

Information to investors in Hancap's bonds

The Hancap Group has for many years been suffering from liquidity problems due to poorly performing subsidiaries, mainly Scandinavian GlasSystem AB (SGS). When the subsidiaries have not generated earnings according to plan, the Group has encountered difficulties in paying interest on the bonds. This has put the Group in a challenging situation. In May 2019, existing bonds were restructured, and a new super senior bond of SEK 100 million was issued to reverse the negative trend.

The successful restructuring of the debt resulted in a lower long-term cash interest burden, but with very weak income generation, the liquidity situation in the Group during the autumn made it impossible to support SGS. Therefore, the Group decided to file for corporate restructuring of SGS on the 23rd of October. The use of subsidiaries' liquidity to cover costs, including interest rates led to a steady deterioration of the situation for the three larger subsidiaries; Santex System, the Mistral Group and Dalkarlarna. Finally, in May 2020, the Group was forced to apply for corporate restructuring in Santex System and the Mistral Group.

During the period December 2019 - April 2020, the principal owner Per Helander, who has in turns supported the Group by extending the super senior bond, with a total of SEK 42.8 million. The ambition has been to use incoming financing for future investments, but unfortunately too much of these funds have had to be used to pay interest and regulate old costs that would otherwise have put the Group in a more precarious situation.

Actions taken

In order to prevent further major loss of value in the Group, in addition to the corporate restructuring, continuous reductions have been made of group-related costs. Premises and warehouses have been terminated and divested, and unnecessary staff has been reduced in all units. The non-contributory operations in Santex Glas (not pledged in the bonds) have also been divested.

SGS's annual salary cost has decreased from SEK 87 million to SEK 39 million and external costs have decreased from SEK 23 million to SEK 15 million. Further, Hancap AB has reduced its annual costs from SEK 17 million in 2019 to SEK 9 million in 2020. Similar review and adjustments have been made and is taking place in all units.

Santex AB (not to be associated with Santex System AB) has been renamed to Wasafönster and has taken over sales and production of PVC windows. Wasafönster sells PVC windows to various segments such as module manufacturers, retailers in construction and sees great future opportunities in the segment, window replacements and in the UK-market, where the Group already has the subsidiary Westcoast Windows.

In January 2019, Tommy Hafvdsdalen took over as Vice President of Hancap with the main responsibility of developing and increasing sales in the Group, as well as spearheading necessary development projects within the Group. For example, increasing the window replacement companies sales of Group-produced windows from Westcoast Windows and Wasafönster.

Corona

The ongoing pandemic affects the Group in the same way as everyone else in society, through higher sickness absence, difficulties working from home, internal and external meetings, etc. In terms of business, we see the impact in several units, but the actual impact in real numbers, is so far difficult to quantify. The Group's units are affected in window sales by the shutdown in the UK, difficulties to carry out window replacement in apartments, postponed new projects for the window replacement companies, restrained private consumption of capital goods, such as outdoor space and a slowdown in construction investments.

Next step

The current situation is challenging, and the Group does not generate enough cash flow in the coming years to cover interest costs. In council with advisors, a plan is being prepared to resolve the situation for the Company and its investors. The plan will cover and include all parts that require voting according to the bond terms for approval of company restructuring and change of bond terms. Despite the weak performance trend, we continue to see good demand for Westcoast Windows products, and for window replacement companies, an acceptable demand. Scandinavian GlasSystem continues to receive ongoing inquiries, which testifies to a strong brand.

Hancap 2020-05-14,

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