

Company Update

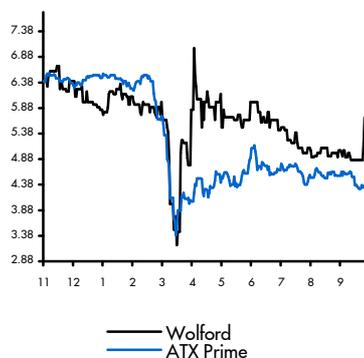
Wolford

October 2, 2020

Consumer, Cyclical/Austria

Buy (from Hold)

Price 01.10.20*	5.70
Price target	7.70
Volatility risk	high
Year high/low	7.05/3.20
Currency	EUR
EUR/EUR	1.00
GDR rate	n.a.
Shares outstanding eoy in mn	6.63
Market capitalisation (total shares) in EUR mn	37.8
Free float	10.1%
Free float in EUR mn	3.8
Avg. daily turnover (12 m) in EUR mn	0.01
Index	ATX Prime
ISIN code	AT0000834007
Bloomberg	WOLF AV
Reuters	WLFD.VI
www.wolford.com	



Source: Raiffeisen Centrobank

Easier to steer with an improved balance sheet

We update our operating forecasts for Wolford and raise our recommendation to BUY from HOLD with a 12m TP of EUR 7.70 (EUR 12.0). We have incorporated FY 19/20 results, the sale of the property in Bregenz and implemented the IFRS 16 standard into our model. We view the sale and lease-back of the property in Bregenz positively, as it addressed the challenges of Wolford's significant indebtedness and ongoing refinancing needs. Importantly, it also freed management to focus on operational restructuring measures and provided a cash cushion which should help the company to navigate through Covid-19 challenges. We expect the PITBOLI (Program for Immediate Top and Bottom Line Impact) program to help achieve an EBIT break-even in FY 21/22e, in line with company guidance. Further ahead we assume a gradual improvement of the EBIT margin from 1.3% in FY 21/22e to 5.5% in our TV estimate. We set our 12m TP at EUR 7.70 based on a 50/50 blended price from our DCF fair value of EUR 6.90 per share and a fair value of EUR 8.50 derived from applying an EV/EBITDA target multiple of 4.2x (based on a peer group average adjusted by a 20% discount for Wolford's prolonged restructuring efforts) to our FY 21/22e EBITDA estimate. Our valuation implies a 35% upside.

May-Aug 20 brought a shallower loss than the corresponding period last year. Wolford communicated that the Covid-19 pandemic impacted the May-Aug 20 top line with EUR 15.5 mn of revenue lost. Since March Wolford has sold ca. 350 k facemasks (generating ca. EUR 5.1 mn). Online sales grew by 58% yoy in May-Aug 20 and increased the contribution to ca. 25% of total revenue from 13%. The EBIT loss narrowed to EUR 10.8 mn from EUR 13.8 mn.

Sale and lease-back of Bregenz HQ improves the balance sheet. Wolford completed the sale of the property to Blum Group for EUR 72 mn in May 2020. This allowed Wolford to repay its debt of ca. EUR 33 mn to banks, as well as the shareholder loan of EUR 10 mn to Fosun Fashion Investment Holdings. The letting relationship began on May 1, 2020, with a rent-free period until Dec 31, 2020. Wolford is to pay a total of ca. EUR 11.6 mn by the end of the contractual term on April 30, 2027. The sale of company property should result in an accounting gain of EUR 47.3 mn.

PITBOLI plan underway. Wolford plans to return to operating break-even by the end of the calendar year 2021e and hence for a return into the black in the fiscal year 2021/22e. The management team (in place since Autumn 2019) is currently implementing its PITBOLI initiative, which targets an increase of productivity by ca. 15% and a single-digit revenue increase. Key aspects of the plan include an adjustment of the store portfolio, reduction of rent payments, purchasing optimisation, reduction in overheads as well as continued development of IT and digital infrastructure. Wolford aims to reduce time-to-market by 50%. We believe that in the wake of the first wave of Covid-19 Wolford was able to already renegotiate a large proportion of its rent agreements.

Key figures and ratios

EUR	4/2019	4/2020	4/2021e	4/2022e	4/2023e
Sales (mn)	137.2	118.5	119.0	132.0	137.0
EBITDA (mn)	-1.4	-4.0	52.3	24.0	26.0
EBIT (mn)	-9.0	-28.7	29.4	1.7	4.4
Net profit a.m. (mn)	-11.1	-27.4	18.0	-3.6	0.6
Earnings per share (adj.)	-1.76	-4.14	-3.29	-0.55	0.09
EPS adjusted growth	25.2%	-135.5%	20.4%	83.3%	n.a.
Adjusted PE ratio	-6.5	-1.5	-1.7	-10.4	66.7
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	-65.4	-33.7	1.6	3.4	2.8
Price book value	1.7	2.6	1.1	1.3	1.3

Source: Wolford, Raiffeisen Centrobank estimates

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* The indicated price is the last price as available at

6.30 AM on 02.10.20, Source: Reuters/Bloomberg

PITBOLI program

Outlook

Wolford initiated its comprehensive PITBOLI (Program for Immediate Top and Bottom Line Impact) plan to completely review the operating model and realign the value chain and return the company to profitability. Key aspects of the plan include a review and streamlining of the store portfolio, a reduction of rent payments, optimisation of purchasing processes, a reduction in overheads as well as continued development of IT and digital infrastructure. A key goal is to reduce the product development life-cycle and improve the time-to-market by ca. 50%. To help achieve that goal Wolford invested in 3D technology and launched a digital showroom. Wolford stated it should be able to already bring its next spring/summer collection to market within a significantly shorter timeframe. The company estimates that the plan has potential of improving productivity by ca. 15% and a single-digit revenue increase.

We particularly welcome an optimisation of the store portfolio especially in light of the growing importance of online sales, and an omnichannel approach to distribution. We believe that in the wake of Covid-19 the company focussed on renegotiating rental agreements. We expect that some unprofitable or redundant locations are in the process of being exited. As part of PITBOLI, Wolford is also conducting a full review of the supplier base, resulting in a consolidation of suppliers and potential renegotiation of contracts.

Covid-19 impact

Wolford's revenues were significantly impacted by the first wave of Covid-19 and the resulting lockdowns. Revenues declined by ca. 50% yoy in March, 80% yoy in April and 50% yoy in May. Since March Wolford has sold ca. 350 k facemasks generating ca. EUR 5.1 mn in revenues. Looking ahead we expect the negative impact from Covid-19 to gradually diminish as we currently do not reckon with a second wave of lock-downs in Wolford's key markets.

Online sales have grown to contribute ca. 25% of total sales

Online sales grew by 58% yoy in May-Aug 20 and increased the contribution to ca. 25% of total revenue from 13% in 05-08.19. We expect the growth trend in online sales to continue, approaching 30% of sales in FY 21/22e even as physical store sales recover further. We note that Wolford has been reallocating resources from brick-and-mortar to the digital channel and aims to become a relevant e-commerce player. Among other initiatives Wolford has upgraded its online shop as well as CRM and data management capabilities. We expect Wolford to press ahead with solidifying its omnichannel presence, including store pick-up and return at brick-and-mortar locations and working towards offering customers a seamless customer experience. We positively note the launch of the W brand extension, targeted at younger customers, which should give the company more options with regard to product positioning and to respond more dynamically to changes in customer preferences without comprising its iconic products.

Currently there is low visibility on the potential of Asian expansion

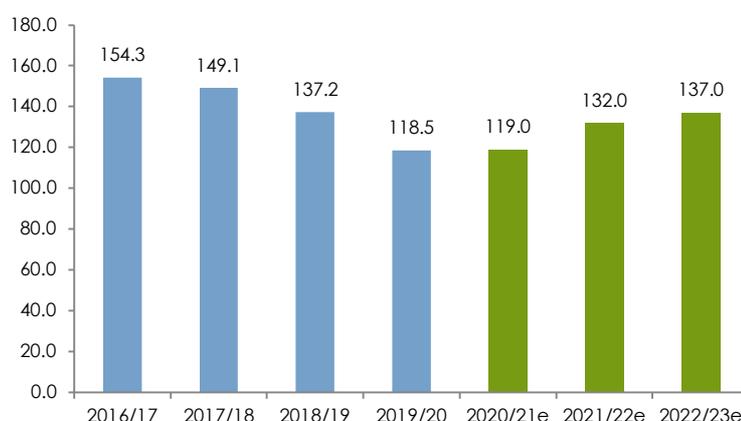
We expect a further roll-out in Asia to be delayed by Covid-19. While we believe the company has the right partner to strategically and operationally support Chinese expansion, we expect the opportunity to still lie some quarters ahead, with visibility clouded by the aftermath of Covid-19. We consider the Chinese business an option that at some point in time could become an incremental and important pillar of the investment case.

Back in the black in FY 21/22e

We expect Wolford to report EBIT of EUR 29.4 mn in FY 20/21e, bolstered by a gain of EUR 47.3 mn from the sale of real estate. Adjusting for the one-off real estate sale we expect the underlying EBIT loss to amount to EUR 17.9 mn (vs. a loss of EUR 28.7 mn in FY 19/20). We reckon with a return to operating profitability in FY 21/22e with an EBIT result of EUR 1.7 mn.

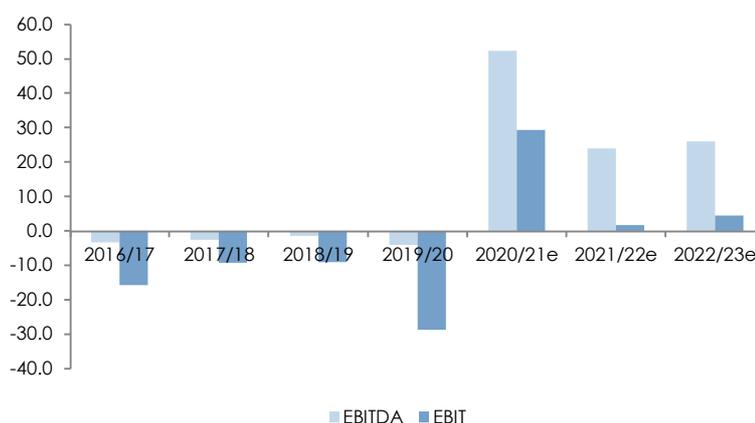
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Wolford – Revenue projections (EUR mn)



Source: Wolford, Raiffeisen Centrobank estimates

Wolford – EBIT/EBITDA projections (EUR mn)



Source: Wolford, Raiffeisen Centrobank estimates

Changes to our estimates

(EUR mn)	Old		New			Comment
	20/21e	21/22e	20/21e	21/22e	22/23e	
Sales	145.0	151.0	119.0	132.0	137.0	impact of Covid-19
EBITDA	8.5	12.0	52.3	24.0	26.0	real estate sale in 20/21e, IFRS 16
EBIT	0.6	4.0	29.4	1.7	4.4	profitable by FY 20/21e
Net profit a.m.	-1.2	1.7	18.0	-3.6	0.6	
EPS (EUR)	-0.2	0.3	2.7	-0.5	0.1	
EBITDA margin	5.9%	7.9%	44.0%	18.2%	19.0%	real estate sale in 20/21e, IFRS 16
EBIT margin	0.4%	2.6%	24.7%	1.3%	3.2%	profitable by FY 20/21e
Net margin	-0.8%	1.1%	15.1%	-2.8%	0.4%	

Source: Raiffeisen Centrobank estimates

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) a higher than expected impact on the macro environment from the pandemic and/or a slower macro recovery, 3) a considerable shift in customer preferences away from the core offering of the company. We would see a potential upside to our estimates if Wolford achieves higher efficiencies via its PITBOLI plan than currently expected.

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**BUY recommendation
with a TP of EUR 7.70**

Valuation

We set our 12m TP at EUR 7.70 based on a 50/50 blended price from our DCF fair value of EUR 6.90 per share and a fair value of EUR 8.50 derived from applying a peer-derived target EV/EBITDA multiple (with a discount of 20%) to Wolford's EBITDA 21e. Our valuation implies a 35% upside and hence we upgrade the company to BUY.

To derive our risk-free rates used in the DCF model we use 10y adjusted forward rates for all years and employ a long-term 10y estimate for the terminal value (2.5%). We use an equity market premium of 6.0% and beta of 1.5 leading to a TV WACC of 9.5%. In our terminal value calculation we assume a growth rate of 2% and EBITDA margin of 19.6% (vs. an average of 18.6% in FY 21/22-22/23e). The one-year fair value price indicated by our DCF model amounts to EUR 6.90 per share.

Applying an EV/EBITDA target multiple of 4.2x (based on a peer group average adjusted by a 20% discount for Wolford's prolonged restructuring efforts) to our EBITDA 21/22e estimate of EUR 24 mn results in an implied share price of EUR 8.50.

Peer multiple comparison

Company	EV/EBITDA		
	2020e	2021e	2022e
Calida	9.3	6.3	4.2
Van de Velde	6.8	5.9	n.a.
Hugo Boss	6.3	3.5	3.0
mean	7.5	5.2	3.6
Wolford	1.6	3.4	2.8
prem./disc. to mean	-78%	-35%	-22%

Source: Bloomberg, Raiffeisen Centrobank

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DCF Valuation

FCF projection (EUR mn)	2020e	2021e	2022e	2023e	2024e	2025e	TV CF
Consolidated sales	119.0	132.0	137.0	141.1	144.6	148.3	152.0
EBITDA	52.3	24.0	26.0	27.1	28.1	29.1	29.8
EBITA	29.4	1.7	4.4	5.7	6.7	7.7	8.4
Taxes paid on EBITDA	-5.1	-0.2	-0.2	-1.2	-1.5	-1.8	-2.1
NOPLAT	24.3	1.5	4.2	4.5	5.2	5.9	6.3
Adj. NOPLAT	24.3	1.5	4.2	4.5	5.2	5.9	6.3
Depreciation of PPE & intangibles	22.9	22.3	21.6	21.4	21.4	21.4	21.4
Gross investment in PPE & intangibles	-6.0	-7.0	-7.5	-6.0	-6.0	-6.0	-6.1
Change in working capital	3.5	-5.2	0.9	1.5	1.8	1.1	-0.0
NWC/Sales	11.2%	14.1%	12.9%	11.5%	10.0%	9.0%	0.8%
Change in LT provisions other than tax	-0.4	0.0	0.0	n.a.	n.a.	n.a.	
Net acquisitions & disposals	24.7	0.0	0.0	0.0	0.0	0.0	
Free cash flow to firm	69.0	11.6	19.2	21.3	22.3	22.4	21.5
Adj. free cash flow to firm	51.6	-6.4	1.5	3.6	4.6	4.7	3.8
EV DCF, mid-year assumption	41.5	51.1					
+ MV of non-operating assets eop	0.0	0.0					
- MV of net debt eop	46.7	44.3					
- MV of minorities eop	0.0	0.0					
Adjustments to EV eop	50.4	39.4					
Fair value of equity	45.2	46.3					
Shares outstanding (mn)	6.6	6.6					
Fair value per share (in EUR)	6.82	6.98					

Value drivers	2020e	2021e	2022e	2023e	2024e	2025e	TV CF
Consolidated sales yoy	0.4%	10.9%	3.8%	3.0%	2.5%	2.5%	2.0%
EBITDA margin	44.0%	18.2%	19.0%	19.2%	19.4%	19.6%	19.6%
Rate of taxes paid	-17.2%	-10.2%	-4.1%	-21.5%	-22.5%	-23.5%	-25.0%
Working capital/sales	11.2%	14.1%	12.9%	11.5%	10.0%	9.0%	0.8%
Capex/depreciation	26.2%	31.4%	34.7%	28.0%	28.0%	28.0%	28.6%
Free cash flow margin	58.0%	8.8%	14.0%	15.1%	15.4%	15.1%	2.5%

WACC	2020e	2021e	2022e	2023e	2024e	2025e	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)	0.2%	0.4%	0.5%	0.8%	1.0%	1.2%	2.5%
Equity market premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Levered beta	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Cost of equity	9.2%	9.4%	9.5%	9.8%	10.0%	10.2%	11.5%
Cost of debt	2.2%	2.4%	2.5%	2.8%	3.0%	3.2%	4.5%
Tax rate	-17.2%	-10.2%	-4.1%	-21.5%	-22.5%	-23.5%	-25.0%
WACC	7.4%	7.6%	7.7%	7.9%	8.1%	8.3%	9.5%

Sensitivity analysis

Growth sensitivity (EUR)	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
WACC							
8.0%	7.2	7.7	8.2	8.8	9.5	10.4	11.4
8.5%	6.7	7.1	7.5	8.0	8.6	9.3	10.2
9.0%	6.2	6.6	6.9	7.4	7.9	8.5	9.1
9.5%	5.8	6.1	6.4	6.8	7.2	7.7	8.3
10.0%	5.5	5.7	6.0	6.3	6.7	7.1	7.6
10.5%	5.1	5.4	5.6	5.9	6.2	6.6	7.0
11.0%	4.8	5.0	5.3	5.5	5.8	6.1	6.5

Margin sensitivity (EUR)	FCF margin TV						
	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
WACC							
8.0%	4.4	5.9	7.3	8.8	10.2	11.7	13.2
8.5%	4.1	5.4	6.7	8.0	9.3	10.7	12.0
9.0%	3.8	5.0	6.2	7.4	8.6	9.8	11.0
9.5%	3.5	4.6	5.7	6.8	7.9	9.0	10.1
10.0%	3.3	4.3	5.3	6.3	7.3	8.3	9.3
10.5%	3.1	4.1	5.0	5.9	6.8	7.7	8.6
11.0%	3.0	3.8	4.7	5.5	6.4	7.2	8.1

Source: Raiffeisen Centrobank estimates

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<i>Income statement (EUR mn)</i>	4/2018	4/2019	4/2020	4/2021e	4/2022e	4/2023e
Consolidated sales	149.1	137.2	118.5	119.0	132.0	137.0
Changes in inventories & own work capitalised	-7.9	-4.3	-1.7	1.0	1.0	1.0
Other operating income	1.2	3.4	1.3	47.3	2.0	2.0
Total revenues	142.4	136.3	118.2	167.3	135.0	140.0
Material costs	-20.3	-21.5	-20.1	-21.0	-21.0	-22.0
Personnel expenses	-68.9	-60.2	-62.8	-61.0	-59.0	-60.0
Other operating expenses	-55.6	-55.9	-39.2	-33.0	-31.0	-32.0
EBITDA	-2.5	-1.4	-4.0	52.3	24.0	26.0
Adjusted EBITDA	-2.5	-1.4	-4.0	5.0	24.0	26.0
Depreciation of PPE and intangibles	-6.8	-7.6	-24.7	-22.9	-22.3	-21.6
EBITA	-9.2	-9.0	-28.7	29.4	1.7	4.4
Amortisation, impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-9.2	-9.0	-28.7	29.4	1.7	4.4
Adjusted EBIT	-9.2	-9.0	-28.7	-17.9	1.7	4.4
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Net interest income	-2.0	-1.0	-6.1	-6.1	-4.9	-3.4
Other financial result	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2
Financial result	-2.2	-1.1	-6.3	-6.4	-5.2	-3.7
Earnings before taxes	-11.4	-10.1	-35.0	23.1	-3.5	0.7
Taxes on income	-0.1	-1.0	7.6	-5.1	-0.2	-0.2
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	-11.5	-11.1	-27.4	18.0	-3.6	0.6
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net profit after minorities	-11.5	-11.1	-27.4	18.0	-3.6	0.6
Adjusted Net profit	-11.5	-11.1	-27.4	-21.8	-3.6	0.6
Changes yoy	4/2018	4/2019	4/2020	4/2021e	4/2022e	4/2023e
Consolidated sales yoy	-3.4%	-7.9%	-13.6%	0.4%	10.9%	3.8%
EBITDA yoy	26.9%	43.3%	-183.8%	n.a.	-54.1%	8.3%
EBITA yoy	41.3%	2.7%	-219.5%	n.a.	-94.2%	158.8%
EBIT yoy	41.3%	2.7%	-219.5%	n.a.	-94.2%	158.8%
EBT yoy	31.0%	11.5%	-246.3%	n.a.	-115.0%	n.a.
Net profit after minorities yoy	35.5%	3.8%	-147.1%	n.a.	-120.2%	n.a.
Margins	4/2018	4/2019	4/2020	4/2021e	4/2022e	4/2023e
Material costs margin	-13.6%	-15.7%	-17.0%	-17.6%	-15.9%	-16.1%
EBITDA margin	-1.7%	-1.0%	-3.4%	44.0%	18.2%	19.0%
EBITA margin	-6.2%	-6.5%	-24.2%	24.7%	1.3%	3.2%
EBIT margin	-6.2%	-6.5%	-24.2%	24.7%	1.3%	3.2%
EBT margin	-7.7%	-7.4%	-29.5%	19.4%	-2.6%	0.5%
Net margin	-7.7%	-8.1%	-23.1%	15.1%	-2.8%	0.4%
Profitability	4/2018	4/2019	4/2020	4/2021e	4/2022e	4/2023e
Return on assets	-7.5%	-8.5%	-16.2%	14.7%	0.1%	2.1%
Return on equity	-29.3%	-29.0%	-95.0%	74.9%	-11.7%	1.9%
Return on capital employed	-12.2%	-13.7%	-23.7%	21.6%	0.1%	3.5%
Cash flow statement (EUR mn)	4/2018	4/2019	4/2020	4/2021e	4/2022e	4/2023e
Earnings before taxes	-11.4	-10.1	-35.0	23.1	-3.5	0.7
Taxes paid	-0.4	-1.1	0.5	-5.1	-0.2	-0.2
Amortisation and depreciation	7.5	8.0	25.3	22.9	22.3	21.6
Other non-cash items	0.1	-1.4	4.6	-47.7	0.0	0.0
Cash flow from result	-4.3	-4.6	-4.7	-6.9	18.7	22.2
Change in working capital	7.5	0.5	10.2	3.5	-5.2	0.9
Operating cash flow	3.2	-4.1	5.5	-3.4	13.4	23.1
Capex PPE and intangible assets	-1.4	-5.2	-1.7	-6.0	-7.0	-7.5
Acquisitions	0.0	-2.4	0.0	0.0	0.0	0.0
Disposal of fixed assets (total)	0.0	0.8	0.4	57.0	-4.0	-6.0
Other items (investments)	0.0	0.0	0.0	-9.7	4.0	6.0
Investing cash flow	-1.4	-6.8	-1.3	41.3	-7.0	-7.5
Dividend payments	0.0	0.0	0.0	0.0	0.0	0.0
Other changes in equity	0.0	21.2	0.0	0.0	0.0	0.0
Change in financial liabilities	-8.8	-1.1	6.0	-45.7	-5.0	-9.3
Other items	-0.5	0.0	-17.8	9.7	-4.0	-6.0
Financing cash flow	-9.3	20.1	-11.8	-36.0	-9.0	-15.3

Source: Wolford, Raiffeisen Centrobank estimates

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<i>Balance sheet (EUR mn)</i>	<i>4/2018</i>	<i>4/2019</i>	<i>4/2020</i>	<i>4/2021e</i>	<i>4/2022e</i>	<i>4/2023e</i>
Current assets	58.7	62.1	48.9	49.2	53.5	53.4
Liquid funds	2.7	12.1	4.5	6.4	3.9	4.1
Receivables	12.7	14.1	9.6	9.5	10.6	11.0
Inventories	41.0	35.8	34.7	33.3	37.0	38.4
Other assets	2.3	0.2	0.1	0.0	2.1	0.0
Fixed assets	53.5	54.2	102.2	75.6	64.3	56.2
Property, plant & equipment	41.4	40.1	97.4	70.6	59.1	50.8
Intangible assets	8.9	10.2	1.5	1.7	1.9	2.1
Goodwill	0.2	0.9	0.3	0.3	0.3	0.3
Financial assets	2.9	3.0	3.0	3.0	3.0	3.0
Deferred tax assets	2.1	1.6	10.6	10.6	10.6	10.6
Total assets	114.3	118.0	161.7	135.5	128.4	120.3
Current liabilities	61.1	54.7	81.6	48.5	56.0	56.6
Short-term borrowings	33.9	32.8	54.0	19.0	25.0	25.0
Notes & trade payables, payments received	6.5	6.6	7.5	7.1	7.9	8.2
Other current liabilities	20.8	15.3	20.0	22.3	23.1	23.4
Long-term liabilities	19.3	20.6	65.1	54.0	43.0	33.7
Long-term borrowings	0.2	0.2	46.1	35.4	24.4	15.1
Long-term provisions	18.2	19.4	17.4	17.0	17.0	17.0
Other long-term liabilities	0.9	0.9	1.6	1.6	1.6	1.6
Hybrid & other mezzanine capital	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	33.9	42.7	15.0	33.0	29.4	29.9
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	114.3	118.0	161.7	135.5	128.4	120.3
Balance sheet (EUR mn)	4/2018	4/2019	4/2020	4/2021e	4/2022e	4/2023e
Net working capital	28.8	28.2	16.8	13.4	18.6	17.7
Net interest-bearing debt	30.1	19.6	94.3	46.7	44.3	34.7
Capital employed	68.0	75.7	115.1	87.4	78.8	70.0
Market capitalisation	66.8	72.0	39.8	37.8	37.8	37.8
Enterprise value	96.9	91.7	134.1	84.5	82.1	72.5
Financing (x)	4/2018	4/2019	4/2020	4/2021e	4/2022e	4/2023e
Interest cover	-1.2	-1.1	-0.6	10.5	6.7	9.6
Internal financing ratio	2.3	-0.9	4.4	0.1	1.2	1.7
Net gearing	88.8%	45.9%	627.9%	141.5%	150.8%	116.0%
Quick ratio	0.3	0.5	0.2	0.3	0.3	0.3
Fixed assets cover	1.0	1.2	0.8	1.2	1.1	1.1
Capex / depreciation	0.2	0.7	0.1	0.3	0.3	0.4
Equity ratio	29.6%	36.2%	9.3%	24.4%	22.9%	24.9%
Per share data (EUR)	4/2018	4/2019	4/2020	4/2021e	4/2022e	4/2023e
Weighted avg. no. of shares (mn)	4.9	6.3	6.6	6.6	6.6	6.6
EPS reported	-2.35	-1.76	-4.14	2.71	-0.55	0.09
Earnings per share (adj.)	-2.35	-1.76	-4.14	-3.29	-0.55	0.09
Operating cash flow per share	0.65	-0.65	0.83	-0.51	2.02	3.48
Book value per share	6.90	6.76	2.26	4.98	4.43	4.51
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)	4/2018	4/2019	4/2020	4/2021e	4/2022e	4/2023e
PE reported	-5.8	-6.5	-1.5	2.1	-10.4	66.7
Adjusted PE ratio	-5.8	-6.5	-1.5	-1.7	-10.4	66.7
Price cash flow	20.9	-17.5	7.2	-11.1	2.8	1.6
Price book value	2.0	1.7	2.6	1.1	1.3	1.3
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash flow yield	2.7%	-11.8%	10.7%	125.9%	6.4%	25.3%
EV/sales	0.6	0.7	1.1	0.7	0.6	0.5
EV/EBITDA	-39.2	-65.4	-33.7	1.6	3.4	2.8
EV/EBIT	-10.5	-10.2	-4.7	2.9	48.3	16.5
EV/operating cash flow	30.3	-22.3	24.2	-24.9	6.1	3.1
Adjusted EV/CE	1.5	1.4	1.2	1.1	1.1	1.1
Adjusted EV/CE vs. ROCE/WACC				0.4	89.7	2.4

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

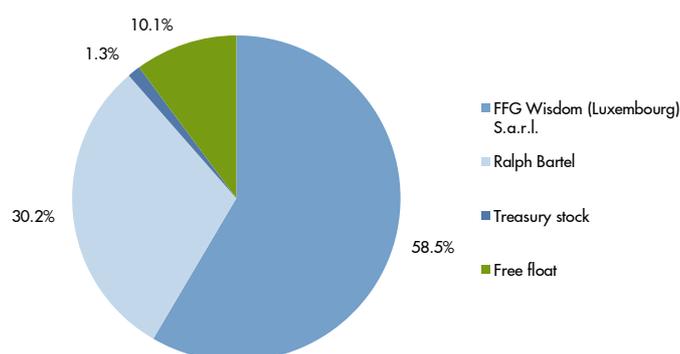
- High production costs due to manufacturing in Europe
- High inventory level
- Foreign currency risk (especially USD)
- Niche products at a relatively high price point
- Challenges with keeping up with changes in customer behaviour and fashion tastes
- The timing of deliveries has sometimes been problematic 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)	4/2020	4/2021e	4/2022e	4/2023e
Consolidated sales	118.5	119.0	132.0	137.0
EBITDA	-4.0	52.3	24.0	26.0
EBIT	-28.7	29.4	1.7	4.4
EBT	-35.0	23.1	-3.5	0.7
Net profit bef. min.	-27.4	18.0	-3.6	0.6
Net profit after min.	-27.4	18.0	-3.6	0.6

Balance sheet

Total assets	161.7	135.5	128.4	120.3
Shareholders' equity	15.0	33.0	29.4	29.9
Goodwill	0.3	0.3	0.3	0.3
NIBD	94.3	46.7	44.3	34.7

Cash flow statement

Operating cash flow	5.5	-3.4	13.4	23.1
Investing cash flow	-1.3	41.3	-7.0	-7.5
Change NIBD	-74.7	47.6	2.4	9.6

Source: Wolford, Raiffeisen Centrobank estimates

Per share data (EUR)	4/2020	4/2021e	4/2022e	4/2023e
EPS pre-goodwill	-4.14	2.71	-0.55	0.09
Adj. EPS diluted	-4.14	-3.29	-0.55	0.09
Operating cash flow	0.83	-0.51	2.02	3.48
Book value	2.26	4.98	4.43	4.51
Dividend	0.00	0.00	0.00	0.00
Payout ratio	0.0%	0.0%	0.0%	0.0%

Valuation (x)

PE pre-goodwill	-1.5	2.1	-10.4	66.7
Adj. PE diluted	-1.5	-1.7	-10.4	66.7
Price cash flow	7.2	-11.1	2.8	1.6
Price book value	2.6	1.1	1.3	1.3
Dividend yield	0.0%	0.0%	0.0%	0.0%
FCF yield	10.7%	125.9%	6.4%	25.3%
EV/EBITDA	-33.7	1.6	3.4	2.8
EV/EBIT	-4.7	2.9	48.3	16.5
EV/operating CF	24.2	-24.9	6.1	3.1

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Publication schedule

Date	Publication
11.12.2020	2Q Earnings release

Recommendation history

01.02.2002 (Initiation date)	Rating	Target Price	Prev. day's close	Upside	Analyst
25.07.2019	Hold	12.00	11.20	7.1%	J. Krawczyk
18.03.2019	Hold	12.00	11.90	0.8%	J. Krawczyk
20.12.2018	Hold	14.00	13.00	7.7%	J. Krawczyk

Coverage universe recommendation overview

	buy	hold	reduce	sell	suspended
Universe	186	172	11	9	0
Universe %	49%	46%	3%	2%	0%
Investment banking services	140	139	8	6	0
Investment banking services %	48%	47%	3%	2%	0%

Source: Raiffeisen Centrobank, rounding differences may occur

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