

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

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Development in EBITDA

The Corona crisis started at the same time as our peak season in March and continued to have a significant negative impact on the result for Q2 2020.

EBITDA in the second quarter of 2020 is DKK 1.9m compared to DKK 7.3m last year. In the month of June EBITDA is above last year, whereas April and May are below last year.

Auction Turnover for the quarter declined 19 percent compared to same period last year, primarily due to the effects of the Corona virus.

The 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 11.1 percent compared to last year, partly offsetting the increase in cost from acquired businesses. In total cost decreased by 8.2 percent compared to Q2 last year.

The Cash Flow from Operations in Q2 is DKK 24.0m an increase of DKK 13.3m compared to the same period in 2019. The change is driven by timing of payments from auction sales, auction settlements, and receivables.

To support and strengthen the growth in auction turnover we will continue the intensified sales- and marketing initiatives and further increase the focus on operations of the business. In the first 7 weeks of Q3 we have seen growth in auction turnover of more than 15 percent. In June EBITDA improved compared to last year, and in July we also see improvement in EBITDA compared to last year.

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. The ability to address the COVID-19 situation underlines the resilience and determination in our organization to go the extra mile.

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.

In Aarhus we have hired a new manager, and in Aarhus and Helsingborg we have moved to new locations which has resulted in improvements in the businesses.

With regards to Stockholms Auktionsverk, we have observed a continuously positive steady development throughout 2019 and into 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, an internationally acknowledged M&A consultant was appointed to actively pursue the strategic possibilities for strengthening the capital base of Lauritz.com and redeem the bond debt. This process commenced in April 2020, and is progressing according to the timeplan 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 following the outbreak of the epidemic in March.

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.

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. Compared to last year April was down 20 percent. In May and June online auction turnover was up 0.2 percent vs last year, and traditional Fine Art auction turnover was down 55 percent.

In the first 7 weeks of Q3 we have seen a continued strong improvement with growth in online auction turnover of more than 15 percent compared to last year.

In terms of cost we reduced staffing in accordance with the different crisis packages issued by governments in March. The temporary reduction in staffing has now been terminated and we are back to normal staffing levels.

As a result hereof the result in Q1 2020 is impacted negatively by approximately DKK 4m and Q2 by 4-5m compared to last year, primarily in April and May. In June EBITDA is improving slightly compared to last year.

Guidance for 2020

The uncertainty related to COVID-19 is still present in the society, and the political reactions to a potential second wave of the COVID-19 virus still remain to be seen.

Under the assumption that a second wave of COVID-19 will not result in a lock-down of the societies similar to the one seen in Q2, and based on the development in Auction Turnover seen in July and August we expect the second half of the year to show growth compared to last year. The positive development seen in July and August is seen across most categories, except for very expensive art and antiques, where sellers are still cautious to consign items on auction. The upper part of the guidance ranges will be pending on that improvements will materialize for the consignments of very expensive art and antique items during the second half of the year.

The expectations for the full year are:

- Auction Turnover growth of 0 to 5 percent,
- Revenue growth of 0 to 5 percent and
- EBITDA of DKK 5 to 20m.

The previous guidance for 2020 was an expected growth in Auction Turnover and Revenue of 0 to 5 percent, and EBITDA of DKK 10-15m This Guidance was suspended in the beginning of the Corona outbreak due to the big uncertainty at that time.

Bengt Sundström, Chairman of the board

Carsten Rysgaard, CEO

Preben Vinkler Lindgaard, CFO

Highlights Q2 2020

COVID-19 impact

- During May and June we have seen a rebound in knockdown following the large drop in March and April driven by the COVID-19 epidemic. The auction turnover for the online auction business was down 31 percent in March (11th to 31st) and 20 percent in April compared to last year. In May and June online auction turnover was up 0.2 percent vs last year.
- In the first 7 weeks of Q3 the online auction turnover is up more than 15 percent continuing the positive development seen in May and June.
- The traditional Fine Art auctions held in June saw normal bidding activity, but due to lack of consigned items auction turnover from traditional auctions was reduced 55 percent in Q2 compared to last year. The drop is driven partly by a general trend in the market for traditional auctions with sellers being hesitant handing in items and partly due to traditional auctions being postponed from May and June to later in the year.

April – June 2020

- Auction Turnover decline of 19.2 percent.
- Revenue decrease of 16.0 percent.
- Average knockdown price in Q2 was DKK 2,728 (3,091).
- Number of knockdowns 61,239 (66,865).
- EBITDA is DKK 1.9m (7.3m).
- Auction Turnover Margin amounted to 1.1 (3.5) percent.
- Cost level in Q2 is reduced by DKK 4.5m compared to 2019, equal to 8.2 percent. In like for like business the reduction is 11.1 percent.
- Cash flow from operations increased by DKK 13.3m compared to Q2 in 2019.

January – June 2020

- Auction Turnover decline of 14.7 percent.
- Revenue decrease of 15.5 percent.
- Average knockdown price DKK 2,485 (2,767).
- Number of knockdowns 129,676 (136,850).
- Cost level in the first half of the year is reduced by 4.6 percent compared to last year. In like for like business the reduction is 6.2 percent.
- EBITDA for the 6 months is DKK -4.6m, compared to DKK 8.8m in 2019.
- Auction Turnover Margin¹ amounted to -1.4 (2.3) percent.
- Cash flow improved by DKK 11.8m compared to first half of 2019.

Lauritz.com Group A/S key figures

000 DKK	April – June		January – June	
	2020	2019	2020	2019
Auction turnover	167,067	206,699	322,260	378,681
Revenue	49,241	58,633	95,271	112,783
Number of Knockdowns (excl. QXL)	61,239	66,865	129,676	136,850
Average Knockdown price (excl. QXL)	2.728	3.091	2.485	2.767
EBITDA	1,862	7,303	-4,603	8,781
Auction Turnover Margin ¹	1.1%	3.5%	-1.4%	2.3%
Profit	-13,603	79,643	-18,061	73,653
Earnings per share	-0.334	1.957	-0.444	1.810
Cash flow from operations	24,010	10,724	2,277	-9,498

¹ Auction Turnover Margin = EBITDA/Auction Turnover.

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