



Press Conference Wolford AG

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July 18, 2014



company.wolford.com

The 2013/14 Financial Year

Strategic Refocusing

Outlook 2014/15 and Objectives

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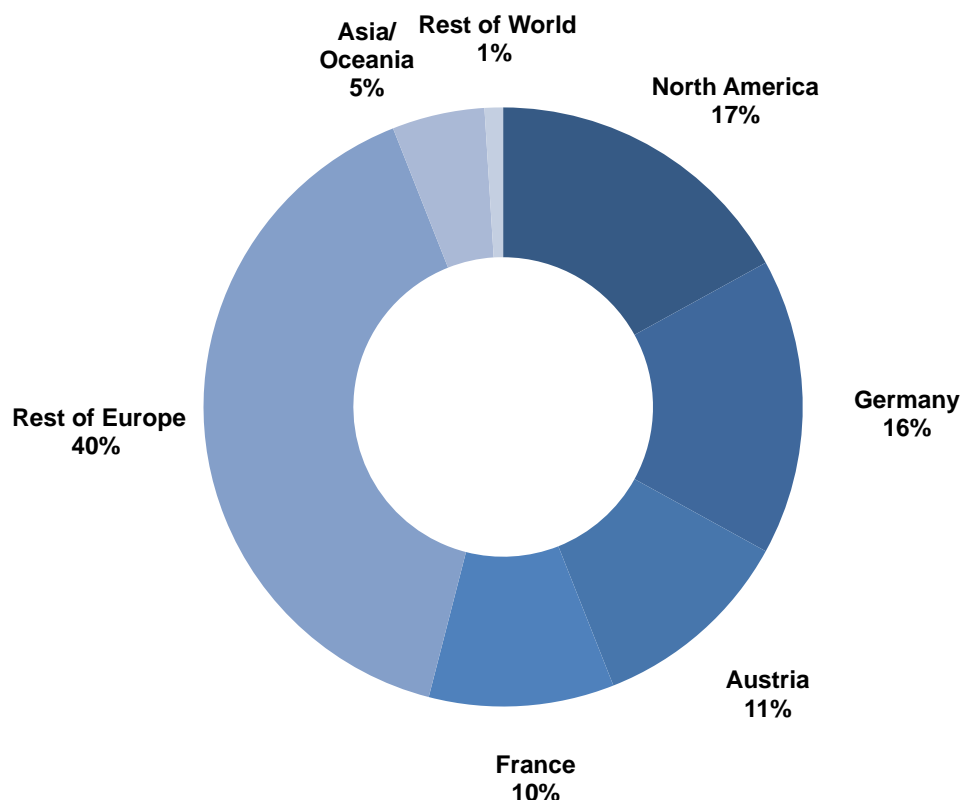
- ▶ **Adjusted for currency effects, revenues increase by approx. 1%**
 - ▶ Negative currency effects of about € 2 million mainly from USD and GBP
 - ▶ Total revenues with € 155.87 million at the prior-year level (-0.4%)
- ▶ **EBIT adjusted and earnings after tax match the previous year's level**
 - ▶ Non-recurring expenses of € 3.76 million
- ▶ **Remarkably positive cash flow from operating activities and solid balance sheet structure**
- ▶ **Significant progress in strategic refocusing**
 - ▶ New leadership culture and incentive system established
 - ▶ Product portfolio adjusted starting with the fall-winter collection 2015/16
 - ▶ Realignment and considerable expansion of marketing activities
 - ▶ Monobrand network streamlined and systematically extended
 - ▶ Optimization of processes and organizational structures

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Revenues by Market

May 2013 – April 2014

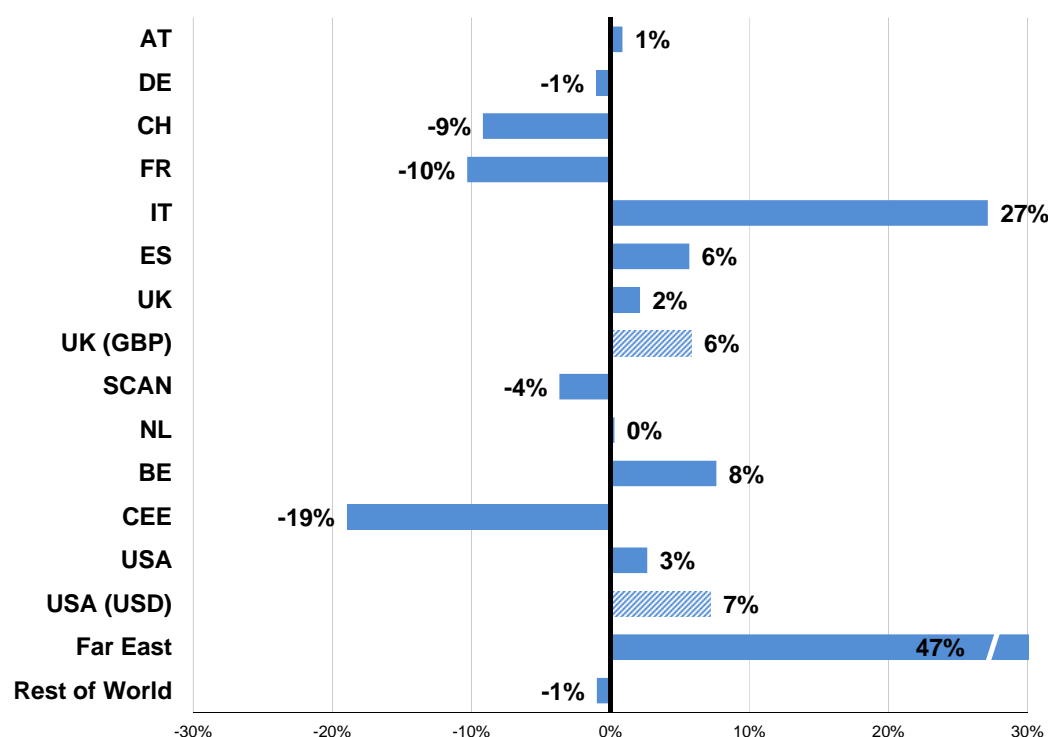


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Revenue Development by Market

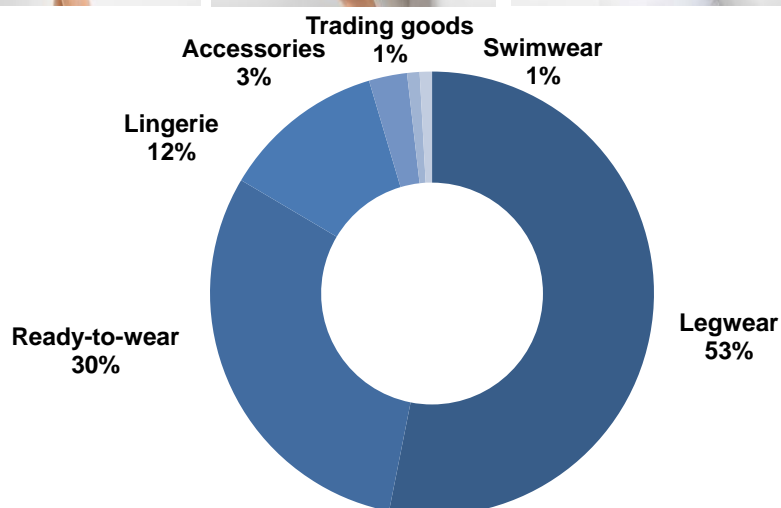
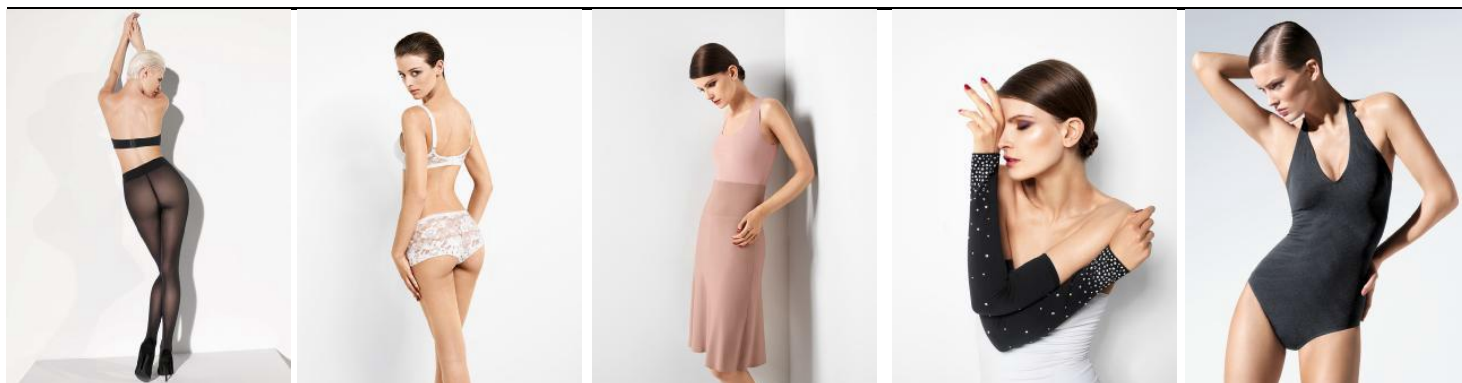
May 2013 – April 2014 vs. prior year



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Revenues by Product Group

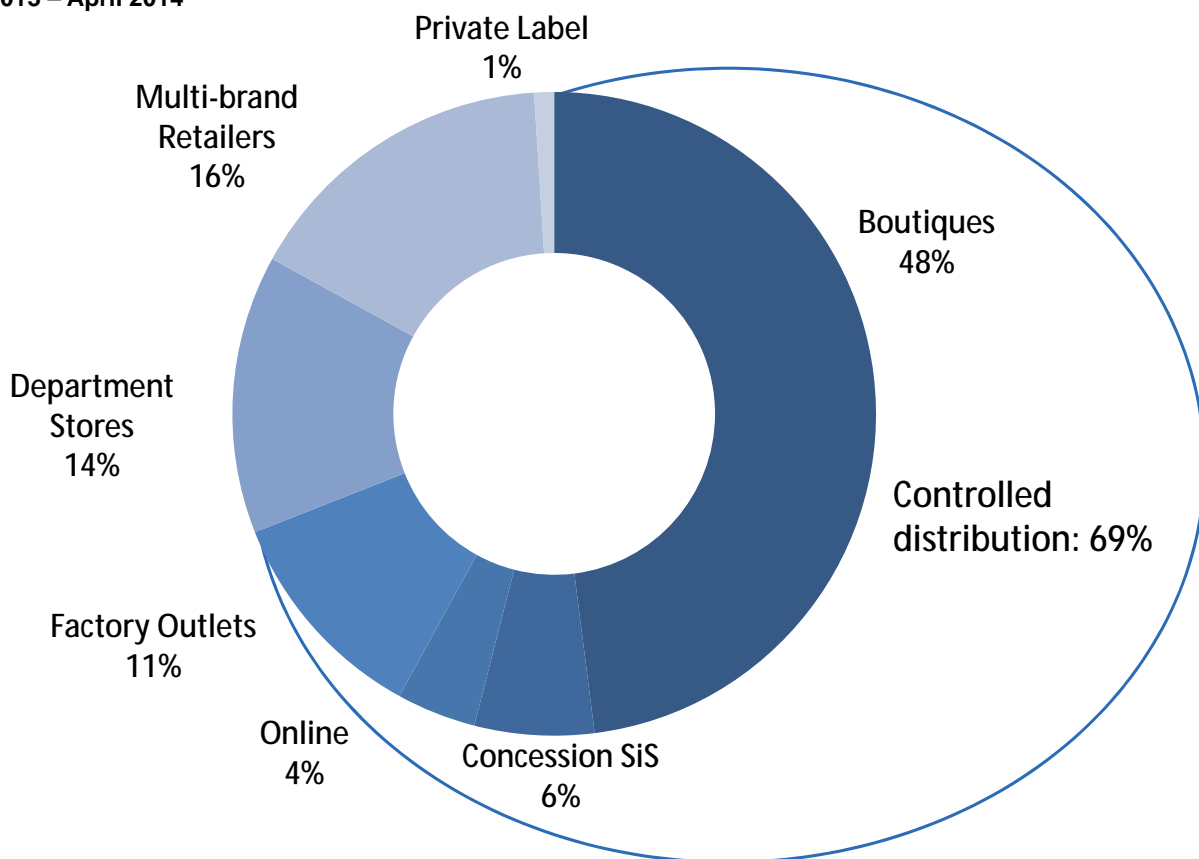


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Revenues by Distribution

May 2013 – April 2014

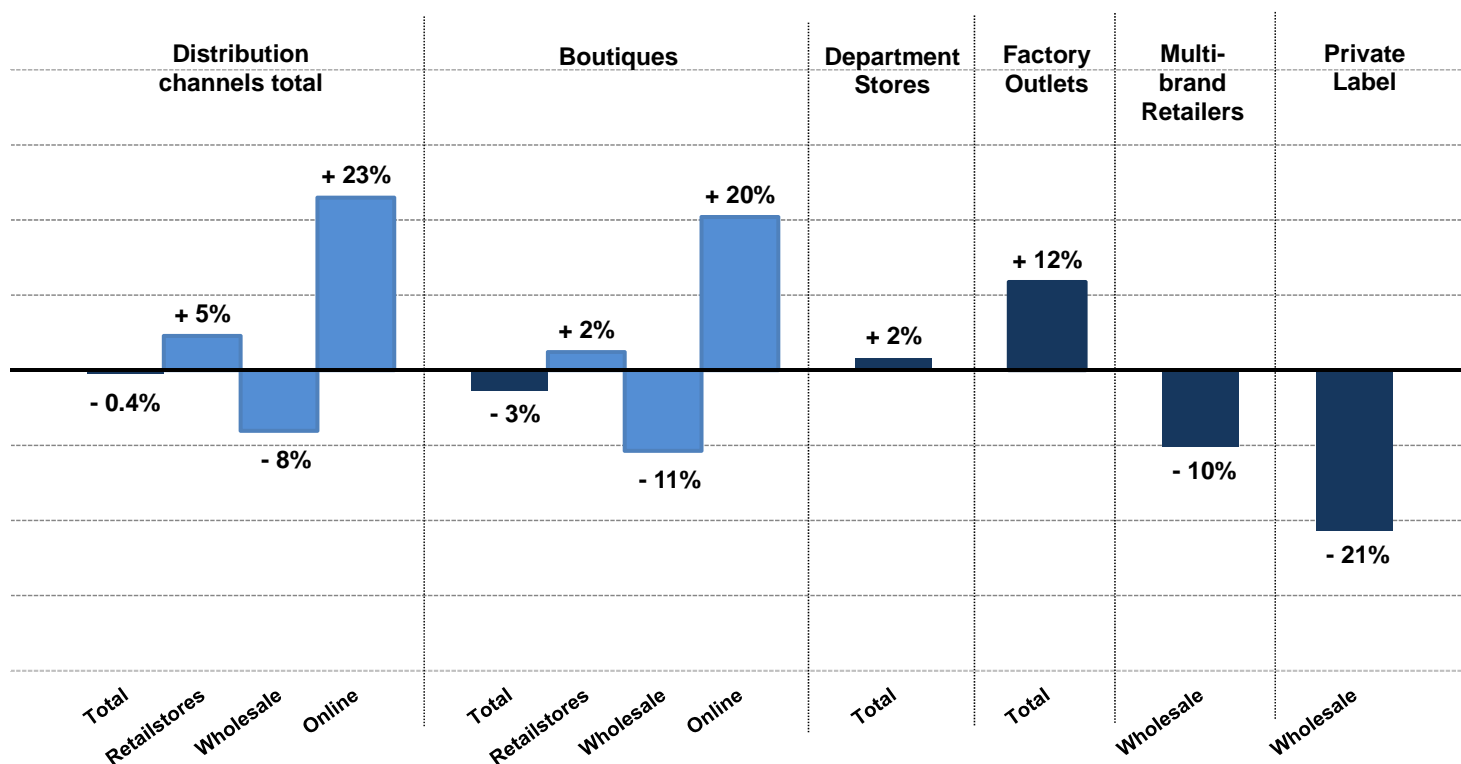


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Revenue Development by Distribution

May 2013 – April 2014 vs. prior year



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- ▶ **Status as at April 30, 2014**
- ▶ **179 Wolford-owned points of sale (monobrand)**
 - ▶ 121 boutiques (operated by Wolford)
 - ▶ 26 factory outlets (operated by Wolford)
 - ▶ 32 concession shop-in-shops (operated by Wolford)
- ▶ **90 partner-operated points of sale (monobrand)**
- ▶ **about 3,000 selected trading partners**
- ▶ **as well as online shops in 15 countries**

Group Earnings Data

in €mill.	2013/14	2012/13	Change in %
Revenues	155.87	156.47	-0.4
EBITDA adjusted	7.11	7.90	-10
EBIT adjusted	-0.97	-0.91	-7
Non-recurring expenses	-3.76	0	-
EBIT	-4.72	-0.91	> 100
Earnings before tax	-5.89	-2.25	> 100
Earnings after tax	-2.81	-2.76	-2
Employees on average	1,562	1,606	-3

- ▶ **Adjusted for currency effects, revenues increased by approx. 1%**
 - ▶ Negative currency effects of about €2 million mainly from USD and GBP
 - ▶ Total revenues with €155.87 million at the prior-year level (-0.4%)
 - ▶ Declines in the wholesale business were gradually attenuated in the course of the year

- ▶ **EBIT adjusted of €-0.97 million on prior-year level**
 - ▶ Despite inflationary increase in costs and slight revenue decline
 - ▶ Process optimization led to savings of about €2 million
 - ▶ Marketing expenses increased from €6.5 million to €7.9 million
 - ▶ Non-recurring expenses (= one-off effects) of €3.76 million reduce EBIT as expected to €-4.72 million

- ▶ **Earnings after tax of €-2.81 million also at the prior-year level**

Group Balance Sheet Data

in €mill.	30.04.2014	30.04.2013	Change in %
Equity	74.38	78.15	-5
Net debt	17.04	15.96	+7
Capital employed	91.42	94.11	-3
Working capital	33.72	38.49	-12
Balance sheet total	138.12	142.32	-3
Equity ratio	53.9%	54.9%	-
Gearing	22.9%	20.4%	-
Working capital as a percent of revenues	21.6%	24.6%	-
Net debt to EBITDA adjusted	2.4	2.0	-
EBITDA adjusted to net interest cost	11.0	9.3	-

► Remarkably positive cash flow from operating activities despite earnings decline

- Cash flow from operating activities of € 6.30 million (2012/13: € 6.31 million), mainly due to further decrease of inventories
 - Ratio of working capital to revenues reduced from 24.6% to 21.6%
- Higher investments (mainly for expansion of distribution) lead to slightly negative free cash flow of € -0.97 million (2012/13: € 0.48 million)

► Consistently solid balance sheet structure

- Equity ratio of 54% (2012/13: 55%)
- Gearing of 23% (2012/13: 20%)
- Debt repayment period (net debt to EBITDA adjusted) of 2.4 years (2012/13: 2.0 years)

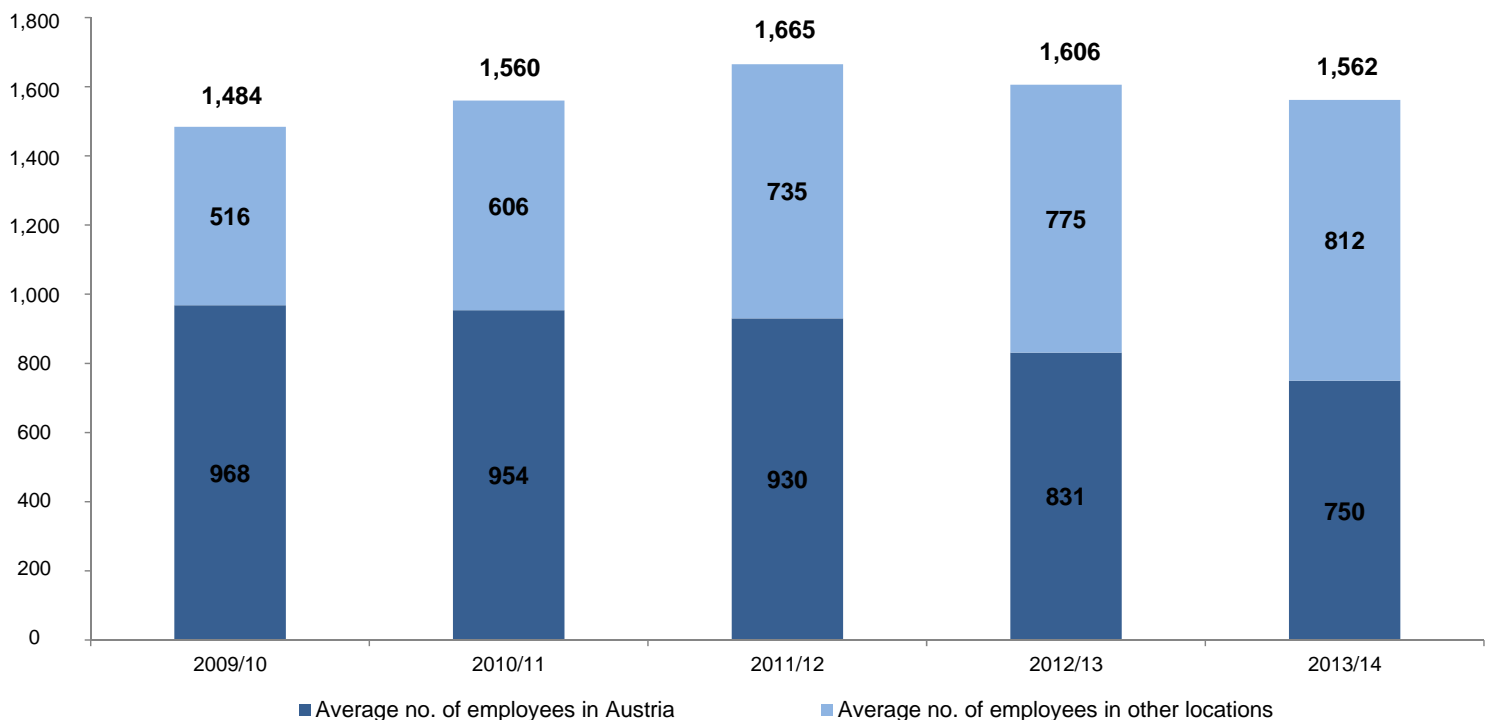
► Financing of business strategy secured

- Based on equity financing from cash flow, sale of land (€ 6.7 million) and lease option (€ 4.0 million)
- Long-term, well established bank relations and sufficient unused lines of credit

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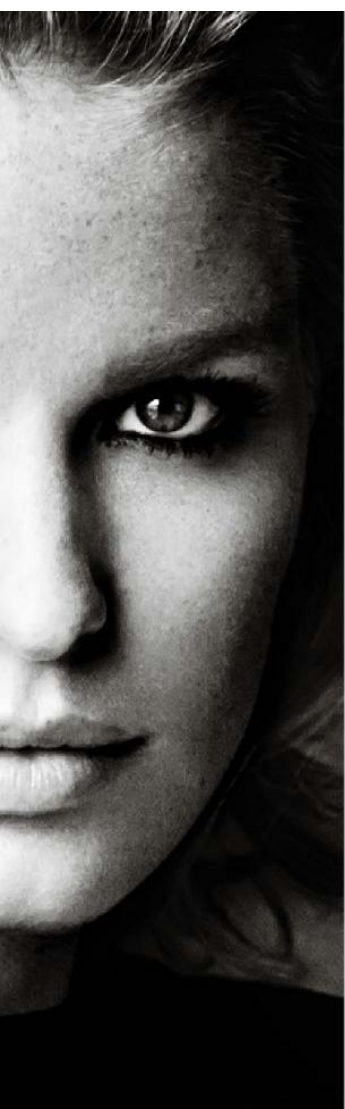
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Average Number of Employees (FTEs)



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Strategic Refocusing

Key Elements of the Strategic Refocusing

- ▶ Establishing a new **leadership culture and incentive system**
- ▶ Adaptation of the **product portfolio** and sharpening of the collection statement
- ▶ Reorientation of **communication** in all its facets and focus on **markets** with the highest cost/benefit ratio
- ▶ Optimization of monobrand **distribution**, relaunch of wholesale business and strengthening of E-Commerce
- ▶ **Innovations** as the strength of the brand
- ▶ Creation of an agile, market-oriented **organization** and optimization of internal **processes**
- ▶ **Financing** from Wolfford's own resources

- ▶ Adaptation of product portfolio to Legwear, which represents the DNA of the company, and to the target group
 - ▶ Taking account of the brand's USPs
 - ▶ Expansion of the Lingerie and Bodywear product range (especially Shapewear), reduction of clothing (Ready-to-wear) and exit of Swimwear as of the spring-summer collection 2015
 - ▶ Continuous renewal of the essential collection with a focus on functional and innovative products
 - ▶ Homogeneous style spanning all product groups
- ▶ Maintenance of general price positioning and launch of modern products at attractive prices in order to appeal to new target groups
- ▶ Increase of sales volume to ensure utilization of existing capacities and increase of profitability

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The Wolford Product



Wolford stands for elegant, comfortable and intelligent products. The elegant undergarment, the direct touch, the caressing of skin and the intelligent innovation provide a kind of Body Couture, textile body cosmetic which boasts a niche character with its luxurious style.

Die 7 Top-Accessoires

Unsere absoluten Favoriten für den Januar



Source: Elle Germany, Edition 12/13

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Renewal of the Product Range

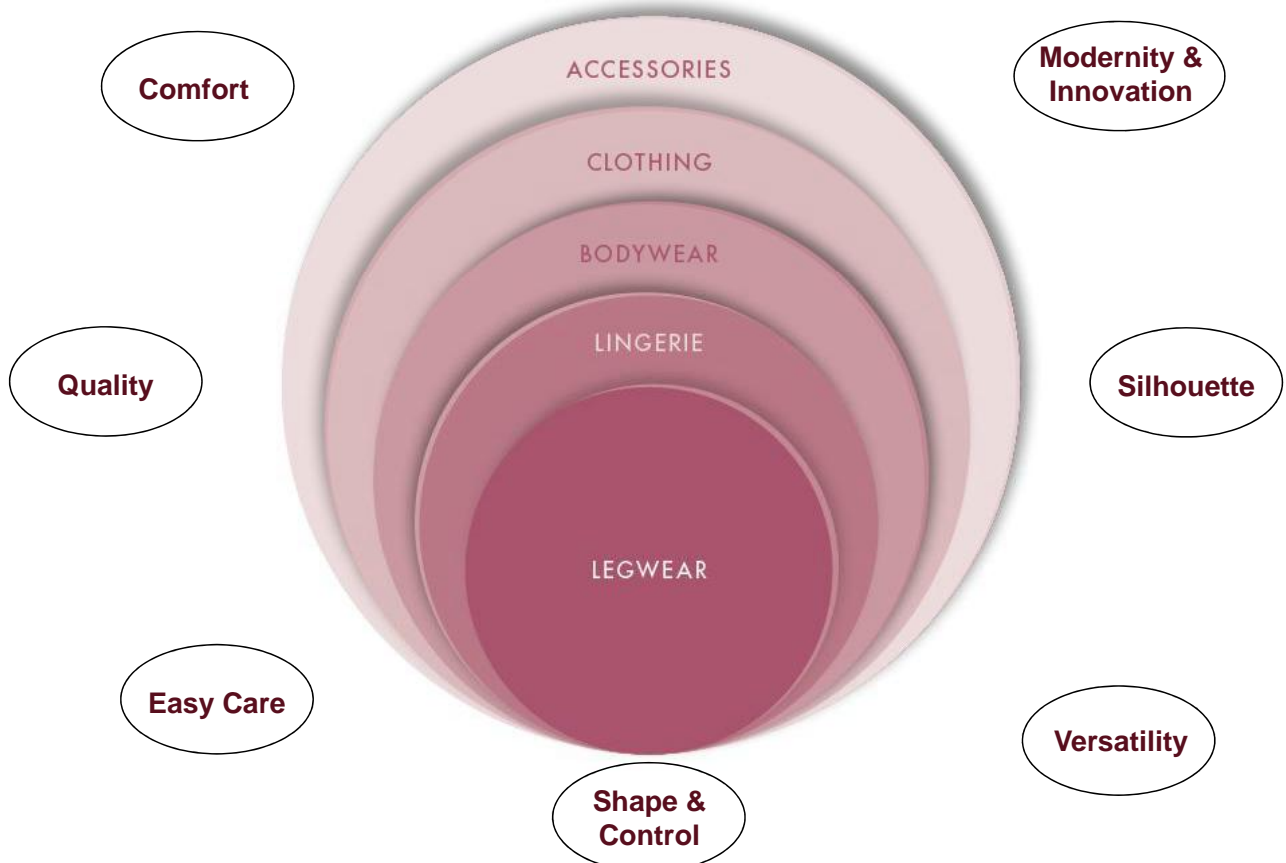


The fundamental values of the Wolford product line, such as comfort, elegance, but also the cosmetic power of Wolford's products (intelligence) are **renewed in a modern splendor.**



Anja Rubik. Photographer Mario Testino, Vogue March 2014

Future Collection Concept



- ▶ Positioning of Wolford as a producer and brand in the niche of luxury legwear and body-embracing products with incomparable wearing comfort
- ▶ Focus on markets with the highest cost/benefit ratio
- ▶ Consistent appeal to the target group (“The Wolford Woman“) based on suitable communication measures and the distinctive Wolford style in the fashion collection
- ▶ Recommendation strategy complementing traditional advertising measures, expansion of online marketing and brand lobbying through events
- ▶ Use of a strong, target group-oriented visual imagery
- ▶ New shop concept and professional visual merchandising

- ▶ **Objective:** Modernization of the brand and increase of its appeal
 - ▶ Significant rise in the marketing budget from € 7.6 million in 2012/13 to € 11.7 million in 2014/15 and € 14.0 million in 2017/18

New Wolford Visual Imagery - Photographer





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Marketing through Events

Sponsoring Life Ball, May 31, 2014, Vienna
Largest AIDS/HIV Charity Event in Europe

- Emotionalization of the brand
- Invitation of Leona Lewis
- Multichannel PR presence
- Use of contents in social media channels
- Individual store design → Sales support



Wolford Life Ball window Kärntnerstraße Vienna, 23.5. - 15.6.2014



Leona Lewis and Wolford hostesses on the Red Carpet

Planned Marketing Activities USA

Los Angeles

- Sponsoring **Golden Globes After Show Party** 11.01.2015
- Sponsoring **Oscar After Show Party**, 22.02.2015

- **Print:**
Vogue and W Magazine



New York

- **Boutique Opening Event Soho**, mid Sept. 2014
- **Billboard presence on Times Square**, Sept./Oct. 2014
- **Pure 50 Tights Launch Party "Pure Movement"**, Oct. 2014
- **Brand and product placement New York Fashion Week**, Feb. 2015

- **Product placement:**
Limited Jewellery Tights at **Beyoncé US Concert Tour**, June/July 2014

Planned Marketing Activities in Europe

Great Britain

- Brand and product placement, **London Fashion Week**, Feb. 2015
- Official Sponsor of **London Fashion Week**, Feb. 2015
- Prints **Vogue**

Germany

- **Bus advertising** throughout Germany, Sep. 2014
- Print: **Vogue, Instyle**

France

- Brand and product placement, **Paris Fashion Week**, Feb. 2015
- **Bus advertising** in Paris



Map extract

Austria

- Sponsor **Life Ball Events**, May 2014
- Sponsor **Bregenz Festival**, Jul./Aug. 2015

Italy

- **Wolford Tram** in Milan
- **Pop-up Store** Central Railway Station in Milan, Oct. / Nov. 2014
- Brand and product placement, **Milan Fashion Week**, Feb. 2015
- **Boutique Opening Event** Rome, June 2014

- ▶ Balanced mix of partner boutiques and Wolford-owned points of sale
- ▶ Increase of floor space profitability and closing of loss-making points of sale
- ▶ Further growth in the retail business with a focus on top locations and expansion of E-Commerce
- ▶ Past and planned boutique openings
 - ▶ Jun. 2013: K11, Shanghai, CN
 - ▶ Jul. 2013: Linate Airport, Milan, IT
 - ▶ Oct. 2013: Vienna Airport, Terminal 3, A and Via Frattina, Rome, IT
 - ▶ Nov. 2013: Canary Wharf, London, GB
 - ▶ Dec. 2013: Grand Gateway, Shanghai, CN and Rue de Sèvres, Paris, FR
 - ▶ Apr. 2014: Marylebone High Street, London, GB; Harbour City, Hongkong (relocation)
 - ▶ Jun. 2014: Soho, New York, US (relocation)
 - ▶ Sept. 2014: Paseo de Garcia, Barcelona, ES
 - ▶ Oct. 2014: Via Calzaiuoli, Florence, IT and Freßgass', Frankfurt, DE

Innovations as Strength of the Brand

- ▶ Product innovations are of decisive importance for the success of the company
- ▶ Focus of internal development and distribution of resources in production on the core competencies in Legwear, Lingerie, Bodywear
- ▶ Establishing a structured innovation process
- ▶ Strengthening of competitiveness through investments in product development and process technology

- ▶ Pure Series: seamless seams, glued selvages, Pure 50: world's first glued tights, two years of development → patent application submitted
- ▶ Sheer Touch: innovative material and highest wearing comfort
- ▶ Shape & Control: figure-embracing lingerie in three strengths, more than 60 products in the product range
- ▶ Further development of classics such as Fatal Wool Dress
- ▶ Jewellery Tights Limited Edition: creation of desirability, exclusive product with high level of attention



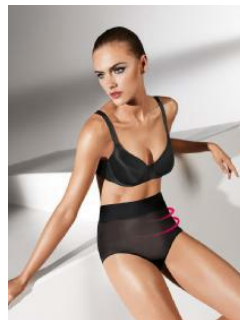
Pure Shirt



Pure 50 Tights



Sheer Touch



Shape & Control



Fatal Wool Dress



Jewellery Tights

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Financing from Wolford's Own Resources

- ▶ Sale of a non-core real estate in Bregenz with net proceeds of about €6.7 million and a book profit of approx. €3.4 million in Q1 2014/15
- ▶ Sale of a lease option for a retail location in Switzerland with net proceeds/pre-tax profit of about €4 million in Q1 2014/15
- ▶ Net debt could be further reduced by €10.7 million due to these transactions
- ▶ Dividends will not be distributed for 2013/14 due to the negative results (proposal to the 27th Annual General Meeting on Sept. 18, 2014)



Outlook 2014/15 and Objectives

Corporate Objectives

Short-term:

- ▶ **Quick return to profitability**
 - ▶ Increase in floor space profitability in the retail business
 - ▶ Relaunch of the wholesale business
 - ▶ Increase in sales volumes by exploitation of existing capacities
 - ▶ Optimization of internal processes and cost reduction
- ▶ **Operational turnaround (positive EBIT) in the financial year 2014/15**
 - ▶ Earnings target confirmed following sale of real estate and lease option

Long-term:

- ▶ **Sustainable and profitable revenue growth**
- ▶ **EBIT margin: 10%**



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