European Lingerie Group AB publishes unaudited First Quarter 2020 Report and reports continued breach of maintenance test under the bond terms and conditions

European Lingerie Group AB (“ELG” or the “Group“) publishes unaudited First Quarter 2020 Report (1 January – 31 March 2020), including condensed interim consolidated financial statements and reports a financial covenant breach under the terms and conditions for its bond (the “Bond Terms and Conditions”) for the reference period ending on 31 March 2020.

“We are all facing a dynamic and unprecedented situation due to the COVID-19 outbreak, which started in Wuhan, China and in the first quarter of 2020 affected practically the whole world. The imposed restrictions by the governments had a negative impact on ELG’s financial position and results of operations in Q1 2020,” commented CEO of the Group, Indrek Rahumaa.

“As response measures to the volume drop, we have initiated several cost and cash saving actions across all the Group’s companies. These actions will allow us to restart the production in June 2020 when lock-down measures in the countries are fully or partially released and when the customers restart their operations and restart their orders from the Group,” added Rahumaa.

“As we look forward, and the Group adapts itself and its operations to various restrictions imposed by the local governments to contain the further spread of COVID-19, we appreciate the patience and cooperation of our customers, suppliers, employees and financiers. All implemented measures, as well as the general approach by the Group and its companies, are targeted at a long-term sustainability of the business as well as its positioning for the period of revived demand. Our business model is based on providing high-quality products in relatively short lead times, sourced locally. This is the fundament that is stable as many short-term disruptions come and go,” noted Rahumaa.

The Group’s sales amounted to EUR 16,961 thousand in Q1 2020, representing a 19.5% decrease as compared to sales of Q1 2019. The decrease in sales was mainly a result of COVID-19 outbreak followed by partial deferral of orders by customers to later months as well as significant reduction of orders during the lock-down period. In addition to that, due to introduction of a smaller Felina swimwear collection in 2020, revenue of swimwear was also lower in Q1 2020 as compared to the same period last year.

Profitability margins in Q1 2020 were below previous year which is also explained by COVID-19 outbreak and shortfall in revenue which made it difficult to cover part of the fixed costs. Normalised EBITDA in Q1 2020 amounted to EUR 482 thousand and decreased by 82.0% compared to Q1 2019. Normalised EBITDA margin in Q1 2020 and Q1 2019 was 2.8% and 12.7% respectively.

Normalised net profit in Q1 2020 amounted to a loss of EUR 1,364 thousand, compared to normalised net profit of EUR 318 thousand in Q1 2019. Decrease in net profit is as well explained by the reasons described above. Normalised net profit margin in Q1 2020 and Q1 2019 was -8.0% and 1.5% respectively.

The Group has previously reported in the report for nine months and third quarter 2019 and for twelve months and third quarter 2019 that the Group’s Net Interest Bearing Debt to EBITDA ratio exceeded the maximum 4.25 allowed under the maintenance test of the Original Bond Terms and Conditions issued on 22 February 2018.

On 13 December 2019, the Parent company of the Group formally initiated a written procedure under the Bond Terms and Conditions in order to waive a financial covenant breach and to make certain amendments to the Terms and Conditions as further described in the notice of written procedure.

On 16 January 2020, the proposal was passed and a majority of the holders of the Bonds voted for it. However, it was a condition for the amendments to the Terms and Conditions to come into effect was that a capital contribution by way of equity and/or subordinated loans is provided to the Company.

Due to the COVID-19 pandemic, the Group has not been able to raise the required amount of equity in full. Therefore, the amendments to the Terms and Conditions as approved in the written procedure, including the adjustments to the maintenance test, have not come into effect, which has resulted in the breach of the maintenance test.

The management and the shareholders have ongoing discussions with certain holders of the Bonds and other investors to find solutions for the Group.

European Lingerie Group AB First Quarter Report of 2020 is available here.

This information is information that European Lingerie Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, at 20:15 CET on 31 May 2020.

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European Lingerie Group AB (ELG) is a fully vertically integrated intimate apparel and lingerie group with main production located in the Baltics, Hungary and Germany and with sales worldwide in 46 countries and online. The Group produces fabrics for lingerie garments under the brand Lauma Fabrics and supplies leading lingerie manufacturers in Europe and rest of the world. The Group designs, manufactures and sells branded its own premium lingerie under the brands Conturelle, Felina and Senselle. ELG also owns Dessus-Dessous, the largest online retailer of lingerie and swimwear in France. The Group is headquartered in Stockholm, Sweden. More information available at ***www.elg-corporate.com.***