

# First Impression

## Wolford

December 12, 2014

Consumer, Cyclical/Austria

### Hold

Price 11.12.14*	20.10
Price target	U.R. (19.00)
Volatility risk	medium
Year high/low	24.00/16.87
Currency	EUR
EUR/EUR	1.00
GDR rate	n.a.
Shares outstanding eoy in mn	4.90
Market capitalisation (total shares) in EUR mn	98.5
Free float	32.6%
Free float in EUR mn	32.1
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	

### Weak September spoils 2Q 14/15

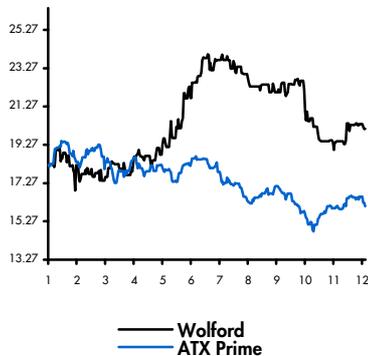
- Sales down 4 % yoy in line with expectations, bottom line slightly weaker
- Balance sheet less sound yoy despite higher equity ratio
- Restructuring is still on the way, recent changes in strategy promising
- We keep our HOLD recommendation

While Wolford's figures were - as expected - more or less weak, the progress in the company's restructuring prompts us to keep our HOLD recommendation unchanged.

**P&L:** Affected by weak European retail sales Wolford's revenues came in 4% lower yoy (EUR 40.7 mn in 2Q 14/15 vs. EUR 42.5 mn in 2Q 13/14); however, it was in line with our expectations. Especially in September fashion trade in largest European markets (Germany, France and UK) was quite weak and also US sales were declining. Only sales in Italy, Spain and Asia as well as online retail increased yoy but since they are accounting for only a small portion of Wolford's sales (below 30%) the overall figures turned out weak. Due to slightly higher personnel and material costs adjusted EBITDA and EBIT came in EUR 0.8mn and EUR 0.6mn lower than we expected. Consequently the company generated a small loss of EUR 0.1 mn in 2Q 14/15 while we hoped for a bit of profit (EUR 0.4 mn).

**Cash flow & balance sheet:** Driven by weak earnings also the cash flow was deep in the reds. Wolford's PPE declined by roughly EUR 5 mn yoy due to the sale of properties which were announced for 1Q 14/15. However, the total assets were only EUR 3 mn lower due to an increase in other intangibles and deferred tax assets. Thus, although the equity ratio improved from 50% to 51%, in our view, the balance sheet quality deteriorated slightly.

**Outlook and recommendation:** The recent company announcements regarding the new marketing strategy, collection changes and changes in creative team sound promising; however, they should not pay off for at least another 6 to 12 months. In the meantime the market situation for fashion retail remains tough. Wolford's restructuring is not completed yet as well. Thus, in its current outlook the management indicates only a positive EBIT (incl. positive one offs) and gives no indication for the top line or clean figures. We believe that the top line would decline yoy and taking into consideration 1H 14/15 results while expecting a tough 2H 14/15 clean EBIT is very likely to turn up deep in the reds. We believe that it is not the time to buy into the stock; however, given the recent positive news flow (aside from the reporting) we still feel comfortable with our HOLD recommendation.



Source: Raiffeisen Centrobank

### Wolford 2Q 2014/15 results

in EUR mn	2Q 14/15	2Q 13/14	+/-	RCB est.	+/-	1Q 14/15	+/-
Sales	40.7	42.5	-4.3%	40.8	-0.2%	31.9	27.6%
EBITDA adj.	2.2	4.8	-53.9%	3.0	-25.4%	1.9	15.0%
EBIT	0.2	2.9	-92.7%	0.8	-74.9%	3.0	-93.0%
EBIT adj.	0.1	2.9	-94.8%	0.8	n.m.	-0.2	n.m.
EBT	-0.1	2.6	n.m.	0.6	n.m.	2.8	n.m.
Net profit	-0.1	2.4	n.m.	0.4	n.m.	1.5	n.m.
EPS	-0.02	0.49	n.m.	0.08	n.m.	0.30	n.m.
EBITDA margin adj.	5.5%	11.4%		7.3%		6.1%	
EBIT margin	0.5%	6.8%		2.0%		9.5%	
EBIT margin adj.	0.4%	6.1%		2.0%		-0.5%	
Net margin	-0.3%	5.6%		1.0%		4.7%	

Source: Wolford, Raiffeisen Centrobank

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\* The indicated price is the last price as available at 6.30 AM on 12.12.14, Source: Reuters/Bloomberg

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