

# First Impression

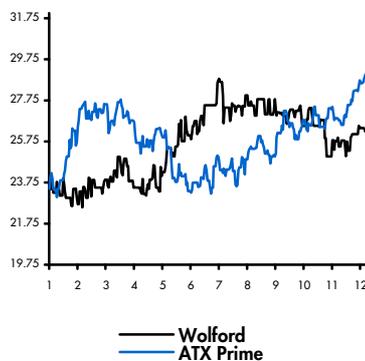
## Wolford

December 14, 2012

Consumer, Cyclical/Austria

### U.R. (Hold)

Price 13.12.12*	26.25
Price target	U.R. (25.50)
Volatility risk	medium
Year high/low	28.80/22.53
Currency	EUR
EUR/EUR	1.00
GDR rate	n.a.
Shares outstanding eoy in mn	4.90
Market capitalisation (total shares) in EUR mn	128.6
Free float	49.0%
Free float in EUR mn	63.0
Avg. daily turnover (12 m) in EUR mn	0.03
Index	ATX Prime
ISIN code	AT0000834007
Bloomberg	WOL AV
Reuters	WLFD.VI
www.wolford.com	



Source: Raiffeisen Centrobank

**Analyst:** Natalia Frey, CEFA

Tel.: +43 1 51520 - 712

e-mail: frey@rcb.at

Published by: Raiffeisen Centrobank,

A-1015 Vienna, Tegetthofstrasse 1

Bloomberg: RCBR <GO>

Disclosures: www.rcb.at

Supervisory authority: Financial Market Authority

\* The indicated price is the last price as available at 6.30 AM on 14.12.12

### Wait and see

- **Bottom line below our expectations but better cash flow due to improved working capital**
- **USA remains the main growth driver, China expansion requires more time again**
- **Keep "hold" despite weak P&L**

Wolford's 2Q 12/13 came in rather weak. For the next half a year the big picture is likely to remain unchanged.

**P&L:** Wolford's 2Q 2012/13 top line came in 4% higher yoy (6% like-for-like), in line with our forecast. However, EBITDA was EUR 1.8 mn lower than we expected. The deviation was mainly based on the decline in inventories and finished goods (EUR 2 mn P&L effect, EUR 1 mn balance sheet effect) while we were calculating with a slight increase in the preparation for the China expansion, which however seems to be delayed by another half a year. Based on lower EBITDA net profit came in lower than we expected as well (EUR 1.6 mn).

**Balance sheet & cash flow:** The company's managed to improve its working capital (esp. inventories & receivables) and thus improve its operating cash flow by EUR 2.5 mn in 1H 12/13 (EUR 2 mn in 2Q). The investment cash flow remained unchanged yoy. Thus, despite rather weak operating performance in 1H Wolford's solid equity ratio was unchanged yoy at 52%.

**Segments & regions:** "Legwear" remains Wolford's strongest segment which contributes 53% to the company's sales. However, its share declined slightly yoy while the sales of pricier but also seasonality linked "ready-to-wear" increased. Among the regions USA is the strongest growth driver but it still leaks on profitability (slightly negative EBITDA in both 1H 11/12 & 1H 12/13) while Europe (ex. Austria) shows very moderate growth (2.4%) but slight improvement in EBITDA (Margin: 3.9% vs. 3.2%). As the expansion plans in Asia seems to need more time to materialise the top-line contribution was unchanged yoy. In order to address this issue yesterday the supervisory board approved Axel Dreher as the third member of the Executive Board responsible for production, technology and procurement while Wolford's CEO Holger Dahmen will now concentrate more strongly on growth, marketing and sales.

**Outlook and recommendation:** Last but not least the company was now more precise with regards to its outlook, while previously it mentioned the expected growth, now it also points out that the operating result will come in below FY 11/12 (we expected an improvement of EUR 1.7 mn). Despite rather weak operating performance and outlook we intend to keep our "Hold" recommendation due to better cash flow situation.

### Wolford 2Q 2012/13 results

in EUR mn	2Q 12/13	2Q 11/12	+/-	RCB est.	+/-	1Q 12/13	+/-
Sales	43.5	41.8	4.1%	44.10	-1.3%	33.1	31.6%
EBITDA	4.7	6.0	-21.4%	7.5	-37.4%	-1.3	n.m.
EBIT	2.6	4.0	-34.3%	5.8	-54.5%	-3.3	n.m.
EBT	2.3	3.5	-33.3%	5.0	-53.7%	-3.6	n.m.
Net profit	2.2	2.8	-21.0%	3.8	-43.3%	-3.2	n.m.
EPS	0.44	0.6	-21.0%	0.8	-43.3%	-0.7	n.m.
EBITDA margin	10.8%	14.3%		17.0%		-3.9%	
EBIT margin	6.1%	9.6%		13.2%		-10.0%	
EBT margin	5.4%	8.4%		11.4%		-10.9%	
Net margin	5.0%	6.6%		8.7%		-9.8%	

Source: Wolford, Raiffeisen Centrobank

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## Raiffeisen Centrobank AG - Your contacts A-1015 Vienna, Tegetthoffstrasse 1, Internet: <http://www.rcb.at>

### Sales & Trading

Tel.:+43/1515 20-0

**Wilhelm Celeda (Head)**

### European Institutional Sales

Klaus della Torre (Head)

Pawel Czupryna

Ozgur Guyuldar

Reinhard Haushofer

Anita Hunkar

György Karolyi

Juliusz Mozdzierz

Tomislav Pasalic

### Salestrading Blocktrades

Adem Soyak (Head)

Günter Englhart (DMA)

Robert Hein

Wojciech Kolacz

Michael Kriechbaum

Cedric Monnier (DMA)

Lana Soldo (DMA)

Stefan Waidhofer

Christof Wallner

Email: surname@rcb.at

### US Institutional Sales

Tel.:+1/212 600

Sinan Cao

ext. 2594

Joe Rivello

ext. 2594

Email: firstname.surname@rbimusa.com

### Company Research

Tel.:+43/1515 20-0

ext. 402 **Stefan Maxian (Head)**

### Company Research Austria

ext. 472 Daniel Damaska

ext. 398 Natalia Frey

ext. 336 Oleg Galbur

ext. 477 Bernd Maurer

ext. 496 Markus Remis

ext. 437 Teresa Schinwald

ext. 436 Bernhard Selinger

ext. 435 Jovan Sikimic

Arno Supper

Christoph Thurnberger

ext. 497 Iryna Trygub-Kainz

ext. 268

ext. 476

ext. 343

ext. 464

ext. 466

ext. 485

ext. 463

ext. 457

### Poland

Jakub Krawczyk

Bartłomiej Kubicki

Dominik Niszcz

Email: surname@rcb.at

+48/22585 2630

ext. 710

Ana Franin

ana.franin@rba.hr

ext. 707

Nada Harambašić Néreau

nada.harambasic-nereau@rba.hr

ext. 712

ext. 714

ext. 706

ext. 718

ext. 709

ext. 705

ext. 713

ext. 702

ext. 703

ext. 708

### Company Research CEE

#### Croatia

Tel.:+385/16174-0

ext. 388

#### Russia

Tel.:+7/495 221

Natalya Kolupaeva

natalya.kolupaeva@raiffeisen.ru

ext. 9852

Fedor Kornachev

fedor.kornachev@raiffeisen.ru

ext. 9851

#### Czech Republic

Tel.:+420/22114-0

ext. 1841

Jindrich Svatek

jindrich.svatek@rb.cz

Sergey Libin

sergey.libin@raiffeisen.ru

ext. 9838

Andrey Polischuk

andrey.polischuk@raiffeisen.ru

ext. 9849

#### Hungary

Tel.:+36/1484-0

ext. 4301

Levente Blahó

levente.blaho@raiffeisen.hu

Konstantin Yuminov

konstantin.yuminov@raiffeisen.ru

ext. 9842

#### Romania

Tel.:+40/21306-0

ext. 1202

Iuliana Mocanu (Head)

iuliana-simona.mocanu@raiffeisen.ro

#### Serbia

Tel.:+381/11220-0

Ljiljana Grubic

ljiljana.grubic@raiffeisenbank.rs

ext. 7178

Alexandru Combei

alexandru.combei@raiffeisen.ro

ext. 1239

Alexandru Neagu

alexandru.neagu@raiffeisen.ro

ext. 1229

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