SMCP: Will Topsoho’s creditors opt to sell fashion group?

By Olivier Guyot · September 23, 2021

Besides marking the autumn solstice, September 21 2021 might well be a crucial date in the history of fashion group SMCP. On Tuesday, the parent company of the Sandro, Maje, Claudie Pierlot and De Fursac labels, Luxembourg-based corporation European Topsoho, a subsidiary of Chinese conglomerate Shandong Ruyi, was meant to reimburse its €250 million debt for the bonds issued in 2018.
However, barring a major reversal, the Chinese textile giant, in dire financial trouble, is unlikely to be able to allow Topsoho to fulfil its obligation. As a result, the group’s creditors (Anchorage Capital, the Carlyle Group, French firm Boussard & Gavaudan and US private equity giant Blackrock) would find themselves in a position to own a 35% stake in the group, based on an agreement signed three years ago. They could also invoke a clause enabling them to acquire a 53% stake in SMCP, in other words Topsoho’s entire shareholding in the fashion group.

Nevertheless, a source close to the matter has told FashionNetwork.com that “the debt could be reimbursed by tomorrow [Wednesday September 22]. There is however a five-day grace period. After that, the creditors could claim the shares, and a receiver-manager could be appointed at Topsoho. But the creditors simply wish to be reimbursed.” SMCP, currently led by Isabelle Guichot, is a listed company, with a 40% share of floating stock traded on the Paris stock exchange’s Euronext index. The group is therefore subject to stock exchange regulations, which makes the matter more intricate.

“Bond-holders are merely financial partners, and have no intention of becoming shareholders,” said Fabrice Rémon of Gouvernance en Action (GeA), a business ethics specialist that last week sent a letter to SMCP on behalf of the creditors, asking for the interests of all shareholders, and not just those of the group's current majority shareholder, to be taken into account. “To take over 53% of the capital, [the creditors] will need a court ruling, since they only have access to a 35% share to cover [the bond debt]. Besides, if a pool of associated investors was to hold a stake greater than 30% in the company, a public takeover bid would have to be made,” he added.

Presumably, the creditors will not be inclined to venture down this road. According to FashionNetwork.com sources, they would prefer selling their shares directly, before being even able to trigger a public bid. The source added that “Topsoho's receiver-manager will be holding a 53% stake in SMCP. This could be ceded to relieve Topsoho of its debt and reimburse the bond-holders. At the same time, the latter will move to sell their shares.”

Even if Shandong Ruyi, which has appointed several members of SMCP’s board, including board chairman Yafu Qiu, was able to slow things down to try and keep hold of SMCP, for a while at least, it seems that the fashion group might end up having a new owner. When this will happen remains however uncertain, given that a review of the assets and agreements between creditors and debtors will be carried out in the coming weeks.

FashionNetwork.com’s sources believe that the situation will not have a direct impact on SMCP’s interests and business. “I think SMCP’s management is currently hampered by the Ruyi group's troubled financial situation,” said Rémon of GeA. “[Ruyi’s] leaving the board would give new flexibility to SMCP, and the latter would recover its true value thanks to its fundamentals, free from external disruption. SMCP is an attractive, profitable company. Ruyi's presence is having a negative impact on its share price. The stronger a company's share price is, the more strings to its bow the company has with which to seize strategic opportunities,” he added.

It remains to be seen who the group’s future decision-maker(s) will be.

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