

First Impression

Wolford

December 12, 2013

Consumer, Cyclical/Austria

Hold

Price 11.12.13*	18.60
Price target	U.R. (EUR 24.30)
Volatility risk	medium
Year high/low	26.40/18.00
Currency	EUR
EUR/EUR	1.00
GDR rate	n.a.
Shares outstanding eoy in mn	4.90
Market capitalisation (total shares) in EUR mn	91.1
Free float	32.6%
Free float in EUR mn	29.7
Avg. daily turnover (12 m) in EUR mn	0.04
Index	ATX Prime
ISIN code	AT0000834007
Bloomberg	WOLF AV
Reuters	WLFD.VI
www.wolford.com	

Long way to go

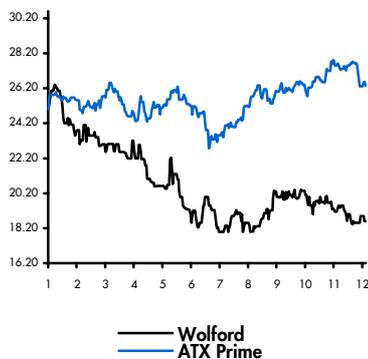
- Even weaker FY 13/14 outlook than guided previously
- Sales in line with expectations and better profitability
- We, once again, need to cut our estimates

We expected Wolford's figures to come out once again very weak and - although this time they come in slightly better than we expected - the profit warning on the full year EBIT clearly overshadows the positives.

Operating performance: We expected the company's results to come in quite weak. However, this time P&L figures were (for the first time since many quarters) in line on the top line, slightly better in terms of operating profitability and also the financial results (most probably fx) and tax effects came in better than expected. After an adjustment for foreign exchange effects, the revenue decline amounted to a comparatively low 0.7%. Negative foreign exchange effects for the Group's currency, the euro, resulted chiefly from the weaker US dollar and British pound. Wolford recorded a 5% increase in revenues at its own retail locations as well as sound 20% growth in the online shops. However the performance of the wholesale business remained weak, which led to a decline of 11% and, in total, to negative revenue and earnings development for 1H 13/14.

Balance sheet: So far the company reported only the rough set of balance sheet data (equity, net debt, working capital) which reflect the weak yoy performance but - given the weak performance - do not look exceptionally bad

Outlook and recommendation: The clearly negative message - at least for the short term - was delivered via the outlook for FY 13/14 EBIT. Based on the development of revenues and earnings during the first six months and the implementation of optimization measures EBIT is expected to total up to approx. EUR -5 mn (positive EBIT in the previous outlook), including non-recurring expenses of up to EUR 3 mn, and revenues should remain at the previous year's level. We believe that the large parts of the guidance reduction are motivated by announced restructuring measures such as reduction of the ready-to-wear line and discontinuation of swimwear (we believe this could lead to up to mid-single digit EUR mn write offs) as well as closings of own loss making boutiques. We value the announced restructuring measures as reasonable and also necessary; however, the process is likely to take some time before the first significant improvements could be seen; thus not only FY 13/14 but also FY 14/15 are likely to be affected. Therefore we are going to cut our estimates again and remain cautious reg. the stock.



Source: Raiffeisen Centrobank

Company 2Q 13/14 results

in EUR mn	2Q 13/14	2Q 12/13	+/-	RCB est.	+/-	1Q 13/14	+/-
Sales	42.5	43.5	-2.3%	42.5	0.1%	32.3	31.7%
EBITDA	4.8	4.7	-2.6%	4.5	6.3%	-3.2	n.m.
EBIT	2.9	2.6	-9.8%	2.4	18.6%	-5.2	n.m.
EBT	2.6	2.3	-10.9%	1.8	41.4%	-5.5	n.m.
Net profit	2.4	2.2	-10.0%	1.5	56.3%	-4.4	n.m.
EPS	0.5	0.44	-10.0%	0.31	56.3%	-0.89	n.m.
EBITDA margin	11.3%	10.8%		10.7%		-9.9%	
EBIT margin	6.8%	6.1%		5.7%		-16.1%	
EBT margin	6.1%	5.4%		4.3%		-17.0%	
Net margin	5.6%	5.0%		3.6%		-13.5%	

Source: Wolford, Raiffeisen Centrobank

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* The indicated price is the last price as available at 6.30 AM on 12.12.13, Source: Reuters/Bloomberg

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