



RCB
Institutional Lunch
Wolford AG

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Thomas Melzer

July 18, 2014



company.wolford.com

The 2013/14 Financial Year

Strategic Refocusing

Outlook 2014/15 and Objectives



The 2013/14 Financial Year

- ▶ **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%)
- ▶ **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

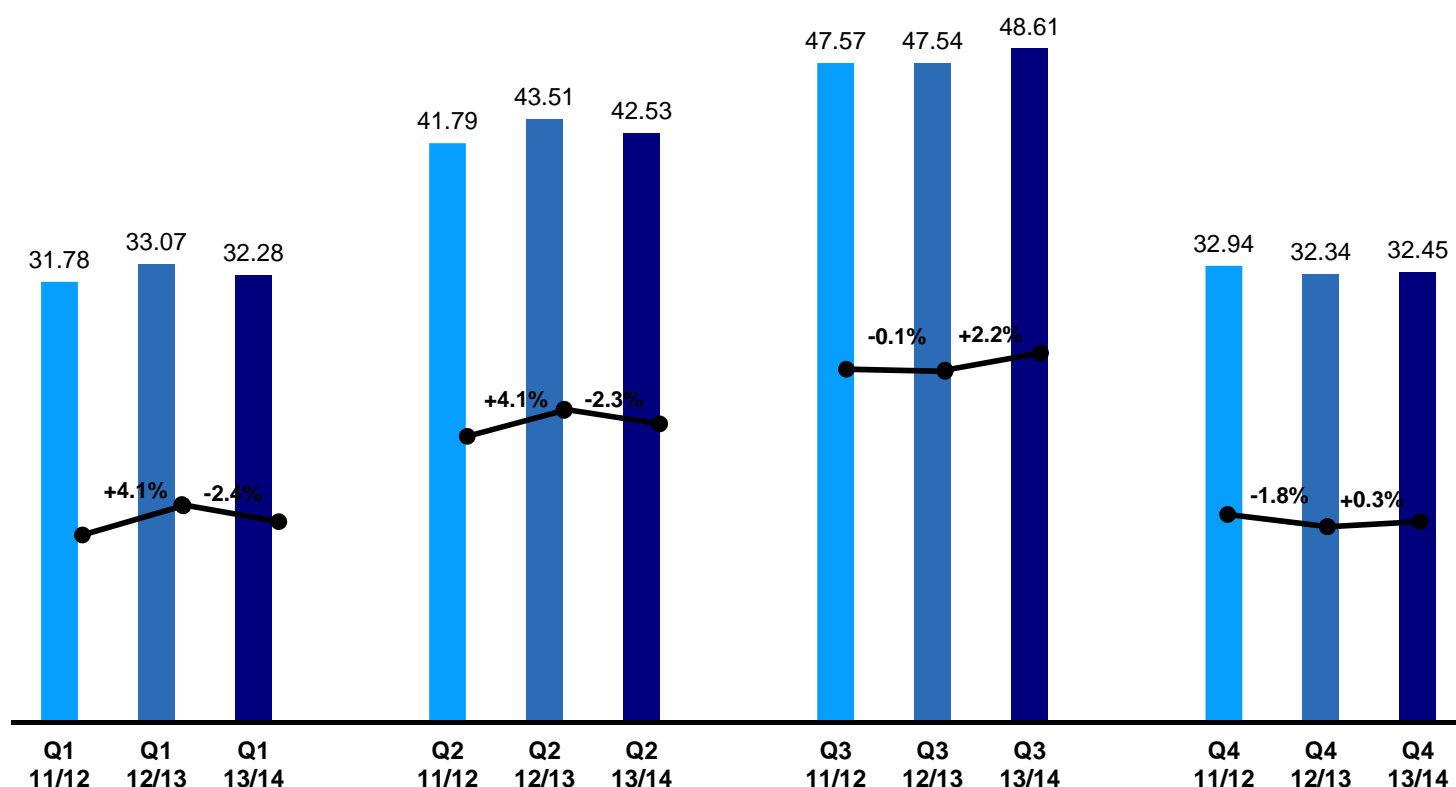
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Revenue Development by Quarter



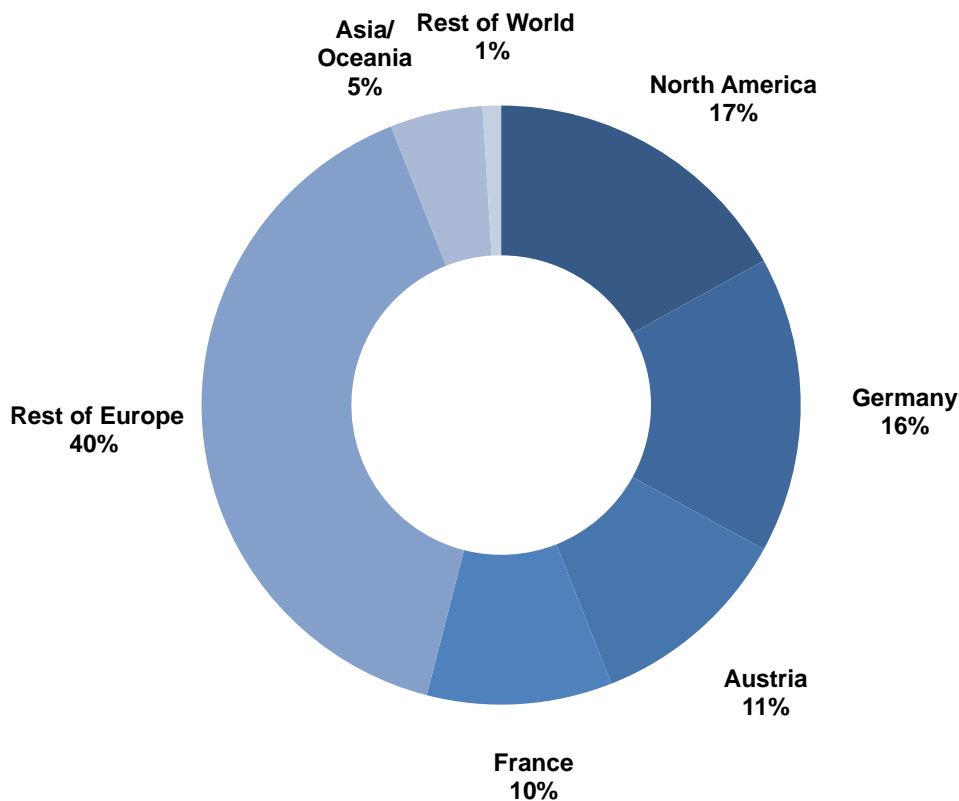
in €mill.



Revenues by Market



May 2013 – April 2014



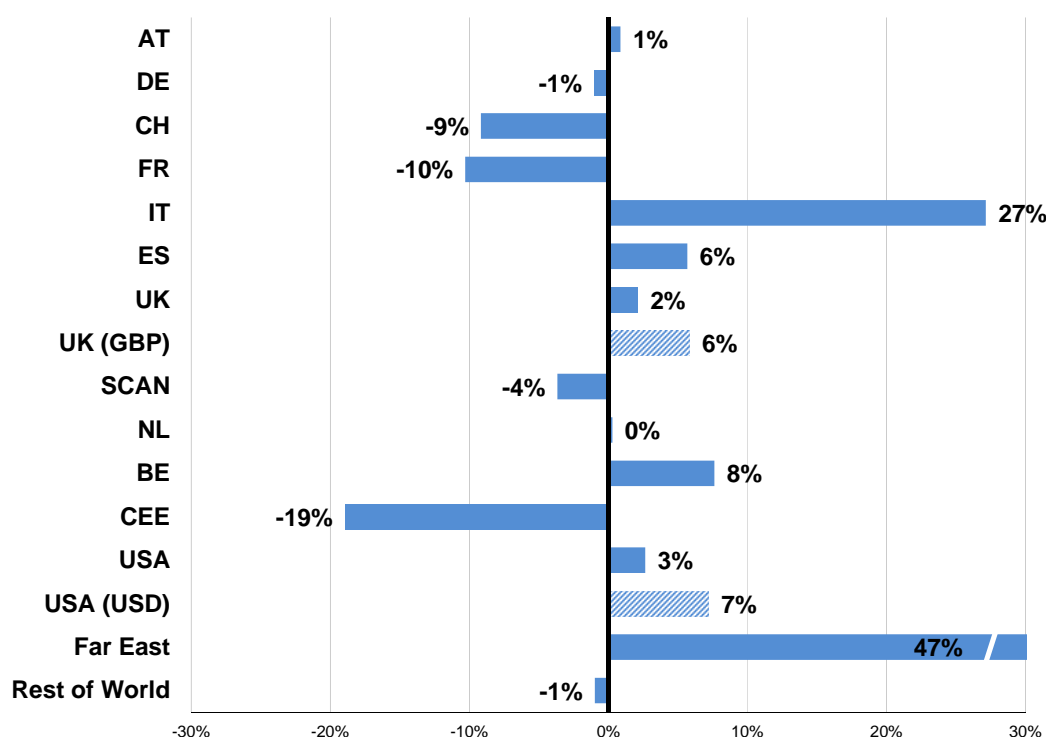
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Revenue Development by Market



May 2013 – April 2014 vs. prior year

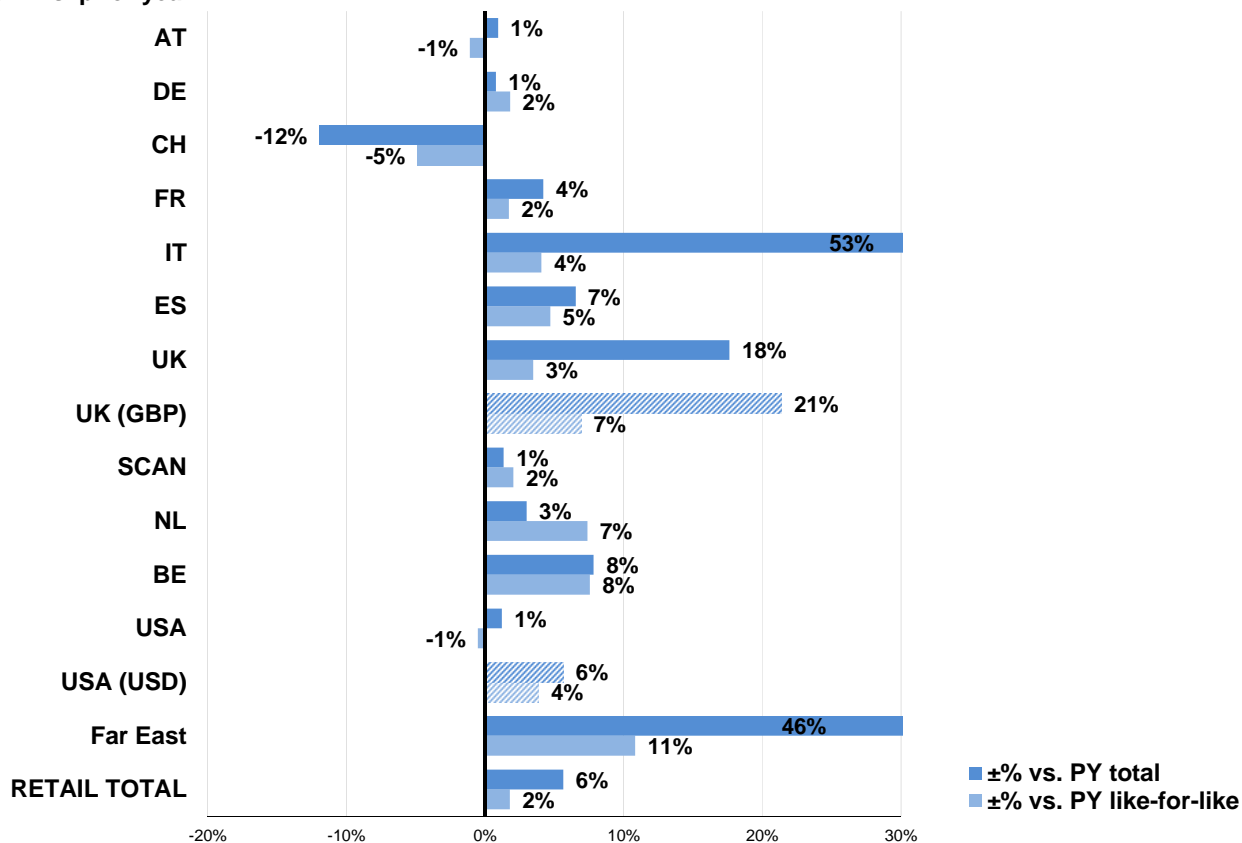


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Retail Revenue Development by Market

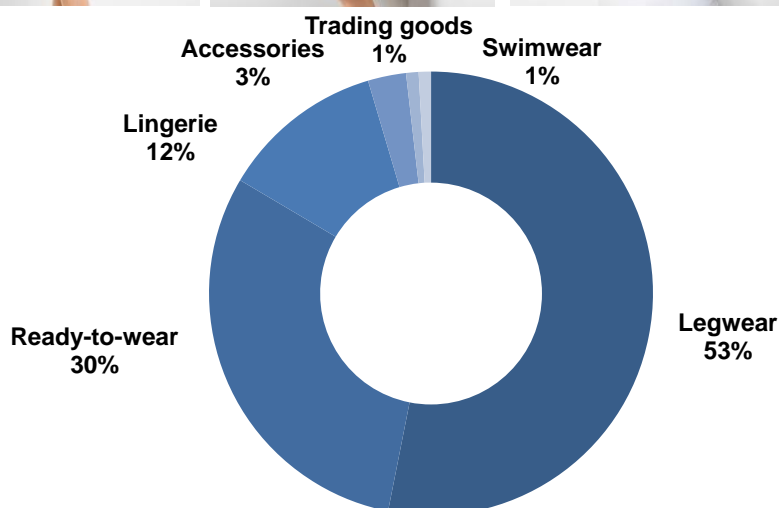
May 2013 – April 2014 vs. prior year



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Revenues by Product Group



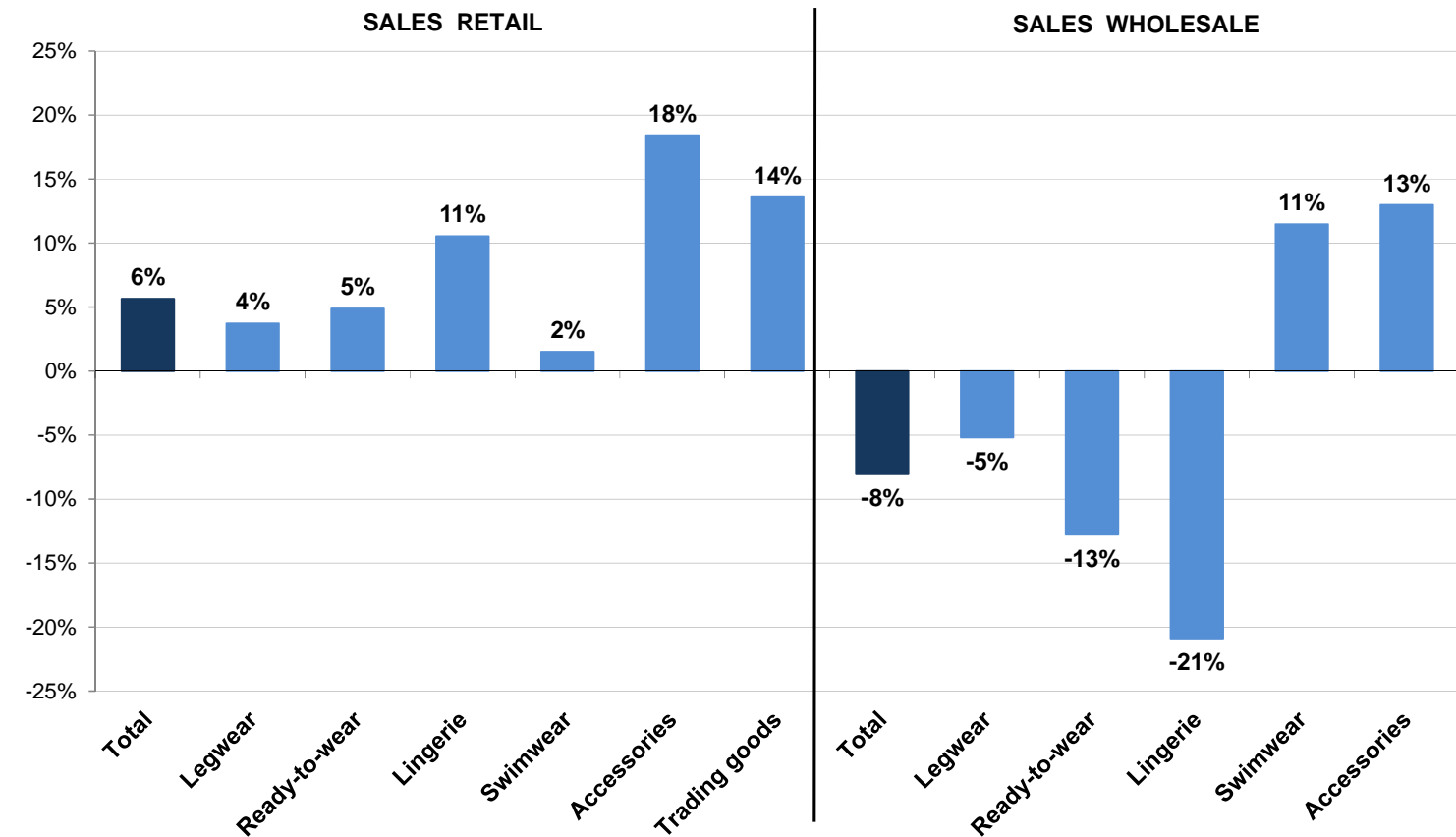
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Revenue Development by Product Group



May 2013 – April 2014 vs. prior year



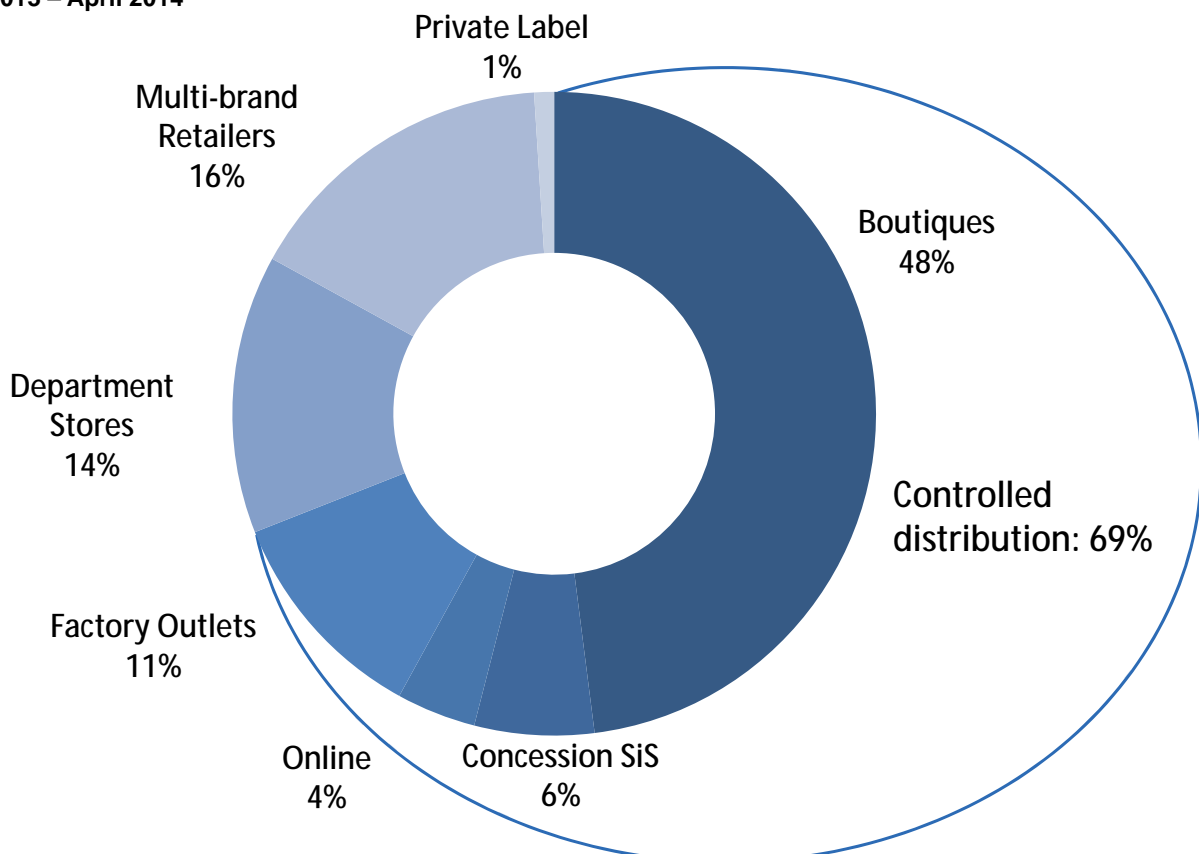
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Revenues by Distribution



May 2013 – April 2014

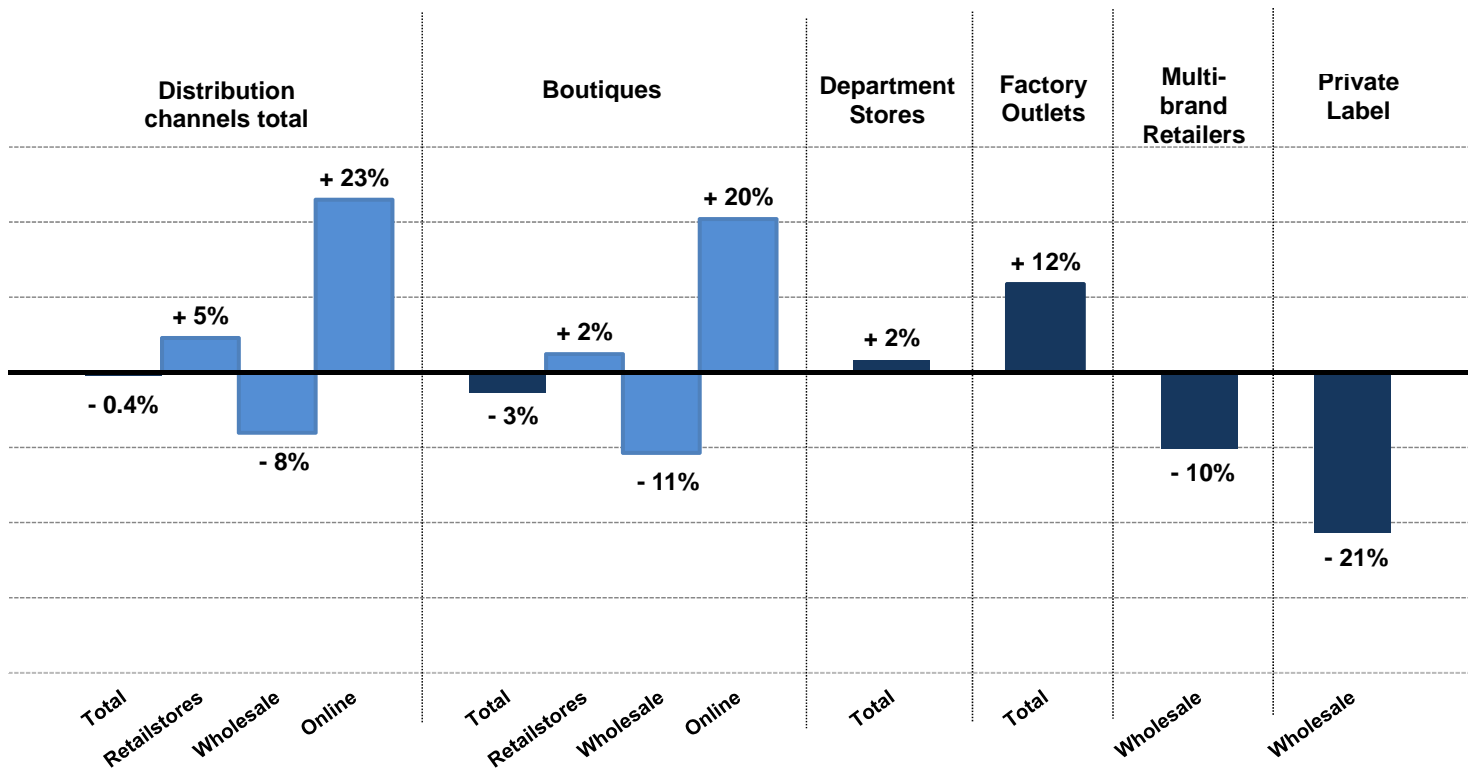


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Revenue Development by Distribution

May 2013 – April 2014 vs. prior year

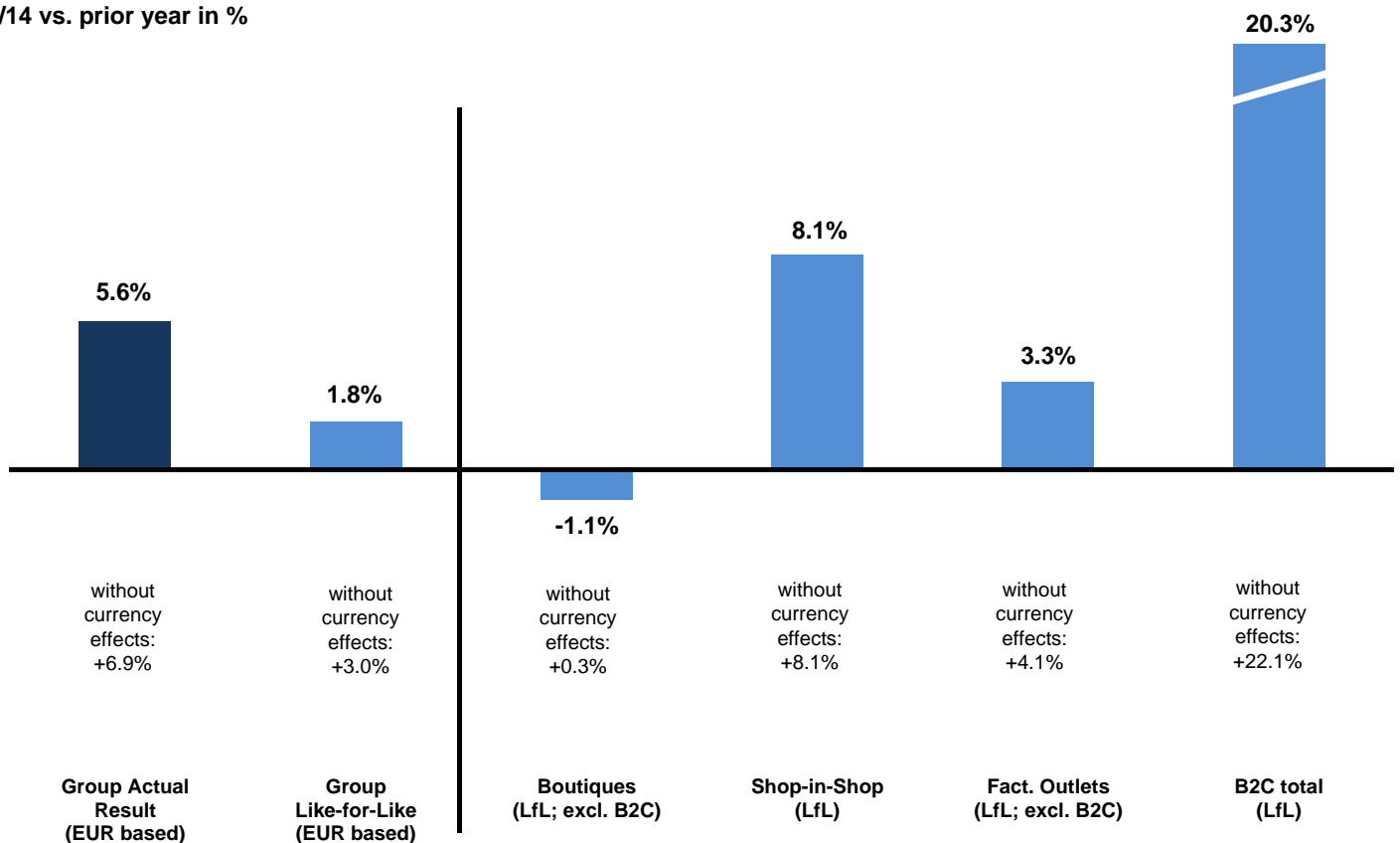


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Revenue Development Retail Like-for-like

2013/14 vs. prior year in %



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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

in %	2013/14	2012/13
EBITDA margin adjusted	4.6	5.0
EBIT margin adjusted	-0.6	-0.6
Material costs (incl. change in inventories) as a percent of revenues	17.6	18.8
Personnel expenses as a percent of revenues	46.3	46.7
Other operating expenses as a percent of revenues	32.4	30.7
Capital expenditure on depreciation	97.5	68.5

Analysis of Results

- ▶ **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 Cash Flow Statement (summary)



in €mill.	2013/14	2012/13	Change in %
Cash flow from operating activities	6.30	6.31	0
Cash flow from investing activities	-7.27	-5.83	-25
Free cash flow	-0.97	0.48	> 100
Cash flow from financing activities	0.68	-0.38	> 100
Change in cash and cash equivalents	-0.28	0.10	> 100
Cash and cash equivalents at the end of the period	4.65	4.99	-7

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

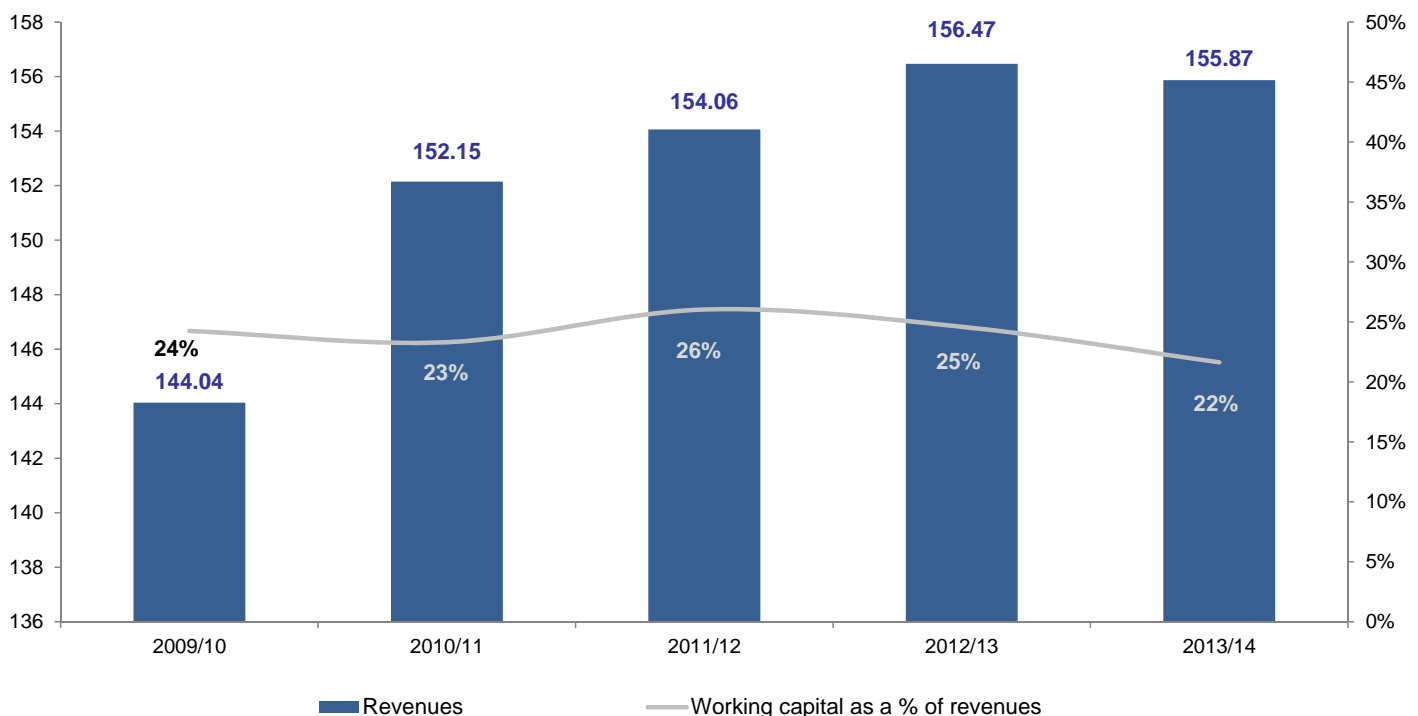
- Equity ratio of 54% (2012/13: 55%)
- Gearing of 23% (2012/13: 20%)
- Debt repayment period (net debt to EBITDA adjusted) of 2.4 years (2012/13: 2.0 years)

► Financing of business strategy secured

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

Working Capital Optimization

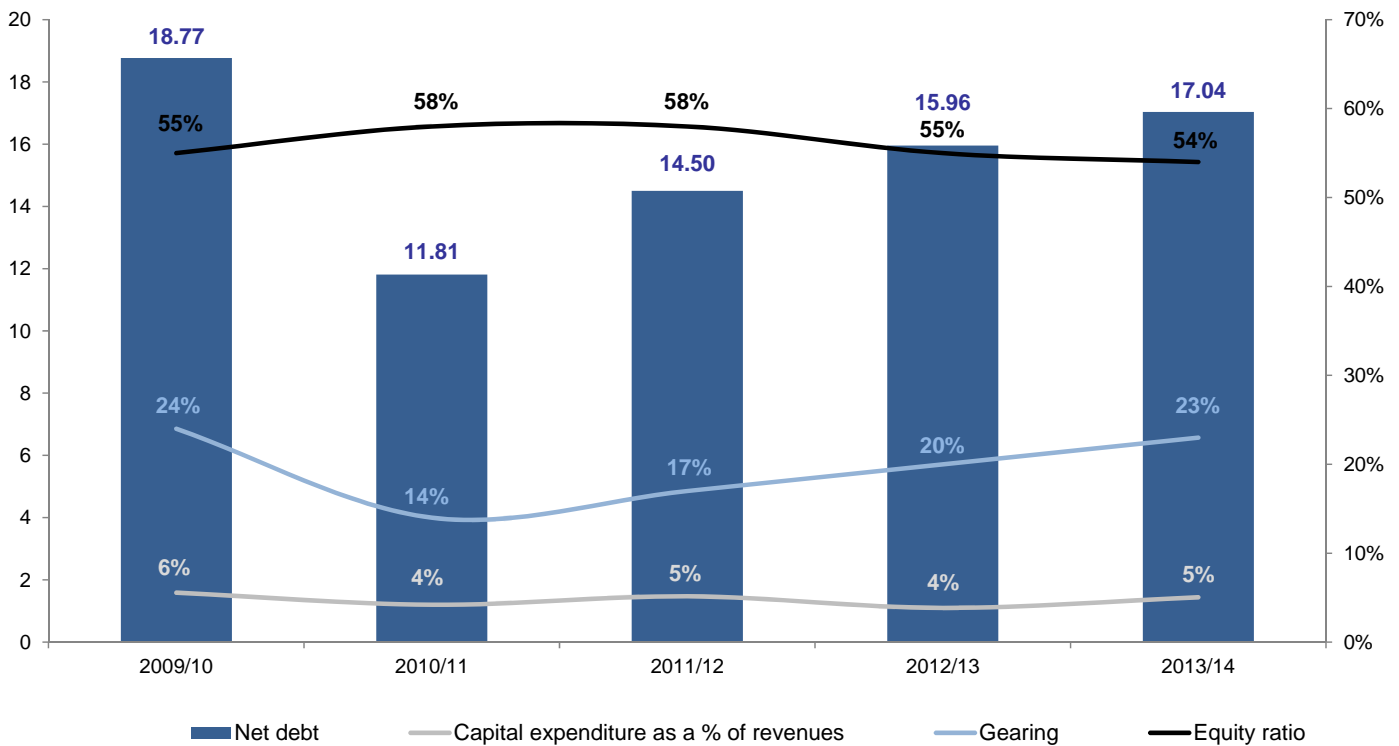
in €mill.



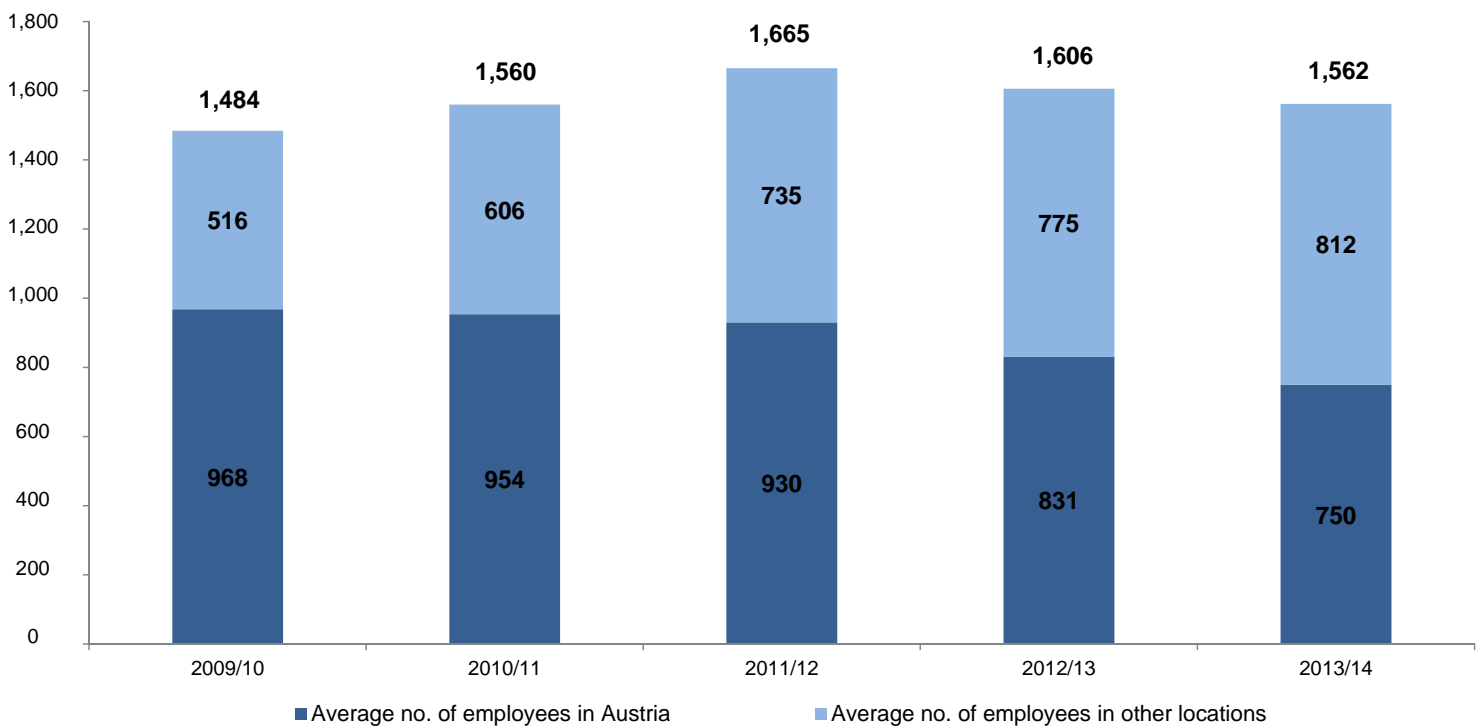
Equity and Net Debt



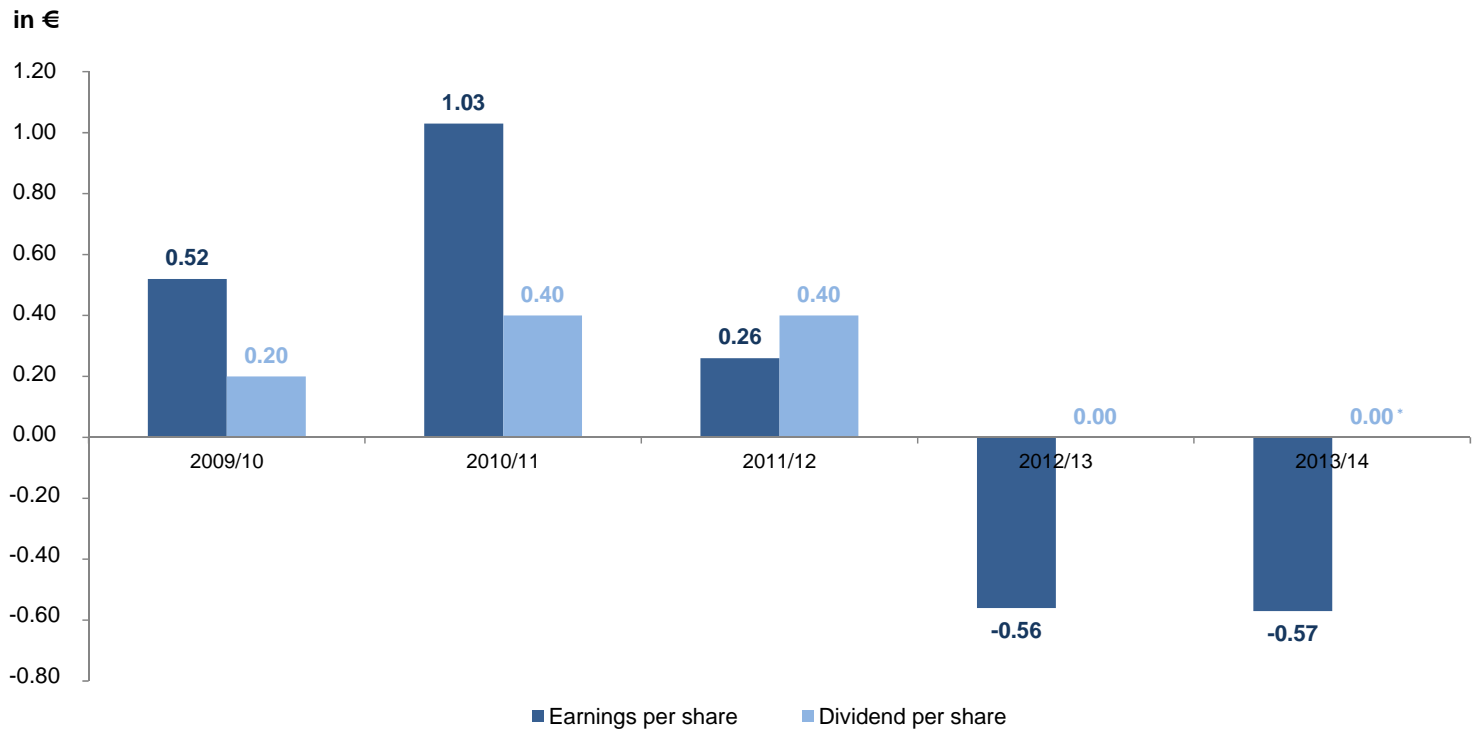
in €mill.



Average Number of Employees (FTEs)

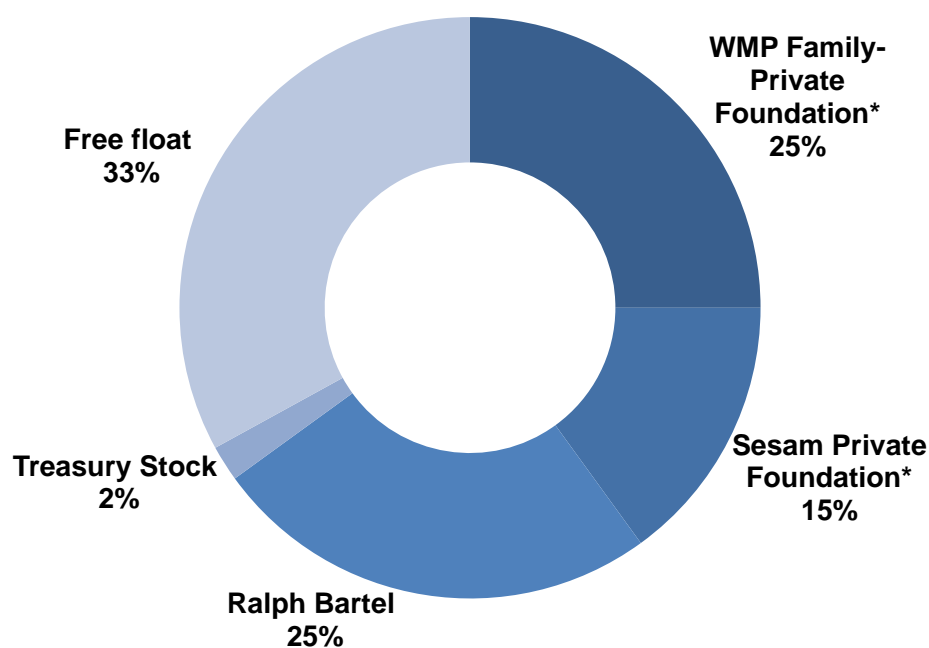


Earnings and Dividend Per Share

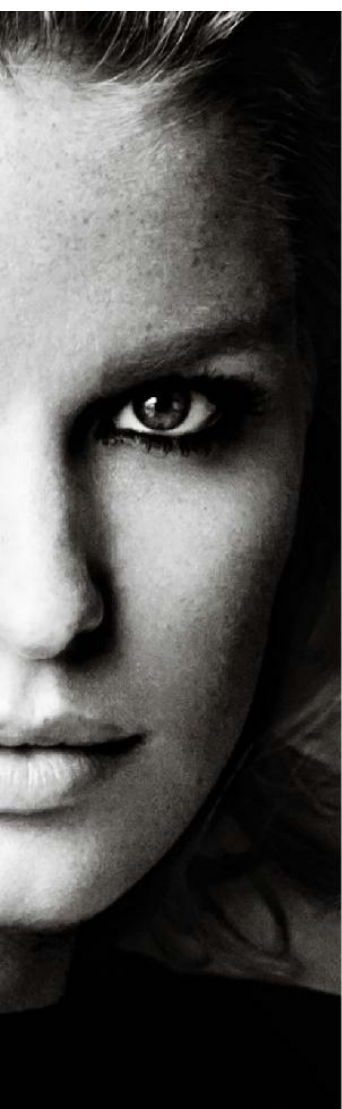


* Proposal to the Annual General Meeting on Sept. 18, 2014

Shareholder Structure



* The private foundations and their subsidiary M. Erthal GmbH are legal entities which act in concert and exercise their voting rights by consensus.



Strategic Refocusing

Strategic Refocusing Process

- ▶ In 2013, the management carried out an intensive strategy process which encompassed the following areas:
 - ▶ All relevant aspects of the brand and the company
 - ▶ In-depth financial analysis
 - ▶ External market research
 - ▶ SWOT analysis from an internal perspective
 - ▶ Mid-term business planning and target setting

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

1. Leadership Culture and Incentive System

- ▶ In the past, the company was led in a hierarchic and functional way
 - ▶ A new leadership culture and process orientation is being implemented to exploit all potentials
 - ▶ Global roll-out of Mission/Vision/Values in H1 2014 to promote the identification of all employees with the new leadership culture
- ▶ New Group-wide incentive system developed and introduced for the 2014/15 financial year (what creates value for the company and its shareholders?)

- ▶ 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

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

Renewal of the Product Range

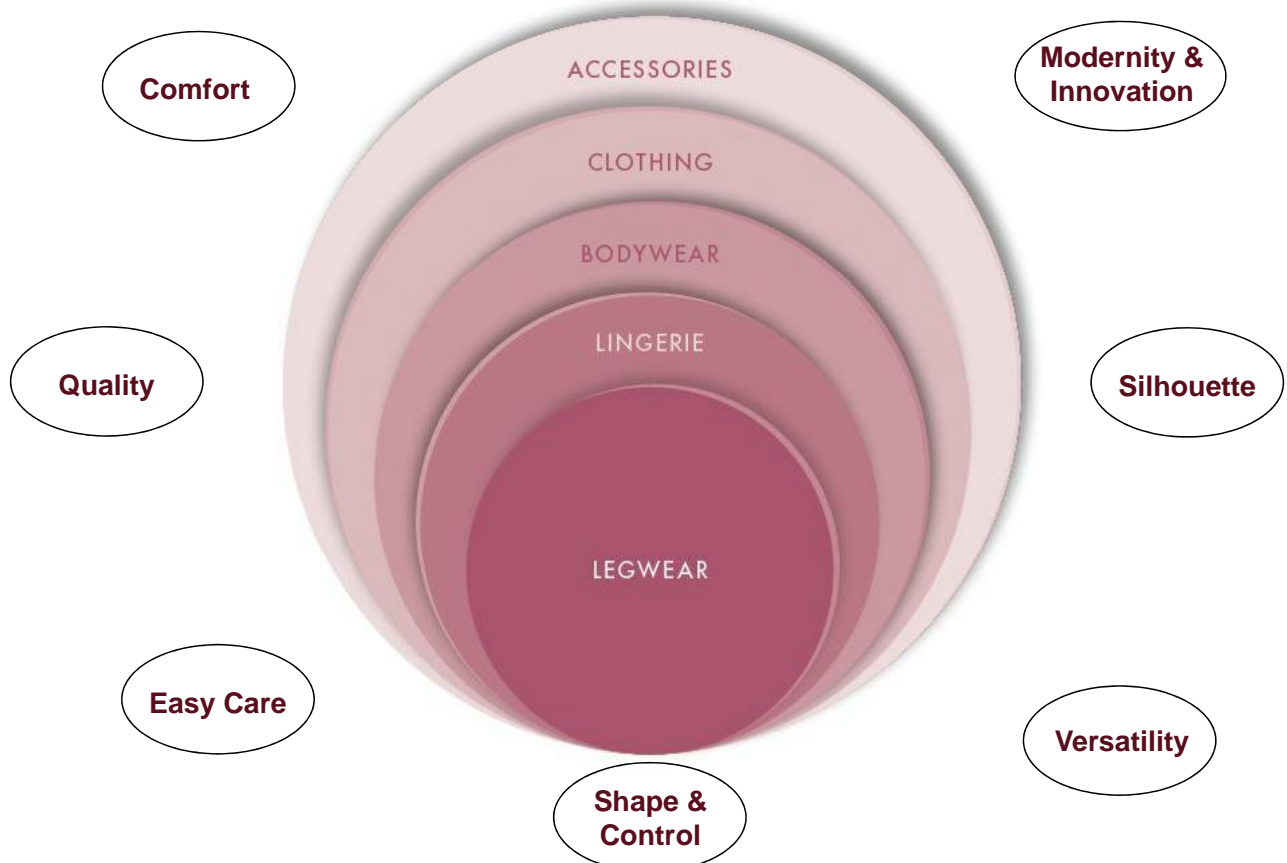


The fundamental values of the Wolford product line, such as comfort, elegance, but also the cosmetic power of Wolford's products (intelligence) are **renewed in a modern splendor.**



Anja Rubik. Photographer Mario Testino, Vogue March 2014

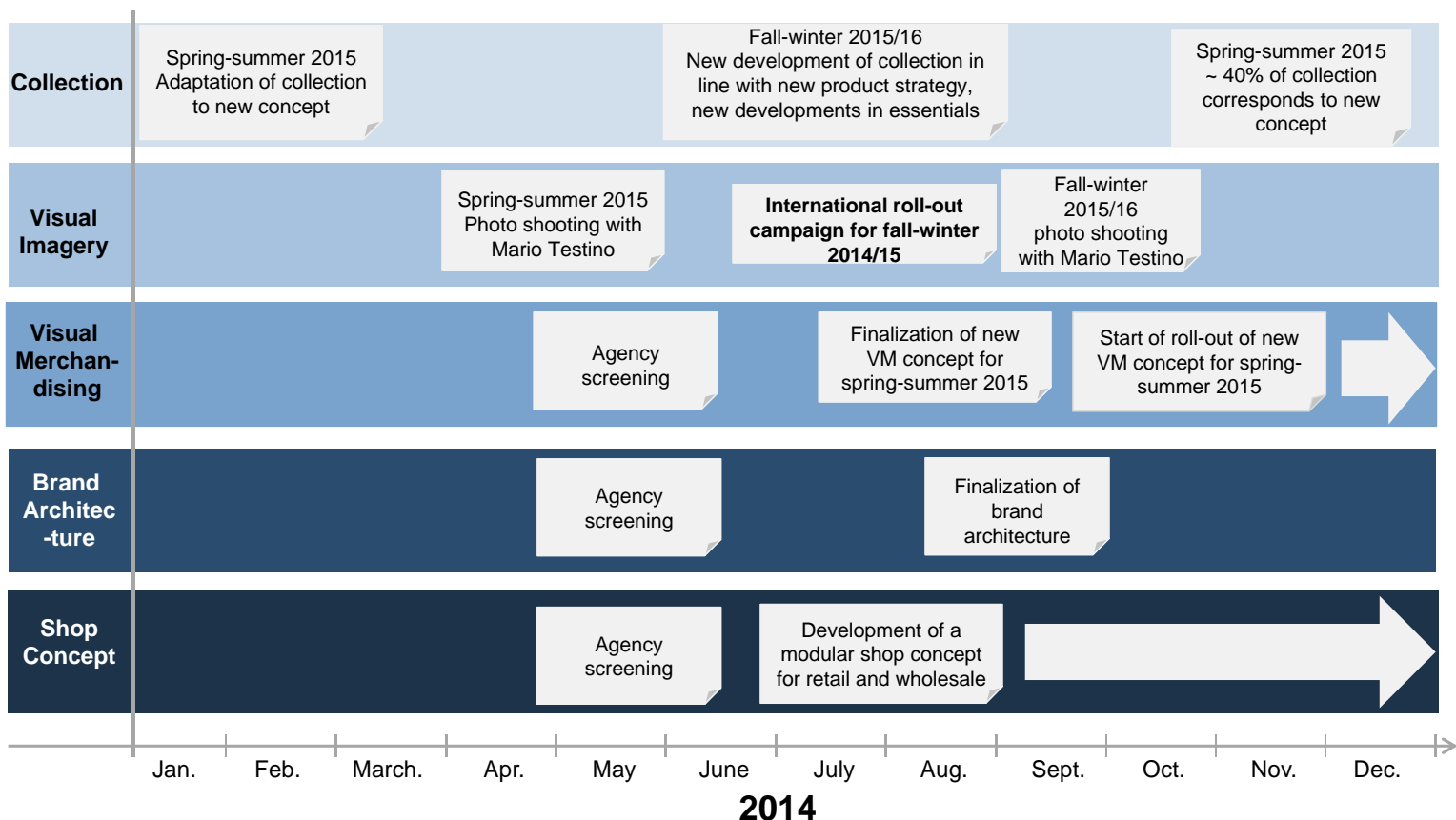
Future Collection Concept



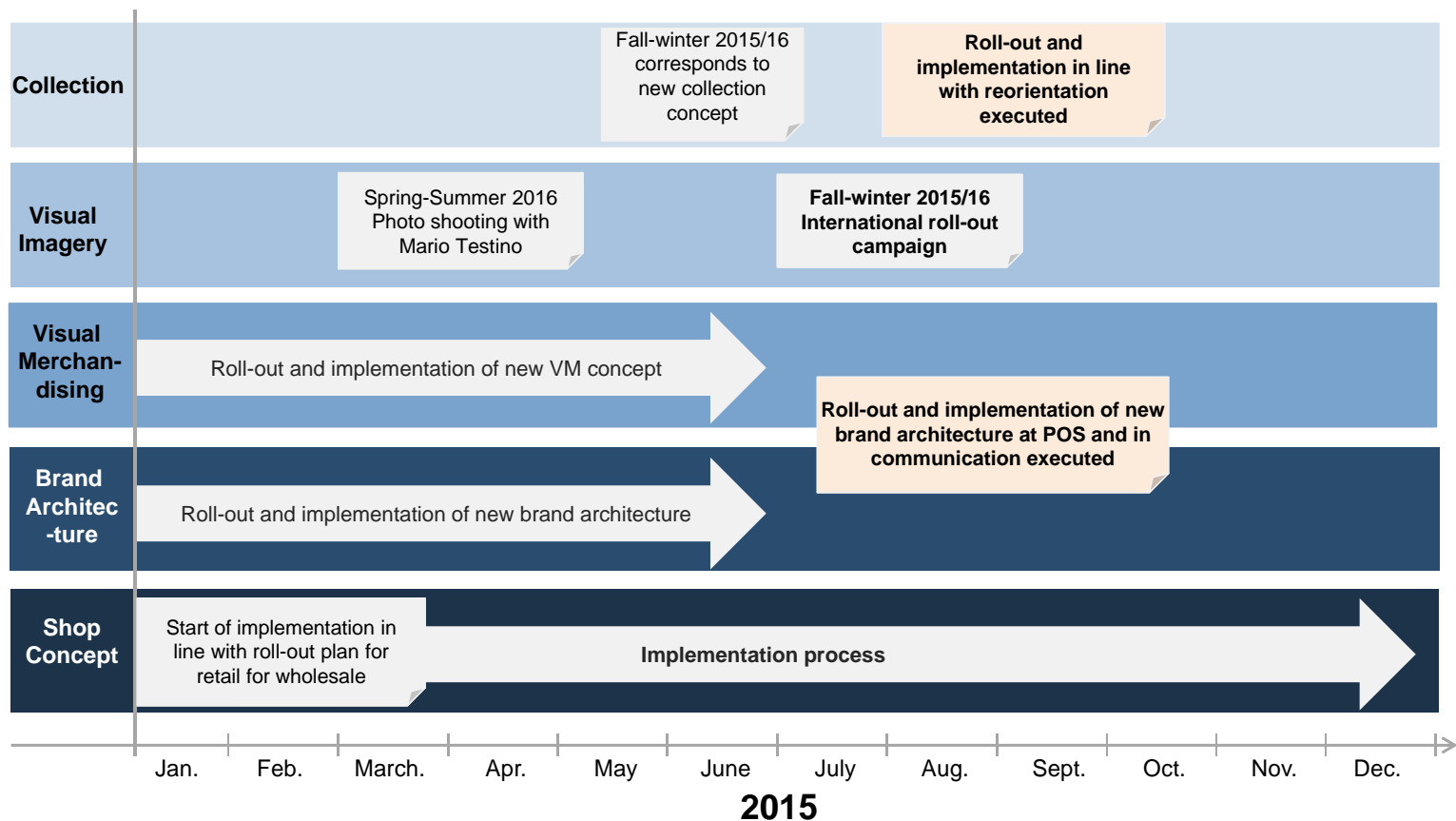
3. Reorientation of Communication

- ▶ Positioning of Wolford as a producer and brand in the niche of luxury legwear and figure-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

Milestones of Reorientation in 2014



Milestones of Reorientation in 2015



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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

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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

4. Optimization of Distribution



- ▶ 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 (relocat.)
 - ▶ Jun. 2014: Soho, New York, US (relocat.)
 - ▶ Sept. 2014: Paseo de Garcia, Barcelona, ES
 - ▶ Oct. 2014: Via Calzaiuoli, Florence, IT and Freßgass', Frankfurt, DE

5. Innovations as Strength of the Brand



- ▶ Product innovations are of decisive importance for the success of the company
- ▶ Focus on internal development and distribution of resources in production for 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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6. Optimization of Internal Processes

- ▶ Reduction of time-to-market by revising the collection development process
- ▶ Improvement of adaptive agility and speed of the organization to reflect changing conditions
 - ▶ By living the principle “think global, act local”
 - ▶ By launching a continuous improvement process and culture (CIP)
- ▶ Realignment of responsibilities and organizational structure to business processes
- ▶ Optimization and integration of IT landscape to support the business model
- ▶ Savings of about €2 million in the 2013/14 financial year by optimizing structures and processes in product development, production as well as storage and distribution logistics

7. Financing from Woldford'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**

► Improved business environment expected in Wolford's markets

- Recovery in Europe and growth of about 1%
- Economic growth of about 3% in the USA
- Growth market in China (+8%) and the Gulf Region (+4%)
- Dampened prospects in Russia due to Ukraine crisis (+1%)

► Current development May to June 2014/15

- Restrained revenue development in the wholesale and retail business
- Very positive development in the online business
- New marketing and sales measures will first begin to take effect in July
 - New visual imagery
 - Visual merchandising concept
 - Fall-winter collection 2014/15
 - Short-term measures for activating sales

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 2014/15 financial year

- Earnings target confirmed following sale of real estate and lease option

Long-term:

► Sustainable and profitable revenue growth

► EBIT margin: 10%

Date	Event
July 18, 2014	Annual Results 2013/14 and press conference
Sept. 12, 2014	Q1 Report 2014/15
Sept. 18, 2014	27 th Annual General Meeting
Sept. 22, 2014	Ex-dividend day
Sept. 24, 2014	1 st day of dividend payment
Dec. 12, 2014	Half-Year Report 2014/15
March 13, 2015	Q3 Report 2014/15

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