

Lauritz.com Group A/S interim report January – March 2020

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Development in EBITDA

EBITDA in the first quarter of 2020 is DKK -6,5m compared to DKK 1.5m last year.

The Corona crisis started at the same time as our peak season in March and has had a significant negative impact on the result for Q1 2020.

Auction Turnover for the quarter declined 9 percent compared to same period last year, primarily due to the period after March 10, where the Nordic region was hit by the effects of the Corona virus.

The auction revenue and the commission to partners was reduced as a direct result of the lower Auction Turnover.

The like for like business has reduced cost by 3 percent compared to last year, partly offsetting the increase in cost from acquired businesses, primarily the fine art business.

The Cash Flow from Operations in Q1 is DKK -21.7m a small decrease of DKK 1.5m compared to the same period in 2019. The change is mainly driven by the decline in earnings, offset by lower tax payments and cash retrieved from receivables.

To support and strengthen the rebound we have seen in April, Auction Turnover only down 10% compared to last year in our main markets, we will continue the intensified sales- and marketing initiatives and further increase the focus on operations of the business.

Commercial initiatives

Our continued focus on sales management, business control and execution both internally in the headquarters and in relation to the individual auction houses is showing results, although interrupted by the Corona crisis.

The comprehensive optimization process that all auction houses have gone through in terms of logistics and handling of the auction supply chain, has released resources for intensified sales activities.

Apart from targeting more private sellers, we are continuously targeting professional sellers to consign larger lot stocks or one-off sales within both vintage items and newly produced items.

In terms of marketing activities, we are continuously focused on creating local activities including an increase in our outreach via focused social media, which is still showing a positive effect and strengthening our presence in the local and regional communities.

With regards to Stockholms Auktionsverk, we have observed a continuously positive steady development throughout 2019 and into the first quarter of 2020. The implementation of Lauritz.com's sales management system is expanding the commercial skills among our Swedish experts whose role is currently changing from a more internal role to a more external role, proactively contacting potential sellers for consignments. Moreover, our focused brand related collaborations with other strong brands and ambassadors are influencing the results positively, and we have strengthened our Stockholm based marketing department to support the positive development further.

Appointment of M&A consultancy

Towards the end of 2019 a review of the capital structure of the group has been carried out. The conclusion is that the current structure needs to be improved by securing a sustainable long term solution for the capital structure of the group. Furthermore, a solution needs to be found in relation to the bondholders as the bond is no longer listed and the redemption to be made in December 2019 has been postponed.

As a consequence of this, and in agreement with a group of large bondholders representing 47% of the bonds, it has been decided to appoint an internationally acknowledged M&A consultant to actively pursue the strategic possibilities for strengthening the capital base of Lauritz.com and redeem the bond debt. This process has commenced in April 2020, and is expected to be finalised before the end of 2020.

Until the end of 2020 the above mentioned group of bondholders has agreed not to propose or support any proposal to initiate an enforcement of the security provided in favour of bondholders, provided that the process with the M&A consultant proceeds according to plan.

Information about Corona virus pandemic

The spread of the Corona virus, the measures taken by governments and the health concerns in our societies has resulted in a reduction in auction turnover since the epidemic started in the Nordic region.

At the onset of the pandemic we initiated a number of measures to make sure that customers and employees can safely enter our auction houses, further we have taken a number of initiatives (including possibilities under various government initiatives to support businesses) to temporarily reduce cost during the pandemic hereby reducing the impact on earnings. Traditionally March and April are strong months in terms of revenue. In 2020 this period has been weaker than usual due to the Corona crisis, impacting Auction Turnover, earning and cash flow. Management is following the impact of the Corona crisis closely, and adjustment are continuously made to address developments.

In 2020 for the period until 10 March auction turnover was in line with last year and with our expectations. For the rest of March Auction turnover and Revenue was impacted negatively, with a drop compared to last year of 31 percent. As a result hereof the result in Q1 2020 is impacted negatively by DKK 4-5m compared to last year. In April we have seen a strong rebound in Auction turnover and revenue with April down only 10 percent compared to last year in our

main markets. For the period January to April 2020 Auction Turnover is 12 percent below last year.

Based on the development seen in April we are expecting that the Corona crisis will continue to impact our Auction Turnover in Q2, however on a manageable level. Revenue and result are very difficult to forecast since numerous factors are unknown at this time. In terms of cost we have reduced staffing in accordance with the different crisis packages issued by governments in March and expect this to continue in Q2. In total we expect the salary compensation to amount to approximately DKK 1.8m most of which will impact Q2. In terms of liquidity the group has had a positive impact from government initiatives in the form of deferred payment dates for taxes and VAT. Deferrals vary between 1 month and 1 year depending on the type of payment and country.

Guidance for 2020

The spread of the Corona virus with uncertainty as to duration and magnitude of the outbreak is resulting in lack of visibility as to the expectation for the year. As a result, we suspend our previously issued guidance.

The previous guidance for 2020 was an expected growth in Auction Turnover and Revenue of 0-5 percent, and EBITDA of DKK 10-15m.

We will provide updated outlook for 2020 when there is greater clarity on the Corona virus impact on markets and our business.

Bengt Sundström, Chairman of the board

Carsten Rysgaard, CEO

Preben Vinkler Lindgaard, CFO

Highlights Q1 2020

January – March 2020

- Auction Turnover decline of 9.4 percent.
- Revenue decrease of 15.0 percent.
- Average knockdown price in Q1 was DKK 2,268 (2,447).
- Number of knockdowns 68,437 (69,985).
- EBITDA was DKK -6.5m, (1.5m). The decline is due to Fine Art (acquired 5 March 2019) impacting EBITDA negatively by DKK 2m in Q1 as there are no large Fine Art auctions in Q1, additional sales activities in connection with 20 year birthday campaign of DKK 1m, and by drop in revenue during the last 3 weeks of the period due to the Corona crisis of DKK 4-5m
- Cost level in Q1 is reduced by DKK 1.3m compared to 2019, equal to 2.5 percent.
- Cash flow from operations declined only by DKK 1.5m compared to Q1 in 2019.

Corona Crisis

- For the period from January 1 until March 10 Auction turnover was in line with last year.
- For the period from March 11 to March 31 Auction turnover decreased by 31 percent compared to last year.
- In April Auction turnover rebounded to only 10 percent below last year in our main markets.
- The negative impact of the corona crisis on the Q1 result is approximately DKK 4-5m.
- Based on the development seen in April we are expecting that the Corona crisis will continue to impact our Auction Turnover in Q2, however on a manageable level. Revenue and result is very difficult to forecast since numerous factors are unknown at this time. In terms of cost we have reduced staffing in accordance with the different crisis packages issued by governments in March and expect this to continue in Q2. In total we expect the salary compensation to amount to approximately DKK 1.8m most of which will impact Q2.

Lauritz.com Group A/S key figures

DKK million	January – March	
	2020	2019
Auction turnover	155,193	171,275
Revenue	46,030	54,150
Number of Knockdowns (excl. QXL)	68,437	69,985
Average Knockdown price (excl. QXL)	2,268	2,447
EBITDA	-6,465	1,478
Auction Turnover Margin ¹	-4.2%	0.9%
Profit	-4,458	-5,990
Earnings per share	-0.110	-0.147
Cash flow from operations	-21,733	-20,222

¹ Auction Turnover Margin = EBITDA/Auction Turnover.

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