Bondholder group becomes top shareholder in French fashion company SMCP

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A group of bondholders including asset manager BlackRock and an affiliate of private equity firm Carlyle has become the top shareholder in French fashion company SMCP, taking on a 29% equity stake it now wants to sell.

The ownership of SMCP, whose brands include Sandro and Maje, has been the subject of speculation after a unit of its Chinese majority owner Shandong Ruyi defaulted on some bonds, which resulted in the bondholders moving in.

Shares in SMCP rose 3% after the company said on Friday the bondholders, represented by a company called GLAS, now owned a 29% stake and 22.3% of voting rights - Sandro

"SMCP reminds that this situation does not affect its own financing and operations," it said.

SMCP added the GLAS bondholder group would also look to change the board at SMCP. Shandong Ruyi held around 53% of SMCP capital and 67% of its voting rights through a subsidiary - European TopSoho.
Following European TopSoho's default on 250 million euros of bonds exchangeable in SMCP shares, the Chinese stake in the French company has fallen to 24% but it still holds 37% of voting rights, according to Jefferies analyst Kathryn Parker.

Further complicating the situation, European TopSoho this month started legal proceedings against the bondholders, alleging they are trying to take control of SMCP at a low price.

Shandong Ruyi once harboured ambitions of creating an empire that would rival that of luxury behemoth LVMH.

It began purchasing labels in 2015, a buying spree that would see it acquire London-based suitmaker Aquascutum, Savile Row tailor Gieves & Hawkes and Paris-based fashion house Cerruti 1881. But it has struggled under the weight of debts resulting from those acquisitions.

The sprawling Chinese conglomerate's financial difficulties worsened with the outbreak of the COVID-19 pandemic and it failed to secure financing for a $600 million deal to purchase Swiss shoe and accessories firm Bally last year.

SMCP said earlier this week it was confident of reaching full-year sales of 1 billion euros, after revenues in the third quarter recovered to close to pre-pandemic levels, following a 24% drop in sales last year.

Shandong Ruyi acquired the group from private equity firm KKR in 2016.