

First Impression

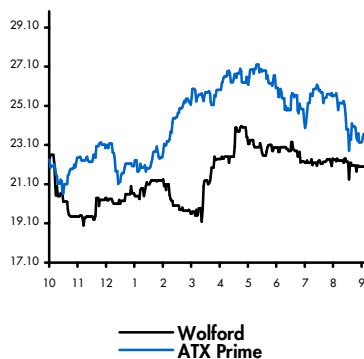
Wolford

September 11, 2015

Consumer, Cyclical/Austria

Hold

Price 10.09.15*	22.00
Price target	22.50
Volatility risk	medium
Year high/low	24.05/19.00
Currency	EUR
EUR/EUR	1.00
GDR rate	n.a.
Shares outstanding eoy in mn	4.90
Market capitalisation (total shares) in EUR mn	107.8
Free float	33.0%
Free float in EUR mn	35.6
Avg. daily turnover (12 m) in EUR mn	0.03
Index	ATX Prime
ISIN code	AT0000834007
Bloomberg	WOLF.VI
Reuters	WLF.D.VI
www.wolford.com	



Source: Raiffeisen Centrobank

Underlying operating loss lower than last year

- Revenue in line with our estimate
- Lack of one-offs result in negative reported operating profit trend
- Adjusted for the sale of lease option in 1Q 14/15 operating loss shrank yoy
- At first glance we confirm our HOLD recommendation and TP of EUR 22.5

Wolford was able to boost its revenues by 6.5% yoy as expected. Iff sales grew by 8% yoy, benefiting from FX effects. Adjusted for FX the Iff trend was still positive at 2% yoy. The heat wave affected sales in some European markets including Austria, Germany and France, but performance in the US and UK was particularly strong.

Operating profit lacked one-offs. 1Q 14/15 benefitted from one-offs that included the sale of a lease option in Switzerland and a sale of a piece of real estate in Bregenz (contributing together EUR 7.4 mn). As a result the EBIT trend is significantly negative. The adjusted EBIT reported by the company is adjusted for the sales of real estate but not for the sale of the lease option. As a result the adjusted EBIT trend looks unimpressive as well. However, accounting for the one-offs the operating loss is lower in 1Q 15/16 than in the prior year's first quarter.

Inventory build-up. As expected Wolford reported an increase in inventory (by 5.9% yoy to EUR 46.3 mn) driven by an adjusted wholesale delivery mode to be more in line with retail needs and an increase in leverage. At the same time the company has reduced its SKUs by 700 (-20%) in line with its new strategy of reducing complexity and focussing on "Never out of stock" products. Net debt has increased by 45% to EUR 25.98 mn driven by an increase in working capital by 4% to EUR 39.8 mn. Operating cash flow of EUR -8.0 mn (vs. EUR -6.5 mn in 1Q 14/15).

Outlook and recommendation: Usually the first quarter is Wolford's weakest quarter due to seasonality effect which explains the weak operating profit. We have overestimated EBIT due to the sale of the lease option that has boosted the 1Q 14/15 profit by EUR 4.0 mn. On a comparable basis, excluding the sale of real estate and the sale of the lease option the operating loss was lower than in 1Q 14/15. The company seems to be on track with the restructuring exercise as guided, however the next quarters of the year will be much more important for the overall picture of progress. We expect a neutral market reaction to the figures today.

Wolford 1Q 2015/16 results

in EUR mn	1Q 15/16	1Q 14/15	yoy	4Q 14/15	+/- %
Sales	33.98	31.91	6.5%	36.20	-6.1%
EBITDA	-0.7	5.1	n.a.	-2.5	n.a.
EBITDA adj.	-0.7	1.9	n.a.	-0.2	n.a.
EBIT	-3.0	3.0	n.a.	-4.9	n.a.
EBIT adj.	-3.0	-0.2	n.a.	-2.5	n.a.
EBIT adj. ex lease options	-3.0	-4.2	n.a.	-2.5	n.a.
EBT	-3.3	2.8	n.a.	-5.2	n.a.
Net profit	-2.6	1.5	n.a.	-3.4	n.a.
EPS	-0.5	0.3	n.a.	-0.7	n.a.
EBITDA margin	-2.1%	16.0%		-7.0%	
EBITDA adj margin	-2.1%	6.1%		-0.4%	
EBIT margin	-8.9%	9.5%		-13.6%	
EBIT adj margin	-8.9%	-0.5%		-7.0%	
Net margin	-7.5%	4.7%		-9.5%	

Source: Company, Raiffeisen Centrobank

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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 11.09.15, Source: Reuters/Bloomberg

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