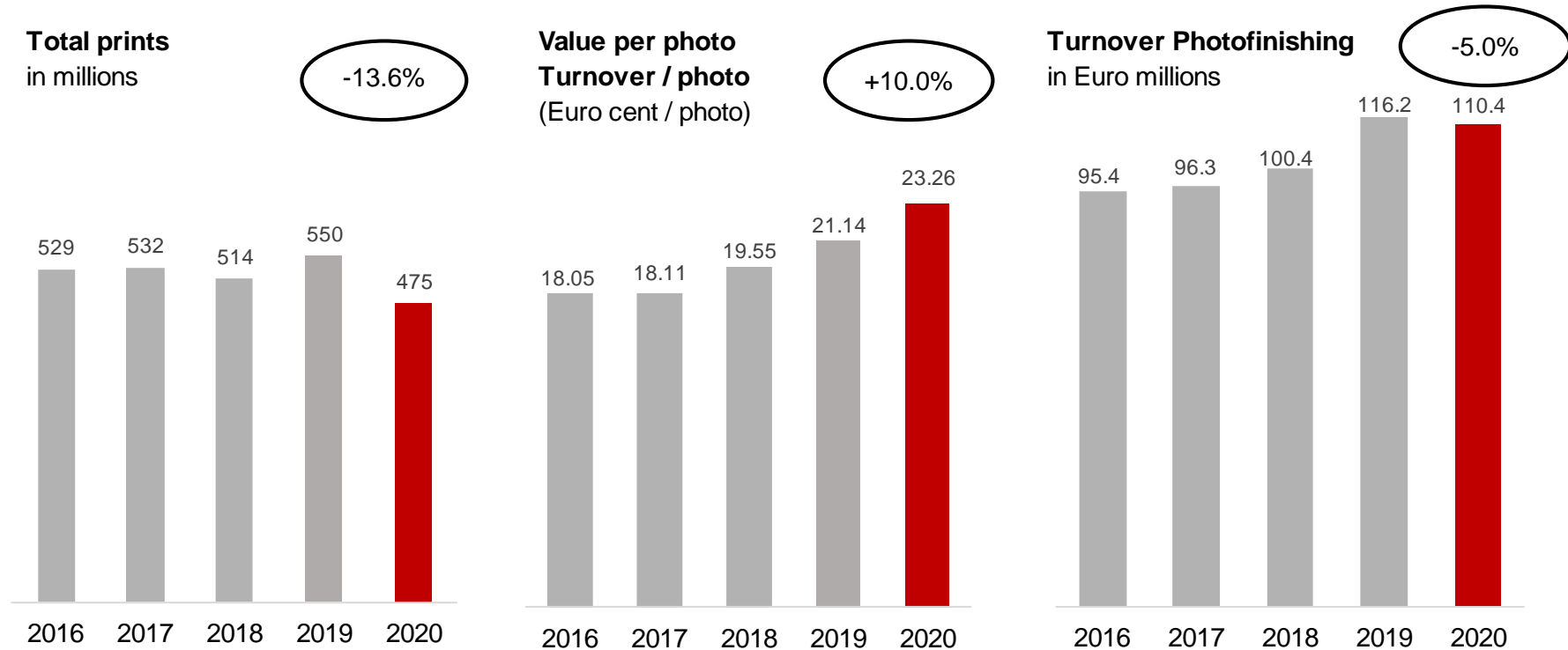
Mareike Beek & Carina Schwanemann  
**CEWE FOTOBUCH Kundinnen**

[cewe.de](https://www.cewe.de)





# Number of prints and turnover Photofinishing Q3



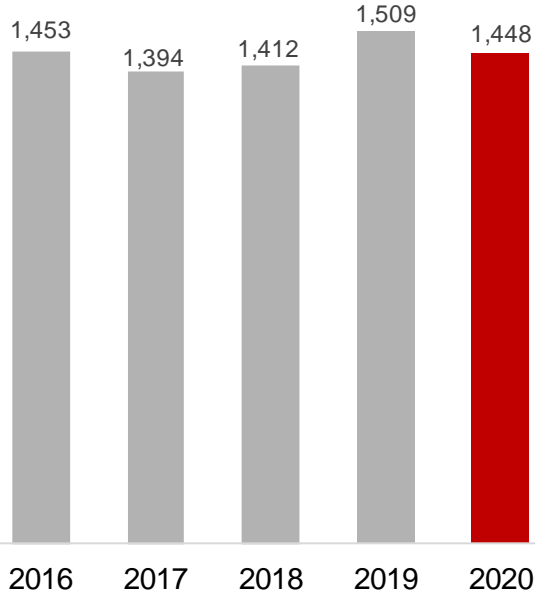
*Rounding differences may occur.*

➤ **Rising share of value-added-products increases turnover per photo**

# Number of prints and turnover Photofinishing Q1-3

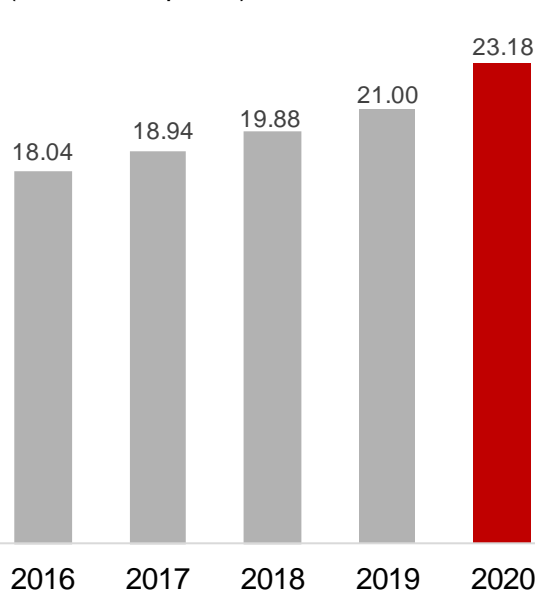
Total prints  
in millions

- 4.0%



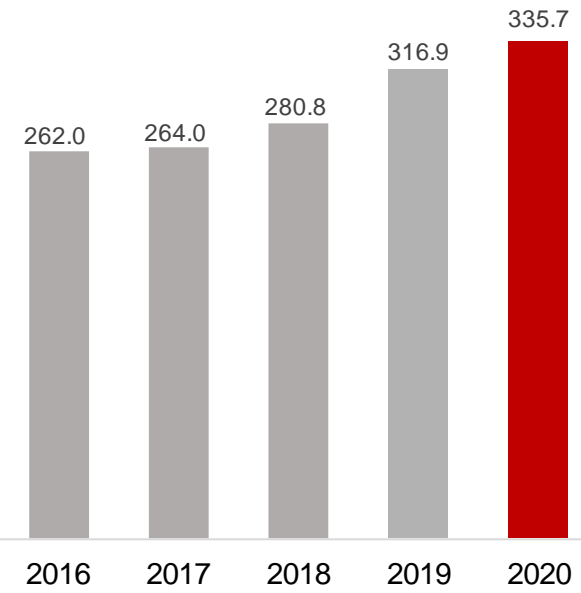
Value per photo  
Turnover / photo  
(Euro cent / photo)

+10.4%



Turnover Photofinishing  
in Euro millions

+5.9%

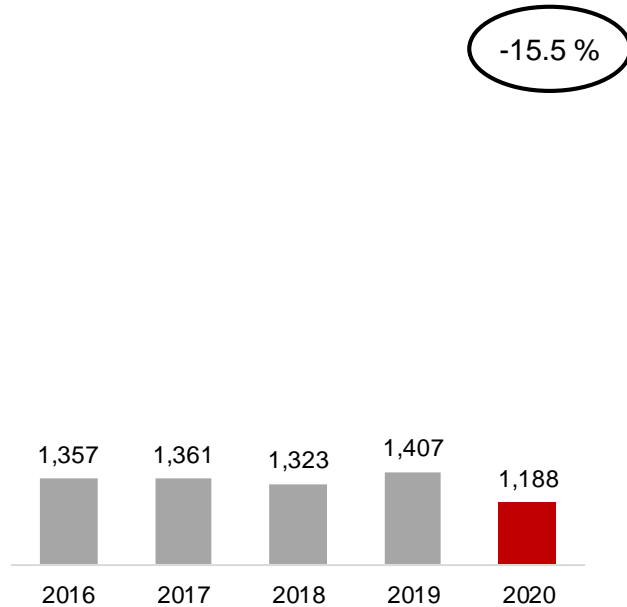


*Rounding differences may occur.*

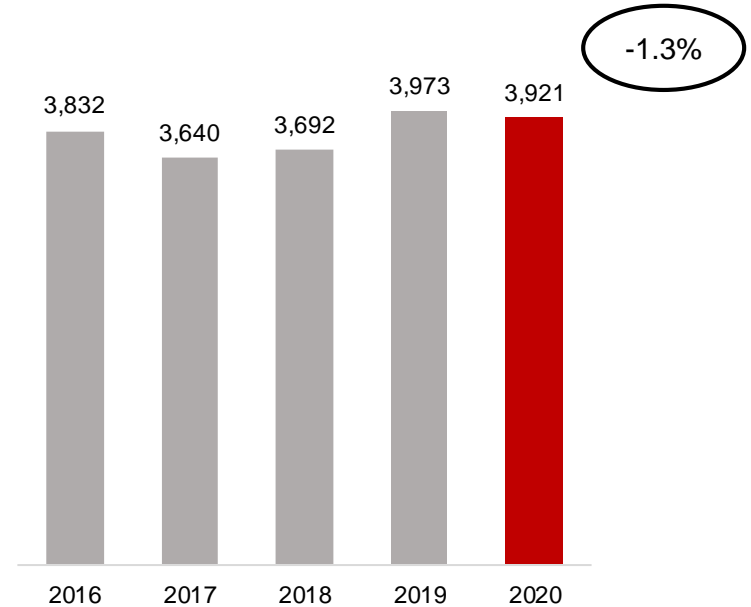
> Rising share of value-added-products increases turnover per photo

# CEWE PHOTOBOOK Q3 and Q1-3

Number of CEWE PHOTOBOOK Q3  
in thousands



Number of CEWE PHOTOBOOK Q1-3  
in thousands

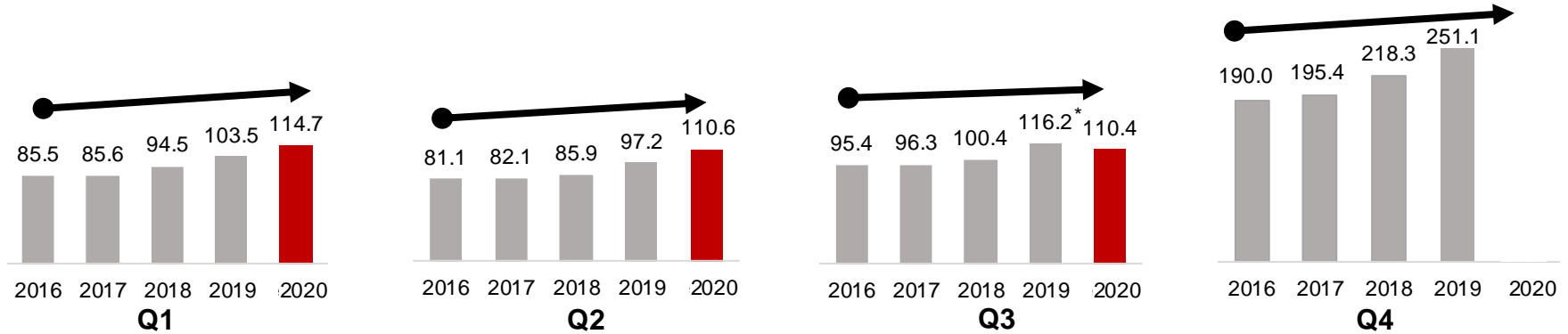


*Rounding differences may occur.*

- > **Corona-related changes in holiday travel behavior reduced the number of CEWE PHOTOBOOKS in Q3 and thus also slightly in Q1-3**

# Photofinishing-Turnover by Quarter

Seasonal distribution: CEWE 2016 to 2020 – Turnover by quarter in million euros



Turnover 2019

Q1 2019  
103.5 m€

Q2 2019  
97.2 m€

Q3 2019  
116.2 m€

Q1 Actual  
114.7 m€



Q2 Actual  
110.6 m€



Q3 Actual  
110.4 m€



*Rounding differences may occur.*

*\* in 2019, WhiteWall contributed entirely inorganically to Q3 growth*

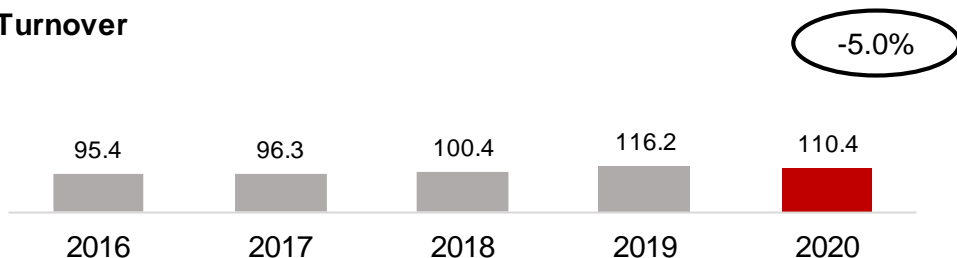
> Corona-related changed holiday travel behavior reduces turnover in Photofinishing in Q3



# Business segment Photofinishing Q3

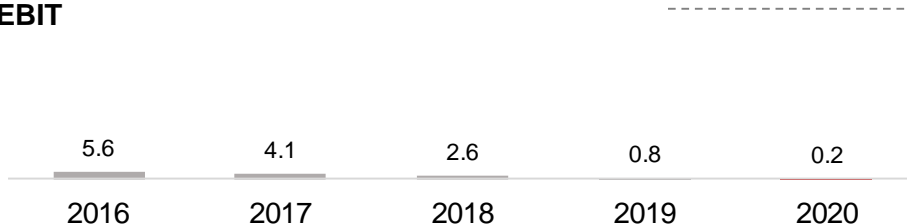
in Euro millions

## Turnover



- Photofinishing saw coronavirus-related change in holiday travel behaviour resulting in fewer (holiday) photos overall and in consequence also to fewer orders for photos and less turnover

## EBIT



- Photofinishing EBIT falls only slightly short of that of the previous year
- The cost-reduction programme initiated as early as in March also helped to moderate the drop in earnings
- Q3 2020 special effects: -1.1 m. euros
  - Effects resulting from the DeinDesign purchase-price allocation: -€0.1 m.
  - Effects resulting from the Cheerz purchase-price allocation: -€0.5 m.
  - Effects resulting from the WhiteWall purchase-price allocation: -€0.5 m.
- Q3 2019 special effects: -1.1 m. euros
  - Effects resulting from the DeinDesign purchase-price allocation: -€0.1 m.
  - Effects resulting from the Cheerz purchase-price allocation: -€0.5 m.
  - Effects resulting from the WhiteWall purchase-price allocation: -€0.5 m.

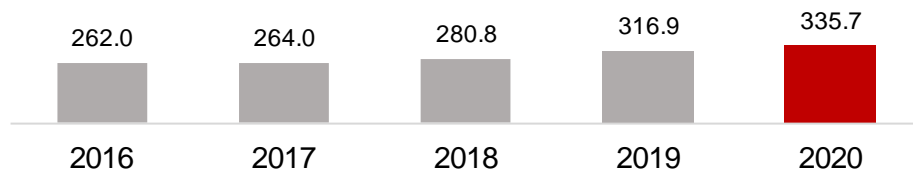
➤ **Coronavirus-related change in holiday travel behaviour reduces sales in Q3**

➤ **Strict cost reductions see moderate decline in earnings**

# Business segment Photofinishing Q1-3

in Euro millions

## Turnover



- Photofinishing has so far grown by 5.9% in 2020, with acquired wall-art specialist WhiteWall still contributing non-organically to this growth in the period from January to May
- As of mid-March the coronavirus pandemic also had an impact on photofinishing: Instant-print POS business was affected by shop closures, while online photofinishing business saw the stay-at-home effect having a positive influence on incoming orders
- Q3 was dominated by a changed holiday travel behaviour to result in fewer (holiday) photos overall and in consequence also to fewer orders for photos and less turnover

## EBIT



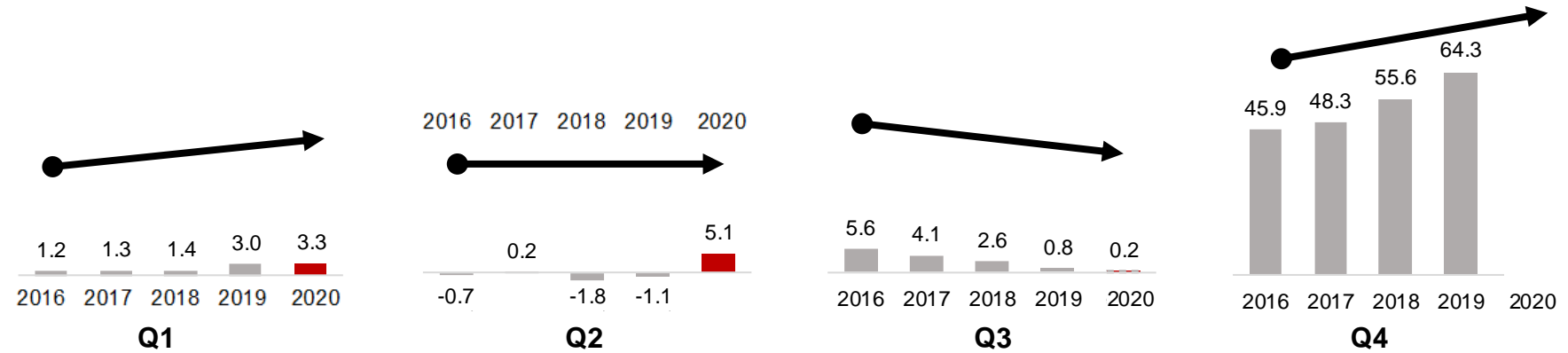
- Photofinishing EBIT grew by a highly presentable 6.0 million euros
- Besides additional contributions to profits from the rise in sales, the cost-reduction programme initiated as early as in March also improved the EBIT against that of the previous year
- Q1-3 2020 special effects: -3.3 million euros
  - Effects resulting from the DeinDesign purchase-price allocation: -€ 0.3 m.
  - Effects resulting from the Cheerz purchase-price allocation: -€ 1.5 m.
  - Effects resulting from the WhiteWall purchase-price allocation: -€ 1.5 m.
- Q1-3 2019 special effects: -2.5 million euros
  - Effects resulting from the DeinDesign purchase-price allocation: -€ 0.3 m.
  - Effects resulting from the Cheerz purchase-price allocation: -€ 1.5 m.
  - Effects resulting from the WhiteWall purchase-price allocation: -€ 0.6 m.

➤ **Marked improvement in photofinishing earnings in Q1-3**

➤ **It was primarily coronavirus self-isolation that had the effect of additional sales and, together with cost reductions, of this improvement**

# Photofinishing-EBIT by Quarter

Seasonal distribution: CEWE 2016 to 2020 – EBIT by quarter in million euros



EBIT 2019	Q1 2019 +3.0 m€	Q2 2019 -1.1 m€	Q3 2019 +0.8 m€
	Q1 Actual +3.3 m€ ✓	Q2 Actual +5.1 m€ ✓	Q3 Actual +0.2 m€ ✗

*Rounding differences may occur.*

➤ Q3-EBIT in Photofinishing due to Corona-related changed holiday travel behavior slightly below PY



## 1.2 Retail

# Retail with focus on photofinishing business

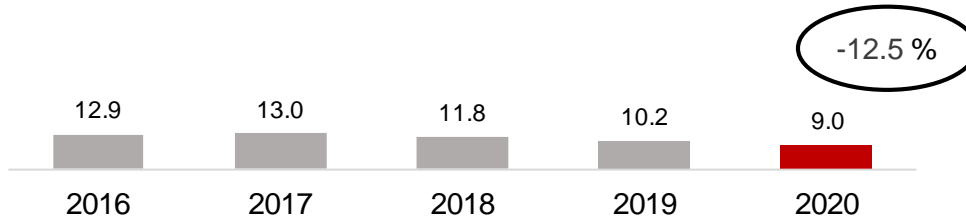


➤ Retail segment contains hardware revenue only, photofinishing business is shown in photofinishing segment

# Business segment Retail \* Q3

in Euro millions

## Turnover \*



- After coronavirus-related business closures in the first half of the year, hardware retailing returns to its pre-coronavirus trend in Q3; due to a focus on photofinishing business and refraining from low-margin hardware business, the active reduction in turnover before the onset of the coronavirus crisis was already at around a strategic -10% to -15%

## EBIT \*



- In Q3 2020, retailing slightly improved EBIT by 62,000 euros
- Q3 2020 special effects: none
- Q3 2019 special effects: none

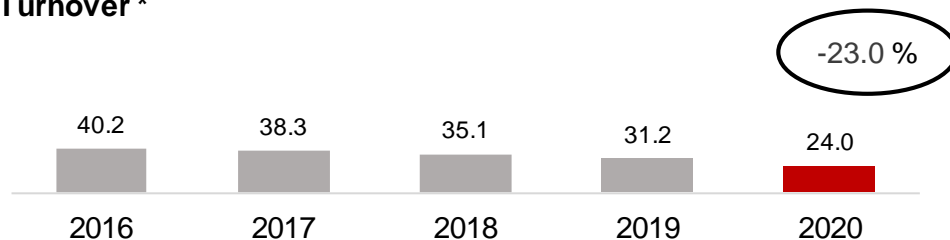
> Hardware retailing returns to its "pre-coronavirus trend" in Q3



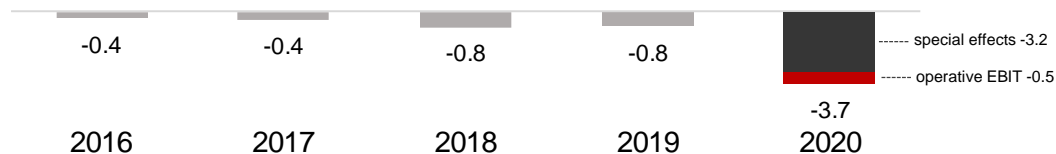
# Business segment Retail \* Q1-3

in Euro millions

## Turnover \*



## EBIT \*



➤ **Hardware retailing was strongly affected by coronavirus-related business closures**

➤ **Accelerated pursuance of the optimisation strategy initiated in Q2 (caused special effects of -3.2 mill. euros)**

- As a result of coronavirus-related business closures, hardware retailing was impacted strongly by the shutdown in HY1, with aggregated turnover having dropped by 23%
- Due to a focus on photofinishing business and to refraining from low-margin hardware business, the active reduction in turnover before the onset of the coronavirus crisis was still at around a strategic -10% to -15%

- Coming out of the crisis stronger: CEWE is closing more than 30 retail stores across all the countries
- Corona-induced accelerated pursuance of an optimisation strategy with a focus on photofinishing and online business – and with associated costs as a one-off effect
- Before these one-off effects, retailing in Q1-3 2020 achieved an operative EBIT of -0.5 million euros, an improvement of 0.3 million euros (Q1-3 2019: -0.8 million euros)
- Q1-3 2020 special effects: -3.2 million euros
  - Restructuring provisions for retailing: -1.7 million euros
  - Allowances for inventories of stocks: -1.5 million euros
- Q1-3 2019 special effects: none

\* only hardware, no photofinishing  
Rounding differences may occur.

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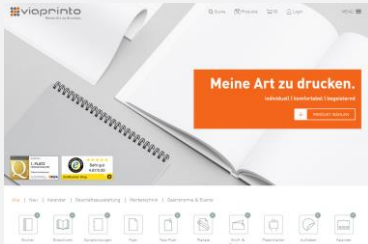
Baseball Hold | Reza Vahdati | Winner CEWE Photo Award 2019

## 1.3 Commercial Online-Print

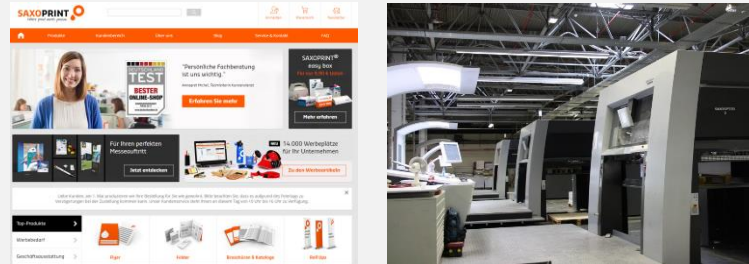
# Commercial Online-Print



## Service focus



## Cost leader in industrial online printing



## Metropolitan area Berlin

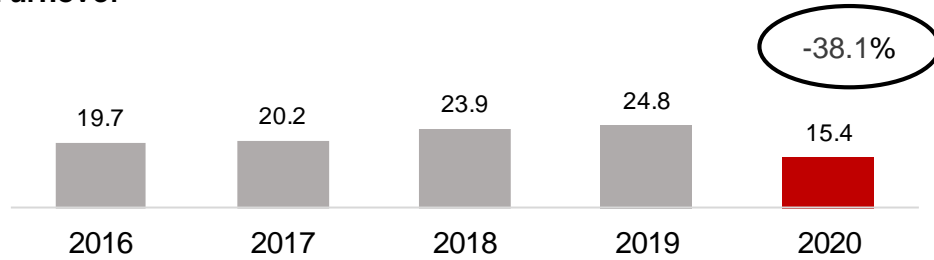


- **Business and advertising prints: flyers, business cards, stationery, packaging, promotional items, etc.**

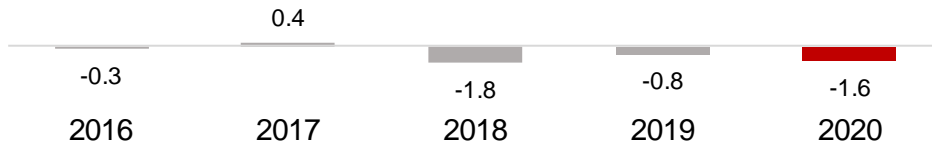
# Business segment Commercial Online-Print Q3

in Euro millions

## Turnover



## EBIT



- COP remains strongly impacted by the coronavirus in B2B printing business, losing 38.1% in turnover in Q3
- While the decline in turnover was still at 56.5% in Q2, it has now lessened somewhat, but nevertheless remains at a severe level

- In spite of these severe losses in turnover, efficient cost management (also in conjunction with a conversion to performance-oriented depreciation) is keeping the decline in earnings within limits: COP EBIT, at -1.6 million euros, is down on the -0.8 million euros of the previous year.

- Q3 2020 special effects: -0.1 million euros
  - Effects resulting from the Laserline purchase-price allocation: -€ 0.1 m.

- Q3 2019 special effects: -0.1 million euros
  - Effects resulting from the Saxoprint purchase-price allocation: -€ 0.1 m.
  - Effects resulting from the Laserline purchase-price allocation: -€ 0.1 m.

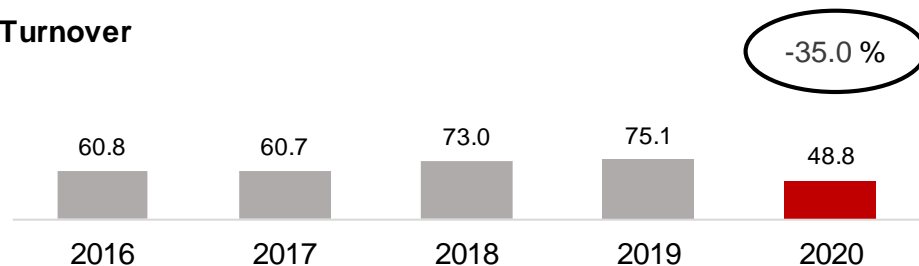
➤ **COP remains strongly impacted by the coronavirus in B2B printing business**



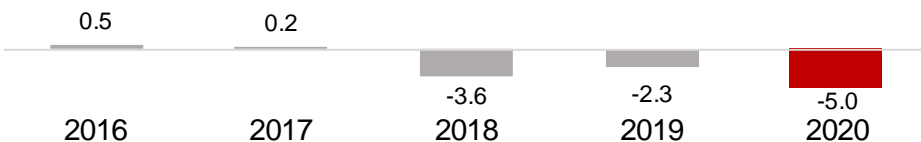
# Business segment Commercial Online-Print Q1-3

in Euro millions

## Turnover



## EBIT



- Since as early as mid-March, COP in B2B printing has been strongly impacted by coronavirus; Q1-3 turnover declined by 35.0%
- Aggregated as at the end of February, COP was still increasing at a single-digit growth rate
- The coronavirus-related decline in sales also caused the EBIT to fall below that of the previous year
- Efficient cost management in conjunction with a conversion to performance-oriented allowances kept the decline in earnings under control in spite of heavy losses in turnover
- Coming out of the crisis stronger: In order to ensure that a renewed stimulation of the online printing brands after the coronavirus crisis is focussed and efficient, CEWE will be concentrating the commercial online printing brand portfolio on the Saxoprint, Viaprinto and Laserline brands
- Q1-3 2020 special effects: +0.4 million euros
  - Effects resulting from the Laserline purchase-price allocation: -€ 0.2 m.
  - Conversion to perf.-rel.allowances for depreciation for Saxoprint: +€ 0.6 m.
- Q1-3 2019 special effects: -0.4 million euros
  - Effects resulting from the Saxoprint purchase-price allocation: -€ 0.2 m.
  - Effects resulting from the Laserline purchase-price allocation: -€ 0.2 m.

- > In a B2B business environment, the COD has been particularly hard hit by the coronavirus crisis in a B2B business environment
- > Strict cost management maintains the drop in earnings under control



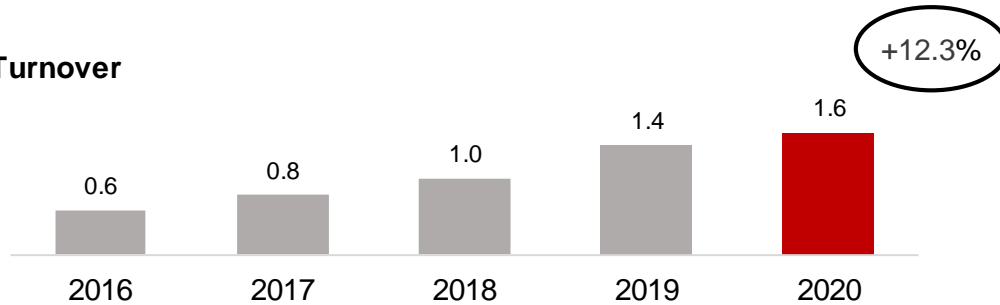
## 1.4 Other

# Business Segment Other Q3

in Euro millions

Structural and corporate costs and profits from real estate property and the acquisition of stocks are shown in the Other business segment.

## Turnover



## EBIT



- The 1.6 million euros in turnover is to be exclusively allocated to futalis (Q3 2019: 1.4 million euros)
- EBIT mainly improved through futalis: futalis continues to grow most positively, with earnings moving towards break even
- IR costs also lower than in the previous year

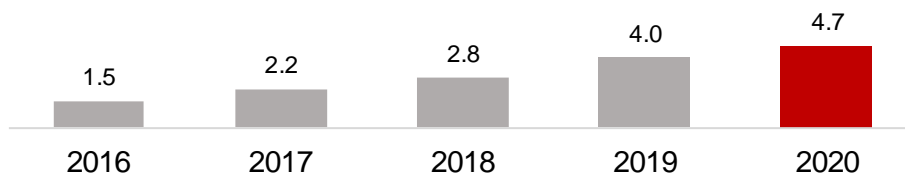
➤ Segment for other business raises turnover and improves earnings

# Business Segment Other Q1-3

in Euro millions

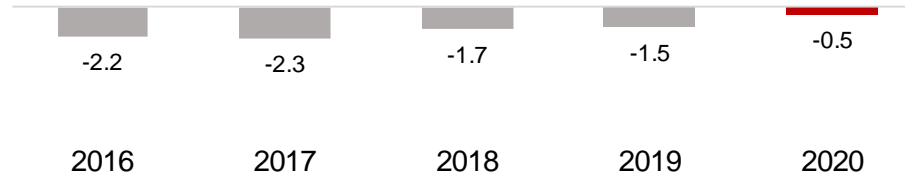
Structural and corporate costs and profits from real estate property and the acquisition of stocks are shown in the Other business segment.

## Turnover



+17.3%

## EBIT



- The 4.7 million euros in sales is to be exclusively allocated to futalis (Q1-3 2019: 4.0 million euros)
- EBIT mainly improved through futalis: futalis continues to grow most positively, with earnings moving towards break even
- IR costs also lower than in the previous year, mainly thanks to the change from a (physical) Annual General Meeting in June to a virtual online AGM in October 2020

> Segment for other business raises turnover and improves earnings





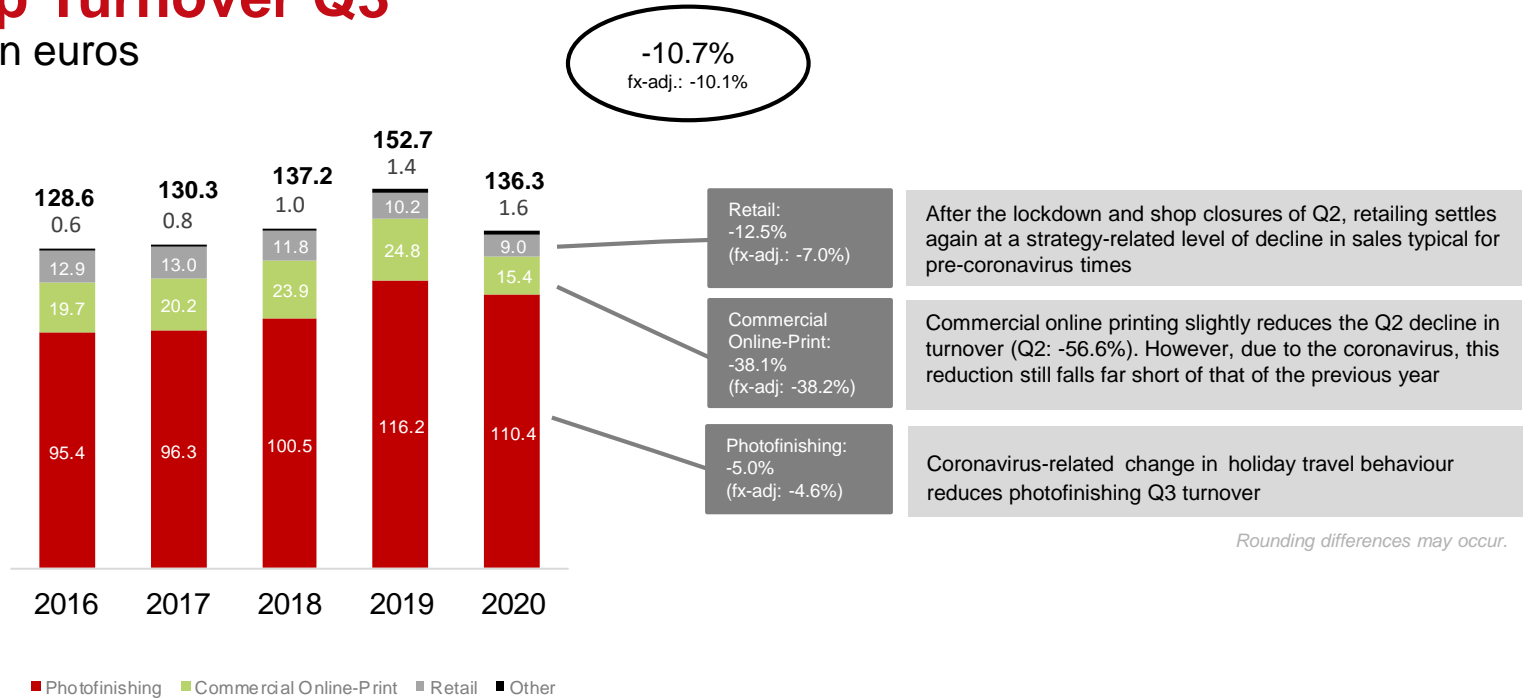
Baseball Hold | Reza Vahdati | Winner CEWE Photo Award 2019

## 2. Group Results Q2 2020

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# Group Turnover Q3

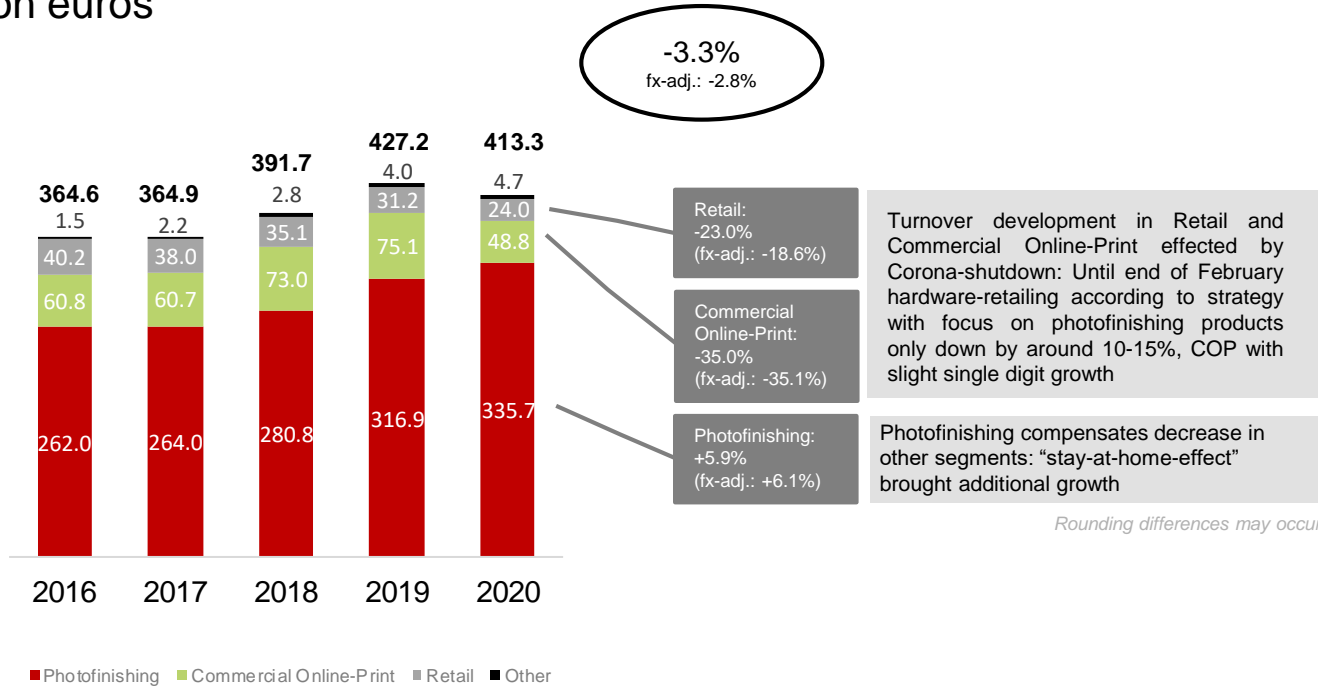
in million euros



➤ **Photofinishing below previous year mainly because of coronavirus-induced changed holiday travel behaviour, retailing returns to its pre-coronavirus inclination, COP better than in Q2 but still strongly impacted by the coronavirus**

# Group Turnover Q1-3

in million euros



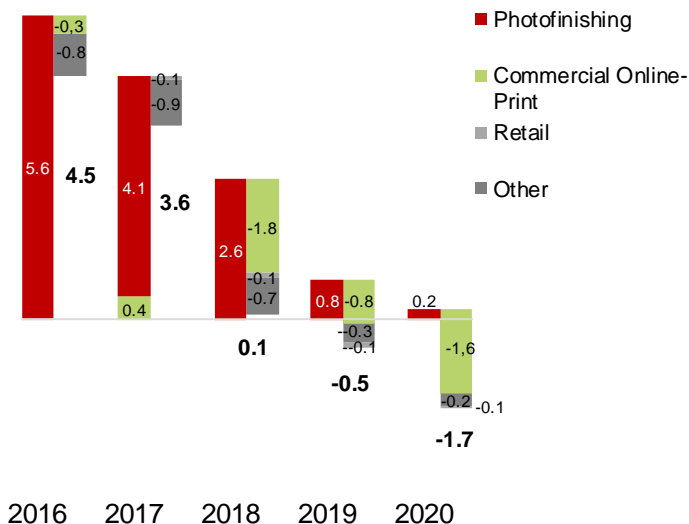
➤ **Growth in photofinishing partially compensates for the primarily coronavirus-related decline in other business divisions**



# EBIT

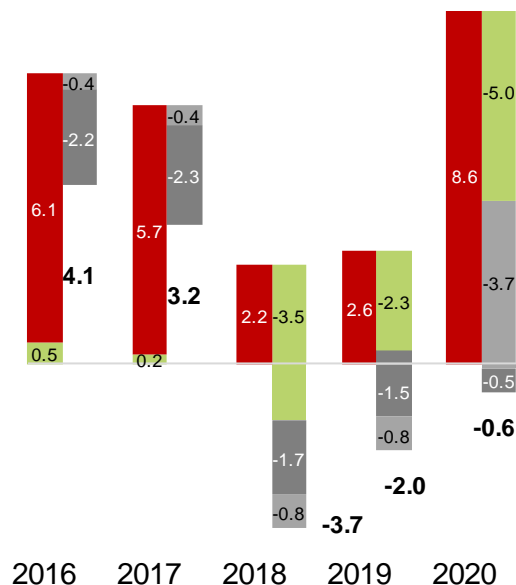
## Q3

in Euro millions



## Q1-3

in Euro millions



operating profit before special items:  
**5.5 million euros**  
 (+4.6 million euros vs. PY)

➤ With earnings head start into the fourth quarter: Photofinishing more than compensates for declines in earnings in COP and Retail – even including the restructuring provisions posted in H1 for Retail



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### 3. Financial details

# Consolidated profit and loss account Q3

<i>Figures in millions of euros</i>	Q3 2019	Q3 2020	Δ as %	Δ m€
Revenues	152,7	136,3	-10,7%	-16,4
Increase / decrease in finished and unfinished goods	0,1	-0,1	-222%	-0,2
Other own work capitalised	0,2	0,4	58,1%	0,1
Other operating income	5,4	4,6	-15,1%	-0,8
Cost of materials	-44,1	-37,6	-14,8%	6,5
<b>Gross profit</b>	<b>114,3</b>	<b>103,6</b>	<b>-9,3%</b>	<b>-10,7</b>
Personnel expenses	-46,3	-43,4	-6,2%	2,9
Other operating expenses	-54,6	-48,3	-11,5%	6,3
<b>EBITDA</b>	<b>13,3</b>	<b>11,8</b>	<b>-11,2%</b>	<b>-1,5</b>
Amortisation/Depreciation	-13,9	-13,5	-2,6%	0,4
<b>Earnings before interest, taxes (EBIT)</b>	<b>-0,5</b>	<b>-1,7</b>	<b>216%</b>	<b>-1,1</b>
Financial income	-0,1	0,0	-107%	0,1
Financial expenses	-0,3	-0,4	12,8%	0,0
<b>Financial result</b>	<b>-0,5</b>	<b>-0,4</b>	<b>-19,2%</b>	<b>0,1</b>
<b>Earnings before taxes (EBT)</b>	<b>-1,0</b>	<b>-2,0</b>	<b>105%</b>	<b>-1,0</b>

Corona-related decline in all business areas

Cost of material following reduced turnover

Reduced personnel costs results essential from restructuring COP

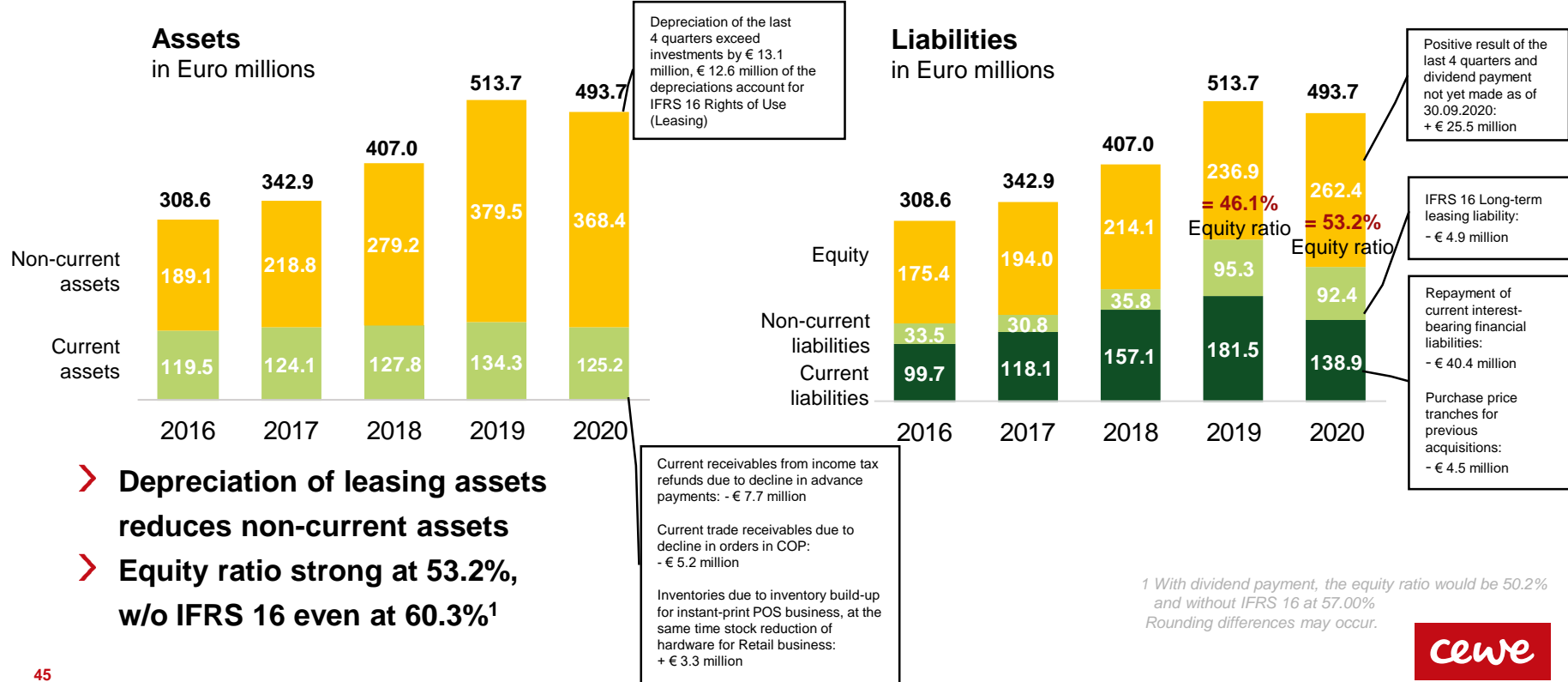
(+) Cost savings in administrative and marketing costs  
(-) Costs for mailorder-logistics

*Rounding differences may occur.*

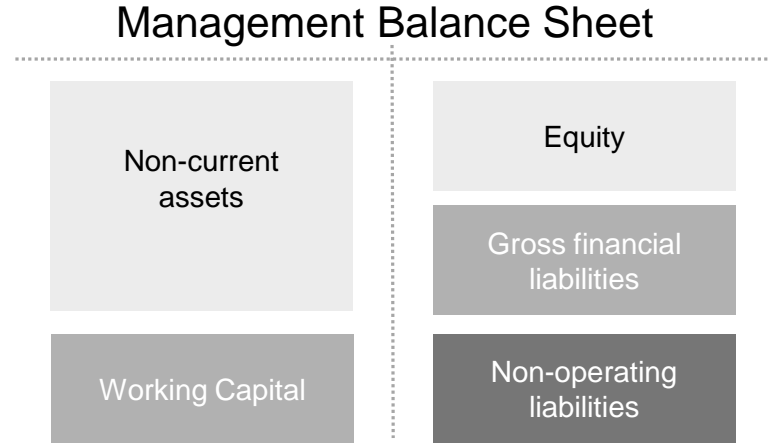
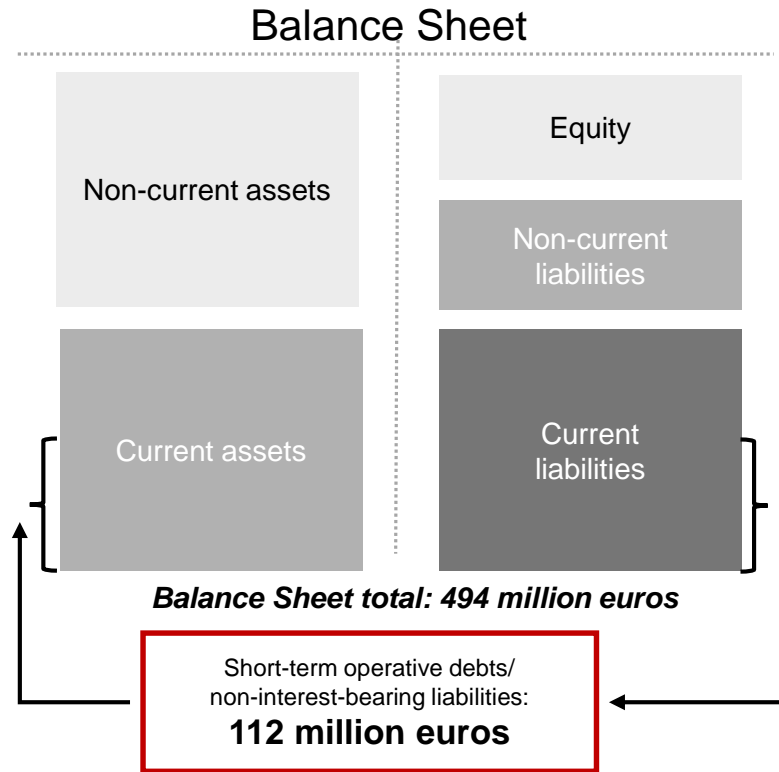
- > Photofinishing and Commercial Online-Print affected by the corona situation in Q3
- > With Q3 result the Group EBIT after 9 months is EUR 1.4 million ahead of PY



# Balance Sheet at 30 September



# From Balance Sheet to Management Balance Sheet

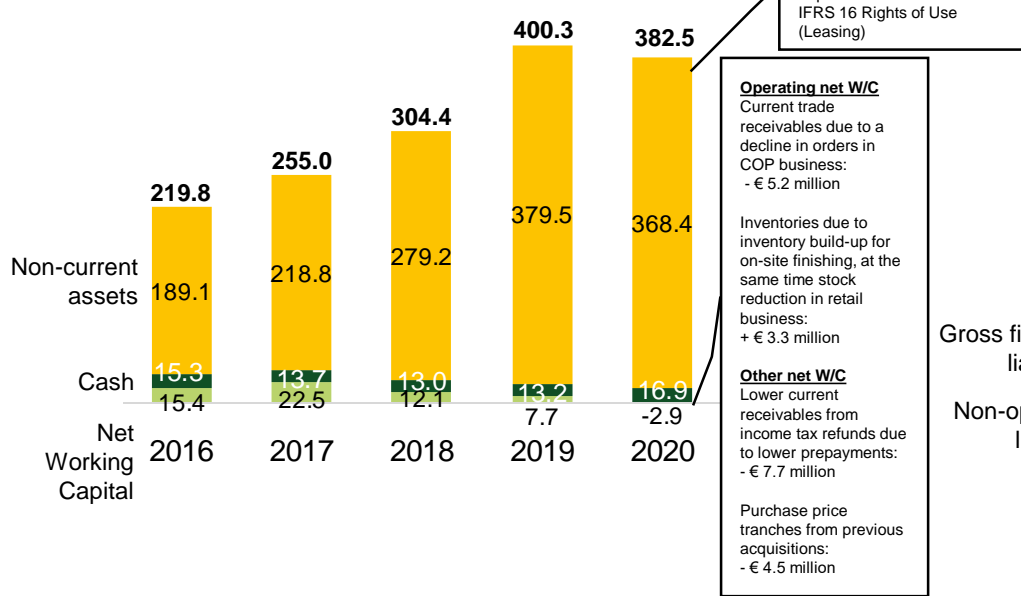


**Balance sheet total: 382 million euros**

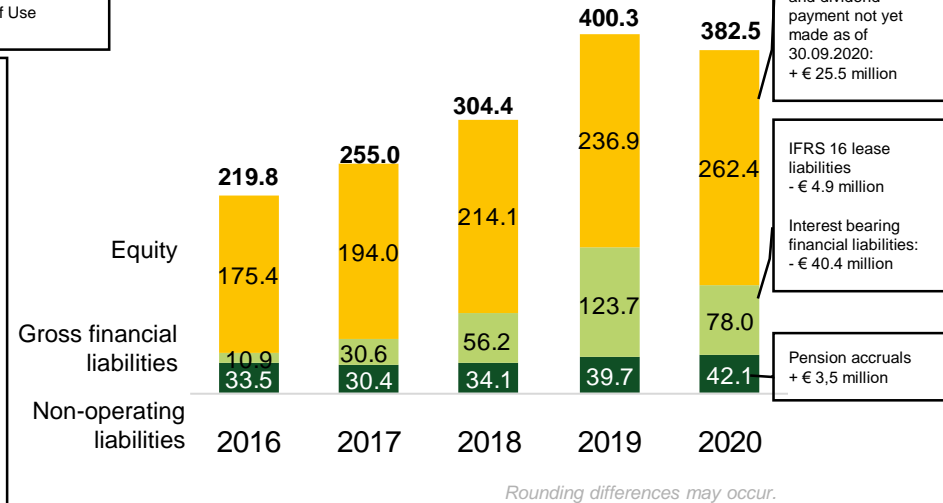
- > The balance sheet total is reduced to capital elements "to be paid for" (by way of dividends or interest) in the management balance sheet

# Management-Balance Sheet

## Capital Employed in Euro millions



## Capital Invested in Euro millions



- > Capital Employed reduced
- > Cash still strong, although interest bearing liabilities paid back

# Capital employed I: T-3

Figures in € million	Jun. 30, 2020	Sep. 30, 2020	Δ as %	Δ as m€	
Property, plant and equipment	214.6	216.6	0.9%	2.0	(+) Investments in On-site finishing
Investment Property	17.5	17.6	1.1%	0.2	(-) Minimal reduction of Right-of-use due to extension of a lease of a production site.
Goodwill	77.8	77.8	0.0%	0.0	
Intangible assets	35.0	33.7	-3.6%	-1.3	(-) Scheduled depreciation of purchase price allocation-assets
Financial assets	6.3	6.1	-2.0%	-0.1	
Non current financial assets	1.4	1.4	0.9%	0.0	
Non current other receivables and assets	0.5	0.8	53.3%	0.3	
Deferred tax assets	14.0	14.5	3.5%	0.5	(+) Build-up of Stock for photo kiosks christmas season and Boots
<b>Non current assets</b>	<b>366.9</b>	<b>368.4</b>	<b>0.4%</b>	<b>1.6</b>	(-) Hardware stocks of Retail business
Inventories	48.4	49.1	1.3%	0.6	
+ Current trade receivables	29.6	36.8	24.1%	7.1	(+) Receivables from photofinishing
<b>= Gross operating working capital</b>	<b>78.1</b>	<b>85.8</b>	<b>10.0%</b>	<b>7.8</b>	
- Current trade payables	59.9	60.4	0.8%	0.5	
<b>= Net operating working capital</b>	<b>18.2</b>	<b>25.5</b>	<b>40.3%</b>	<b>7.3</b>	

Rounding differences may occur.

- **Build-up of current trade receivables in photofinishing increases working capital**



# Capital employed II: T-3

Figures in € million	Jun. 30, 2020	Sep. 30, 2020	Δ as %	Δ as m€
+ Current receivables from income tax refunds	6.9	7.4	7.1%	0.5
+ Current financial assets	4.5	3.8	-16.0%	-0.7
+ Current other receivables and assets	10.9	11.3	3.4%	0.4
<b>= Other gross working capital</b>	<b>22.3</b>	<b>22.4</b>	<b>0.6%</b>	<b>0.1</b>
- Current tax debts	6.5	6.3	-3.0%	-0.2
- Other Current provisions	7.2	6.6	-8.6%	-0.6
- Current financial liabilities	6.8	6.9	2.6%	0.2
- Other current liabilities	33.6	31.0	-7.9%	-2.6
<b>= Other net working capital</b>	<b>-31.8</b>	<b>-28.3</b>	<b>-10.8%</b>	<b>3.4</b>
Operating net working capital	18.2	25.5	40.3%	7.3
- Other net working capital	-31.8	-28.3	-10.8%	3.4
<b>= Net working capital</b>	<b>-13.6</b>	<b>-2.9</b>	<b>-78.9%</b>	<b>10.7</b>
Non current assets	366.9	368.4	0.4%	1.6
+ Net working capital	-13.6	-2.9	-78.9%	10.7
+ Liquid funds	24.2	16.9	-30.0%	-7.2
<b>= Capital Employed</b>	<b>377.4</b>	<b>382.5</b>	<b>1.3%</b>	<b>5.1</b>

(-) Reimbursement of short-time work allowance and cash in from payment providers

(-) VAT liabilities  
 (-) Payment of deferred social security contributions (France)  
 (+) Salary and wage related provisions (christmas bonuses)

Rounding differences may occur.

➤ Increase in net working capital half financed by liquid funds...

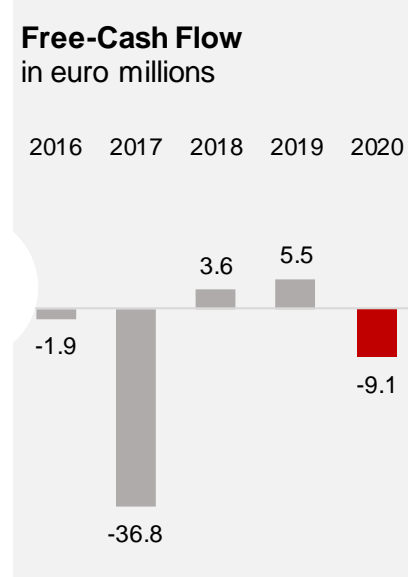
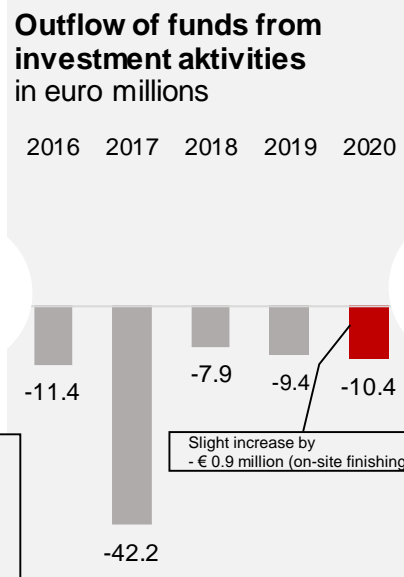
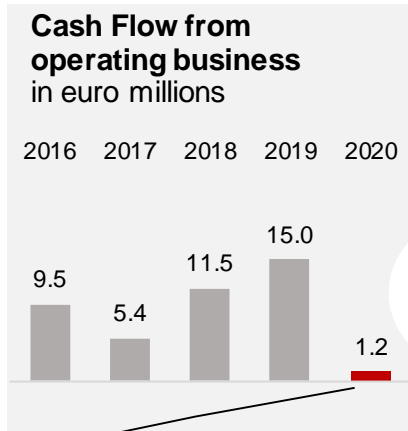
# Capital invested: T-3

<i>Figures in € million</i>	Jun. 30, 2020	Sep. 30, 2020	Δ as %	Δ as m€	
<b>Equity</b>	<b>263.8</b>	<b>262.4</b>	<b>-0.5%</b>	<b>-1.4</b>	→ Operational result
Non current provisions for pensions	36.3	36.7	1.0%	0.3	
+ Non current deferred tax liabilities	2.7	2.6	-5.0%	-0.1	
+ Non current other provisions	0.5	0.4	-1.3%	0.0	
+ Non current financial liabilities	1.9	1.9	4.0%	0.1	
+ Non current other liabilities	0.5	0.5	0.0%	0.0	
<b>= Non-operating debt</b>	<b>41.8</b>	<b>42.1</b>	<b>0.7%</b>	<b>0.3</b>	
Non current financial obligations	1.0	0.9	-8.6%	-0.1	
+ Non current lease liabilities	47.4	49.5	4.4%	2.1	→ New lease contract for a production hall
+ Current financial liabilities	12.6	17.6	39.5%	5.0	→ Financing of operational business
+ Current financial liabilities from leasing	10.9	10.1	-7.3%	-0.8	
<b>= Gross financial debt</b>	<b>71.8</b>	<b>78.0</b>	<b>8.6%</b>	<b>6.2</b>	
<b>= Capital Invested</b>	<b>377.4</b>	<b>382.5</b>	<b>1.3%</b>	<b>5.1</b>	

*Rounding differences may occur.*

> ...and half financed by financial liabilities

# Free cash flow Q3



**€ 13.8 million reduction through**

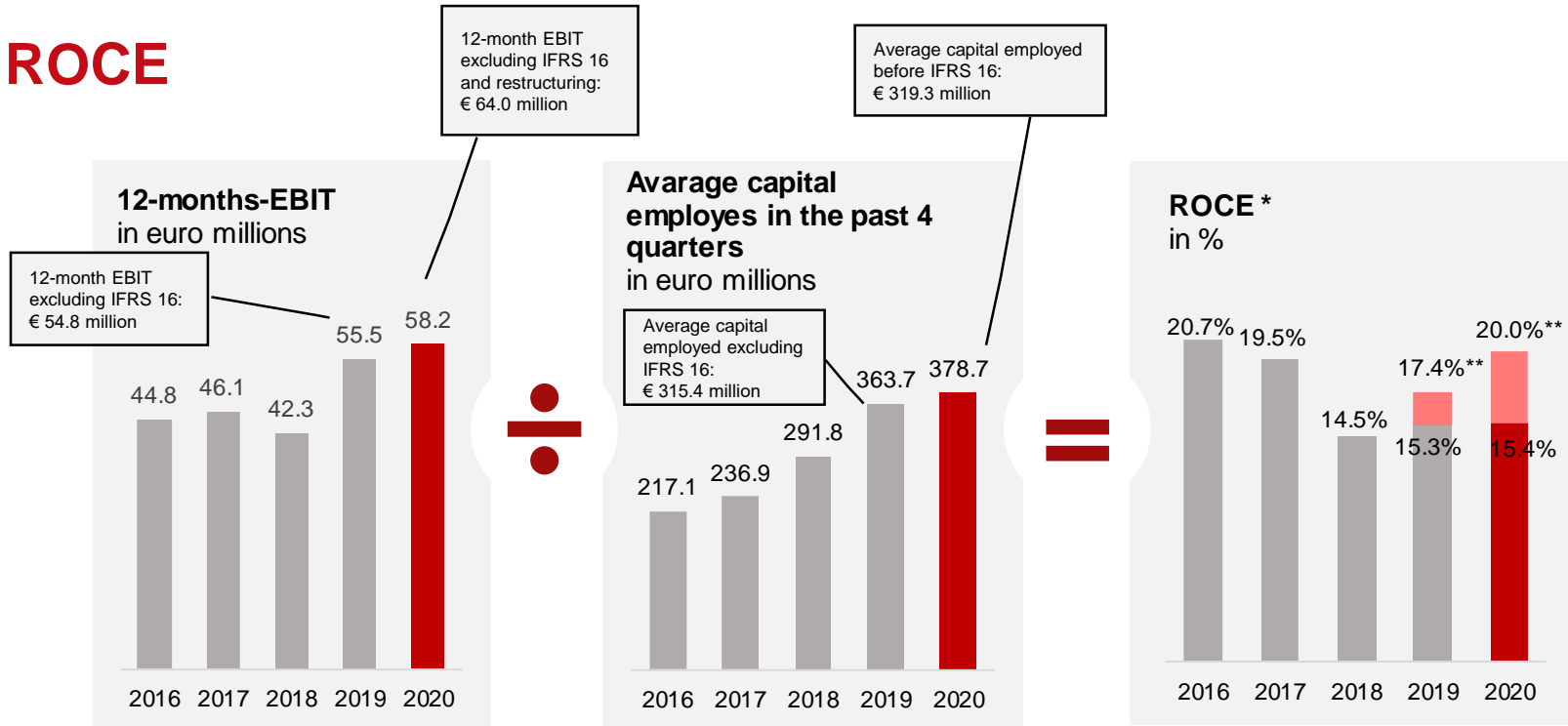
- EBITDA lower by € 1.5 million
- Non-cash effects higher by € 2.8 million
- € 14.0 million higher operating net W/C due to more build-up of receivables and less build-up of current trade liabilities
- € 2.3 million payment of deferred social security contributions in France
- Tax prepayments lower by € 1.2 million

Slight increase by  
- € 0.9 million (on-site finishing)

*Rounding differences may occur.*

- > Mainly working capital effects reduce the cash flow from operating activities by 13.8 million euros
- > Cash outflow from investing activities increased slightly by 0.9 million euros
- > Free cash flow fell by 14.7 million euros especially due to working capital effects

# ROCE



- > IFRS 16 and the WhiteWall acquisition increase average capital employed to 378.7 million euros
- > Positive development of earnings increases ROCE before IFRS 16 and restructuring to 20.0%

\* ROCE = EBIT / ⌀ Capital Employed. Rounding differences may occur.

\*\* Before IFRS 16 balance sheet extension and IFRS 16 EBIT increase and LASERLINE restructuring costs



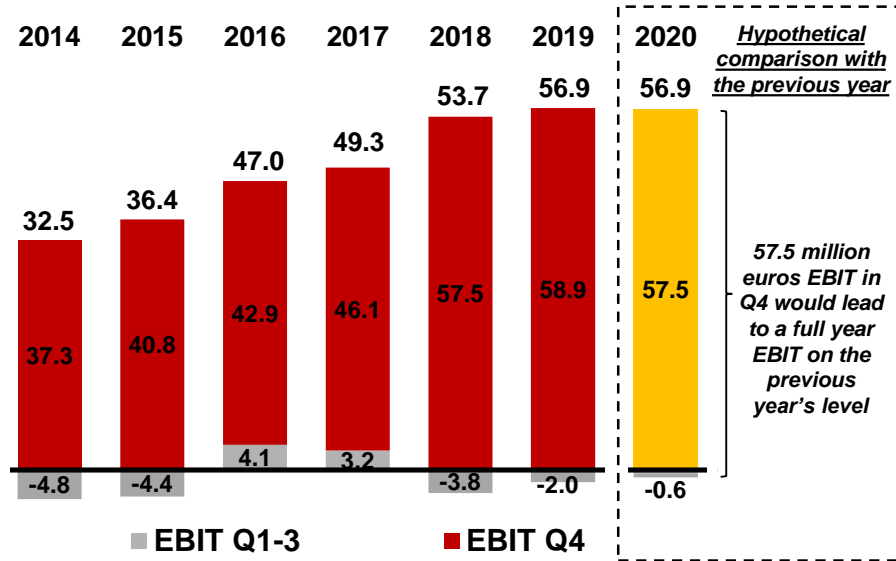


# Outlook

# EBIT classification: Hypothetical comparison with the previous year

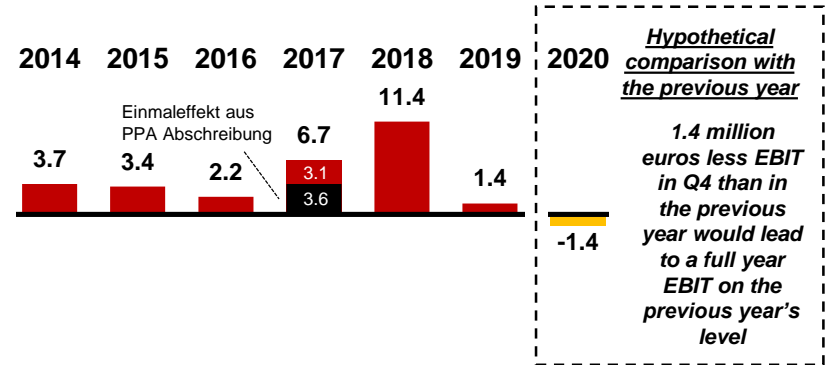
## Distribution of results Q1-3 vs. Q4

in million euros



## EBIT growth Q4

in million euros



➤ Typical starting position in Q4 also in this special Corona year: Even a Q4 EBIT reduction of 1.4 million euros would lead to a full year EBIT on the previous year's level



Baseball Hold | Reza Vahdati | Winner CEWE Photo Award 2019

## 4. Q&A-Session

Analyst Conference Call Q3 2020

cewe