

Company Update

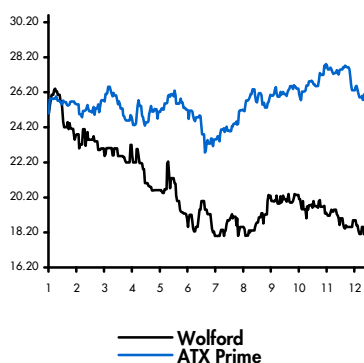
Wolford

December 19, 2013

Consumer, Cyclical/Austria

Hold

Price 18.12.13*	18.09
Price target	19.00
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	88.6
Free float	32.6%
Free float in EUR mn	28.9
Avg. daily turnover (12 m) in EUR mn	0.04
Index	ATX Prime
ISIN code	AT0000834007
Bloomberg	WOLF AY
Reuters	WLFD.VI
www.wolford.com	



Source: Raiffeisen Centrobank

Figures overshadowed by restructuring announcement

We currently fail to identify any immediate positive catalysts for Wolford's equity story; thus, we confirm the stock as a "hold" and revise our TP down (EUR 19.00 vs. EUR 24.3)

Profit warning & restructuring: On December 11 the company revised its outlook for FY 13/14 and announced various restructuring measures. Based on the development of revenues and earnings during 1H and the implementation of optimisation measures EBIT is expected to total approx. EUR -5 mn (positive operating result in the previous outlook), including non-recurring expenses of up to EUR 3 mn, revenues should remain at the previous year's level. The restructuring will encompass the whole value chain. However, the most prominent measures are the concentration on legwear and complementary products (with an increased offering), the downsizing of the ready-to-wear line, discontinuation of swimwear, closure of loss-making directly operated boutiques, a new partner concept and intensification of marketing activities.

2Q 13/14 review: P&L figures were in line on the sales level, slightly better in terms of operating profitability and also the financial results and tax effects came in better than we 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 USD and GBP. Wolford recorded a 5% increase in revenues at its own retail locations as well as sound 20% growth in online shops. However, the performance of the wholesale business remained weak, which led to a decline of 11% and, in total, to a negative revenue and earnings development for 1H 13/14. As expected, cash flow data was quite weak (EUR -5.2 mn vs. EUR -4.8 mn in 2Q 12/13). On a positive note, the company managed to reduce its working capital by EUR 3.6 mn yoy out of which roughly EUR 3.4 mn was attributable to inventories reduction.

Outlook: We assess the announced restructuring measures as necessary; however, the process is likely to take some time before the first significant improvements will be seen; thus not only FY 13/14 but also FY 14/15 are likely to be affected. We expect the major one-off expenses to be recorded in 4Q 13/14. The adjusted figures should improve starting 1Q 14/15 but the pace of the improvements is likely to be rather moderate.

Valuation: The estimates cuts result in a reduction of Wolford's fair value (EUR 19.13 vs. EUR 24.3). Due to the poor performance and the clouded outlook for the quarters to come the peer valuation gap has increased further. We do not see any immediate positive trigger for Wolford's equity story; thus, we reiterate our "hold" recommendation, while we set our new target price at EUR 19.00 (EUR 24.30 previously).

Key figures and ratios

EUR	4/2012	4/2013	4/2014e	4/2015e	4/2016e
Sales (mn)	154.1	156.5	155.8	157.6	163.5
EBITDA (mn)	15.2	7.9	6.3	9.9	12.3
EBIT (mn)	6.9	-0.9	-4.9	1.9	4.3
Net profit a.m. (mn)	1.3	-2.8	-5.2	0.5	2.4
Earnings per share (adj.)	0.26	-0.56	-1.06	0.11	0.50
EPS adjusted growth	-75.0%	-318.8%	-89.0%	n.a.	359.8%
Adjusted PE ratio	90.6	-36.6	-17.0	167.9	36.5
DPS	0.40	0.00	0.00	0.00	0.20
Dividend yield	1.7%	0.0%	0.0%	0.0%	1.1%
EV/EBITDA	8.5	14.8	16.2	10.3	8.2
Price book value	1.4	1.3	1.2	1.2	1.2

Source: Wolford, Raiffeisen Centrobank estimates

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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 19.12.13, Source: Reuters/Bloomberg

Share price triggers

Trigger	Momentum	Explanation
Retail sales	negative	▪ Sales of woman's wear in Continental Europe have been quite weak since August and also the first Christmas sales forecasts are not very optimistic
Top-line development	negative	▪ The announced restructuring measures (especially product portfolio and retail network optimisation) are likely to result in a stagnating/ declining top-line in the short run
Weak USD & GBP	negative	▪ Weaker top-line yoy & weaker operating margin (EUR-production costs)
Process optimisation measures	neutral	▪ Will negatively affect the cost base in 3Q & 4Q (higher write-downs, provisioning and layoff costs) but should have positive effects starting 1Q 14/15
New partner concept	positive	▪ More incentives for the partners should support the order level

Source: Raiffeisen Centrobank

2Q 13/14 slightly better than expected

2Q 2013/14 review

We expected the company's results to come in quite weak. However, P&L figures were (for the first time in many quarters) in line on the sales level, slightly better in terms of operating profitability and also the financial results 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 USD and GBP. Wolford recorded a 5% increase in revenues at its own retail locations as well as sound 20% growth in online shops. However, the performance of the wholesale business remained weak, which led to a decline of 11% and, in total, to a negative revenue and earnings development for 1H 13/14. As expected, cash flow data was quite weak (EUR -5.2 mn vs. EUR -4.8 mn in 2Q 12/13). However, on a positive note, the company managed to reduce its working capital by EUR 3.6 mn yoy out of which roughly EUR 3.4 mn was attributable to inventories reduction.

2Q 2013/14 results

	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

Profit warning overshadows operating results

Announced restructuring

The negative news – at least for the short term – was the outlook for FY 13/14 EBIT. Based on the development of revenues and earnings during the first six months and the implementation of optimisation measures EBIT is expected to total approx. EUR -5 mn (positive operating result in the previous outlook), including non-recurring expenses of up to EUR 3 mn, and revenues should remain at the previous year's level. The optimisation measures include:

- Product portfolio optimisation
 - 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
- Optimisation of production processes
- Closing of unprofitable boutiques
- Stronger focus on online business and travel retail
- Intensification of marketing activities
- New partner-boutiques and retail concept

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Major one-offs are likely to be reported in 4Q 13/14

We believe that large parts of the guidance reduction are motivated by announced restructuring measures such as the reduction of the ready-to-wear line and discontinuation of swimwear as well as the closure of loss-making directly operated boutiques. We consider the announced restructuring measures as reasonable and also necessary; however, the process is likely to take some time before the first significant improvements will be seen; thus not only FY 13/14 but also FY 14/15 are likely to be affected.

Outlook

We believe that 3Q 13/14 will be less affected by the announced restructuring and major one-offs will be recorded in 4Q 13/14. However, based on the rather weak November retail data and also weak Christmas sales forecasts it is unlikely – despite the poor performance in 3Q 12/13 – that the company will be able to present a strong set of figures and, as mentioned earlier, the seasonally weak 4Q will be additionally affected by the announced restructuring expenses.

Starting 1Q 14/15 the figures should improve significantly on an adjusted basis. However, we believe that in absolute terms the turnaround will be visible in late 2Q 14/15 at the earliest. We reckon that on an adjusted basis the company should be able to generate high single-digit sales growth in FY 14/15 (in our forecast the performance looks less impressive if stated the not adjusted figures).

Changes to forecast

In EUR mn	Old		New			Comments
	2013/14e	2014/15e	2013/14e	2014/15e	2015/16e	
Sales	163.2	168.4	155.8	157.6	163.5	Weaker sales and discontinuation of product lines and stores
Sales growth	3.3%	3.2%	-0.40%	1.16%	3.68%	
EBITDA	11.2	13.1	6.3	9.9	12.3	
EBITDA margin	6.9%	7.8%	4.07%	4.02%	3.88%	Lower economies of scale due to lower volumes
EBIT	2.8	4.7	-4.9	1.9	4.3	
EBIT margin	1.7%	2.8%	-3.17%	1.22%	2.61%	
EBT	1.3	3.2	-6.4	0.7	3.0	
EBT margin	0.8%	1.9%	-4.08%	0.42%	1.86%	
Net profit	1.1	2.6	-5.2	0.5	2.4	
Net profit margin	0.6%	1.5%	-3.34%	0.33%	1.49%	
EPS	0.18	0.52	-1.06	0.11	0.50	
DPS	0.10	0.20	0.00	0.00	0.20	

Source: Raiffeisen Centrobank estimates

Risks to our planning model:

- The biggest potential risk to our forecasts is the cyclicity of sales in the luxury segment. In case of weak macroeconomic data we rather overestimate the growth potential.
- Our projection of an improvement in the inventories turnover and working capital level has strong implications on the DCF-valuation and financial result. A different development could be expected to lead to significant changes in our estimates and fair value.
- The company already has a deep level of vertical integration and increases it further by raising the number of own boutiques. This increases the potential loss in case of a collection failure.
- Wolford's biggest asset is its brand. Quality failures of products and services or negative publicity could damage the company's image and affect its value and business projects.

Valuation

The cuts in our estimates result in a reduction of Wolford's fair value (EUR 19.13 vs. EUR 24.3). On the peer group comparison the share trades at a discount on sales- and assets multiples and at a premium on profitability multiples - as usual. Due to the poor performance and clouded

Target price EUR 19.0 (EUR 24.3 previously); "hold" unchanged

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outlook for the quarters to come the valuation gap has increased further. We do not see any immediate positive trigger for Wolford's equity story; thus we once again reiterate our "hold" recommendation, while we set our new target price at EUR 19.00 (EUR 24.30 previously).

	P/BV			EV/Sales			EV/EBITDA			EV/EBIT		
	2013/14e	2014/15e	2015/16e	2013/14e	2014/15e	2015/16e	2013/14e	2014/15e	2015/16e	2013/14e	2014/15e	2015/16e
LVMH	2.5	2.3	2.1	2.4	2.2	2.0	9.7	8.6	7.7	11.7	10.3	9.1
Hugo Boss	9.6	8.0	6.7	2.9	2.7	2.4	12.8	11.4	10.0	15.5	13.7	11.9
Gerry Webber	3.4	3.0	2.7	1.5	1.4	1.2	9.9	8.1	7.0	11.7	9.5	8.0
Burberry	n.a.	n.a.	n.a.	2.6	2.3	2.0	10.0	8.8	7.8	12.8	11.2	9.9
Calida	1.6	1.4	1.3	0.8	0.8	0.8	5.6	5.0	4.8	7.7	6.6	6.2
Van de Velde	2.6	2.5	2.5	2.4	2.3	2.2	9.4	8.9	8.1	11.0	10.2	9.3
Median	2.6	2.5	2.5	2.4	2.2	2.0	9.8	8.7	7.8	11.7	10.2	9.2
Mean	3.9	3.4	3.0	2.1	1.9	1.8	9.6	8.5	7.6	11.7	10.2	9.1
Wolford	1.2	1.2	1.2	0.7	0.6	0.6	16.2	10.3	8.2	-20.9	53.2	23.7
Dis/Prem.Median	-53.8%	-51.3%	-53.4%	-72.5%	-70.7%	-68.6%	67.1%	19.6%	6.4%	n.m.	421.6%	158.4%
Dis/Prem.Mean	-68.9%	-64.5%	-61.2%	-68.6%	-66.2%	-64.6%	70.8%	22.9%	9.4%	n.m.	424.2%	163.4%

Source: Bloomberg, Raiffeisen Centrobank estimates

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DCF Valuation

<i>FCF projection (EUR mn)</i>	2013/14e	2014/15e	2015/16e	2016/17e	2017/18e	2018/19e	TV CF
Consolidated sales	155.8	157.6	163.5	170.0	176.8	183.9	183.9
EBITDA	6.3	9.9	12.3	14.4	16.8	18.4	18.4
EBITA	-4.9	1.9	4.3	6.4	8.8	10.4	10.4
Taxes paid on EBITDA	1.1	-0.1	-0.6	-0.9	-1.4	-1.9	-2.1
NOPLAT	-3.8	1.8	3.7	5.5	7.4	8.5	8.3
Adj. NOPLAT	-3.8	1.8	3.7	5.5	7.4	8.5	8.3
Depreciation of PPE & intangibles	11.3	8.0	8.0	8.0	8.0	8.0	8.0
Gross investment in PPE & intangibles	-9.9	-8.5	-8.5	-8.5	-8.1	-8.1	-8.0
Change in working capital	7.9	0.2	-1.2	-2.4	-2.1	-2.2	-0.7
NWC/Sales	17.4%	17.1%	17.3%	18.0%	18.5%	19.0%	19.0%
Change in LT provisions other than tax	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Net acquisitions & disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow to firm	6.0	2.0	2.5	3.2	5.7	6.7	8.1
Adj. free cash flow to firm	6.0	2.0	2.5	3.2	5.7	6.7	8.1
EV DCF, mid-year assumption	101.6	107.6					
+ MV of non-operating assets eop	0.0	0.0					
- MV of net debt eop	14.3	13.6					
- MV of minorities eop	0.0	0.0					
Adjustments to EV eop	0.0	0.0					
Fair value of equity	87.3	94.0					
Shares outstanding (mn)	4.9	4.9					
Fair value per share (in EUR)	17.82	19.18					

<i>Value drivers</i>	2013/14e	2014/15e	2015/16e	2016/17e	2017/18e	2018/19e	TV CF
Consolidated sales yoy	-0.4%	1.2%	3.7%	4.0%	4.0%	4.0%	2.0%
EBITDA margin	4.1%	6.3%	7.5%	8.5%	9.5%	10.0%	10.0%
Rate of taxes paid	-23.2%	-6.9%	-14.2%	-14.0%	-16.0%	-18.0%	-20.5%
Working capital/sales	17.4%	17.1%	17.3%	18.0%	18.5%	19.0%	19.0%
Capex/depreciation	87.4%	106.3%	105.6%	106.3%	101.3%	101.3%	100.0%
Free cash flow margin	3.8%	1.2%	1.5%	1.9%	3.2%	3.6%	4.4%

<i>WACC</i>	2013/14e	2014/15e	2015/16e	2016/17e	2017/18e	2018/19e	TV CF
Target capital structure (at MV)	85.0%	86.1%	86.7%	75.0%	75.0%	75.0%	75.0%
Debt/equity ratio (at MV)	17.7%	16.1%	15.3%	33.3%	33.3%	33.3%	33.3%
Risk free rate (local)	2.3%	2.4%	2.7%	3.0%	3.2%	3.3%	4.0%
Equity market premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Levered beta	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Cost of equity	8.3%	8.5%	8.7%	9.1%	9.3%	9.4%	10.1%
Cost of debt	4.0%	4.0%	4.0%	4.5%	4.5%	4.5%	5.8%
Tax rate	-23.2%	-6.9%	-14.2%	-14.0%	-16.0%	-18.0%	-20.5%
WACC	7.5%	7.8%	8.0%	7.8%	7.9%	7.9%	8.7%

Sensitivity analysis

<i>Growth sensitivity (EUR)</i>	<i>Terminal growth rate</i>						
WACC	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
7.2%	20.1	21.8	23.8	26.2	29.1	32.7	37.2
7.7%	18.3	19.8	21.5	23.4	25.8	28.6	32.2
8.2%	16.8	18.1	19.5	21.1	23.1	25.4	28.2
8.7%	15.5	16.6	17.8	19.2	20.8	22.7	25.0
9.2%	14.3	15.2	16.3	17.5	18.9	20.5	22.4
9.7%	13.2	14.1	15.0	16.0	17.2	18.6	20.2
10.2%	12.3	13.0	13.8	14.8	15.8	17.0	18.3

<i>Margin sensitivity (EUR)</i>	<i>FCF margin TV</i>						
WACC	2.9%	3.4%	3.9%	4.4%	4.9%	5.4%	5.9%
7.2%	17.3	20.3	23.2	26.2	29.1	32.1	35.0
7.7%	15.5	18.2	20.8	23.4	26.1	28.7	31.4
8.2%	14.0	16.4	18.8	21.1	23.5	25.9	28.3
8.7%	12.7	14.8	17.0	19.2	21.3	23.5	25.7
9.2%	11.6	13.5	15.5	17.5	19.5	21.5	23.4
9.7%	10.6	12.4	14.2	16.0	17.9	19.7	21.5
10.2%	9.7	11.4	13.1	14.8	16.4	18.1	19.8

Source: Raiffeisen Centrobank estimates

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<i>Income statement (EUR mn)</i>	<i>4/2011</i>	<i>4/2012</i>	<i>4/2013</i>	<i>4/2014e</i>	<i>4/2015e</i>	<i>4/2016e</i>
Consolidated sales	152.2	154.1	156.5	155.8	157.6	163.5
Changes in inventories & own work capitalised	3.9	3.4	-0.4	-3.1	1.0	1.7
Other operating income	3.5	4.0	3.5	3.2	3.2	3.2
Total revenues	159.6	161.5	159.6	155.9	161.8	168.4
Material costs	-28.3	-28.5	-28.9	-26.6	-28.2	-29.7
Personnel expenses	-73.9	-73.3	-74.2	-73.3	-73.0	-74.7
Other operating expenses	-41.7	-44.5	-48.6	-49.6	-50.7	-51.6
EBITDA	15.7	15.2	7.9	6.3	9.9	12.3
Adjusted EBITDA	15.7	15.2	7.9	6.3	9.9	12.3
Depreciation of PPE and intangibles	-8.4	-8.3	-8.8	-11.3	-8.0	-8.0
EBITA	7.3	6.9	-0.9	-4.9	1.9	4.3
Amortisation, impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	7.3	6.9	-0.9	-4.9	1.9	4.3
Adjusted EBIT	7.3	6.9	-0.9	-4.9	1.9	4.3
Investment income	0.0	-0.3	0.1	0.0	0.2	0.2
Net interest income	-0.8	-0.7	-0.8	-0.8	-0.8	-0.8
Other financial result	-0.8	-0.8	-0.6	-0.6	-0.6	-0.6
Financial result	-1.5	-1.8	-1.3	-1.4	-1.3	-1.2
Earnings before taxes	5.8	5.0	-2.2	-6.4	0.7	3.0
Taxes on income	-0.8	-3.8	-0.5	1.1	-0.1	-0.6
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	5.1	1.3	-2.8	-5.2	0.5	2.4
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net profit after minorities	5.1	1.3	-2.8	-5.2	0.5	2.4
Adjusted Net profit	5.1	1.3	-2.8	-5.2	0.5	2.4
Changes yoy	4/2011	4/2012	4/2013	4/2014e	4/2015e	4/2016e
Consolidated sales yoy	5.6%	1.3%	1.6%	-0.4%	1.2%	3.7%
EBITDA yoy	26.0%	-3.6%	-48.0%	-19.7%	56.5%	24.2%
EBITA yoy	62.7%	-6.4%	-113.2%	-444.6%	n.a.	122.2%
EBIT yoy	62.7%	-6.4%	-113.2%	-444.6%	n.a.	122.2%
EBT yoy	70.8%	-13.3%	-144.6%	-183.0%	n.a.	359.8%
Net profit after minorities yoy	97.2%	-75.0%	-318.8%	-89.0%	n.a.	359.8%
Margins	4/2011	4/2012	4/2013	4/2014e	4/2015e	4/2016e
Material costs margin	-18.6%	-18.5%	-18.5%	-17.1%	-17.9%	-18.2%
EBITDA margin	10.3%	9.9%	5.0%	4.1%	6.3%	7.5%
EBITA margin	4.8%	4.5%	-0.6%	-3.2%	1.2%	2.6%
EBIT margin	4.8%	4.5%	-0.6%	-3.2%	1.2%	2.6%
EBT margin	3.8%	3.3%	-1.4%	-4.1%	0.4%	1.9%
Net margin	3.3%	0.8%	-1.8%	-3.3%	0.3%	1.5%
Profitability	4/2011	4/2012	4/2013	4/2014e	4/2015e	4/2016e
Return on assets	4.0%	1.0%	-1.2%	-3.2%	0.9%	2.2%
Return on equity	6.2%	1.5%	-3.4%	-6.9%	0.7%	3.3%
Return on capital employed	5.5%	1.4%	-1.6%	-4.6%	1.3%	3.3%
Cash flow statement (EUR mn)	4/2011	4/2012	4/2013	4/2014e	4/2015e	4/2016e
Earnings before taxes	5.8	5.0	-2.2	-6.4	0.7	3.0
Taxes paid	-0.9	-1.9	-2.2	1.1	-0.1	-0.6
Amortisation and depreciation	8.5	8.5	8.8	11.3	8.0	8.0
Other non-cash items	0.3	0.0	0.3	0.5	0.5	0.5
Cash flow from result	13.8	11.7	4.7	6.5	9.0	11.0
Change in working capital	0.4	-4.4	1.6	6.0	0.2	-1.2
Operating cash flow	14.2	7.3	6.3	12.5	9.2	9.7
Capex PPE and intangible assets	-6.1	-7.9	-6.0	-9.9	-8.5	-8.5
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Disposal of fixed assets (total)	0.0	1.4	0.0	0.0	0.0	0.0
Other items (investments)	2.1	-0.3	0.2	0.0	0.0	0.0
Investing cash flow	-4.0	-6.9	-5.8	-9.8	-8.5	-8.5
Dividend payments	-1.0	-2.0	-2.0	0.0	0.0	0.0
Other changes in equity	0.0	0.0	0.0	0.0	0.0	0.0
Change in financial liabilities	-9.5	2.3	1.6	-1.5	-1.0	-1.3
Other items	0.0	0.0	0.0	-1.2	0.0	0.0
Financing cash flow	-10.5	0.3	-0.4	-2.7	-1.0	-1.3

Source: Wolford, Raiffeisen Centrobank estimates

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Balance sheet (EUR mn)	4/2011	4/2012	4/2013	4/2014e	4/2015e	4/2016e
Current assets	60.9	64.2	63.5	58.7	58.6	60.5
Liquid funds	4.4	5.3	5.3	5.2	4.9	4.8
Receivables	15.1	14.7	15.5	14.4	14.2	14.7
Inventories	41.4	44.2	42.7	39.1	39.6	41.0
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	77.7	76.1	73.3	71.8	72.3	72.8
Property, plant & equipment	62.2	62.4	59.7	57.5	57.5	57.5
Intangible assets	10.5	10.0	9.6	10.3	10.8	11.3
Goodwill	1.1	1.2	1.2	1.2	1.2	1.2
Financial assets	3.9	2.6	2.8	2.8	2.8	2.8
Deferred tax assets	5.9	5.2	5.6	5.6	5.6	5.6
Total assets	144.5	145.5	142.3	136.1	136.5	138.9
Current liabilities	33.9	27.3	28.4	43.3	39.5	38.9
Short-term borrowings	8.3	2.8	3.3	17.0	12.7	11.5
Notes & trade payables, payments received	5.8	4.9	4.6	5.3	5.4	5.6
Other current liabilities	19.8	19.6	20.5	21.0	21.4	21.9
Long-term liabilities	26.4	34.2	35.6	19.7	23.4	23.9
Long-term borrowings	10.3	18.1	19.1	4.0	7.3	7.3
Long-term provisions	14.6	13.7	15.2	15.7	16.1	16.6
Other long-term liabilities	1.4	2.4	1.2	0.0	0.0	0.0
Hybrid & other mezzanine capital	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	83.9	83.8	78.1	72.9	73.5	75.9
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax liabilities	0.3	0.2	0.1	0.1	0.1	0.1
Total liabilities	144.5	145.5	142.3	136.1	136.5	138.9
Balance sheet (EUR mn)	4/2011	4/2012	4/2013	4/2014e	4/2015e	4/2016e
Net working capital	30.9	34.4	33.1	27.2	27.0	28.2
Net interest-bearing debt	11.4	14.1	15.7	14.3	13.6	12.4
Capital employed	102.5	104.7	100.6	93.9	93.5	94.6
Market capitalisation	132.3	114.2	101.0	88.6	88.6	88.6
Enterprise value	143.7	128.3	116.7	102.9	102.2	101.0
Financing (x)	4/2011	4/2012	4/2013	4/2014e	4/2015e	4/2016e
Interest cover	19.1	19.7	9.1	7.4	11.5	14.8
Internal financing ratio	2.3	0.9	1.1	1.3	1.1	1.1
Net gearing	13.6%	16.8%	20.1%	19.6%	18.5%	16.3%
Quick ratio	0.6	0.7	0.7	0.5	0.5	0.5
Fixed assets cover	1.4	1.5	1.6	1.3	1.3	1.4
Capex / depreciation	0.7	1.0	0.7	1.1	1.1	1.1
Equity ratio	58.0%	57.6%	54.9%	53.6%	53.8%	54.6%
Per share data (EUR)	4/2011	4/2012	4/2013	4/2014e	4/2015e	4/2016e
Weighted avg. no. of shares (mn)	4.9	4.9	4.9	4.9	4.9	4.9
EPS reported	1.03	0.26	-0.56	-1.06	0.11	0.50
Earnings per share (adj.)	1.03	0.26	-0.56	-1.06	0.11	0.50
Operating cash flow per share	2.89	1.48	1.29	2.55	1.88	1.98
Book value per share	17.11	17.10	15.95	14.89	14.99	15.49
DPS	0.40	0.40	0.00	0.00	0.00	0.20
Payout ratio	38.8%	155.6%	0.0%	0.0%	0.0%	40.4%
Valuation (x)	4/2011	4/2012	4/2013	4/2014e	4/2015e	4/2016e
PE reported	26.2	90.6	-36.6	-17.0	167.9	36.5
Adjusted PE ratio	26.2	90.6	-36.6	-17.0	167.9	36.5
Price cash flow	9.3	15.7	16.0	7.1	9.6	9.1
Price book value	1.6	1.4	1.3	1.2	1.2	1.2
Dividend yield	1.5%	1.7%	0.0%	0.0%	0.0%	1.1%
Free cash flow yield	6.1%	-0.5%	0.3%	3.0%	0.8%	1.4%
EV/sales	0.9	0.8	0.7	0.7	0.6	0.6
EV/EBITDA	9.1	8.5	14.8	16.2	10.3	8.2
EV/EBIT	19.6	18.7	-128.8	-20.9	53.2	23.7
EV/operating cash flow	10.1	17.7	18.5	8.2	11.1	10.4
Adjusted EV/CE	1.5	1.3	1.2	1.2	1.2	1.1
Adjusted EV/CE vs. ROCE/WACC				-1.9	7.0	2.8

Source: Wolford, Raiffeisen Centrobank estimates

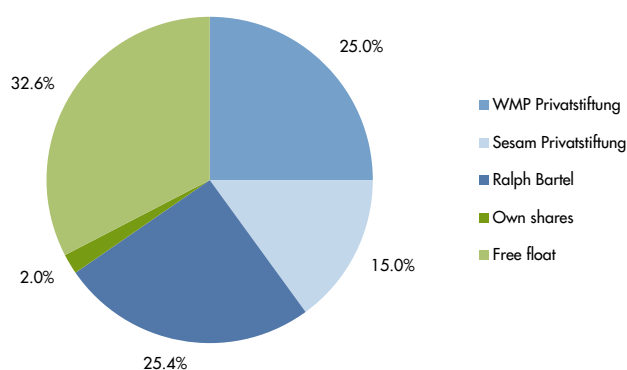
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Fact Sheet

Company description

Vienna-listed Wolford Group manufactures and distributes women's bodywear, lingerie, swimwear and legwear in the luxury fashion segment. Based in Austria, the company is comprised of 14 subsidiaries worldwide. Wolford distributes its products in 70 countries through a network of over 200 own and partner-run boutiques, factory outlets, concession shop in shops and 3,000 retail partners (department stores & specialist shops).

Shareholder structure



Strengths/Opportunities

- Global luxury brand with a strong retail network
- High quality products & highly innovative goods in the legwear segment
- High growth potential in currently low penetrated Asian market
- High book value per share
- High equity ratio
- High amount of fixed tangible asset (especially land and buildings) on the balance sheet

Weaknesses/Threats

- High production costs due to manufacturing in Austria
- High inventory level
- Foreign currency risk (especially USD)
- Low profitability

Income statement (EUR mn)	4/2013	4/2014e	4/2015e	4/2016e
Consolidated sales	156.5	155.8	157.6	163.5
EBITDA	7.9	6.3	9.9	12.3
EBIT	-0.9	-4.9	1.9	4.3
EBT	-2.2	-6.4	0.7	3.0
Net profit bef. min.	-2.8	-5.2	0.5	2.4
Net profit after min.	-2.8	-5.2	0.5	2.4

Balance sheet	4/2013	4/2014e	4/2015e	4/2016e
Total assets	142.3	136.1	136.5	138.9
Shareholders' equity	78.1	72.9	73.5	75.9
Goodwill	1.2	1.2	1.2	1.2
NIBD	15.7	14.3	13.6	12.4

Cash flow statement	4/2013	4/2014e	4/2015e	4/2016e
Operating cash flow	6.3	12.5	9.2	9.7
Investing cash flow	-5.8	-9.8	-8.5	-8.5
Change NIBD	-1.6	1.4	0.7	1.2

Source: Wolford, Raiffeisen Centrobank estimates

Per share data (EUR)	4/2013	4/2014e	4/2015e	4/2016e
EPS pre-goodwill	-0.56	-1.06	0.11	0.50
Adj. EPS diluted	-0.56	-1.06	0.11	0.50
Operating cash flow	1.29	2.55	1.88	1.98
Book value	15.95	14.89	14.99	15.49
Dividend	0.00	0.00	0.00	0.20
Payout ratio	0.0%	0.0%	0.0%	40.4%

Valuation (x)	4/2013	4/2014e	4/2015e	4/2016e
PE pre-goodwill	-36.6	-17.0	167.9	36.5
Adj. PE diluted	-36.6	-17.0	167.9	36.5
Price cash flow	16.0	7.1	9.6	9.1
Price book value	1.3	1.2	1.2	1.2
Dividend yield	0.0%	0.0%	0.0%	1.1%
FCF yield	0.3%	3.0%	0.8%	1.4%
EV/EBITDA	14.8	16.2	10.3	8.2
EV/EBIT	-128.8	-20.9	53.2	23.7
EV/operating CF	18.5	8.2	11.1	10.4

Important: Please read the references at the end of this report to possible conflicts of interest and disclaimers/disclosures.

Publication schedule

Date	Publication
14.03.2014	3Q Earnings release
18.07.2014	4Q Earnings release
12.09.2014	1Q Earnings release
18.09.2014	Annual General Meeting
22.09.2014	Ex-Dividend
24.09.2014	Dividend Payment

Recommendation history

Date	Rating	Target Price	Prev. day's close	Upside
27.03.2013	Hold	24.30	22.50	8.0%
24.01.2013	Hold	26.00	24.10	7.9%

Coverage universe recommendation overview

	buy	hold	reduce	sell	suspended	UR
Universe	36	61	16	3	20	3
Universe %	26%	44%	12%	2%	14%	2%
Investment banking services	9	12	4	0	5	3
Investment banking services %	27%	36%	12%	0%	15%	9%

Source: Raiffeisen Centrobank, rounding differences may occur

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Buy: Buy stocks are expected to have a total return of at least 15% (20% for shares with a high volatility risk) and are the most attractive stocks in our coverage universe on a 12 month horizon.

Hold: Hold stocks are expected to deliver a positive total return of up to 15% (20% for shares with a high volatility risk) within a 12-month period.

Reduce: Reduce stocks are expected to achieve a negative total return up to -10% within a 12-month period.

Sell: Sell stocks are expected to post a negative total return of more than -10% within a 12-month period.

Price targets are determined by the fair value derived from a peer group comparison and/or our DCF model. Other fundamental factors (M&A activities, capital markets transactions, share buybacks, sector sentiment etc.) are taken into account as well.

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For sector report:

Given the cyclical nature of this sector, consumer cyclicals can be regarded as very volatile. The main risks are the overall health of the global economy as well as the macroeconomic conditions of the countries the companies operate in. This also includes currency, interest rate and political risks. In addition, fashion trends and brand perception by consumers and changes of consumer behavior are among sector specific risks. Changes in the regulatory environment may limit the scope and profitability of the business and require additional expenditures or capital. Finally, given the volatility of input and product prices and the high capital intensity of this industry, it is crucial to evaluate counterparty risk to mitigate default risk.

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