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EANS-News: Wolford AG: Cost Savings Partially Compensate for Revenue Decline

Quarterly Report

Bregenz -

* Revenue down 9%
* New restructuring program launched with more than EUR 10 million saving potential identified
* Market drive initiated for China
* Plan to return to profitability no later than in the 2020/21 financial year

Bregenz, March 15, 2019: Wolford AG, which is listed on the Vienna Stock Exchange, generated revenue of EUR 108.2 million in the first nine months of the current financial year, comprising a decline of 9.4% when compared to the same period in prior year (EUR 119.4 million). The decrease in revenue equaled 9.0% when adjusted for changes in currency exchange rates. A large share of the revenue decrease amounting to EUR 11.2 million could be compensated on the earnings level thanks to the Company's initial success in substantially reducing ongoing costs. As a result, operating earnings only deteriorated by close to EUR 1 million from the same period in prior year. EBIT in the first nine months of 2018/19 financial year amounted to EUR -2.3 million, compared to EUR -1.4 million of the same period in prior year. However, as the consequence of tax payments in arrears, earnings after tax totaled EUR -4,2 million for the first nine months of 2018/19 financial year, down from EUR -2.6 million of the same period in prior year.

The revenue decline was a result of the Company's own retail (-7.8%) and wholesale (-11.4%) business, and the online segment which reported a 10.2% rise in revenue. Similar to physical stores of other fashion retailers, Wolford is suffering from the ongoing global phenomenon of declining customer frequencies. Moreover, Christmas sales were considerably below prior year level. German fashion retailers together reported a 4% drop in revenue according to Textilwirtschaft.

Declining fixed costs through optimization effort / Higher marketing expenses to invest for future growth

The restructuring program carried out to date including streamlining of corporate processes has clearly had a positive impact. Staff costs in the first nine months of 2018/19 financial year showed a sustainable year-on-year decrease of EUR 4.6 million to EUR 46.6 million. The average number of employees (full-time equivalents) in the first nine months of 2018/19 finance year was reduced by 102 people to 1,354. Other operating expenses also fell substantially by EUR 2.6 million to EUR 39.5 million. In contrast, the cash flow from investing activities rose to EUR -6.8 million in the reporting period from EUR -0.8 million of the same period in prior year. In the first nine months of 2018/19 financial year, Wolford made substantial investments in its new brand identity and achieved important milestones in this regard. In August 2018 the company rolled out its new display window concept, introduced its new imagery at the end of last year and opened up a pilot store in Amsterdam at the beginning of 2019, featuring a completely new shop concept. The new brand identity is designed to make the brand attractive, above all for younger consumers.

The equity ratio rose from 33% to 41% thanks to the successful capital increase carried out in July 2018. As a result of a repayment of outstanding bank loans, net debt was reduced from EUR 29.0 million as at January 31, 2019 to EUR 20.2 million as at the same period in the prior year.

Restructuring program will be continued

The Management Board has launched a new restructuring program in light of the fact that the previous cost savings have been insufficient to fully compensate for the revenue decline. For example, production capacities were already reduced in January 2019. "We have always emphasized that our restructuring is an ongoing process, and that internal structures have to reflect the current revenue level", states Brigitte Kurz, Chief Financial Officer of Wolford AG.

The Management Board has identified considerable cost-savings potential in its procurement process, amongst other areas. All activities including the purchasing of external services will be bundled under a centralized purchasing management. On the balance, the identified savings potential of all planned restructuring activities clearly measure up to over EUR 10 million from now until 2020/21 financial year.

Market drive in China

At the same time, the Company continues to work on growing revenue. This not only encompasses its new brand appearance. For example, Wolford recently presented details on the planned market drive in China. Starting on February 1, 2019, Fosun Fashion Brand Management Company (FFBM) as Wolford's new partner in China fully support the company to manage its local brand appearance. FFBM is a full-service provider focusing on marketing and sales of luxury brands in China. The experienced team of FFBM has extensive contacts and will ensure the cultural "fit" of Wolford's presence in this future market featuring a steadily growing number of luxury-oriented consumers.

"We are intensively working on laying the foundation for renewed growth, precisely where future growth is expected", says Wolford CEO Axel Dreher. However, medium-term revenue generated in China should be comparable with Wolford's present core markets of the USA (20% share of revenue) and Germany (15%).

Outlook

The Management Board anticipates a loss in the current financial year in spite of the positive cost-optimization effects generated by the restructuring programme implemented to date. Against the background of ongoing market weakness, the Management Board also announced the initiation of further comprehensive restructuring measures at the end of February 2019 in order to bring the cost structure in line with current revenue level. The identified savings potential clearly exceeds EUR 10 million. With this in mind, the Management Board plans for the company to return to profitability (positive operating earnings) no later than in 2020/21 financial year.

The report for the first nine-months of 2018/19 financial year can be downloaded under company.wolford.com [http://company.wolford.com/], Investor Relations.
https://bit.ly/2F4WQ9Z [https://bit.ly/2F4WQ9Z]

Earnings Data		05/18 -01/19	05/17 -01/18	Chg. in %	2017/18
Revenues	in EUR mill.	108.15	119.36	-9	149.07
EBIT	in EUR mill.	-2.31	-1.36	-70	-9.22
Earnings before tax	in EUR mill.	-3.30	-2.97	-11	-11.43
Earnings after tax	in EUR mill.	-4.22	-2.57	-64	-11.54
Capital expenditure	in EUR mill.	6.79	1.17	>100	1.40
Free cash	in EUR mill.	-11.61	2.43	<100	1.83

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Employees (on average)	FTE	1,354	1,456	-7	1,433

Balance Sheet Data		31.01.2019	31.01.2018	Chg. in %	30.04.2018
Equity	in EUR mill.	51.38	42.90	+20	33.90
Net debt	in EUR mill.	20.19	28.97	-30	30.09
Working capital	in EUR mill.	37.55	42.78	-12	34.59
Balance sheet total	in EUR mill.	125.75	128.97	-3	114.33
Equity ratio	in %	41	33	+24	30
Gearing	in %	39	68	-42	89

Stock Exchange Data		05/18 -01/19	05/17 -01/18	Chg. in %	2017/18
Earnings per share	in EUR	-0.64	-0.52	-23	-2.35
Share price high	in EUR	13.40	21.71	-38	19.75
Share price low	in EUR	10.90	10.03	+9	11.36
Share price at end of period	in EUR	11.00	13.90	-21	13.60
Shares outstanding (weighted)	in 1,000	6,631	4,912	+35	4,912
Market capitalization (ultimo)	in EUR mill.	72.94	69.50	+5	68.00

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