

First Impression

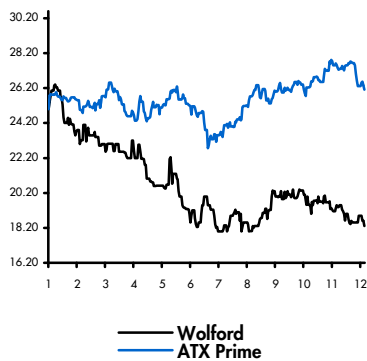
Wolford

December 13, 2013

Consumer, Cyclical/Austria

Hold

Price 12.12.13*	18.30
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	89.7
Free float	32.6%
Free float in EUR mn	29.3
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	



Source: Raiffeisen Centrobank

More details on announced restructuring

- Full 2Q 13/14 report with few additional info
- More details on announced restructuring
- We need to cut our estimates

The full set of 2Q 13/14 figures and more details regarding the announced restructuring which were announced today are unlikely to cause huge moves.

Reporting: Today the company reported full set of 2H 13/14 figures. Compared to the previously announced data only the information regarding the balance sheet positions and cash flow were new. As expected, cash flow data were quite weak (EUR -5.2 mn vs. EUR -4.8 mn in 2Q 12/13). However, on the positive side, the company managed to reduce its working capital by EUR 3.6 mn yoy out of which roughly EUR 3.4 mn were thanks to inventories reduction.

Restructuring measures: Additionally, the management elaborated on the restructuring measures (which were mainly responsible for the recently announced profit warning). They include:

- Product portfolio
 - More pronounced focus on legwear and complementary products
 - Expanding the shape & control segment within every product line
 - Scaling down of the ready-to wear line and discontinuation of swimwear (burdens the sales and causes write off in the short term but improves return on capital)
- Optimisation of production processes
- Closing down of unprofitable boutiques (short term negative, long term positive)
- Stronger focus on online business and travel retail
- Intensifying of marketing activities (increases the cost base, positive effects with a time lag)
- New partner-boutiques and retail concept (with a streamlined product portfolio and more incentives for the partners).

Outlook and recommendation: Since the key data were reported earlier we believe that today's announcement will not cause huge share price moves today. However, the recently issued profit warning is likely to continue to burden the stock performance. We value the announced restructuring measures necessary. However, the process is likely to take some time before the first significant improvements could be seen. Thus, as mentioned in yesterday's First Impression already, we are going to cut our estimates for FY 13/ 14 and FY 14/15.

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%	
Working capital	42.7	46.4	-7.8%	44.4	-4.0%	43.1	-0.1%
Operating cash flow	-5.2	-4.8	-7.4%	-5.0	4.1%	-11.2	-53.7%

Source: Wolford, Raiffeisen Centrobank

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* The indicated price is the last price as available at 6.30 AM on 13.12.13, Source: Reuters/Bloomberg

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