

Press release

Stockholm, 30 September 2019

## **RNB resolves a guaranteed rights issue of 85 MSEK and extends maturity date for the bond with two years**

The Board of Directors of RNB RETAIL AND BRANDS AB (publ) ("RNB" the "Company") has today resolved to carry out a rights issue with preferential rights for the Company's shareholders. The rights issue which is fully guaranteed through subscription undertakings and guarantee commitments is conditioned upon to approval of an extra ordinary general meeting to be held on or about 30 October 2019. The subscription price is SEK 1.25 SEK per share and one existing share in the Company gives the right to subscribe for two new shares. The rights issue will raise approximately MSEK 84.8.

Konsumentföreningen Stockholm med omnejd ekonomisk förening ("KfS") and Novobis AB ("Novobis") have committed to subscribe for their respective shareholdings in the Company, equivalent to approximately 45 per cent of the rights issue. Furthermore, KfS, Novobis and Mangold Fondkommission AB ("Mangold") have undertaken to guarantee approximately an additional 55 per cent of the rights issue. The rights issue is thus fully guaranteed.

The two largest holders of the Company's bond, KfS and Spiltan (Spiltan Räntefond, Spiltan Högräntefond och Spiltan Aktiefond Stabil), which together represent approximately 83 per cent of the bond, have undertaken to vote in favour of changed terms at an upcoming bondholders' meeting, including an extension of the maturity date by two years until February 2023.

The Company announced today, in a separate press release, that the operating profit for the fourth quarter of 2018/19 is expected to amount to between MSEK -35 and -39, and that the operating profit for the financial year is estimated to amount to between MSEK -45 and -49, including restructuring costs. EBITDA excluding restructuring costs is estimated to amount to between 25 and 29 MSEK for the full year. Goodwill impairments of MSEK 65 will be made in the fourth quarter. The Company's year-end report will be published on 10 October 2019.

- *The rights issue is carried out to strengthen the Company's liquidity and will, in combination with the new terms of the bond, strengthen the Company's ability to successfully develop its subsidiaries and create increased value for all stakeholders of the Company.*
- *Existing shareholders of the Company, as of the record date on 6 November 2019, will receive two (2) subscription rights for each share held on the record date. One (1) subscription right entitles the holder to subscribe for one (1) new share in rights issue.*
- *The subscription price in the rights issue is set to SEK 1.25 per share. If fully subscribed, the rights issue will provide the Company with proceeds of approximately MSEK 84.8 before costs related to the rights issue.*
- *The subscription period runs from 11 November to 25 November 2019.*

## Background and reasons

The Annual General Meeting held in December 2018 resolved to instruct the Board of Directors to reorganize the company. RNB would transform to independent operating subsidiaries, with minimized overhead structure, whereby shareholder value would increase. The group CEO Magnus Håkansson would leave his current position in December 2019. The objective was to make the subsidiaries independent and minimize the group structure. Upon implementation of the reorganization, the Board of Directors would commence identifying and analysing the strategic options for the Group's businesses, eventually, including divestments of one or more of the operating subsidiaries. Given the uncertain market environment, it was resolved to focus on the existing companies to give them the most favourable conditions for their specific situations, sufficient support from the management and the right financial resources to continue to develop, possibly through change of ownership. The work set out above has progressed determinately throughout 2019 and the strategy is unchanged.

The operating profit for the full year 2018/19, excluding goodwill impairment, is estimated to amount to between MSEK -45 and -49, compared to MSEK -47 for the previous financial year. Restructuring costs for the full year amounts to MSEK 27. The operating profit for the full year, excluding restructuring costs and impairment of goodwill, is thus estimated to amount to MSEK -18 and -22 and EBITDA excluding restructuring costs is estimated to amount to between 25 and 29 MSEK for the full year.

At its meeting today, the Board of Directors for RNB has also resolved upon an impairment goodwill of MSEK -65 for the business area Departments & Stores. The non-cash impairment write-down will impact the result for the fourth quarter of 2018/19.

For all the companies the transformation has required a lot from their organisations during the year together with demanding markets and a continued unfavourable exchange rate development for Sweden. A focused work on stock reductions throughout the group has had a negative effect on earnings (lower purchase volumes and higher price reductions). Specific to the business areas is that Departments & Stores is still in a transition phase within the framework of NK Stockholm's change of concept. At the same time, Brothers is the middle of a turnaround and repositioning work. Polarn O. Pyret, which in recent years has carried out a similar turnaround and repositioning work with positive impact on earnings, has, in addition to the above been adversely affected by an assortment that has been poorly received commercially compared with previous seasons and partly incorrectly priced.

Positive effect of reduced inventories for the group by approximately MSEK 14 per quarter, compared to an increase of MSEK 46 in the corresponding quarter last year, and a reduction of approximately MSEK 40 for the full year 2018/19, result in a positive change in working capital of approximately MSEK 72 for the full year. It has contributed positively but not enough to balance earnings trend. As a consequence, is the cash flow after investments estimated to be negative by approximately MSEK -7 for the full year. The business, which for many has had a high level of debt, has from time to time during the year, been in a challenging liquidity situation.

Cost-reduction work is being implemented in all three business areas, containing planned measures regarding hours in stores, staffing at the head office and continued work on inventory reduction. Full impact on cost is expected to be achieved at the end of the financial year of 2019/20.

The specific company strategies, as well as the focus on the reorganization of the group, and the work with divesting one or more of the businesses are unchanged. The refinancing is made to restore sustainable conditions for the implementation the group strategy, as announced. The proceeds from the rights issue will strengthen the Company's liquidity and, in combination with the extensions of the bond with two years, provide conditions to successfully develop the subsidiaries and create increased value for all the Company's stakeholders.

## **The rights Issue**

The Company's Board of Directors has today, subject to approval of an Extraordinary General Meeting to be held on 30 October 2019, resolved on a rights issue of a maximum of 67,824,352 shares with preferential right for the Company's shareholders, corresponding to proceeds of approximately MSEK 84.8 upon full subscription. The rights issue is fully guaranteed and will increase the Company's share capital by SEK 20,347,306 to SEK 30,520,959 and increase the number of shares from 33,912,176 to 101,736,528.

Shareholders registered in the Company's shareholders' register maintained by Euroclear Sweden AB on the record date of 6 November 2019 will have preferential rights to subscribe for shares in the rights issue in relation to the number of shares held on the record date. In the event that not all shares have been subscribed for with exercise of subscription rights, the Board of Directors shall, within the maximum amount of the rights issue, decide on the allotment of shares subscribed for without exercise of subscription rights. Allotment will then take place in the following order of priority:

1. First, allotment shall be granted to those who also subscribe for shares on the basis of subscription rights, irrespective of whether they were shareholders on the record date or not, pro rata in relation to the number of subscription rights exercised for subscription and, insofar this cannot be done, by lottery.
2. Secondly, allotment shall be made to others who have subscribed for shares without subscription rights. In the event that allotment to these subscribers cannot be fully effected, allotment shall be made pro rata in relation to the number of shares each has subscribed for and, insofar this cannot be done, by lottery.
3. Third and last, allotment shall be made to the parties that have guaranteed the rights issue, in relation to pledged guarantee commitments.

The subscription price is SEK 1.25 per share. The subscription price corresponds to a discount of approximately 42 per cent compared to the theoretical ex-rights price (TERP), based on the closing price of SEK 3.99 for the RNB share on Nasdaq Stockholm on 27 September 2019.

The subscription period is expected to run from 11 November to 25 November 2019, or a later date decided by the Board of Directors. Trading in subscription rights is expected to run from 11 November to 21 November 2019.

## **Subscription undertakings and guarantee commitments**

The Company's largest shareholder, KfS, which holds approximately 33.2 per cent, and Novobis, which holds approximately 11.8 per cent of the total number of shares and votes in RNB, have undertaken to subscribe for their respective pro rata shares in the rights issue, totalling approximately MSEK 38.1, corresponding to approximately 45 per cent of the total issue of approximately MSEK 84.8.

KfS, Novobis and Mangold have also committed to guarantee a total of approximately MSEK 46.7 of the rights issue, of which KfS' share is approximately MSEK 19.7, Novobis' shares is MSEK 5.0 and Mangold's share is MSEK 22.0. In total, the guarantee commitments correspond to 55 per cent of the maximum amount of the rights issue. The rights issue is thus covered by subscription undertakings and guarantee commitments equivalent to 100 per cent. Mangold will receive remuneration in cash corresponding to 5 per cent of the amount covered by its commitment. KfS and Novobis will not receive any remuneration.

If fully utilized, KfS' subscription and guarantee commitments amount to approximately MSEK 47.8. KfS' guarantee commitment is limited to the effect that that KfS in no event is obliged to subscribe for such number of shares in the rights issue that its voting share in RNB, after the rights issue has been registered with the Swedish Companies Registration Office, exceeds 49.9 per cent.

KfS and Novobis, which together represent approximately 45 per cent of the total number of shares and votes in the Company, have committed to vote in favour of the rights issue. KfS' votes will however not be counted because of the exemption from a mandatory offer KfS has received, see below for more information.

## **Dilution**

Shareholders who choose not to participate in the rights issue will have their participation in the Company's share capital diluted but are able to financially compensate for this dilution by selling their subscription rights. Upon full subscription in the rights issue, the number of shares will increase by 67,824,352 from 33,912,176 to a total of 101,736,528, which corresponds to a dilution of the number of shares of approximately 67 per cent for shareholders who choose not to participate.

## **Written procedure**

The Company intends to convene a bondholders' meeting to decide on essentially three changes to the existing terms of the bond:

1. Final maturity to be extended with two years from 2 February 2021 to 2 February 2023.
2. Redemption (call) to be permitted at the following dates with the following call price (a) up to August 2021 at par; (b) from and including August 2021 up and until February 2022 at 103 per cent; and (c) from and including February 2022 up and until February 2023 at 106 per cent.

3. The definition of Permitted Debt shall be amended to include a new item which shall be worded as follows (the "New Permitted Debt Item"):

"incurred by the Issuer under any unsecured short term loan granted for the purpose of supporting the short term liquidity needs of the Group, provided that (i) the aggregate amount of Financial Indebtedness under such loans may not exceed (A) SEK 30,000,000 at any time, or (B) SEK 60,000,000 in aggregate during any rolling period of 365 days, (ii) that no such loan may be outstanding for more than three (3) months from the date that it was granted, and (iii) that the Financial Indebtedness under such loans shall be fully subordinated to the Notes and the Super Senior Facility in the event of the insolvency, bankruptcy, or corporate reconstruction (Sw. *företagsrekonstruktion*) of the Company".

KfS and Spiltan (Spiltan Räntefond Sverige, Spiltan Högräntefond och Spiltan Aktiefond Stabil), which together vote for approximately 83 per cent of the bonds, support the Company's proposal and have undertaken to accept and vote in favour of the changes to the terms of the notes. Further information on the procedure will be presented in a separate press release.

### **Extraordinary general meeting and other information**

The rights issue is subject to approval by an Extraordinary General Meeting to be held on 30 October 2019. A notice will be issued through a separate press release.

According to a ruling by the Swedish Securities Council, on 28 September 2019, KfS has been granted an exemption from the mandatory offer that may arise as a result of the commitments KfS has made in connection to the capital raising. According to the ruling, the exemption presupposes that the resolution approving the Board of Directors' resolution on the rights issue shall be assisted by shareholders representing at least two thirds of the votes cast and the shares represented at the Extraordinary General Meeting, where the shares held and represented by KfS at the general meeting must be disregarded, and that the shareholders are informed that KfS, as a result of the subscription undertaking and guarantee commitment, can receive a portion of maximum 49.9 per cent of all shares and votes in the Company.

### **Preliminary timetable**

On or around 30 September 2019	Notice of bondholders' meeting
2 October 2019	Notice of an Extraordinary General Meeting
On or around 14 October 2019	Bondholders' meeting
30 October 2019	Extraordinary General Meeting
4 November 2019	Last day of trading in the share including the right to receive subscription rights
5 November 2019	First day of trading in the share excluding the right to receive subscription rights
6 November 2019	Record date
No later than 8 November 2019	Estimated date for publication of prospectus
11-25 November 2019	Subscription period
11-21 November 2019	Trading in subscription rights

11 November 2019-	Trading in paid subscribed shares (BTA) until the rights issue has been registered with the Swedish Companies Registration Office
29 November 2019	Estimated date of publication of the outcome of the right issue

## **Advisors**

RNB has in connection with the rights issue and the changes to the bond engaged Lenner & Partners Corporate Finance AB as financial advisor, Mangold Fondkommission AB as financial advisor and issuer agent, and Advokatfirman Törngren Magnell KB as legal advisor.

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*This information is information that RNB RETAIL AND BRANDS AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07.30 am CEST on September 30, 2019.*

RNB RETAIL AND BRANDS owns, operates and develops fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics stores and e-commerce that focus on providing excellent service and a world-class shopping experience. Sales are conducted through the concepts Brothers, Departments & Stores, Man of a kind and Polarn O. Pyret. The Group has around 250 stores and e-commerce platforms in 10 countries. RNB RETAIL AND BRANDS is listed on Nasdaq Stockholm (RNBS). [www.rnb.se](http://www.rnb.se).

## **Important information**

The information in this press release does not contain or constitute an offer to acquire, subscribe or otherwise trade in shares, subscription rights or other securities in RNB. Any invitation to the persons concerned to subscribe for shares in RNB will only be made through the prospectus which RNB expects to publish around [8] November 2019.

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The subscription rights, paid subscribed shares and shares in RNB have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or the securities legislation of any state or other jurisdiction in the United States and no subscription rights, paid subscribed shares or shares may be offered, subscribed for, exercised,

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This press release contains certain forward-looking information that reflects RNB's present view of future events as well as financial and operational development. Words such as "intend", "assess", "expect", "may", "plan", "believe", "estimate" and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. Forward-looking information is not a guarantee of future results or development and actual outcomes may differ materially from the statements set forth in the forward-looking information.