



**Erste Bank Group**

**Investor  
Conference  
Stegersbach**

**Thomas Melzer, CFO**

**6.-7.10. 2014**



[wolford.com](http://wolford.com)

# Content

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**Wolford Group at a Glance**

**The 2013/14 Financial Year**

**First Quarter 2014/15**

**Strategic Refocusing**

**Outlook 2014/15 and Targets**



**Wolford Group  
at a Glance**

# Who is Wolford?



- ▶ **Number 1 in luxury legwear worldwide / Established positions in luxury lingerie and bodywear**
  - ▶ Present in about 60 countries
  - ▶ 267 monobrand stores globally
  - ▶ 2 production facilities in Austria and Slovenia
- ▶ **Founded in 1950 in Bregenz, Austria**
- ▶ **€ 155,87 million revenues with 1,562 employees in BY 2013/14**
- ▶ **Shareholder structure:**
  - ▶ 33% free float
  - ▶ Family holds over 40% via 2 private foundations, Ralph Bartel owns 25% and 2% is treasury stock

# Global Presence



## Monobrand locations worldwide: 267\*

- **Thereof Wolford-owned Points of sale:**
  - 116 boutiques
  - 32 concession shop-in-shops
  - 26 factory outlets

## Online Shops in 15 countries

- **Thereof partner operated Points of sale**
  - 93 boutiques
  - and about 3,000 other distribution partners

North America: 30



Europe: 188

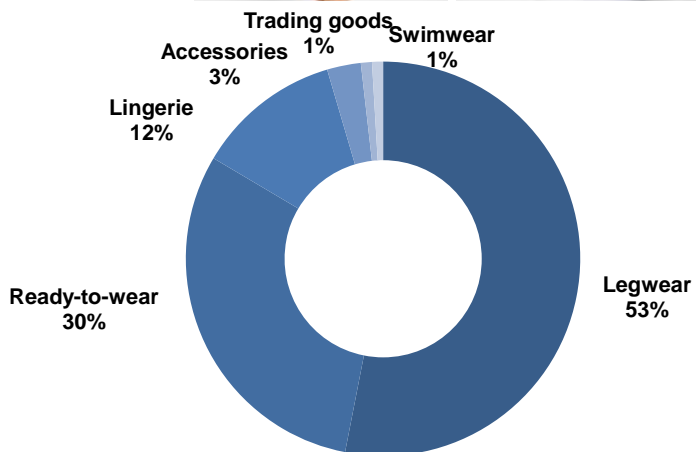
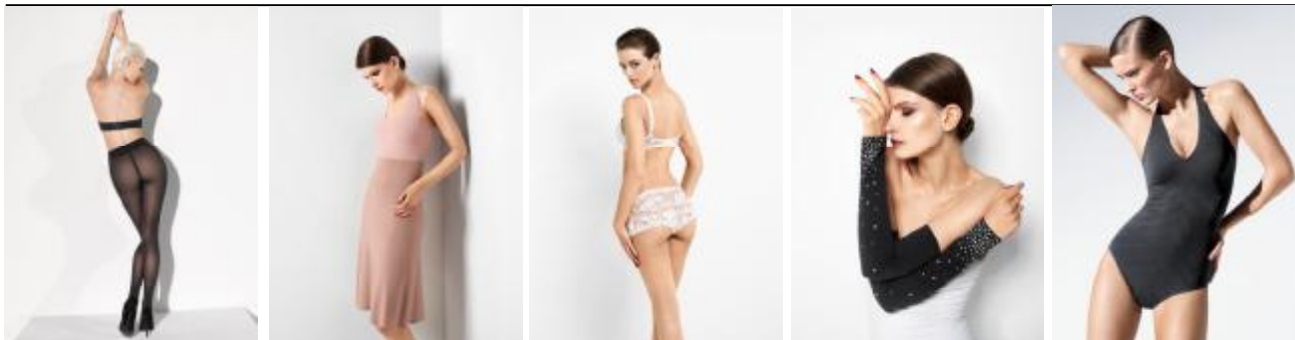


Asia: 41



\* Including 8 partner operated Boutiques in Africa, Australia and South America

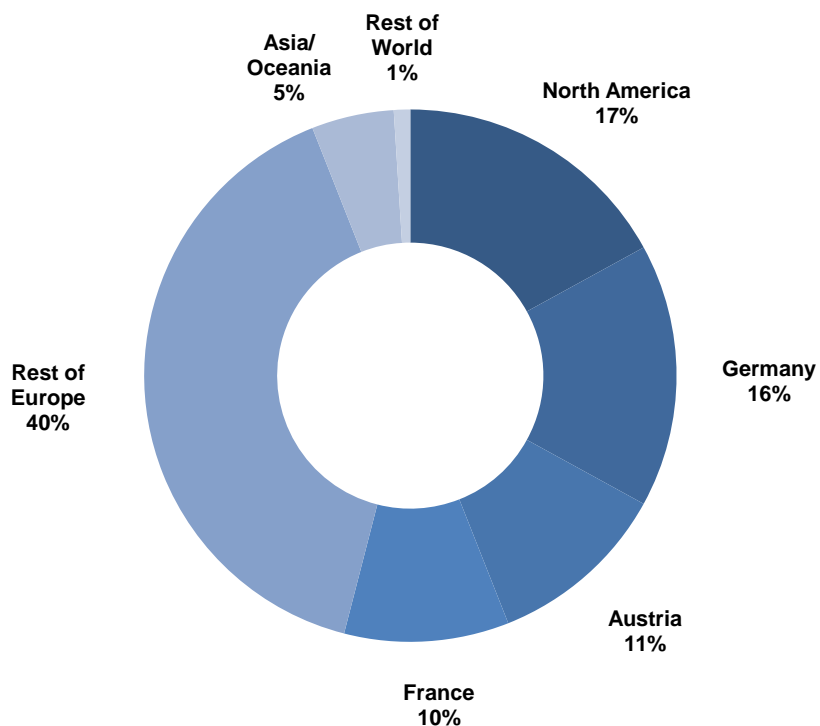
# Product Groups with Share of Revenue



# Revenues by Market



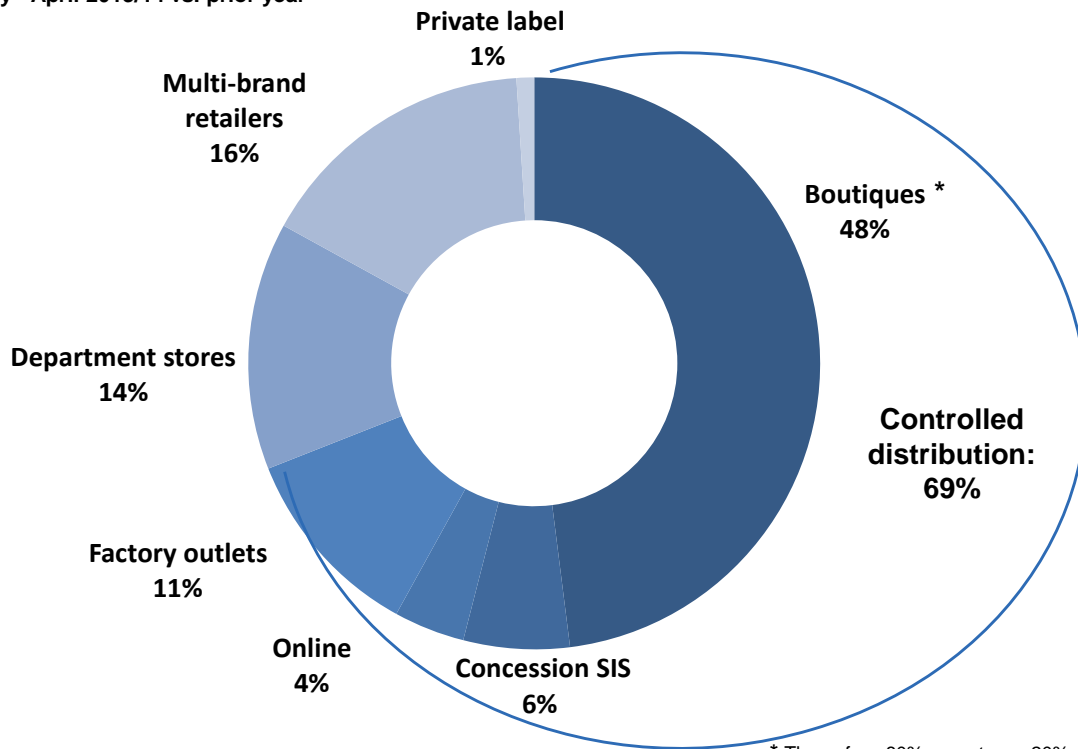
May 2013 – April 2014



# Revenues by Distribution



May - April 2013/14 vs. prior year



\* Thereof ca. 80% own stores, 20% partner-operated stores



## The 2013/14 Financial Year

## Group Earnings Data



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

\* Adjusted for non-recurring expenses from refocusing of € -3.76 million

## The 2013/14 Financial Year

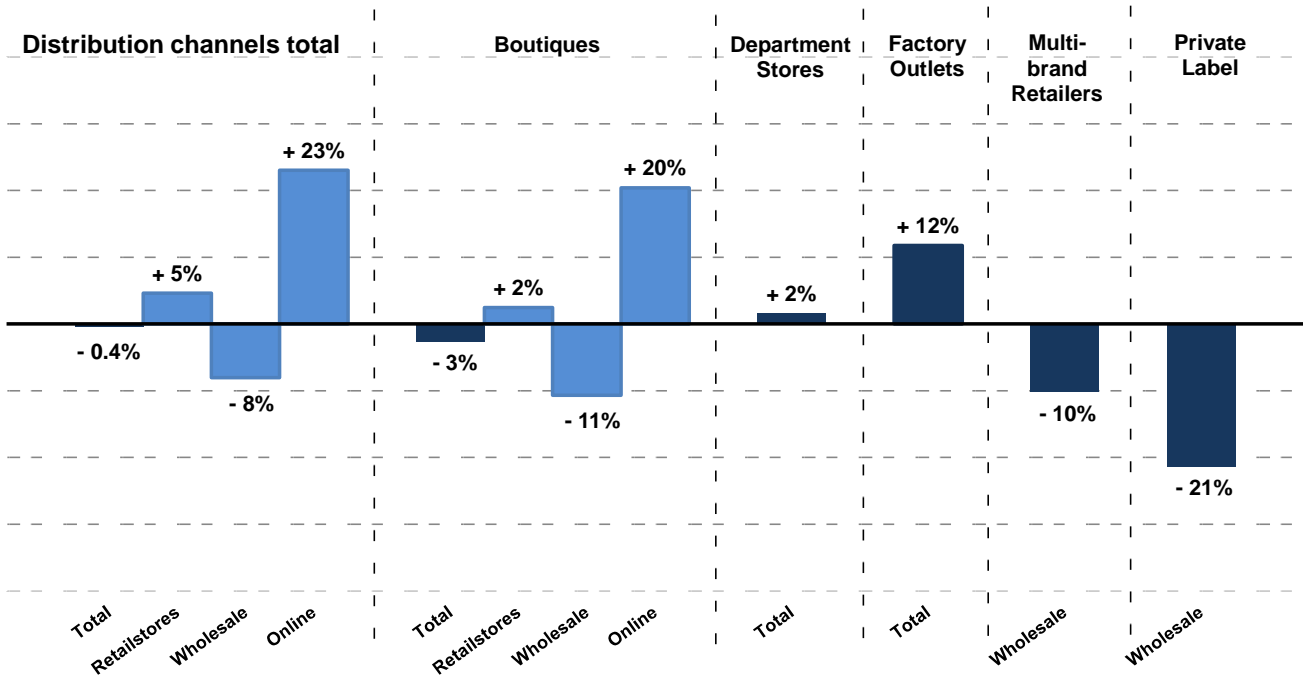


- ▶ **Adjusted for currency effects, revenues increased by approx. 1%**
  - ▶ Negative currency effects of about € 2 million mainly from USD and GBP
  - ▶ Total revenues with € 155.87 million at the prior-year level (-0.4%)
  - ▶ Declines in the wholesale business were gradually lowered in the course 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 € 6.6 million to € 8 million
  - ▶ Non-recurring expenses of € 3.76 million reduce EBIT as expected to € -4.72 million
  
- ▶ **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 strengthening of marketing activities
  - ▶ Monobrand network restructured and systematically extended
  - ▶ Optimization of processes and organizational structures ongoing

# Revenue Development by Distribution



May 2013 – April 2014 vs. prior year



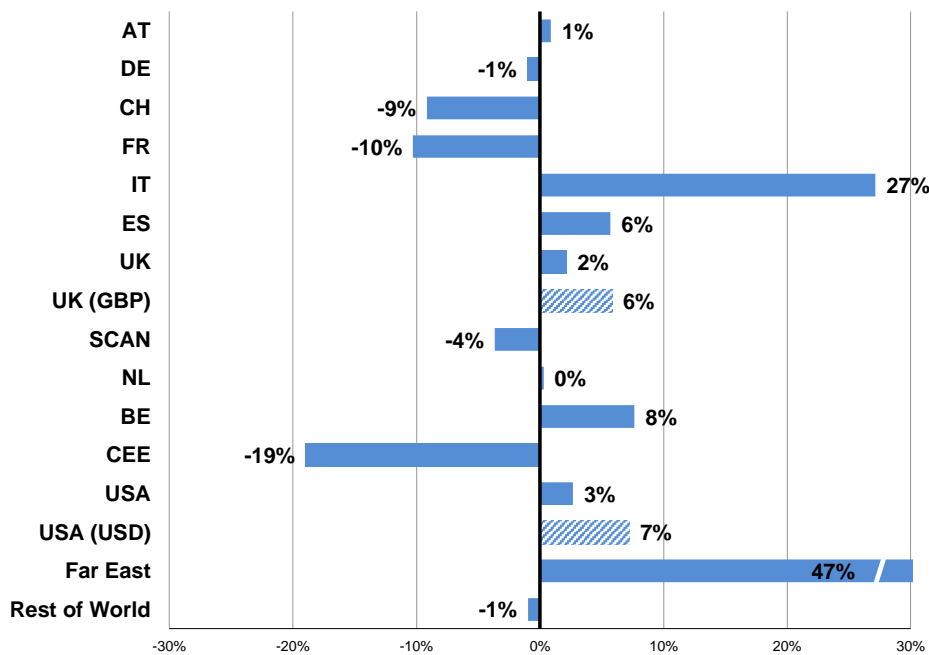
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# Revenue Development by Market



May - April 2013/14 vs. prior year



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## 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	-

## Financial Review



### ▶ Remarkably positive operating cash flow 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)

### ▶ Solid balance sheet structure

- ▶ Equity ratio of 54% (2012/13: 55%)
- ▶ Gearing of 23% (2012/13: 20%)
- ▶ Net debt to EBITDA adjusted of 2.4 years (2012/13: 2.0 years)

### ▶ Financing of business strategy secured

- ▶ Based on internal 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





## First Quarter 2014/15

### Group Earnings Data: May – July 2014

		Q1 2014/15	Q1 2013/14	Chg. in %
Revenues	in € mill.	31.91	32.28	-1.1
EBITDA adjusted <sup>1)</sup>	in € mill.	1.94	-3.19	>100
EBIT adjusted <sup>1)</sup>	in € mill.	-0.17	-5.18	+97
EBIT	in € mill.	3.02	-5.18	>100
Earnings before tax	in € mill.	2.79	-5.49	>100
Earnings after tax	in € mill.	1.49	-4.35	>100
Employees (on average)	FTE	1,555	1,564	-1

1) Adjusted for € 3.37 million of non-recurring income and € 0.19 million of non-recurring expenses in Q1 2014/15

## Group Balance Sheet Data: July 31, 2014



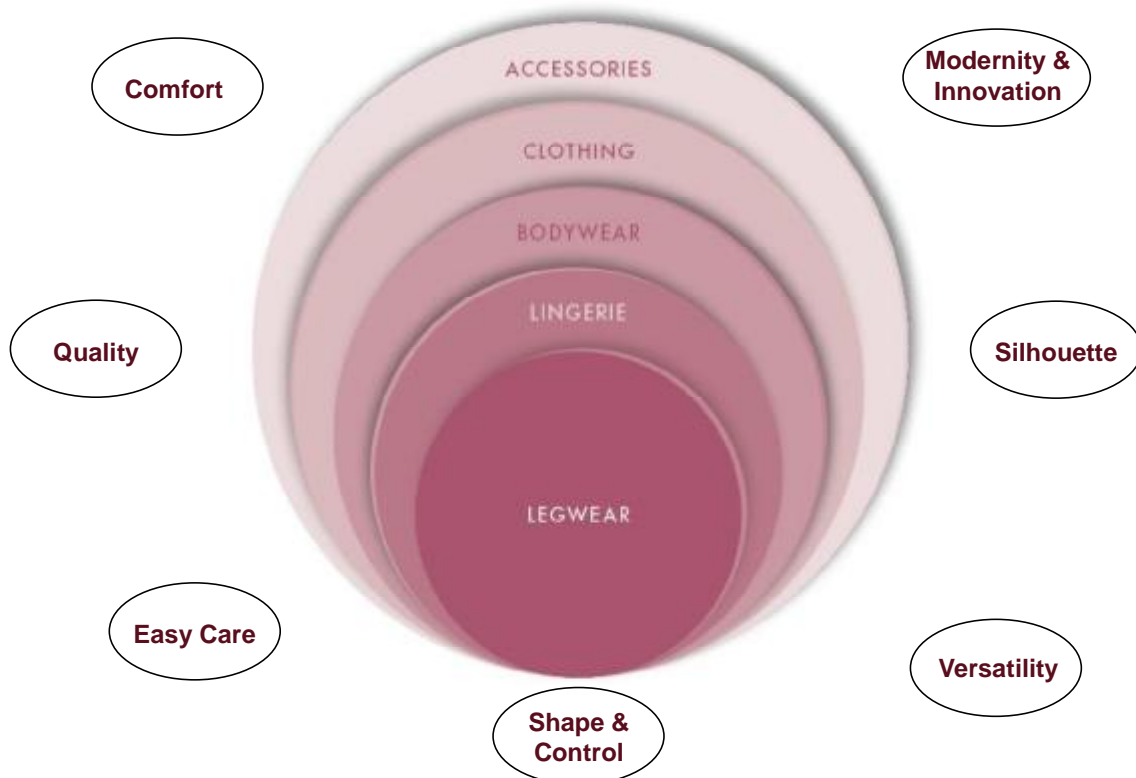
		31.07.2014	31.07.2013	Chg. in %
Equity	in € mill.	75.99	73.72	+3
Net debt	in € mill.	17.95	28.80	-38
Working capital	in € mill.	38.11	43.26	-12
Balance sheet total	in € mill.	142.54	147.96	-4
Equity ratio	in %	53.3	49.8	-
Gearing	in %	23.6	39.1	-



**Strategic Refocusing**

- ▶ Establishment of new **management culture and incentive system**
- ▶ Adjustment of **product portfolio** and sharpening of collection statement
- ▶ Reorientation of **market communications** in all areas and focus on **markets** with the best cost/benefit ratios
- ▶ Optimization of Monobrand **distribution**, relaunch of Wholesale and strengthening of E-Commerce
- ▶ **Innovation** as a key strength of the brand
- ▶ Creation of a flexible, market-oriented **organization** and optimization of internal **processes**
- ▶ **Financing** from internal sources

- ▶ Adjustment of the product portfolio to create stronger ties to Legwear and figure embracing products (see company's DNA) and to the target group
  - ▶ Based on the USPs of the brand
  - ▶ Expansion of Lingerie and Bodywear product lines (above all Shapewear), reduction of Clothing (Ready-to-wear) and exit from Swimwear with Spring-Summer 2015
  - ▶ Continuous updating of Essential collection with focus on functional and innovative products
  - ▶ Homogeneous style across all product groups
- ▶ Maintain basic price positioning and introduce modern products at attractive prices to address new target groups
- ▶ Volume growth to improve utilization of existing capacity and increase profitability



## Reorientation of Market Communications

- ▶ Positioning of Wolford as a producer and brand in the niche of luxury legwear and figure-embracing products with a unique wearing experience
- ▶ Focus on markets with the best cost-benefit ratios
- ▶ Steady focus on the target group ("The Wolford Woman") through specially designed communication measures and the collection's unmistakable Wolford style
- ▶ Recommendation strategy complemented by traditional advertising, expansion of online marketing and brand lobbying through events
- ▶ Use of strong, target group-oriented imagery
- ▶ New shop concept and professional visual merchandising
- ▶ **Goal:** Modernization of the brand and increase in appeal
  - ▶ Substantial increase in 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 Imagery by Mario Testino



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## (Planned) Marketing Activities in the USA



- Print campaign:  
Vogue, W Magazine,  
WWD



### Los Angeles

- Sponsoring **Golden Globes After Show Party**  
Jan. 11, 2015
- Sponsoring **Oscar After Show Party**, Feb. 22, 2015

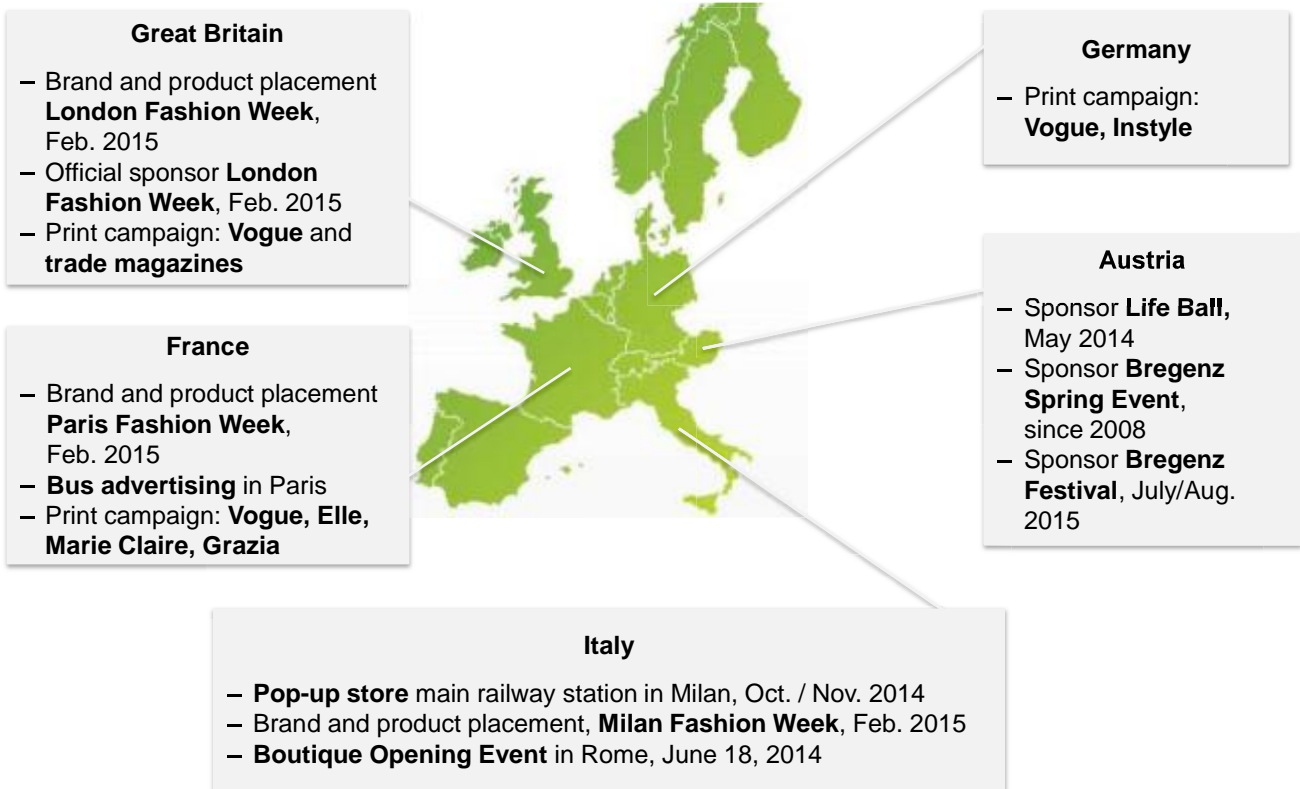
### New York

- **Boutique Opening Event Soho**,  
Sept. 18, 2014
- Pure 50 Tights Launch  
Party "**Pure Movement**", Oct. 2014
- Brand and product  
placement **New York Fashion Week**,  
2014 and Feb. 2015

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## (Planned) Marketing Activities in Europe



## Optimization of Monobrand Distribution



- ▶ **Balanced mix of partner-operated boutiques and Wolford-owned locations**
- ▶ **Increase in floor space profitability and closing of unprofitable locations**
- ▶ **Further growth in Retail business with focus on top locations and expansion of E-Commerce**
- ▶ **Boutique openings at strategic locations (completed and planned)**
  - ▶ 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, Hong Kong (relocation)
  - ▶ Jun. 2014: Soho, New York, US (relocation)
  - ▶ Sep. 2014: Paseo de Gracia, Barcelona, ES
  - ▶ Oct. 2014: Via Calzaiuoli, Florence, IT and Freßgass', Frankfurt, DE

## Strengthening of Wholesale Business



- ▶ Expansion of Wolford-supplied points of sale, e.g. through
  - ▶ Concession shop-in-shops
  - ▶ CoAff partners (partner operated boutiques where Wolford owns the merchandise)
- ▶ Establishment of regional showrooms for the presentation of collections and to support/improve purchasing processes
- ▶ Expansion – with parallel adjustment – of multi-brand distribution with a focus on premium stores

## Innovation as a Key Strength of the Brand



- ▶ Product innovation is a key strength and decisive for the company's success
- ▶ Focus and allocation of resources of internal development and production on the core expertise of Legwear, Lingerie, Bodywear
- ▶ Establishment of a structured innovation process
- ▶ Strengthening of competitive ability through investments in product development and process technology



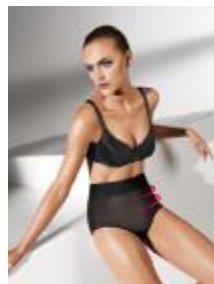
Pure Shirt



Pure 50 Tights



Sheer Touch



Shape & Control



Fatal Wool Dress



Jewellery Tights

- ▶ Appointment of a creative director with responsibility for
  - ▶ the creative and stylistic design of the product assortment
  - ▶ the homogeneous design of the brand's visual appearance from imagery to the POS
  - ▶ the creative design of future product line concepts
- ▶ Clear focus of the central sales organization on the following sales channels:
  - ▶ Retail
  - ▶ Wholesale
  - ▶ Online
- ▶ Strengthening of the marketing organization
  - ▶ Creation of a trade marketing position
  - ▶ Sales-oriented strengthening of brand/product management
- ▶ Finalization of the location concept for Bregenz (AT) / Murska Sobota (SI)
  - ▶ Focus of Bregenz on product development, textile production and headquarters
  - ▶ Establishment of Murska Sobota as a manufacturing center





- ▶ **Growing global market for luxury goods**
  - ▶ Number of luxury consumers worldwide expected to increase by 10 million annually in coming years (Bain&Company)
  - ▶ Market for luxury goods is becoming more resilient to economic crises
  
- ▶ **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 markets in China (+8%) and the Gulf Region (+4%)
  - ▶ Dampened prospects in Russia due to Ukraine crisis (+1%)
  
- ▶ **Current Wolford development (May to July 2014/15)**
  - ▶ Still restrained revenue development in the wholesale and retail business
  - ▶ Very positive development in the online business
  - ▶ New marketing and sales measures begin to take effect in July

## Corporate Targets



### Short-term:

- ▶ **Quick return to profitability**
  - ▶ Increase in floor space profitability in own retail business
  - ▶ Relaunch of wholesale business
  - ▶ Increase in sales volumes by utilization 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%**

- ▶ **Strong player in an attractive market niche of the growing market for luxury goods**
- ▶ **Beloved brand based on strong image, high quality products, continuous innovation and high CSR standards**
- ▶ **Turnaround story with a “new” management refocusing on the core competences of the company**
- ▶ **Direct access to end consumer through own retail chain with a significant potential for leverage**
- ▶ **Strong financial profile and sufficient idle capacity to fuel future growth**

## Financial Calendar and IR Information



<b>Date</b>	<b>Event</b>
December 12, 2014	Half-Year Report 2014/15
March 13, 2015	Q3 Report 2014/15
July 17, 2015	Publication of consolidated financial statements for 2014/15 and press conference
September 14, 2015	Q1 Report 2015/16
September 17, 2015	28 <sup>th</sup> Annual General Meeting
September 22, 2015	Ex-dividend day
September 24, 2015	First day of dividend payment
December 14, 2015	Half-Year Report 2015/16
March 18, 2016	Q3 Report 2015/16

### IR Information

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