

Company Update

Wolford

March 27, 2013

Consumer, Cyclical/Austria

Hold

Price 26.03.13*	22.50
Price target	24.30
Volatility risk	medium
Year high/low	28.80/22.50
Currency	EUR
EUR/EUR	1.00
GDR rate	n.a.
Shares outstanding eoy in mn	4.90
Market capitalisation (total shares) in EUR mn	110.3
Free float	29.0%
Free float in EUR mn	32.0
Avg. daily turnover (12 m) in EUR mn	0.02
Index	ATX Prime
ISIN code	AT0000834007
Bloomberg	WOLF AV
Reuters	WLFD.VI
www.wolford.com	

Another transition year

Currently we fail to identify any immediate positive catalysts for Wolford's equity story; thus, we once again rate the stock as a "hold".

3Q 12/13 review: Due to weak European retail data Wolford's top line was flat yoy, in line with our expectations. EBITDA came in EUR 1 mn below our expectation - mainly due to significantly higher other operating costs which were triggered by new store openings and higher advertising, freight, IT and consulting costs. Despite EUR 2.6 mn lower EBT in 3Q 12/13 Wolford's operating cash flow declined by only EUR 1.6 mn due to slight improvements in working capital, while lower investments led to an unchanged free cash flow yoy. While sales in own distribution grew by low single digits, the wholesale business declined. With regard to the geographical split especially Germany and France were strong, contributing more than 32% to the top line, US operations showed a solid performance while other regions were rather weak.

4Q 12/13 preview: In 4Q 12/13 we expect the company's top-line to improve by low single digits. However, we believe that the 4Q bottom line should be rather weak, as qoq not only the sales figure drops but the company also builds up its inventories/work in progress quite strongly. Since Wolford should hardly be able to close the year in positive territory it is questionable whether the management will propose a dividend for FY 12/13. Taking into account its solid equity ratio and slightly positive free cash flow we think a small dividend payment is likely.

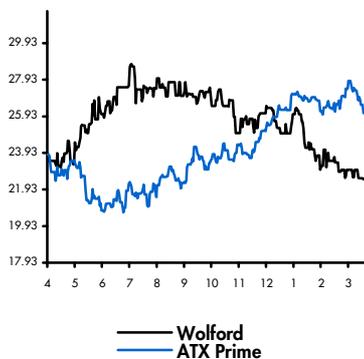
Outlook: So far no outlook beyond FY 12/13 was given. Therefore the estimates for FY 13/14 are based on RCB assumptions only. The current stage of the expansion towards China has not changed much compared to the beginning of FY 12/13. Thus, it seems that we are not likely to see any significant contribution from this side in FY 13/14 either. On the other hand, the management pointed out that recently it was quite successful in the Middle East which might compensate the roll-out delays in Asia to some extent. However, taking into account clouded consumer spending outlooks for the European markets as well as the US (at least for 1H 13) we believe that the overall top line growth in FY 13/14 should not be able to outpace FY 12/13. For the time beyond FY 13/14, we are calculating with only moderate growth in Wolford's points of sale. Thus, a significant estimates increase will become necessary as soon as the broad roll-out materialises.

Valuation: Our DCF valuation indicates a decline in fair value of approx. EUR 1.7. On the peer group comparison the valuation gap has increased quite considerably too. 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 24.30 (EUR 26.00 previously).

Key figures and ratios

EUR	4/2011	4/2012	4/2013e	4/2014e	4/2015e
Sales (mn)	152.2	154.1	158.0	163.2	168.4
EBITDA (mn)	15.7	15.3	9.4	11.2	13.1
EBIT (mn)	7.3	7.0	0.9	2.8	4.7
Net profit a.m. (mn)	5.1	1.4	-0.5	1.1	2.6
Earnings per share (adj.)	1.03	0.28	-0.10	0.22	0.52
EPS adjusted growth	97.2%	-73.0%	-134.8%	n.a.	143.7%
Adjusted PE ratio	26.2	83.9	neg.	104.6	42.9
DPS	0.40	0.40	0.10	0.10	0.20
Dividend yield	1.5%	1.7%	0.4%	0.4%	0.9%
EV/EBITDA	9.1	8.4	13.6	11.4	9.7
Price book value	1.6	1.4	1.4	1.3	1.3

Source: Wolford, Raiffeisen Centrobank estimates



Source: 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 27.03.13, Source: Reuters/Bloomberg

Share price triggers

Trigger	Momentum	Explanation
USD exchange rate	positive	▪ Current EUR weakness supports US operations
Asian expansion	neutral	▪ The store roll-out drags on; however, investors do not believe in a quick solution anymore
Top line growth	negative	▪ European retail data remains weak
Fixed costs	negative	▪ Due to weak growth, higher fixed costs burden profitability

Source: Raiffeisen Centrobank

Weak P&L but solid balance sheet

3Q 2012/13 review

Due to weak European retail data Wolford's figures were rather weak too. The top line was flat yoy - in line with our expectations. EBITDA came in EUR 1 mn below our expectation - mainly due to significantly higher other operating costs (EUR +2.3 mn or +21% yoy) which were triggered by new store openings and higher advertising, freight, IT and consulting costs. Based on lower EBITDA net profit came in lower than we expected as well. Despite EUR 2.6 mn lower EBT in 3Q 12/13 Wolford's operating cash flow declined by only EUR 1.6 mn due to slight improvements in working capital (especially inventories and trade receivables) and lower investments led to an unchanged free cash flow yoy. Thus, despite a rather weak operating performance Wolford's equity ratio of 57% (3Q 11/12: 58%) remains solid.

3Q 2012/13 results

	3Q 12/13	3Q 11/12	+/-	RCB est.	+/-	2Q 12/13	+/-
Sales	47.5	47.6	-0.1%	47.75	-0.5%	43.5	9.2%
EBITDA	6.4	8.9	-28.6%	7.5	-15.0%	4.7	35.7%
EBIT	4.3	6.9	-37.6%	5.4	-20.4%	2.6	64.0%
EBT	4.1	6.6	-38.1%	5.2	-21.5%	2.3	75.0%
Net profit	3.6	6.1	-41.4%	4.1	-13.9%	2.2	63.6%
EPS	0.73	1.2	-41.4%	0.8	-13.9%	0.4	63.6%
EBITDA margin	13.4%	18.8%		15.7%		10.8%	
EBIT margin	9.1%	14.6%		11.4%		6.1%	
EBT margin	8.6%	13.9%		10.9%		5.4%	
Net margin	7.5%	12.7%		8.6%		5.0%	

Source: Wolford, Raiffeisen Centrobank

While sales in own distribution grew by low single digits, the wholesale business declined. The company announced that the measures to stabilise the situation were already implemented; however, we do not believe that they are likely to bear fruits immediately. With regard to the geographical split especially Germany and France were strong, contributing more than 32% to the top line, North American operations showed a solid performance (however, the dynamism lost pace in 3Q), while other regions were rather weak.

4Q 2012/13 results preview

In 4Q 12/13 we expect the company's top line to improve by low single digits. However, we believe that, as usual, the 4Q bottom line should be rather weak, as qoq not only the sales figure drops but the company also builds up its inventories/work in progress quite strongly. Since Wolford should hardly be able to close the year in positive territory it is questionable whether the management will propose a dividend payment for FY 12/13. Taking into account the company's solid equity ratio and slightly positive free cash flow we think a small dividend payment is likely.

4Q earnings slightly negative - as usual

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4Q 12/13 preview

in EUR mn	FY 12/13e	4Q 12/13e	4Q 11/12	yoy	3Q 12/13	qoq
Sales	158.0	33.9	32.9	3.0%	47.5	-28.7%
EBITDA	9.4	-0.4	-0.3	-71.0%	6.4	-106.7%
EBIT	0.9	-2.8	-2.7	-4.6%	4.3	-164.3%
EBT	-0.8	-3.6	-3.2	-11.8%	4.1	-187.2%
Net profit	-0.5	-3.0	-5.7	48.1%	3.6	-183.2%
EPS	-0.10	-0.60	-1.16	48.1%	0.72	-183.2%
EBITDA margin	5.9%	-1.3%	-0.8%		13.4%	
EBIT margin	0.5%	-8.2%	-8.1%		9.1%	
EBT margin	-0.5%	-10.5%	-9.6%		8.6%	
Net margin	-0.3%	-8.7%	-17.3%		7.5%	

Source: Wolford, Raiffeisen Centrobank estimates

Outlook

We cut our estimates due to the lagging store roll-out schedule and weak retail data

So far no outlook beyond FY 12/13 was given. Therefore the estimates for FY 13/14 are based on RCB assumptions only.

The current stage of the expansion towards China has not changed much compared to the beginning of FY 12/13. Thus, it seems that we are not likely to see any significant contribution from this side in FY 13/14 either. On the other hand, the management pointed out that it was quite successful in the Middle East recently, which might compensate for the roll-out delays in Asia to some extent. However, taking into account clouded consumer spending outlooks for the European markets as well as the US (at least for 1H 13) we believe that the overall top line growth in FY 13/14 should not be able to outpace FY 12/13. For the time beyond FY 13/14 we are calculating with only moderate growth in Wolford's points of sale (approx. 10 net new store additions p.a.). Thus, there is a significant upside to our estimates as soon as the broad roll-out materialises.

Changes to forecast

In EUR mn	Old			New			Comments
	2012/13e	2013/14e	2014/15e	2012/13e	2013/14e	2014/15e	
Sales	160.2	166.9	172.6	158.0	163.2	168.4	Lower growth rates, lagging roll-out schedule
Sales growth	4.0%	4.2%	3.4%	2.6%	3.3%	3.2%	
EBITDA	12.1	15.9	18.8	9.4	11.2	13.1	
EBITDA margin	7.5%	9.5%	10.9%	5.9%	6.9%	7.8%	Unchanged fixed costs trigger lower margins
EBIT	3.6	7.4	10.3	0.9	2.8	4.7	
EBIT margin	2.2%	4.4%	6.0%	0.5%	1.7%	2.8%	
EBT	2.0	5.9	8.9	-0.8	1.3	3.2	
EBT margin	1.3%	3.5%	5.2%	-0.5%	0.8%	1.9%	
Net profit	1.3	4.8	6.8	-0.5	1.1	2.6	
Net profit margin	0.8%	2.9%	3.9%	-0.3%	0.6%	1.5%	
EPS	0.26	0.98	1.38	-0.10	0.18	0.52	
DPS	0.40	0.40	0.40	0.10	0.10	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.
- At the moment the company's floor expansion lags behind our expectations. For FY 2013/14e we have included 10 net store additions into our planning model; thus, our estimates are rather overstated should the company add fewer stores.
- 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.

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- 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 24.3 vs. EUR 26.0). On the peer group comparison the share as usually trades at a discount on sales- and assets multiples and at a premium on profitability multiples, but the valuation gap between the share and the peer group has increased quite considerably. However, we believe that the peer group estimates are likely to come down as well (although not to the same extent). 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 24.30 (EUR 26.00 previously).

Target price EUR 24.3 (EUR 26 previously); "hold" unchanged

	P/BV			EV/Sales			EV/EBITDA			EV/EBIT		
	2012e	2013e	2014e	2012e	2013e	2014e	2012e	2013e	2014e	2012e	2013e	2014e
LVMH	2.8	2.5	2.3	2.7	2.3	2.1	10.8	9.3	8.1	12.7	11.0	9.7
Hugo Boss	9.0	8.1	6.7	2.4	2.5	2.2	10.7	10.7	9.3	13.0	12.7	11.1
Gerry Webber	4.6	4.0	3.5	2.0	1.7	1.5	11.7	9.9	8.4	13.3	11.2	9.5
Burberry	n.a.	n.a.	n.a.	2.9	2.5	2.2	11.2	9.7	8.2	14.9	12.4	10.4
Calida	1.5	1.5	1.4	0.7	0.9	0.8	3.7	5.7	5.3	4.7	7.8	7.2
Van de Velde	2.7	2.6	2.4	2.4	2.3	2.3	8.2	8.7	8.3	8.9	9.9	9.5
Median	2.8	2.6	2.4	2.4	2.3	2.1	10.8	9.5	8.3	12.8	11.1	9.6
Mean	4.1	3.7	3.2	2.2	2.0	1.8	9.4	9.0	8.0	11.3	10.9	9.6
Wolford	1.4	1.3	1.3	0.8	0.8	0.8	13.6	11.4	9.7	n.m	45.2	26.8
Dis/Prem.Median	-51.9%	-47.8%	-45.6%	-66.7%	-66.6%	-64.8%	26.0%	20.4%	16.9%	n.m	306.4%	179.6%
Dis/Prem.Mean	-67.1%	-63.8%	-59.4%	-63.0%	-61.4%	-59.3%	44.4%	26.8%	21.3%	n.m	316.3%	180.3%

Source: Bloomberg, Raiffeisen Centrobank estimates

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DCF Valuation

<i>FCF projection (EUR mn)</i>	2012e	2013e	2014e	2015e	2016e	2017e	TV CF
Consolidated sales	158.0	163.2	168.4	175.2	181.3	185.8	185.8
EBITDA	9.4	11.2	13.1	19.3	20.8	22.3	22.3
EBITA	0.9	2.8	4.7	11.3	12.8	14.3	14.3
Taxes paid on EBITDA	0.2	-0.2	-1.0	-2.4	-2.7	-3.0	-3.0
NOPLAT	1.1	2.6	3.7	8.9	10.2	11.3	11.3
Adj. NOPLAT	1.1	2.6	3.7	8.9	10.2	11.3	11.3
Depreciation of PPE & intangibles	8.5	8.4	8.4	8.0	8.0	8.0	8.0
Gross investment in PPE & intangibles	-8.4	-9.9	-8.5	-8.5	-8.1	-8.1	-8.6
Change in working capital	4.3	-0.6	-1.1	-0.5	-1.2	-0.9	-0.6
NWC/Sales	20.7%	20.5%	20.5%	20.0%	20.0%	20.0%	20.0%
Change in LT provisions other than tax	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Net acquisitions & disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow to firm	6.0	1.1	3.1	8.5	9.4	10.9	10.7
Adj. free cash flow to firm	6.0	1.1	3.1	8.5	9.4	10.9	10.7
EV DCF, mid-year assumption	126.8	135.1					
+ MV of non-operating assets eop	0.0	0.0					
- MV of net debt eop	16.7	17.7					
- MV of minorities eop	0.0	0.0					
Adjustments to EV eop	0.0	0.0					
Fair value of equity	110.1	117.4					
Shares outstanding (mn)	4.9	4.9					
Fair value per share (in EUR)	22.46	23.96					

<i>Value drivers</i>	2012e	2013e	2014e	2015e	2016e	2017e	TV CF
Consolidated sales yoy	2.6%	3.3%	3.2%	4.0%	3.5%	2.5%	1.5%
EBITDA margin	5.9%	6.9%	7.8%	11.0%	11.5%	12.0%	12.0%
Rate of taxes paid	24.9%	-8.2%	-21.0%	-21.0%	-21.0%	-21.0%	-21.0%
Working capital/sales	20.7%	20.5%	20.5%	20.0%	20.0%	20.0%	20.0%
Capex/depreciation	98.9%	117.3%	101.4%	106.3%	101.3%	101.3%	107.6%
Free cash flow margin	3.8%	0.7%	1.9%	4.8%	5.2%	5.9%	5.8%

<i>WACC</i>	2012e	2013e	2014e	2015e	2016e	2017e	TV CF
Target capital structure (at MV)	88.7%	86.8%	86.2%	90.0%	90.0%	90.0%	85.0%
Debt/equity ratio (at MV)	12.8%	15.2%	16.0%	11.1%	11.1%	11.1%	17.6%
Risk free rate (local)	0.6%	1.9%	2.1%	2.5%	2.7%	2.9%	3.7%
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	6.6%	8.0%	8.2%	8.5%	8.8%	8.9%	9.7%
Cost of debt	4.0%	4.0%	4.0%	4.0%	4.5%	5.0%	5.8%
Tax rate	24.9%	-8.2%	-21.0%	-21.0%	-21.0%	-21.0%	-21.0%
WACC	6.4%	7.4%	7.5%	8.0%	8.2%	8.4%	8.9%

Sensitivity analysis

<i>Growth sensitivity (EUR)</i>	<i>Terminal growth rate</i>						
WACC	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
7.4%	25.1	26.9	29.0	31.4	34.3	37.7	41.9
7.9%	23.2	24.7	26.5	28.5	30.9	33.7	37.1
8.4%	21.5	22.8	24.3	26.1	28.1	30.4	33.2
8.9%	20.0	21.1	22.5	24.0	25.7	27.7	30.0
9.4%	18.6	19.6	20.8	22.1	23.6	25.3	27.2
9.9%	17.4	18.3	19.3	20.5	21.8	23.2	24.9
10.4%	16.3	17.1	18.0	19.0	20.2	21.4	22.9

<i>Margin sensitivity (EUR)</i>	<i>FCF margin TV</i>						
WACC	4.3%	4.8%	5.3%	5.8%	6.3%	6.8%	7.3%
7.4%	23.7	26.3	28.8	31.4	33.9	36.5	39.1
7.9%	21.6	23.9	26.2	28.5	30.8	33.2	35.5
8.4%	19.8	21.9	24.0	26.1	28.2	30.3	32.4
8.9%	18.2	20.1	22.0	24.0	25.9	27.8	29.7
9.4%	16.8	18.6	20.3	22.1	23.9	25.7	27.4
9.9%	15.6	17.2	18.8	20.5	22.1	23.8	25.4
10.4%	14.5	16.0	17.5	19.0	20.6	22.1	23.6

Source: Raiffeisen Centrobank estimates

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<i>Income statement (EUR mn)</i>	<i>4/2010</i>	<i>4/2011</i>	<i>4/2012</i>	<i>4/2013e</i>	<i>4/2014e</i>	<i>4/2015e</i>
Consolidated sales	144.0	152.2	154.1	158.0	163.2	168.4
Changes in inventories & own work capitalised	-5.0	3.9	3.4	0.1	0.7	1.7
Other operating income	3.5	3.5	4.0	4.0	4.0	4.1
Total revenues	142.5	159.6	161.5	162.2	167.9	174.2
Material costs	-24.3	-28.3	-28.5	-29.2	-31.0	-32.8
Personnel expenses	-68.1	-73.9	-73.2	-74.0	-75.1	-76.7
Other operating expenses	-37.7	-41.7	-44.5	-49.6	-50.6	-51.5
EBITDA	12.5	15.7	15.3	9.4	11.2	13.1
Adjusted EBITDA	12.5	15.7	15.3	9.4	11.2	13.1
Depreciation of PPE and intangibles	-8.0	-8.4	-8.3	-8.5	-8.4	-8.4
EBITA	4.5	7.3	7.0	0.9	2.8	4.7
Amortisation, impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.5	7.3	7.0	0.9	2.8	4.7
Adjusted EBIT	4.5	7.3	7.0	0.9	2.8	4.7
Investment income	0.2	0.0	-0.3	-0.2	0.0	0.2
Net interest income	-0.5	-0.8	-0.7	-0.8	-0.9	-1.0
Other financial result	-0.7	-0.8	-0.8	-0.6	-0.7	-0.7
Financial result	-1.1	-1.5	-1.8	-1.6	-1.5	-1.5
Earnings before taxes	3.4	5.8	5.2	-0.8	1.3	3.2
Taxes on income	-0.8	-0.8	-3.8	0.3	-0.2	-0.6
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	2.6	5.1	1.4	-0.5	1.1	2.6
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net profit after minorities	2.6	5.1	1.4	-0.5	1.1	2.6
Adjusted Net profit	2.6	5.1	1.4	-0.5	1.1	2.6
Changes yoy	4/2010	4/2011	4/2012	4/2013e	4/2014e	4/2015e
Consolidated sales yoy	-2.2%	5.6%	1.3%	2.6%	3.3%	3.2%
EBITDA yoy	30.2%	26.0%	-2.7%	-38.9%	20.0%	16.6%
EBITA yoy	106.1%	62.7%	-4.5%	-87.7%	228.8%	66.4%
EBIT yoy	106.1%	62.7%	-4.5%	-87.7%	228.8%	66.4%
EBT yoy	n.a.	70.8%	-11.0%	-114.8%	n.a.	149.8%
Net profit after minorities yoy	n.a.	97.2%	-73.0%	-134.8%	n.a.	143.7%
Margins	4/2010	4/2011	4/2012	4/2013e	4/2014e	4/2015e
Material costs margin	-16.9%	-18.6%	-18.5%	-18.5%	-19.0%	-19.5%
EBITDA margin	8.7%	10.3%	9.9%	5.9%	6.9%	7.8%
EBITA margin	3.1%	4.8%	4.5%	0.5%	1.7%	2.8%
EBIT margin	3.1%	4.8%	4.5%	0.5%	1.7%	2.8%
EBT margin	2.4%	3.8%	3.4%	-0.5%	0.8%	1.9%
Net margin	1.8%	3.3%	0.9%	-0.3%	0.6%	1.5%
Profitability	4/2010	4/2011	4/2012	4/2013e	4/2014e	4/2015e
Return on assets	2.2%	4.0%	1.1%	0.0%	1.2%	2.3%
Return on equity	3.3%	6.2%	1.6%	-0.6%	1.3%	3.1%
Return on capital employed	3.0%	5.5%	1.5%	0.1%	1.7%	3.2%
Cash flow statement (EUR mn)	4/2010	4/2011	4/2012	4/2013e	4/2014e	4/2015e
Earnings before taxes	3.4	5.8	5.2	-0.8	1.3	3.2
Taxes paid	-0.3	-0.9	-1.9	0.2	-0.2	-0.6
Amortisation and depreciation	8.0	8.5	8.5	8.5	8.4	8.4
Other non-cash items	-0.3	0.3	-0.1	0.6	0.6	0.6
Cash flow from result	10.8	13.8	11.7	8.5	10.0	11.6
Change in working capital	11.3	0.4	-4.4	1.6	-0.6	-1.1
Operating cash flow	22.1	14.2	7.3	10.1	9.4	10.5
Capex PPE and intangible assets	-8.3	-6.1	-8.3	-8.4	-9.9	-8.5
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Disposal of fixed assets (total)	0.2	0.0	0.0	0.0	0.0	0.0
Other items (investments)	-0.0	2.1	1.4	0.0	0.0	0.0
Investing cash flow	-8.1	-4.0	-6.9	-8.4	-9.9	-8.5
Dividend payments	0.0	-1.0	-2.0	-2.0	-0.5	-0.5
Other changes in equity	0.0	0.0	0.0	0.0	0.0	0.0
Change in financial liabilities	-13.2	-9.5	2.3	2.2	0.0	0.0
Other items	0.0	0.0	0.0	-2.4	0.0	0.0
Financing cash flow	-13.2	-10.5	0.3	-2.1	-0.5	-0.5

Source: Wolford, Raiffeisen Centrobank estimates

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Balance sheet (EUR mn)	4/2010	4/2011	4/2012	4/2013e	4/2014e	4/2015e
Current assets	58.3	60.9	64.2	62.9	63.4	66.8
Liquid funds	4.7	4.4	5.3	4.9	4.0	5.5
Receivables	16.1	15.1	14.7	15.0	16.3	16.8
Inventories	37.6	41.4	44.2	43.0	43.1	44.5
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	82.3	77.7	76.1	76.0	77.5	77.6
Property, plant & equipment	64.4	62.2	62.4	61.3	62.0	61.6
Intangible assets	10.6	10.5	10.0	11.0	11.7	12.2
Goodwill	1.2	1.1	1.2	1.2	1.2	1.2
Financial assets	6.1	3.9	2.6	2.6	2.6	2.6
Deferred tax assets	4.9	5.9	5.2	5.3	5.3	5.3
Total assets	145.5	144.5	145.5	144.2	146.1	149.6
Current liabilities	34.2	33.9	27.3	41.1	41.9	42.7
Short-term borrowings	11.7	8.3	2.8	15.9	15.9	15.9
Notes & trade payables, payments received	4.8	5.8	4.9	5.2	5.4	5.6
Other current liabilities	17.7	19.8	19.6	20.0	20.6	21.3
Long-term liabilities	31.7	26.4	34.4	21.7	22.3	22.9
Long-term borrowings	16.4	10.3	18.1	7.2	7.2	7.2
Long-term provisions	13.9	14.6	13.9	14.5	15.1	15.7
Other long-term liabilities	1.5	1.4	2.4	0.0	0.0	0.0
Hybrid & other mezzanine capital	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	79.4	83.9	83.6	81.2	81.7	83.8
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax liabilities	0.2	0.3	0.2	0.2	0.2	0.2
Total liabilities	145.5	144.5	145.5	144.2	146.1	149.6
Balance sheet (EUR mn)	4/2010	4/2011	4/2012	4/2013e	4/2014e	4/2015e
Net working capital	31.2	30.9	34.4	32.8	33.4	34.5
Net interest-bearing debt	18.4	11.4	14.1	16.7	17.7	16.2
Capital employed	107.5	102.5	104.5	104.3	104.9	106.9
Market capitalisation	81.1	132.3	114.2	110.3	110.3	110.3
Enterprise value	99.5	143.7	128.3	127.0	127.9	126.4
Financing (x)	4/2010	4/2011	4/2012	4/2013e	4/2014e	4/2015e
Interest cover	12.5	19.1	19.8	10.9	12.2	12.6
Internal financing ratio	2.7	2.3	0.9	1.2	1.0	1.2
Net gearing	23.2%	13.6%	16.9%	20.6%	21.6%	19.3%
Quick ratio	0.6	0.6	0.7	0.5	0.5	0.5
Fixed assets cover	1.4	1.4	1.5	1.4	1.3	1.4
Capex / depreciation	1.0	0.7	1.0	1.0	1.2	1.0
Equity ratio	54.5%	58.0%	57.5%	56.3%	55.9%	56.0%
Per share data (EUR)	4/2010	4/2011	4/2012	4/2013e	4/2014e	4/2015e
Weighted avg. no. of shares (mn)	4.9	4.9	4.9	4.9	4.9	4.9
EPS reported	0.52	1.03	0.28	-0.10	0.22	0.52
Earnings per share (adj.)	0.52	1.03	0.28	-0.10	0.22	0.52
Operating cash flow per share	4.52	2.89	1.48	2.06	1.92	2.14
Book value per share	16.20	17.11	17.06	16.57	16.68	17.11
DPS	0.20	0.40	0.40	0.10	0.10	0.20
Payout ratio	38.3%	38.8%	144.0%	-103.4%	46.5%	38.1%
Valuation (x)	4/2010	4/2011	4/2012	4/2013e	4/2014e	4/2015e
PE reported	31.7	26.2	83.9	-232.6	104.6	42.9
Adjusted PE ratio	31.7	26.2	83.9	-232.6	104.6	42.9
Price cash flow	3.7	9.3	15.7	10.9	11.7	10.5
Price book value	1.0	1.6	1.4	1.4	1.3	1.3
Dividend yield	1.2%	1.5%	1.7%	0.4%	0.4%	0.9%
Free cash flow yield	17.3%	6.1%	-0.9%	1.6%	-0.4%	1.8%
EV/sales	0.7	0.9	0.8	0.8	0.8	0.8
EV/EBITDA	8.0	9.1	8.4	13.6	11.4	9.7
EV/EBIT	22.1	19.6	18.3	147.5	45.2	26.8
EV/operating cash flow	4.5	10.1	17.7	12.6	13.6	12.1
Adjusted EV/CE	1.0	1.5	1.3	1.3	1.3	1.2
Adjusted EV/CE vs. ROCE/WACC				147.3	5.4	2.9

Source: Wolford, Raiffeisen Centrobank estimates

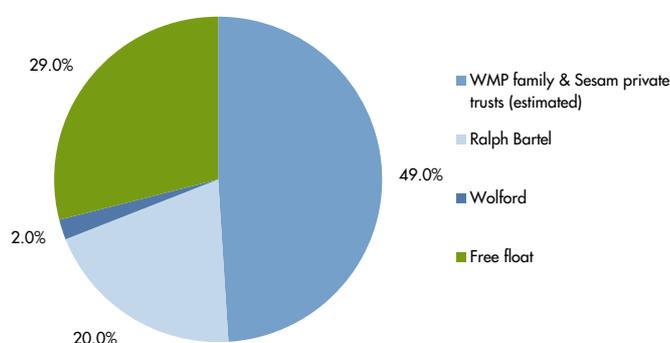
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Fact Sheet

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)	4/2012	4/2013e	4/2014e	4/2015e
Consolidated sales	154.1	158.0	163.2	168.4
EBITDA	15.3	9.4	11.2	13.1
EBIT	7.0	0.9	2.8	4.7
EBT	5.2	-0.8	1.3	3.2
Net profit bef. min.	1.4	-0.5	1.1	2.6
Net profit after min.	1.4	-0.5	1.1	2.6

Balance sheet	4/2012	4/2013e	4/2014e	4/2015e
Total assets	145.5	144.2	146.1	149.6
Shareholders' equity	83.6	81.2	81.7	83.8
Goodwill	1.2	1.2	1.2	1.2
NIBD	14.1	16.7	17.7	16.2

Cash flow statement	4/2012	4/2013e	4/2014e	4/2015e
Operating cash flow	7.3	10.1	9.4	10.5
Investing cash flow	-6.9	-8.4	-9.9	-8.5
Change NIBD	-2.7	-2.6	-0.9	1.5

Source: Wolford, Raiffeisen Centrobank estimates

Per share data (EUR)	4/2012	4/2013e	4/2014e	4/2015e
EPS pre-goodwill	0.28	-0.10	0.22	0.52
Adj. EPS diluted	0.28	-0.10	0.22	0.52
Operating cash flow	1.48	2.06	1.92	2.14
Book value	17.06	16.57	16.68	17.11
Dividend	0.40	0.10	0.10	0.20
Payout ratio	144.0%	-103.4%	46.5%	38.1%

Valuation (x)	4/2012	4/2013e	4/2014e	4/2015e
PE pre-goodwill	83.9	-232.6	104.6	42.9
Adj. PE diluted	83.9	-232.6	104.6	42.9
Price cash flow	15.7	10.9	11.7	10.5
Price book value	1.4	1.4	1.3	1.3
Dividend yield	1.7%	0.4%	0.4%	0.9%
FCF yield	-0.9%	1.6%	-0.4%	1.8%
EV/EBITDA	8.4	13.6	11.4	9.7
EV/EBIT	18.3	147.5	45.2	26.8
EV/operating CF	17.7	12.6	13.6	12.1

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Publication schedule

Date	Publication
19.07.2013	4Q Earnings release
13.09.2013	1Q Earnings release
17.09.2013	Annual General Meeting
19.09.2013	Ex-Dividend
23.09.2013	Dividend Payment
13.12.2013	2Q Earnings release

Recommendation history

Date	Rating	Target Price	Prev. day's close	Upside
24.01.2013	Hold	26.00	24.10	7.9%
28.03.2012	Hold	25.50	24.55	3.9%

Coverage universe recommendation overview

	buy	hold	reduce	sell	suspended	UR
Universe	46	59	12	2	8	11
Universe %	33%	43%	9%	1%	6%	8%
Investment banking services	11	16	0	0	1	2
Investment banking services %	37%	53%	0%	0%	3%	7%

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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Given the cyclical nature of the sector in which this company, Wolford, operates, 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.

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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