

Company Update

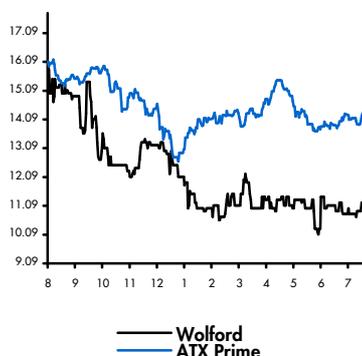
Wolford

July 25, 2019

Consumer, Cyclical/Austria

Hold

Price 24.07.19*	11.20
Price target	12.00
Volatility risk	high
Year high/low	16.10/10.10
Currency	EUR
EUR/EUR	1.00
GDR rate	n.a.
Shares outstanding eoy in mn	6.63
Market capitalisation (total shares) in EUR mn	74.3
Free float	10.1%
Free float in EUR mn	7.5
Avg. daily turnover (12 m) in EUR mn	0.01
Index	ATX Prime
ISIN code	AT0000834007
Bloomberg	WOL AV
Reuters	WLF.D.VI
www.wolford.com	



Source: Raiffeisen Centrobank

Awaiting top line recovery as Asian strategy takes shape

Following the release of FY 18/19 results on July 23 we update our operational forecasts for Wolford. We confirm our 12-month target price based on our DCF model of EUR 12.00 and reiterate our HOLD recommendation at current share price levels. Wolford suffered its fourth consecutive year of operating losses, as expected. While we consider the top line development throughout FY 18/19 disappointing, we highlight that 4Q 18/19 recorded the mildest decline of the four quarters of the year (by 2.1% yoy). We also acknowledge the efforts on the cost-cutting side, which enabled the company to decrease staff costs by EUR 8.6 mn in FY 18/19 (and EUR 4.0 mn in 4Q 18/19).

Extension of financing secured: Wolford has secured an extension of its bank lines until June 2021, and received a shareholder loan from Fosun Fashion Investment Holding (albeit with an interest rate of 12% p.a.). We consider securing liquidity as a key milestone given the ambitious plans for increased activity in Asia.

Asian strategy is taking shape: In February Wolford launched a market offensive in China in partnership with Fosun Fashion Brand Management Company (FFBM), a subsidiary of Fosun Fashion Group. The plan entails expanding the distribution network in China by 20 retail and 70 wholesale locations, and growing the Asian contribution to the top line to ca. 20% of the total by FY 24e. The jury is out on whether Wolford will be able to benefit from the appetite for premium brands among China's burgeoning population to the extent that is targeted.

Outlook: Together with the release of FY 18/19 numbers Wolford confirmed its prior guidance of returning to a positive EBIT result by the financial year 2020/21. We expect the push in China, and growing online sales, to result in a positive top line trend in FY 19/20e breaking the three-year pattern of top line contraction. Assuming that the company is able deliver a top line expansion in FY 19/20e (RCBe +2.0% yoy) and FY 20/21e (RCBe +3.6% yoy), we consider the guided return to positive EBIT (RCBe EUR 0.6 mn) by FY 20/21e as realistic. By FY 21/22e we expect EBIT to further expand to EUR 4.0 mn and for the bottom line to be above water for the first time since FY 14/15 (RCBe EUR 1.7 mn).

Risks to estimates: We consider the biggest downside risks to include: 1) an inability to get back on a path of top line growth, 2) further weakening of the trading environment via structural changes in the industry, weak macro or adverse global events. We would see a potential upside to our estimates if Wolford achieves further efficiencies in its HQ or manages to reduce the cost basis of its production processes.

Key figures and ratios

EUR	4/2018	4/2019	4/2020e	4/2021e	4/2022e
Sales (mn)	149.1	137.2	140.0	145.0	151.0
EBITDA (mn)	-2.5	-1.4	4.0	8.5	12.0
EBIT (mn)	-9.2	-9.0	-3.7	0.6	4.0
Net profit a.m. (mn)	-11.5	-11.1	-6.0	-1.2	1.7
Earnings per share (adj.)	-2.35	-1.67	-0.90	-0.18	0.26
EPS adjusted growth	35.5%	28.9%	46.1%	79.6%	n.a.
Adjusted PE ratio	-5.8	-6.8	-12.4	-60.7	43.0
DPS	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	-39.1	-67.9	24.0	11.2	7.7
Price book value	2.0	1.8	2.0	2.1	2.0

Source: Wolford, Raiffeisen Centrobank estimates

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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 25.07.19, Source: Reuters/Bloomberg

Financing has been secured until June 2021

Outlook

In June Wolford managed to secure an extension of its credit lines with banks until the end of June 2021. At the end of FY 18/19 the interest rates on the majority of Wolford's bank debt amounted to 1.95%-3.75%. Furthermore, the Fosun Fashion Investment Holding provided a EUR 10 mn shareholder loan, also due on June 30, 2021, with an annual interest rate of 12%. An early repayment of the shareholder loan could only take place in case of a capital increase of at least EUR 10 mn.

Ongoing efforts to increase brand attractiveness

We note that Wolford has expanded its team in Milan, by attracting talent with a wealth of experience from other luxury brands, in an effort to improve its brand/product relevance and marketing. While we like the concentration of efforts on expanding the brand's reach to a younger audience (millennials), and the #truecharacter campaign kicked-off in November 2018, we would rather expect it to bear fruit in the long term. The company introduced a new pilot store in Amsterdam in January 2019, with a modular store layout. With regard to the market we expect the trading environment for upscale brands to remain difficult, as customers increasingly embrace the online channel and their shopping habits continue to evolve.

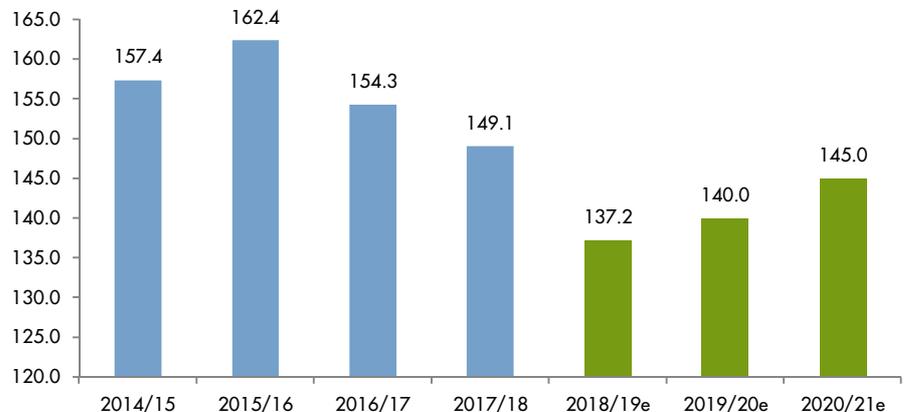
China strategy begins to take shape

As of February 1 a market offensive was launched in China in partnership with Fosun Fashion Brand Management Company (FFBM), a subsidiary of Fosun Fashion Group. Wolford communicated that it is targeting 20 new monobrand locations (boutiques and outlets) and 70 wholesale locations in China by 2024. Currently the network encompasses 6 monobrand locations and 26 wholesale locations. Wolford targets a revenue contribution of ca. 20% from Asia/Oceania by 2024. The company cited an analysis by Bain that by 2025 Chinese customers should account for 45% of the global luxury market. While we appreciate the focus on the promising Chinese market, the jury is still out on whether Wolford will be able to benefit from the appetite for upscale brands among China's fashion-hungry customers.

Fosun is seeking investors to bolster its fashion business

We note that according to press reports in June, Fosun is seeking to sell a stake in its fashion business to outside investors in order to revamp it and expand the brands. In addition to Wolford the group owns stakes in Lanvin, Tom Tailor, Raffaele Caruso and St. John Knits. While we have no visibility on the various possible scenarios, a potential strengthening of the majority shareholder could boost the expansion prospects for Wolford.

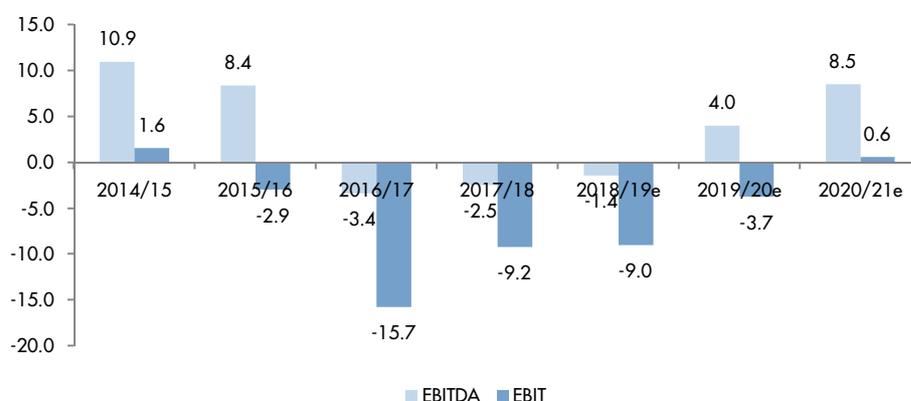
Wolford – Revenue projections (EUR mn)



Source: Wolford, Raiffeisen Centrobank estimates

Important: Please read the references at the end of this report to possible conflicts of interest and disclaimers/disclosures.

Wolford – EBIT/EBITDA projections (EUR mn)



Source: Wolford, Raiffeisen Centrobank estimates

Changes to our estimates

(EUR mn)	Old		New			Comment
	19/20e	20/21e	19/20e	20/21e	21/22e	
Sales	140.0	147.0	140.0	145.0	151.0	Longer top line recovery
EBITDA	4.0	10.5	4.0	8.5	12.0	
EBIT	-3.7	2.6	-3.7	0.6	4.0	Profit by FY 20/21e in line with guidance
Net profit a.m.	-6.0	0.7	-6.0	-1.2	1.7	
EPS (EUR)	-0.9	0.1	-0.9	-0.2	0.3	
EBITDA margin	2.9%	7.1%	2.9%	5.9%	7.9%	
EBIT margin	-2.6%	1.8%	-2.6%	0.4%	2.6%	
Net margin	-4.3%	0.5%	-4.3%	-0.8%	1.1%	

Source: Raiffeisen Centrobank estimates

Valuation

We have valued Wolford using a discounted cash flow model. To derive our risk-free rates we use 10y adjusted forward rates for all years and employ a long-term 10y estimate for the terminal value (3.0%). We use an equity market premium of 5.0% and beta of 1.2 leading to a WACC of 7.7%. In our terminal value calculation we assume a growth rate of 2% and an EBITDA margin of 10.0% (vs. an average of 5.6% in FY 19/20e-21/22e). Based on the one-year fair value price indicated by our DCF model of EUR 12.00 we issue a HOLD recommendation at current price levels.

**Target price set at
EUR 12.00 implying a
HOLD recommendation**

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Looking back: FY 18/19 results

Wolford reported FY 18/19 results on July 23.

Wolford FY 18/19 results

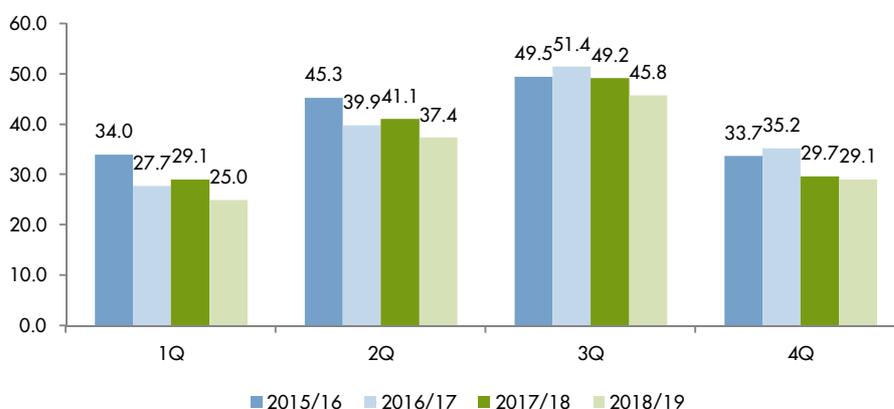
in EUR mn	4Q 18/19	4Q 17/18	yoy	FY 18/19	FY 17/18	yoy
Sales	29.1	29.7	-2.1%	137.2	149.1	-7.9%
EBITDA	-4.5	-6.8	n.m.	-1.4	-2.5	n.m.
EBIT	-6.7	-7.9	n.m.	-9.0	-9.2	n.m.
EBT	-6.8	-8.5	n.m.	-10.1	-11.4	n.m.
Net profit	-6.9	-9.0	n.m.	-11.1	-11.5	n.m.
EPS	-1.0	-1.8	n.m.	-1.7	-2.4	n.m.
EBITDA margin	-15.6%	-22.9%		-1.0%	-1.7%	
EBIT margin	-22.9%	-26.5%		-6.5%	-6.2%	
Net margin	-23.7%	-30.2%		-8.1%	-7.7%	

Source: Wolford

Retail and wholesale shrank, while online sales grew

The decline of the top line amounted to 7.9% yoy in FY 2018/19 (-8.3% in LCY terms) with almost EUR 12 mn of sales lost. Retail sales shrank by 6.6% yoy (EUR 6.6 mn lost) and by 6.7% in LCY terms, respectively. Lfl retail sales declined by 5.9% yoy. The wholesale business shrank more abruptly, with revenue down by 11.4% yoy (EUR 4.8 mn lost). The online business continued to develop encouragingly, growing by 8.5% yoy to EUR 17.8 mn (9.3% yoy in LCY terms). The decline of the top line in 4Q 18/19, at -2.1% yoy, was the least significant drop of all quarters of the year.

Wolford - Revenue development by quarter (EUR mn)



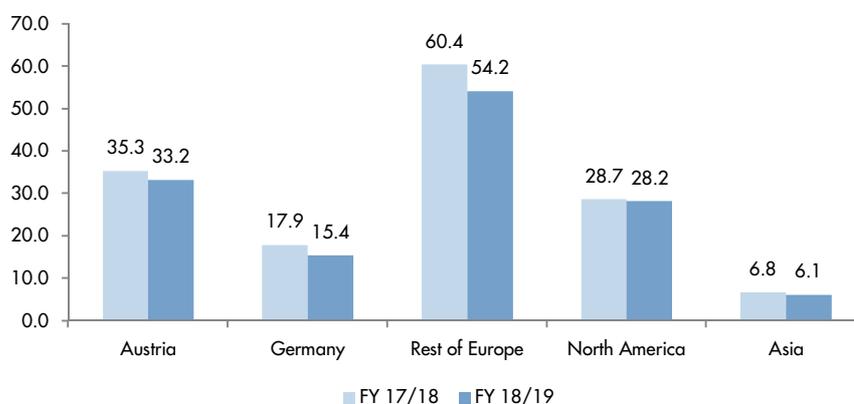
Source: Wolford

Sales declined across all key geographies

In FY 18/19 the four most important markets suffered declines in sales: USA (-2.3% yoy), Germany (-5.9% yoy), Austria (-10.6% yoy) and France (-1.3% yoy). Other markets suffered as well with Switzerland (-11.1% yoy), Scandinavia (-10.5% yoy), Asia (-1.9% yoy), Italy (-14.8% yoy), Spain (-5.0% yoy), Netherlands (-14.3% yoy), Belgium (-12.1% yoy) and Eastern Europe (-19.2% yoy).

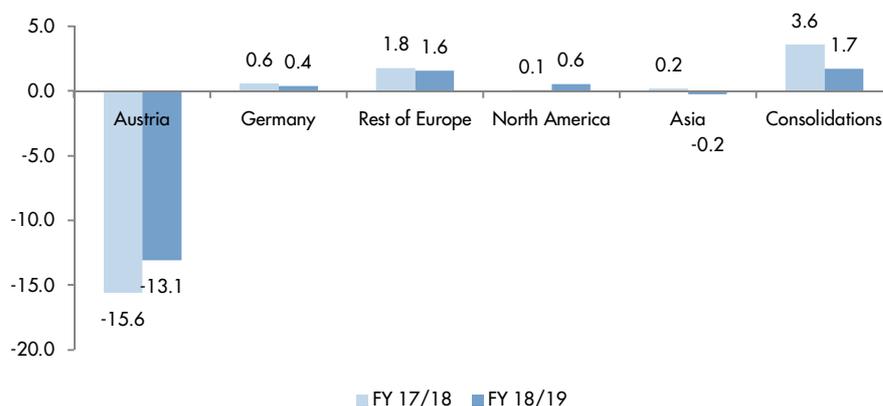
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Wolford – FY 18/19 revenue contribution by segment (EUR mn)



Source: Wolford

Wolford – FY 18/19 EBIT contribution by segment (EUR mn)



Source: Wolford

Staff costs declined by EUR 8.6 mn in FY 18/19

Wolford was able to streamline processes and reduce its average personnel by 86 employees from an average level of 1,433 in FY 17/18 to 1,347 in FY 18/19. Staff costs were reduced by an impressive EUR 8.6 mn (-12.5% yoy). We note that staff costs declined by EUR 4.0 mn to EUR 13.7 mn (-22.8% yoy) in 4Q 18/19, showing the impact of the restructuring initiatives. This allowed for a slight decrease of the operating loss, despite a contraction of the top line on a yoy basis.

EBIT loss of EUR -9.0 mn for FY 18/19

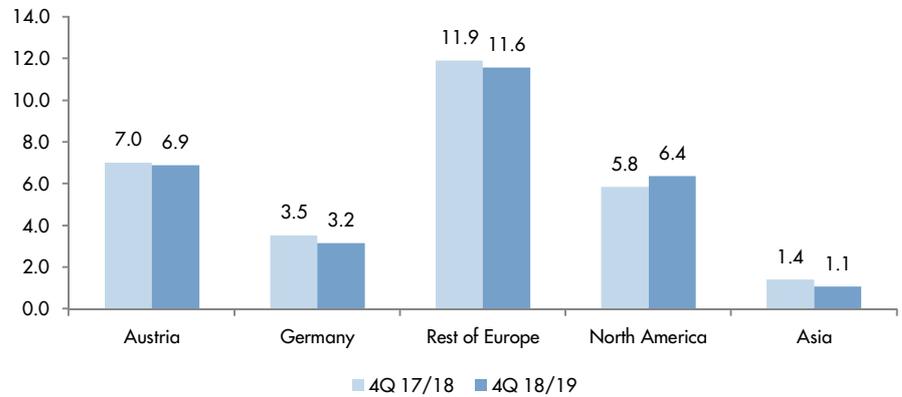
The operating loss for FY 18/19 amounted to EUR -9.0 mn vs. EUR -9.2 mn in FY 17/18. The EBITDA loss was EUR -1.4 mn vs. EUR -2.5 mn in FY 17/18, and Wolford's net loss amounted to EUR -11.1 mn – slightly better than the loss of EUR 11.5 mn in FY 17/18.

4Q 18/19 was the best quarter relatively speaking

4Q 18/19 showed the best dynamics among all quarters of the year. While revenues contracted by 2.1% yoy to EUR 29.1 mn, losses in 4Q 18/19 were more modest than in 4Q 17/18. EBITDA improved from a loss of EUR 6.8 mn to a loss of EUR 4.5 mn, EBIT from a loss of EUR 7.9 mn to EUR 6.7 mn and the bottom line from a loss of EUR 9.0 mn to a loss of EUR 6.9 mn.

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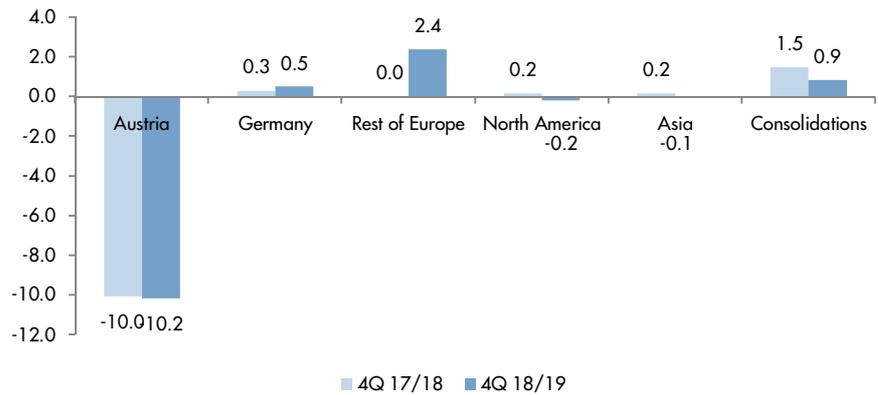
Wolford – 4Q 18/19 revenue contribution by segment (EUR mn)



Source: Wolford

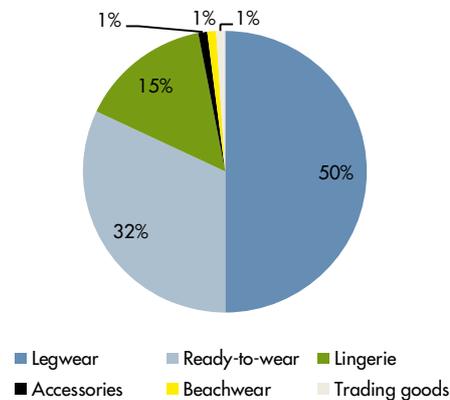
We note that revenues in North America grew by 9.1% yoy in 4Q 18/19, while the yoy trend was negative in all other segments.

Wolford – 4Q 18/19 EBIT contribution by segment (EUR mn)



Source: Wolford

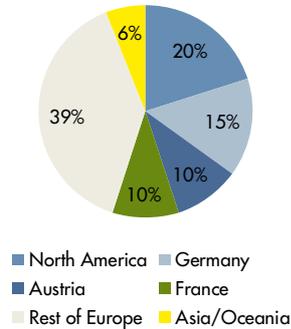
Wolford – FY 18/19 revenue contribution by product



Source: Wolford

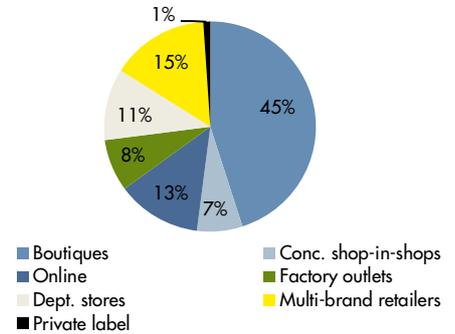
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FY 18/19 revenue contribution by market



Source: Wolford

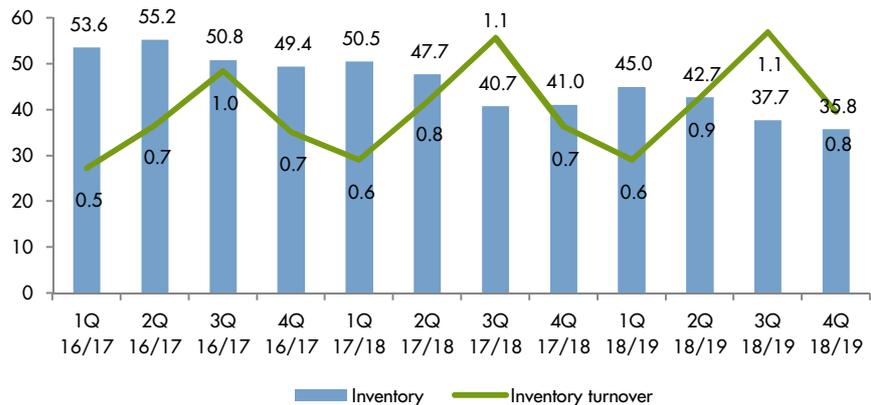
FY 18/19 revenue contribution by channel



Source: Wolford

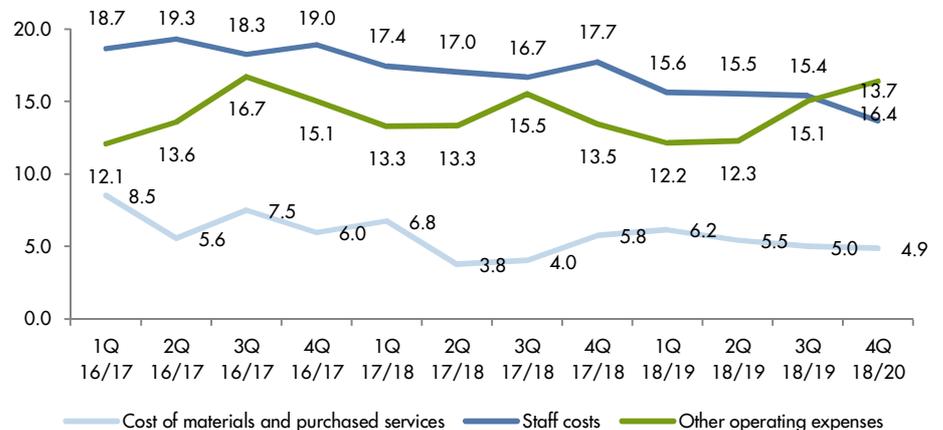
In FY 18/19, more than 70% of the revenues were generated at monobrand points-of-sale. On a positive note 4Q 18/19 inventories declined by 12.7% yoy to EUR 35.8 mn, while the inventory turnover grew yoy from 0.7x to 0.8x.

Wolford – Inventory (EUR mn)



Source: Wolford, Raiffeisen Centrobank

Wolford – Cost development (EUR mn)



Source: Wolford, Raiffeisen Centrobank

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DCF Valuation

<i>FCF projection (EUR mn)</i>	2019e	2020e	2021e	2022e	2023e	2024e	TV CF
Consolidated sales	140.0	145.0	151.0	157.0	163.0	168.7	173.8
EBITDA	4.0	8.5	12.0	12.6	15.0	16.9	17.4
EBITA	-3.7	0.6	4.0	4.5	6.7	8.4	8.6
Taxes paid on EBITDA	-0.5	-0.1	-0.5	-1.0	-1.5	-2.0	-2.1
NOPLAT	-4.2	0.5	3.5	3.5	5.2	6.4	6.4
Adj. NOPLAT	-4.2	0.5	3.5	3.5	5.2	6.4	6.4
Depreciation of PPE & intangibles	7.7	7.9	8.0	8.1	8.3	8.5	8.8
Gross investment in PPE & intangibles	-7.6	-7.8	-8.0	-8.5	-8.7	-8.9	-9.4
Change in working capital	6.4	2.0	0.8	0.8	1.8	1.1	-0.0
NWC/Sales	15.5%	13.6%	12.5%	11.5%	10.0%	9.0%	0.8%
Change in LT provisions other than tax	-2.4	0.0	0.0	n.a.	n.a.	n.a.	
Net acquisitions & disposals	0.0	0.0	0.0	0.0	0.0	0.0	
Free cash flow to firm	-0.2	2.6	4.3	3.9	6.5	7.1	5.8
Adj. free cash flow to firm	-0.2	2.6	4.3	3.9	6.5	7.1	5.8
EV DCF, mid-year assumption	97.7	100.6					
+ MV of non-operating assets eop	0.0	0.0					
- MV of net debt eop	21.5	20.7					
- MV of minorities eop	0.0	0.0					
Adjustments to EV eop	0.0	0.0					
Fair value of equity	76.2	80.0					
Shares outstanding (mn)	6.6	6.6					
Fair value per share (in EUR)	11.48	12.06					

<i>Value drivers</i>	2019e	2020e	2021e	2022e	2023e	2024e	TV CF
Consolidated sales yoy	2.0%	3.6%	4.1%	4.0%	3.8%	3.5%	2.0%
EBITDA margin	2.9%	5.9%	7.9%	8.0%	9.2%	10.0%	10.0%
Rate of taxes paid	14.8%	-19.1%	-12.8%	-21.5%	-22.5%	-23.5%	-25.0%
Working capital/sales	15.5%	13.6%	12.5%	11.5%	10.0%	9.0%	0.8%
Capex/depreciation	99.0%	98.5%	99.5%	105.0%	105.0%	105.0%	107.1%
Free cash flow margin	-0.1%	1.8%	2.9%	2.5%	4.0%	4.2%	3.3%

<i>WACC</i>	2019e	2020e	2021e	2022e	2023e	2024e	TV CF
Target capital structure (at MV)	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Debt/equity ratio (at MV)	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
Risk free rate (local)	0.5%	0.8%	1.1%	1.4%	1.7%	1.9%	3.0%
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%	6.8%	7.2%	7.5%	7.8%	8.0%	9.1%
Cost of debt	2.5%	2.8%	3.1%	3.4%	3.7%	3.9%	5.0%
Tax rate	14.8%	-19.1%	-12.8%	-21.5%	-22.5%	-23.5%	-25.0%
WACC	5.6%	5.7%	6.0%	6.3%	6.5%	6.7%	7.7%

Sensitivity analysis

<i>Growth sensitivity (EUR)</i>	<i>Terminal growth rate</i>						
WACC	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
6.2%	12.3	13.6	15.1	16.9	19.3	22.4	26.7
6.7%	11.0	12.0	13.3	14.7	16.6	18.9	22.0
7.2%	9.9	10.7	11.8	13.0	14.4	16.2	18.5
7.7%	8.9	9.6	10.5	11.5	12.7	14.1	15.9
8.2%	8.1	8.7	9.4	10.2	11.2	12.4	13.8
8.7%	7.4	7.9	8.5	9.2	10.0	11.0	12.1
9.2%	6.7	7.2	7.7	8.3	9.0	9.8	10.7

<i>Margin sensitivity (EUR)</i>	<i>FCF margin TV</i>						
WACC	1.8%	2.3%	2.8%	3.3%	3.8%	4.3%	4.8%
6.2%	9.3	11.8	14.4	16.9	19.5	22.1	24.6
6.7%	8.0	10.3	12.5	14.7	17.0	19.2	21.4
7.2%	7.0	9.0	11.0	13.0	14.9	16.9	18.9
7.7%	6.2	8.0	9.7	11.5	13.2	15.0	16.8
8.2%	5.5	7.1	8.7	10.2	11.8	13.4	15.0
8.7%	4.9	6.3	7.8	9.2	10.6	12.1	13.5
9.2%	4.4	5.7	7.0	8.3	9.6	10.9	12.2

Source: Raiffeisen Centrobank estimates

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<i>Income statement (EUR mn)</i>	<i>4/2017</i>	<i>4/2018</i>	<i>4/2019</i>	<i>4/2020e</i>	<i>4/2021e</i>	<i>4/2022e</i>
Consolidated sales	154.3	149.1	137.2	140.0	145.0	151.0
Changes in inventories & own work capitalised	1.7	-7.9	-4.3	0.0	1.0	1.0
Other operating income	1.0	1.2	3.4	2.0	2.0	2.0
Total revenues	157.0	142.4	136.3	142.0	148.0	154.0
Material costs	-27.6	-20.3	-21.5	-24.0	-25.0	-26.0
Personnel expenses	-75.2	-68.9	-60.2	-62.0	-60.0	-61.0
Other operating expenses	-57.5	-55.6	-55.9	-52.0	-54.5	-55.0
EBITDA	-3.4	-2.5	-1.4	4.0	8.5	12.0
Adjusted EBITDA	-3.4	-2.5	-1.4	4.0	8.5	12.0
Depreciation of PPE and intangibles	-12.3	-6.8	-7.6	-7.7	-7.9	-8.0
EBITA	-15.7	-9.2	-9.0	-3.7	0.6	4.0
Amortisation, impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-15.7	-9.2	-9.0	-3.7	0.6	4.0
Adjusted EBIT	-15.7	-9.2	-9.0	-3.7	0.6	4.0
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Net interest income	-0.5	-2.0	-1.0	-1.5	-1.4	-1.4
Other financial result	-0.3	-0.3	-0.2	-0.3	-0.3	-0.3
Financial result	-0.9	-2.2	-1.1	-1.8	-1.7	-1.7
Earnings before taxes	-16.6	-11.4	-10.1	-5.4	-1.1	2.3
Taxes on income	-1.3	-0.1	-1.0	-0.5	-0.1	-0.6
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	-17.9	-11.5	-11.1	-6.0	-1.2	1.7
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net profit after minorities	-17.9	-11.5	-11.1	-6.0	-1.2	1.7
Adjusted Net profit	-17.9	-11.5	-11.1	-6.0	-1.2	1.7
Changes yoy	4/2017	4/2018	4/2019	4/2020e	4/2021e	4/2022e
Consolidated sales yoy	-5.0%	-3.4%	-7.9%	2.0%	3.6%	4.1%
EBITDA yoy	-140.4%	26.9%	43.3%	n.a.	112.5%	41.2%
EBITA yoy	-437.6%	41.3%	2.7%	59.0%	n.a.	579.6%
EBIT yoy	-437.6%	41.3%	2.7%	59.0%	n.a.	579.6%
EBT yoy	-330.4%	31.0%	11.5%	46.2%	79.6%	n.a.
Net profit after minorities yoy	-67.7%	35.5%	3.8%	46.1%	79.6%	n.a.
Margins	4/2017	4/2018	4/2019	4/2020e	4/2021e	4/2022e
Material costs margin	-17.9%	-13.6%	-15.7%	-17.1%	-17.2%	-17.2%
EBITDA margin	-2.2%	-1.7%	-1.0%	2.9%	5.9%	7.9%
EBITA margin	-10.2%	-6.2%	-6.5%	-2.6%	0.4%	2.6%
EBIT margin	-10.2%	-6.2%	-6.5%	-2.6%	0.4%	2.6%
EBT margin	-10.7%	-7.7%	-7.4%	-3.9%	-0.8%	1.5%
Net margin	-11.6%	-7.7%	-8.1%	-4.3%	-0.8%	1.1%
Profitability	4/2017	4/2018	4/2019	4/2020e	4/2021e	4/2022e
Return on assets	-12.5%	-7.5%	-8.5%	-3.8%	0.3%	2.5%
Return on equity	-32.9%	-29.3%	-29.0%	-15.1%	-3.4%	4.8%
Return on capital employed	-19.4%	-12.2%	-13.7%	-6.0%	0.6%	4.3%
Cash flow statement (EUR mn)	4/2017	4/2018	4/2019	4/2020e	4/2021e	4/2022e
Earnings before taxes	-16.6	-11.4	-10.1	-5.4	-1.1	2.3
Taxes paid	-0.7	-0.4	-1.1	-0.5	-0.1	-0.5
Amortisation and depreciation	12.3	7.5	8.0	7.7	7.9	8.0
Other non-cash items	0.2	0.1	-1.4	-2.4	0.0	0.0
Cash flow from result	-4.8	-4.3	-4.6	-0.8	6.7	9.8
Change in working capital	1.8	7.5	0.5	6.4	2.0	0.8
Operating cash flow	-2.9	3.2	-4.1	5.7	8.7	10.7
Capex PPE and intangible assets	-6.7	-1.4	-5.2	-7.6	-7.8	-8.0
Acquisitions	0.0	0.0	-2.4	0.0	0.0	0.0
Disposal of fixed assets (total)	0.2	0.0	0.8	0.0	0.0	0.0
Other items (investments)	0.0	0.0	0.0	0.0	0.0	0.0
Investing cash flow	-6.5	-1.4	-6.8	-7.6	-7.8	-8.0
Dividend payments	-1.0	0.0	0.0	0.0	0.0	0.0
Other changes in equity	0.0	0.0	21.2	0.0	0.0	0.0
Change in financial liabilities	16.8	-8.8	-1.1	-3.2	-1.5	0.0
Other items	0.0	-0.5	0.0	0.0	0.0	0.0
Financing cash flow	15.8	-9.3	20.1	-3.2	-1.5	0.0

Source: Wolford, Raiffeisen Centrobank estimates

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Balance sheet (EUR mn)	4/2017	4/2018	4/2019	4/2020e	4/2021e	4/2022e
Current assets	76.9	58.7	62.1	55.3	54.2	56.7
Liquid funds	10.3	2.7	12.1	7.0	6.4	9.1
Receivables	14.5	12.7	12.0	11.2	10.2	10.0
Inventories	49.4	41.0	35.8	35.0	35.5	35.5
Other assets	2.7	2.3	2.3	2.1	2.1	2.1
Fixed assets	59.6	53.5	54.2	54.1	54.0	54.0
Property, plant & equipment	45.6	41.4	40.1	40.1	39.9	39.9
Intangible assets	10.7	8.9	10.2	10.2	10.2	10.2
Goodwill	0.2	0.2	0.9	0.9	0.9	0.9
Financial assets	3.2	2.9	3.0	3.0	3.0	3.0
Deferred tax assets	1.9	2.1	1.6	1.6	1.6	1.6
Total assets	138.4	114.3	118.0	111.1	109.8	112.2
Current liabilities	72.4	61.1	54.7	56.2	56.2	56.8
Short-term borrowings	42.6	33.9	32.8	29.6	28.1	28.1
Notes & trade payables, payments received	5.0	6.5	6.6	7.9	7.9	8.2
Other current liabilities	24.7	20.8	15.3	18.7	20.1	20.5
Long-term liabilities	21.0	19.3	20.6	18.1	18.1	18.1
Long-term borrowings	0.2	0.2	0.2	0.2	0.2	0.2
Long-term provisions	19.9	18.2	19.4	17.0	17.0	17.0
Other long-term liabilities	0.9	0.9	0.9	0.9	0.9	0.9
Hybrid & other mezzanine capital	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	44.9	33.9	42.7	36.7	35.5	37.2
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax liabilities	0.1	0.0	0.0	0.0	0.0	0.0
Total liabilities	138.4	114.3	118.0	111.1	109.8	112.2
Balance sheet (EUR mn)	4/2017	4/2018	4/2019	4/2020e	4/2021e	4/2022e
Net working capital	36.8	28.8	28.2	21.7	19.7	18.9
Net interest-bearing debt	31.3	30.1	19.6	21.5	20.7	18.0
Capital employed	87.7	68.0	75.7	66.5	63.8	65.6
Market capitalisation	94.4	66.6	75.6	74.3	74.3	74.3
Enterprise value	125.7	96.7	95.2	95.8	94.9	92.2
Financing (x)	4/2017	4/2018	4/2019	4/2020e	4/2021e	4/2022e
Interest cover	-5.7	-1.2	-1.1	2.6	5.9	8.5
Internal financing ratio	-0.5	2.3	-0.9	0.7	1.1	1.3
Net gearing	69.7%	88.8%	45.9%	58.6%	58.2%	48.3%
Quick ratio	0.4	0.3	0.5	0.4	0.3	0.4
Fixed assets cover	1.1	1.0	1.2	1.0	1.0	1.0
Capex / depreciation	0.5	0.2	0.7	1.0	1.0	1.0
Equity ratio	32.4%	29.6%	36.2%	33.1%	32.3%	33.2%
Per share data (EUR)	4/2017	4/2018	4/2019	4/2020e	4/2021e	4/2022e
Weighted avg. no. of shares (mn)	4.9	4.9	6.6	6.6	6.6	6.6
EPS reported	-3.65	-2.35	-1.67	-0.90	-0.18	0.26
Earnings per share (adj.)	-3.65	-2.35	-1.67	-0.90	-0.18	0.26
Operating cash flow per share	-0.60	0.65	-0.62	0.86	1.31	1.61
Book value per share	9.16	6.92	6.44	5.54	5.36	5.62
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Valuation (x)	4/2017	4/2018	4/2019	4/2020e	4/2021e	4/2022e
PE reported	-5.3	-5.8	-6.8	-12.4	-60.7	43.0
Adjusted PE ratio	-5.3	-5.8	-6.8	-12.4	-60.7	43.0
Price cash flow	-32.1	20.8	-18.4	13.1	8.6	7.0
Price book value	2.1	2.0	1.8	2.0	2.1	2.0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash flow yield	-10.0%	2.7%	-11.2%	-2.6%	1.2%	3.6%
EV/sales	0.8	0.6	0.7	0.7	0.7	0.6
EV/EBITDA	-37.1	-39.1	-67.9	24.0	11.2	7.7
EV/EBIT	-8.0	-10.5	-10.6	-26.0	163.0	23.3
EV/operating cash flow	-42.8	30.2	-23.1	16.9	10.9	8.6
Adjusted EV/CE	1.6	1.5	1.4	1.6	1.6	1.6
Adjusted EV/CE vs. ROCE/WACC				-1.5	15.8	2.2

Source: Wolford, Raiffeisen Centrobank estimates

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SWOT Analysis

Strengths/Opportunities

- Global luxury brand with a strong retail network
- High quality products & highly innovative goods in the legwear segment
- Restructuring initiatives have brought cost-savings, especially in personnel expenses
- Majority investor with strong connections to the promising Asian market
- Strong growth of online sales channel
- New ideas for rejuvenating the brand and connecting with customers

Weaknesses/Threats

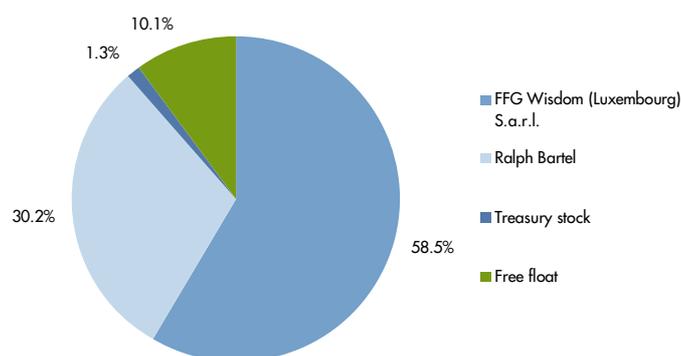
- High production costs due to manufacturing in Europe
- High inventory level
- Foreign currency risk (especially USD)
- Niche products at a relatively high price point
- Challenges with keeping up with changes in customer behaviour and fashion tastes
- The timing of deliveries has sometimes been problematic for the company

Fact Sheet

Company description

Vienna-listed Wolford Group manufactures and distributes women's legwear, bodywear, lingerie and swimwear in the luxury fashion segment. The company was founded in Bregenz, Austria in 1950. Wolford designs and manufactures its products in Austria and Slovenia. More than half of the revenues are generated with the core legwear product group. Wolford distributes its products in around 60 countries through a network of over 260 own and partner-run boutiques, factory outlets, concession shop-in-shops and 3,000 retail partners (department stores & specialist shops). In May 2018 Fosun Industrial Holdings Limited became the main shareholder of the company.

Shareholder structure



Income statement (EUR mn)	4/2019	4/2020e	4/2021e	4/2022e
Consolidated sales	137.2	140.0	145.0	151.0
EBITDA	-1.4	4.0	8.5	12.0
EBIT	-9.0	-3.7	0.6	4.0
EBT	-10.1	-5.4	-1.1	2.3
Net profit bef. min.	-11.1	-6.0	-1.2	1.7
Net profit after min.	-11.1	-6.0	-1.2	1.7

Balance sheet

Total assets	118.0	111.1	109.8	112.2
Shareholders' equity	42.7	36.7	35.5	37.2
Goodwill	0.9	0.9	0.9	0.9
NIBD	19.6	21.5	20.7	18.0

Cash flow statement

Operating cash flow	-4.1	5.7	8.7	10.7
Investing cash flow	-6.8	-7.6	-7.8	-8.0
Change NIBD	10.5	-1.9	0.9	2.7

Source: Wolford, Raiffeisen Centrobank estimates

Per share data (EUR)	4/2019	4/2020e	4/2021e	4/2022e
EPS pre-goodwill	-1.67	-0.90	-0.18	0.26
Adj. EPS diluted	-1.67	-0.90	-0.18	0.26
Operating cash flow	-0.62	0.86	1.31	1.61
Book value	6.44	5.54	5.36	5.62
Dividend	0.00	0.00	0.00	0.00
Payout ratio	0.0%	0.0%	0.0%	0.0%

Valuation (x)

PE pre-goodwill	-6.8	-12.4	-60.7	43.0
Adj. PE diluted	-6.8	-12.4	-60.7	43.0
Price cash flow	-18.4	13.1	8.6	7.0
Price book value	1.8	2.0	2.1	2.0
Dividend yield	0.0%	0.0%	0.0%	0.0%
FCF yield	-11.2%	-2.6%	1.2%	3.6%
EV/EBITDA	-67.9	24.0	11.2	7.7
EV/EBIT	-10.6	-26.0	163.0	23.3
EV/operating CF	-23.1	16.9	10.9	8.6

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Publication schedule

Date	Publication
20.09.2019	1Q Earnings release
25.09.2019	Annual General Meeting
13.12.2019	2Q Earnings release
20.03.2020	3Q Earnings release

Recommendation history

01.02.2002 (Initiation date)	Rating	Target Price	Prev. day's close	Upside	Analyst
18.03.2019	Hold	12.00	11.90	0.8%	J. Krawczyk
20.12.2018	Hold	14.00	13.00	7.7%	J. Krawczyk
23.07.2018	Hold	18.00	17.40	3.4%	J. Krawczyk
07.12.2017	Hold	13.50	13.13	2.8%	J. Krawczyk
10.08.2017	Reduce	16.00	17.70	-9.6%	J. Krawczyk

Coverage universe recommendation overview

	buy	hold	reduce	sell	suspended
Universe	179	150	12	6	0
Universe %	52%	43%	3%	2%	0%
Investment banking services	139	118	8	2	0
Investment banking services %	52%	44%	3%	1%	0%

Source: Raiffeisen Centrobank, rounding differences may occur

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Acknowledgements

Date of completion of this report: 25.07.2019 15:24 UTC+2

Date of email-distribution of this report: 25.07.2019 15:27 UTC+2

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UR: The recommendation and/or the target price and/or financial estimates are under review.

Suspended: No further research for a certain stock will be published for the time being.

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Registered at the Austrian Companies Register under FN117507f with the Commercial Court of Vienna

Austrian Data Processing Number (DVR): 0008389, VAT Identification number: ATU 15355005

Legal Entity Identifier (LEI): 529900M2F7D5795H1A49, S.W.I.F.T.-Code BIC CENBATWW

Membership: Austrian Federal Economic Chamber, Austrian Bankers Association

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Acknowledgements

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Publisher / Producer and editorial office of this publication: Raiffeisen Centrobank AG, 1010 Vienna, Tegetthoffstrasse 1, Austria

Media Owner of this publication: Raiffeisen RESEARCH - Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen, Am Stadtpark 9, A- 1030 Vienna, Austria

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