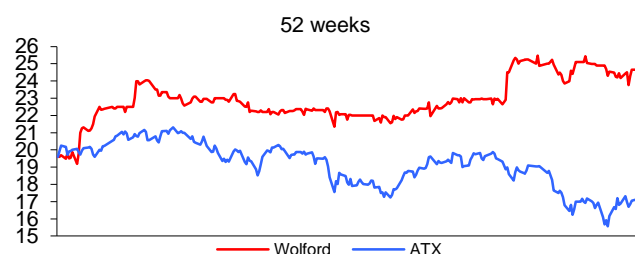


Wolford

from Accumulate to Reduce

EUR mn	2014	2015	2016e	2017e
Net sales	155.9	157.4	166.0	171.8
EBITDA	3.4	10.9	9.5	11.9
EBIT	-4.7	2.2	0.2	2.6
Net result after min.	-2.8	1.0	-1.1	1.1
EPS (EUR)	-0.57	0.21	-0.22	0.23
CEPS (EUR)	0.25	2.47	1.84	2.09
BVPS (EUR)	15.18	15.27	14.87	15.10
Div./share (EUR)	0.00	0.20	0.00	0.05
EV/EBITDA (x)	37.6	14.1	16.6	13.3
P/E (x)	nm	113.8	nm	107.9
P/CE (x)	77.0	9.7	13.3	11.8
Dividend Yield	0.0%	0.8%	0.0%	0.2%
Share price (EUR) close as of 04/03/2016				24.6
Number of shares (mn)				4.9
Market capitalization (EUR mn)				120.5
Enterprise value (EUR mn)				157.4



Performance	12M	6M	3M	1M
in EUR	25.5%	11.8%	7.2%	-1.2%
Reuters	WLFD.VI	Free float		33.0%
Bloomberg	WOL AV	Shareholders	Wilhelm Family (40.0%)	
Div. Ex-date			Ralph Bartel (25%)	
Target price	24.0	Homepage:	http://company.wolford.com	

Retail headwinds rubbing off on results

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We slightly cut our target price to EUR 24 (previously EUR 25.5) and lower our recommendation to Reduce (from Accumulate). We reduced our estimates, as we expect the key 3Q to trail expectations, after a promising 2Q.

Wolford will publish its 3Q15/16 results on March 16. After double-digit sales growth in 2Q, we expect the Christmas quarter to have reverted to a slower growth rate of around 3%. The fashion industry has suffered from the warm weather this winter, as well as reduced travel activity following the Paris attacks. The lower sales growth and higher cost in USD for the shop network in the US will likely tear down margins.

As we do not expect Wolford to make up for the weaker 3Q in the seasonally weakest 4Q, **we have cut our estimates for this year and the next. For 2015/16, we expect sales of EUR 166mn and EBIT of EUR 0.2mn.**

Wolford stock held up very well during the market turbulence at the beginning of the year, strongly outperforming the ATX and other luxury peers. We expect the share price to lack further positive news flow over the coming months to sustain that trend. In addition, the overvaluation of the share has become more pronounced after our estimate cut.

3Q 15/16 preview: Difficult retail environment to rub off on results

Revenue growth to slow after being up double-digit in 2Q

After a very solid 2Q15/16, with double-digit revenue growth and an EBIT margin of 6.1%, we think that Wolford will have trailed expectations in the key Christmas quarter. 2Q was buoyed by earlier Christmas deliveries and positive FX effects from the weak euro.

Consolidated, IFRS

(EUR mn)	3Q 15/16e	3Q 14/15	y/y	9M 15/16e	9M 14/15	y/y
Sales	50.05	48.49	3.2%	129.28	121.13	6.7%
EBITDA	4.77	6.13	-22.1%	6.92	13.48	-48.7%
EBIT	2.47	3.92	-36.8%	2.19	7.08	-69.1%
Net result	1.56	3.07	-49.4%	0.66	4.46	-85.3%
EBIT margin	4.9%	8.1%	-3.1%p	1.7%	5.8%	-4.2%p
Net margin	3.1%	6.3%	-3.2%p	0.5%	3.7%	-3.2%p

Source: EG estimates, company data

Stiffer industry headwinds from warm weather, lower travel and lower rebating

The Christmas season has not fully lived up to expectations for the fashion industry as a whole. General headwinds relate to the warm weather, as well as reduced air travel following the Paris attacks. At the company level, wholesale replenishment orders were said to be weaker and Wolford has done less rebating in order to protect brand positioning. Hence, we forecast sales growth to slow to 3.2%.

We expect lower revenue growth to eat into margins

The lower top line growth will dampen margins, compounded by a higher cost base (rents, personnel in USD) and lower other operating income. Therefore, we expect Wolford's EBIT to come in at just EUR 2.5mn. Higher income taxes should additionally burden the bottom line.

Change in estimates: Stiffer headwinds expected, new revenue potential taking longer to tap

Consolidated, IFRS

(EUR mn)	2014/15	2015/16e			2016/17e		
		Now	Before	Change	Now	Before	Change
Sales	157.35	166.04	165.98	0.0%	171.75	173.62	-1.1%
EBITDA	10.94	9.49	11.94	-20.5%	11.91	13.46	-11.5%
EBIT	2.17	0.24	2.83	-91.5%	2.60	4.13	-37.0%
adj. EBIT	-4.83	-0.85	1.74	-148.8%			
Net result	1.03	-1.07	1.31	-181.7%	1.12	2.29	-51.1%
EBIT margin	1.4%	0.1%	1.7%	-1.6%p	1.5%	2.4%	-0.9%p
Net margin	0.7%	-0.6%	0.8%	-1.4%p	0.7%	1.3%	-0.7%p
DPS	0.20	0.00	0.15	-100.0%	0.05	0.20	-75.0%

Source: Company Data, Erste Group estimates

Full-year estimates look too optimistic

Based on our expectation of a weaker 3Q, our full-year estimates look too ambitious, as 4Q is usually a seasonally weak quarter, with negative EBIT. Hence, we arrive basically at a flat EBIT for 2015/16. The company guides 'positive operating results'. Given our expectation that Wolford will not reach a positive bottom line, we also scrapped our dividend estimate for 2015/16. In 2014/15, Wolford paid a special dividend of EUR 0.20/share out of the proceeds from non-core asset sales.

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2016/17ff: More cautious estimates, waiting for revenue upside potential to materialise

We have also reduced our estimates for the next fiscal year. There could be further top line potential from new franchise contracts for CEE and the Middle East, but these are not signed yet. Wolford also got a listing at duty-free chains Heinemann and Dufry, which could bring an extra impetus to sales. According to management, Wolford is also planning to reduce rebates in order to keep price levels. While this might bite into sales, margins and pricing levels could be supported. In our opinion, it might be too early at this point to include the upside into our estimates.

Valuation: Low profitability makes stock look pricy

Cut in recommendation to Reduce with a target price of EUR 24

We slightly reduce our target price to EUR 24 (from EUR 25.5), lowering our recommendation from Accumulate to Reduce.

We incorporated our lower estimates as well as the following changes to the valuation parameters:

- Reduction in the risk-free rate for the TV from 4% to 3% - positive
- Reduction in the TV growth rate from 2% to 1.5% - negative
- Reduction in the TV EBIT margin from 6.6% to 6.2% (average margin in the last cycle-high) - negative

Stretched valuation in peer group comparison

In a peer group comparison, Wolford's valuation still looks heavily stretched due its low profitability.

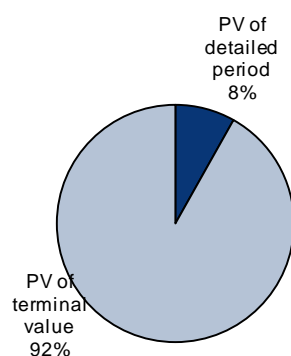
WACC calculation

	2016/17e	2017/18e	2018/19e	2019/20e	2020/21e	TV
Risk free rate	1.5%	1.5%	1.5%	1.5%	1.5%	3.0%
Equity risk premium	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Beta	1.1	1.1	1.1	1.1	1.1	1.1
Cost of equity	6.8%	6.8%	6.8%	6.8%	6.8%	8.3%
Cost of debt	3.0%	3.0%	3.0%	3.0%	3.0%	4.5%
Effective tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
After-tax cost of debt	2.3%	2.3%	2.3%	2.3%	2.3%	3.4%
Equity weight	60%	60%	60%	60%	60%	60%
WACC	5.0%	5.0%	5.0%	5.0%	5.0%	6.3180%

DCF valuation

(EUR mn)	2016/17e	2017/18e	2018/19e	2019/20e	2020/21e	TV
Sales growth	3.4%	3.6%	2.8%	3.0%	3.2%	3.0%
EBIT	2.6	5.0	7.8	9.1	10.2	12.4
EBIT margin	1.5%	2.8%	4.3%	4.8%	5.2%	6.2%
Tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Taxes on EBIT	-0.7	-1.2	-2.0	-2.3	-2.6	-3.1
NOPLAT	2.0	3.7	5.9	6.8	7.7	9.3
+ Depreciation	9.3	9.3	9.4	9.5	9.7	10.0
Capital expenditures / Depreciation	107.4%	107.1%	106.2%	104.9%	103.2%	100.0%
+/- Change in working capital	-1.4	-1.3	-1.3	-1.6	-1.9	-0.5
Chg. working capital / chg. Sales	-24.4%	-21.5%	-25.1%	-28.4%	-31.4%	-9.0%
- Capital expenditures	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0
Free cash flow to the firm	-0.1	1.7	4.0	4.8	5.4	8.8
Terminal value growth						1.5%
Terminal value						188.1
Discounted free cash flow - April 30 2016	-0.1	1.6	3.5	3.9	4.3	147.6
Enterprise value - April 30 2016	160.7					
Minorities	0.0					
Non-operating assets	0.0					
Net debt	36.6					
Other adjustments	0.0					
Equity value - April 30 2016	124.1					
Number of shares outstanding (mn)	4.9					
Cost of equity	6.8%					
NPV per share - March 2016	26.7					
Liquidity discount of 10%	-2.7					
12M target price per share (EUR)	24.0					
Current share price (EUR)	24.6					
Up/Downside	-2.4%					

Enterprise value breakdown



Sensitivity (per share)

		Terminal value EBIT margin				
		5.2%	5.7%	6.2%	6.7%	7.2%
WACC	5.3%	25.3	28.4	31.5	34.6	37.7
	5.8%	21.9	24.6	27.3	30.1	32.8
	6.3%	19.1	21.6	24.0	26.5	28.9
	6.8%	16.9	19.1	21.3	23.5	25.8
	7.3%	15.1	17.1	19.1	21.1	23.2
		Terminal value growth				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	5.3%	24.0	27.3	31.5	36.9	44.3
	5.8%	21.3	24.0	27.3	31.5	36.9
	6.3%	19.1	21.3	24.0	27.3	31.5
	6.8%	17.2	19.1	21.3	24.0	27.3
	7.3%	15.6	17.2	19.1	21.3	24.0

Source: Erste Group Research

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Peer group comparison

EUR mn except share price	Country	Share Price	Market Cap	Sales			EBIT		
				2014	2015e	2016e	2014	2015e	2016e
Calida	Switzerland	24	189	340	323	326	22	15	20
Gerry Weber*	Germany	11	527	852	916	974	109	78	94
Hugo Boss	Germany	52	3,638	2,572	2,794	2,941	449	473	508
Van de Velde	Belgium	59	791	198	210	220	n.a.	n.a.	n.a.
Burberry	UK	1,360	4,714	3,212	3,524	3,528	579	593	588
Brunello Cucinelli	Italy	15	1,036	357	407	452	49	51	58
Wolford**	Austria	25	121	157	166	172	2	0	3

	Sales growth			EBIT-Margin			ROE		
	2014	2015e	2016e	2014	2015e	2016e	2014	2015e	2016e
Calida	102%	-5%	1%	6.6%	4.6%	6.0%	14.9%	7.1%	10.0%
Gerry Weber*	0%	7%	6%	12.8%	8.5%	9.6%	15.7%	10.4%	11.6%
Hugo Boss	6%	9%	5%	17.5%	16.9%	17.3%	39.5%	36.4%	36.2%
Van de Velde	9%	6%	5%	n.a.	n.a.	n.a.	17.8%	21.9%	20.0%
Burberry	16%	10%	0%	18.0%	16.8%	16.7%	24.2%	20.8%	19.6%
Brunello Cucinelli	11%	14%	11%	13.8%	12.6%	12.8%	20.2%	17.5%	17.1%
Median	9.7%	8.0%	4.9%	13.8%	12.6%	12.8%	19.0%	19.1%	18.4%
Wolford**	0.9%	5.5%	3.4%	1.4%	0.1%	1.5%	1.4%	-1.4%	1.5%

	P/BV			P/E			Dividend Yield		
	2014	2015e	2016e	2014	2015e	2016e	2014	2015e	2016e
Calida	1.8 x	1.7 x	1.7 x	12.1 x	23.6 x	17.1 x	2.4%	2.6%	2.6%
Gerry Weber*	1.5 x	1.4 x	1.4 x	9.4 x	13.8 x	11.6 x	5.1%	3.8%	4.7%
Hugo Boss	7.3 x	6.6 x	5.8 x	18.4 x	18.1 x	16.1 x	4.1%	4.1%	4.5%
Van de Velde	4.8 x	4.1 x	3.6 x	27.3 x	18.9 x	17.8 x	5.8%	5.8%	5.8%
Burberry	4.1 x	3.7 x	3.4 x	17.1 x	17.8 x	17.1 x	2.7%	2.7%	3.0%
Brunello Cucinelli	7.0 x	6.1 x	5.3 x	34.7 x	34.7 x	30.9 x	0.7%	0.7%	0.8%
Median	4.5 x	3.9 x	3.5 x	17.8 x	18.5 x	17.1 x	3.4%	3.2%	3.7%
Wolford**	1.6 x	1.7 x	1.6 x	113.8 x	nm	107.9 x	0.8%	0.0%	0.2%
<i>Premium / Discount</i>	<i>-65%</i>	<i>-58%</i>	<i>-53%</i>	<i>541%</i>		<i>532%</i>			

	EV/Sales			EV/EBITDA			EV/EBIT		
	2014	2015e	2016e	2014	2015e	2016e	2014	2015e	2016e
Calida	0.6 x	n.a.	n.a.	5.8 x	n.a.	n.a.	8.7 x	14.2 x	12.8 x
Gerry Weber*	0.8 x	0.8 x	0.8 x	4.9 x	6.4 x	6.0 x	6.0 x	9.1 x	8.3 x
Hugo Boss	2.5 x	2.3 x	2.1 x	10.7 x	10.4 x	9.7 x	14.1 x	13.4 x	12.4 x
Van de Velde	3.8 x	3.7 x	3.5 x	18.3 x	11.9 x	11.2 x	n.a.	n.a.	n.a.
Burberry	2.1 x	2.0 x	1.9 x	9.0 x	9.1 x	8.6 x	11.6 x	12.0 x	11.2 x
Brunello Cucinelli	3.4 x	3.0 x	2.7 x	19.0 x	17.6 x	15.7 x	24.3 x	23.7 x	20.9 x
Median	2.3 x	2.3 x	2.1 x	9.8 x	10.4 x	9.7 x	11.6 x	13.4 x	12.4 x
Wolford**	1.0 x	1.0 x	1.0 x	14.1 x	16.6 x	13.3 x	71.0 x	n.m.	60.9 x
<i>Premium / Discount</i>	<i>-58%</i>	<i>-58%</i>	<i>-55%</i>	<i>43%</i>	<i>59%</i>	<i>37%</i>	<i>511%</i>	<i>n.m.</i>	<i>391%</i>

* Fiscal year from Nov.-Oct.: 2013/14e = 2014e, etc.; ** Fiscal year from May-Apr.: 2014/15e = 2014e, etc.

Source: Factset, Bloomberg, Erste Group Research

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Income Statement	2012	2013	2014	2015	2016e	2017e
(IAS, EUR mn, 30/04)	30/04/2012	30/04/2013	30/04/2014	30/04/2015	30/04/2016	30/04/2017
Net sales	154.06	156.47	155.87	157.35	166.04	171.75
Invent. changes + capitalized costs	3.42	-0.37	-1.83	2.71	4.23	2.71
Total revenues	157.48	156.09	154.05	160.06	170.28	174.46
Other operating revenues	3.97	3.52	1.35	9.39	3.71	2.06
Material costs	-28.52	-28.93	-25.62	-30.33	-29.61	-29.64
Personnel costs	-73.16	-74.23	-72.09	-74.15	-76.76	-78.30
Other operating expenses	-44.46	-48.55	-54.33	-54.02	-58.12	-56.68
EBITDA	15.32	7.90	3.36	10.94	9.49	11.91
Depreciation/amortization	-8.32	-8.80	-8.08	-8.77	-9.25	-9.31
EBIT	7.00	-0.91	-4.72	2.17	0.24	2.60
Financial result	-1.82	-1.34	-1.17	-0.96	-1.10	-1.11
Extraordinary result	0.00	0.00	0.00	0.00	0.00	0.00
EBT	5.17	-2.25	-5.89	1.21	-0.86	1.49
Income taxes	-3.81	-0.51	3.07	-0.17	-0.21	-0.37
Result from discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00
Minorities and cost of hybrid capital	0.00	0.00	0.00	0.00	0.00	0.00
Net result after minorities	1.36	-2.76	-2.81	1.03	-1.07	1.12
Balance Sheet	2012	2013	2014	2015	2016e	2017e
(IAS, EUR mn, 30/04)						
Intangible assets	11.15	10.77	11.37	13.59	13.00	12.49
Tangible assets	62.41	59.68	53.01	53.47	53.81	55.00
Financial assets	1.49	1.53	1.47	1.60	1.60	1.60
Total fixed assets	75.05	71.99	65.85	68.65	68.40	69.09
Inventories	44.17	42.69	40.07	42.20	41.84	42.59
Receivables and other current assets	15.83	16.85	19.63	21.35	21.54	22.27
Other assets	5.21	5.57	7.92	10.45	9.96	10.31
Cash and cash equivalents	5.25	5.22	4.65	4.79	2.03	-0.39
Total current assets	70.45	70.33	72.27	78.78	75.38	74.78
TOTAL ASSETS	145.50	142.32	138.12	147.44	143.78	143.87
Shareholders'equity	83.61	78.15	74.38	74.83	73.03	74.15
Minorities	0.00	0.00	0.00	0.00	0.00	0.00
Hybrid capital and other reserves	0.00	0.00	0.00	0.00	0.00	0.00
Pension and other LT personnel accruals	13.94	15.22	15.70	19.22	19.32	19.32
LT provisions	0.00	0.00	0.00	0.00	0.00	0.00
Interest-bearing LT debts	18.05	19.15	6.39	4.94	4.64	4.34
Other LT liabilities	5.66	3.73	1.41	2.67	2.99	3.22
Total long-term liabilities	23.71	22.88	7.80	7.61	7.63	7.56
Interest-bearing ST debts	2.84	3.33	16.77	18.57	16.24	15.19
Other ST liabilities	21.41	22.74	23.47	27.20	27.56	27.65
Total short-term liabilities	24.25	26.07	40.24	45.78	43.80	42.84
TOTAL LIAB., EQUITY	145.50	142.32	138.12	147.44	143.78	143.87
Cash Flow Statement	2012	2013	2014	2015	2016e	2017e
(IAS, EUR mn, 30/04)						
Cash flow from operating activities	7.27	6.31	6.30	3.61	9.61	8.93
Cash flow from investing activities	-6.90	-5.83	-7.27	-4.15	-9.00	-10.00
Cash flow from financing activities	0.31	-0.38	0.68	0.33	-3.36	-1.35
CHANGE IN CASH, CASH EQU.	0.87	0.08	-0.34	0.13	-2.75	-2.42
Margins & Ratios	2012	2013	2014	2015	2016e	2017e
Sales growth	1.3%	1.6%	-0.4%	0.9%	5.5%	3.4%
EBITDA margin	9.7%	5.1%	2.2%	6.8%	5.6%	6.8%
EBIT margin	4.4%	-0.6%	-3.1%	1.4%	0.1%	1.5%
Net profit margin	0.9%	-1.8%	-1.8%	0.6%	-0.6%	0.6%
ROE	1.6%	-3.4%	-3.7%	1.4%	-1.4%	1.5%
ROCE	1.4%	-1.6%	-2.3%	1.3%	-0.3%	1.4%
Equity ratio	57.5%	54.9%	53.9%	50.8%	50.8%	51.5%
Net debt	28.1	30.9	32.7	36.4	36.6	37.6
Working capital	41.0	38.7	24.1	22.6	21.6	21.6
Capital employed	117.4	112.8	108.5	113.9	112.6	115.0
Inventory turnover	0.7	0.7	0.6	0.7	0.7	0.7

Source: Company data, Erste Group estimates

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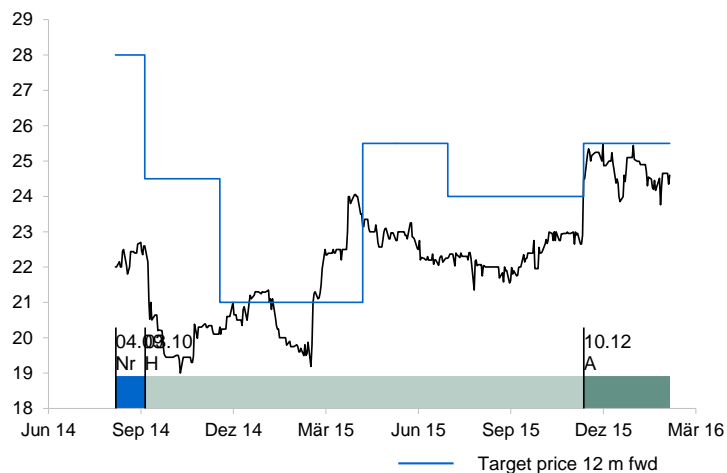
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Rating history

Date	Rating	Price	Target Price
07. Mar 16	Reduce	24.60	24.00
10. Dec 15	Accumulate	24.50	25.50
03. Oct 14	Hold	22.60	24.50
29. Feb 12	Not rated	23.50	28.00
12. Oct 11	Accumulate	24.03	28.00
21. Mar 11	Buy	24.10	30.00
21. Dec 10	Hold	25.16	26.00
15. Feb 10	Accumulate	12.54	14.30
11. Dec 08	Hold	11.94	16.00
30. Jul 08	Accumulate	22.00	25.90
17. Apr 08	Hold	24.00	27.60
03. Apr 07	Accumulate	36.06	44.00
21. Dec 06	Buy	34.00	42.00
03. Aug 06	Accumulate	21.22	23.50
10. Nov 04	Hold	18.46	20.00
04. Aug 04	Buy	22.44	28.00
28. Jun 04	Accumulate	28.25	30.00
22. Jul 03	Buy		17.00

Company description

Wolford has established itself worldwide as a luxury brand for high quality hosiery, exclusive lingerie and high-quality body-wear for women. With more than 260 own and partner-led mono-brand boutiques, factory outlets, concession shop-in-shops as well as 3,000 retail partners, Wolford can rely on a strong retail network and sells its products in over 60 countries. The excellent product quality is unique and the company has demonstrated its innovative potential for new products numerous times.

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Company	ISIN	Disclosure
Wolford	AT0000834007	

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Buy	> +20% to target price
Accumulate	+10% < target price < +20%
Hold	0% < target price < +10%
Reduce	-10% < target price < 0%
Sell	< -10% to target price

Our target prices are established by determining the fair value of stocks, taking into account additional fundamental factors and news of relevance for the stock price (such as M&A activities, major forthcoming share deals, positive/negative share/sector sentiment, news) and refer to 12 months from now. All recommendations are to be understood relative to our current fundamental valuation of the stock. The recommendation does not indicate any relative performance of the stock vs. a regional or sector benchmark.

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Recommendation	Coverage universe		Inv. banking-relationship	
	No.	in %	No.	in %
Buy	36	24.2	14	25.5
Accumulate	41	27.5	21	38.2
Hold	33	22.1	12	21.8
Reduce	6	4.0	2	3.6
Sell	22	14.8	2	3.6
N.R./UND.REV./RESTR.	11	7.4	4	7.3
Total	149	100.0	55	100.0

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