Brait SE
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("Brait")

ANNOUNCEMENT OF NEW LOOK'S AGREEMENT IN PRINCIPLE WITH A GROUP OF SENIOR SECURED NOTEHOLDERS ON TERMS OF BALANCE SHEET RESTRUCTURING AND FINANCIAL PERFORMANCE UPDATE

1. Introduction

Shareholders in Brait are advised that the portfolio company New Look Retail Group Limited ("New Look") has today announced that it has reached an agreement 'in principle' with certain of its key stakeholders in relation to the main terms of a transaction aimed at deleveraging and strengthening New Look's balance sheet (the "Transaction") and is providing an update on its financial performance.

The agreement in principle is the result of constructive discussions held between New Look, a group of holders of its £700 million 6.5% Senior Secured Notes due 2022 and €415 million Floating Rate Senior Secured Notes due 2022 (collectively, the "SSNs") (the "Bondholder Committee") and Brait (New Look's majority shareholder but here acting in its capacity as a significant holder of SSNs), which collectively represent today over 50% of the outstanding SSNs.

Furthermore, New Look has also obtained a substantial number of the required consents to raise £80 million of interim funding to support the business in the short-term to allow the Transaction to be implemented. The interim financing will be underwritten by the Bondholder Committee and Brait, but will also be open to participation by other eligible SSNs holders (the "Bridge Facility").

In summary, subject to the requisite approvals:

- Based on the terms of the Transaction, New Look's long-term debt will be significantly reduced from £1,350 million to £350 million, resulting in a materially delevered balance sheet
- The Transaction will provide New Look with a more flexible capital structure, significantly lowering its overall annual cash interest payment from £80 million to c.£40 million with greater debt servicing flexibility
- The reinstated SSNs maturity will be extended to 2024, reducing refinance risk
- New Look will also be supported by a new £150 million capital raise via the issuance of New Money Bonds, which would refinance the £80 million Bridge Facility and provide additional liquidity to accelerate investing in the business to drive growth and profitability

- Transaction expected to complete in the course of Q1 FY2020 (April-June 2019)
- The equity allocation in New Look assuming successful implementation of the Transaction is expected to be:

- 72% to the subscribers for the New Money Bonds
- 20% to the holders of the existing SSNs
- 5% to New Look's management team
- 3% to certain other stakeholders (includes the Senior Notes as defined below)

2. Rationale for the Transaction

Following a difficult FY2018, significant progress has been made by New Look's management team in FY2019 to deliver on its well-defined turnaround measures aimed at improving business performance and restoring growth and profitability. However, New Look's capital structure has represented a significant constraint to the business, in particular in light of UK retail market conditions that have been extremely challenging.

The agreement in principle constitutes an important outcome for New Look, as the Transaction will provide the business with a delevered capital structure, significant liquidity and adequate financial flexibility, to support the future development of the business.

3. New Look financial performance update

Conditions in the UK retail market have continued to be very challenging in FY2019. Despite the difficult market conditions, New Look's like-for-like (LFL) performance showed a positive trend from Q1 FY2019 through to mid-November, driven by the turnaround measures launched at the start of the fiscal year.

Total UK LFLs (UK Retail and UK E-commerce) improved from -4.2% in Q1 to -2.3% in Q2, with broadly flat UK Retail store LFLs in H1 FY2019 offset by declining E-commerce sales as a result of New Look's change in strategy to focus on profitable sales rather than absolute sales growth, plus the impact of the upgrade to the E-commerce platform in September FY2018.

Core clothing in stores outperformed the British Retail Consortium (BRC) by +5.6pts in H1 FY2019, with further progress continuing into Q3, with Accessories also improving relative to the BRC. Combined with the annualisation of the changes to E-commerce at the start of Q3, Total UK LFLs improved to +4.8% in October and +8.9% in November. This was despite continued challenges on Footwear which still performed poorly compared to New Look's expectations and the market.

However, in late November and December increased headwinds, driven by a decline in footfall and a subsequent increase in the level of promotional activity to stimulate trade across the market, resulted in Total UK LFL sales of -5.7% for December (resulting in Q3 Total UK LFLs of +0.9%).

The decline in total UK sales was further impacted by the loss of stores as a result of landlord enforced closures from the Company Voluntary Arrangement ("CVA") approved in March 2018. However, the exit rights now sit with New Look and therefore New Look believes it now has the ability to flex its cost base and business model from stores to online more easily than competitors if required.

This resulted in marginal EBITDA generation during the third quarter, which necessarily impacted adversely on liquidity, particularly given that this period is usually the most cash generative over the course of the fiscal year.

New Look's EBITDA for FY2019 is projected to be £84 million EBITDA from the core business (comprising UK retail, E-commerce, Republic of Ireland and 3rd Party E-commerce)and a £(27)m EBITDA loss from non-core business (comprising China, France, Belgium, Poland, Franchise and others), below initial forecasts. As a consequence of recent developments, in light of current difficult market environment, also considering additional uncertainties related to Brexit, it is necessary for New Look to address its capital structure and strengthen its liquidity profile so that the business can react to market challenges and accelerate the implementation of its turnaround strategy.

New Look continues to make good progress in delivering improved operational stability, having already identified and implemented a number of well-defined turnaround measures to improve business performance and restore growth. In addition to £78 million of cost savings already identified and actioned in FY2019, New Look's management team is continuing to pursue additional opportunities, which are expected to provide further benefits in the coming months.

4. Terms of the Transaction

New Look has received support from the Bondholder Committee and Brait to provide and fully underwrite the £80 million Bridge Facility, which will strengthen New Look's liquidity profile and provide sufficient runway to enable a comprehensive restructuring to be consummated.

Provision of the Bridge Facility is further facilitated by an amendment of the existing Credit Facility Basket, which would allow the Bridge Facility to rank senior to the SSNs and the £176.7 million 8% Senior Notes due 2023 ("Senior Notes"), but junior to the existing £100 million Revolving Credit Facility ("RCF"), with respect to security enforcement proceeds.

Eligible holders of the SSNs will have the opportunity to participate for their pro-rata share of the Bridge Facility, based upon their holdings in the SSNs.

To further strengthen New Look's operating flexibility, the Transaction will, upon closing, include £150 million of new money (the "New Money Bonds") (which are also being underwritten by the Bondholder Committee and Brait) that will be used to refinance the Bridge Facility and provide New Look with additional liquidity to support the business in a sustainable manner and cover transaction costs. The Bondholder Committee, Brait and any eligible holder of SSNs that elects to participate in the Bridge Facility will also be committing to provide the New Money Bonds on a pro-rata basis to their participations in the Bridge Facility.

The New Money Bonds will pay 8% per annum cash interest, plus 4% per annum PIK (and any cash interest may be toggled to PIK at New Look's election, provided that there shall be an incremental 2% per annum PIK interest for the portion of interest which has been toggled). This provides enhanced flexibility to New Look whilst recognising the support of the noteholders provided pursuant to the New Money Bonds and the restructuring. The new financing will have a 5 year tenor from the closing date of the Transaction and will rank *pari-passu* with the reinstated SSNs described below.

Providers of the New Money Bonds will also receive 72% of the equity of New Look post-restructuring, which will be allocated on a pro-rata basis based on respective participation in the New Money Bonds.

The existing SSNs (pre-Transaction total of £1,073 million) will be exchanged into £250 million new SSNs which will rank *pari-passu* to the £150 million New Money Bonds and will have the same economic terms. The reinstated SSNs will also receive 20% of New Look's equity post-restructuring, allocated on a pro-rata basis to existing holdings of SSNs.

The existing RCF and Operating Facilities will be reinstated at par and their priority ranking as to security enforcement proceeds would not be affected by the Transaction.

Post-transaction, 5% of New Look's equity would be reserved for New Look management team's incentive plan.

Certain other stakeholders in the structure may share up to 3% of the equity post-transaction (of which 2% will be assigned to eligible holders of the Senior Notes in exchange for conversion of their Senior Notes subject to a requisite majority of the Senior Noteholders agreeing to support the Transaction) subject to the final outcome of the implementation and other diligence and tax analysis which will need to be completed prior to completion of the overall restructuring.

The Transaction remains subject to a number of conditions, approvals and other uncertainties. New Look is targeting the completion of the Transaction in the course of Q1 FY2020. A further announcement will be made in due course.

5. Effects of the New Look restructuring on Brait

The effects on Brait are expected to be as follows:

- Brait fully impaired its equity and shareholder funding investment in New Look in its reporting period ended 30 September 2017. Brait's equity holding in New Look post the Transaction will be between 18% and 30%, depending on the take up by other SSNs holders in the Bridge Facility and the New Money Bonds.
- Brait's 18.2% holding of the SSN's were valued at 30 September 2018, using closing quoted prices, including accrued interest, at £111 million (R2.05 billion). Following the Transaction, these SSNs held by Brait will be exchanged into around £45 million of new SSNs. Applying an assumed GBP/ZAR exchange rate of R17.75, this will result in a reduction of about R2.20 to Brait's NAV per share relative to 30 September 2018.
- The Bond Committee and Brait will underwrite the Bridge Facility and the New Money Bonds pro rata for which fees will be received on the conclusion of the restructuring. Depending on the take up in the Transaction by other SSNs holders, Brait will be required to advance between £9 million and £33 million for the New Money Bonds, quoted net of receipt of restructuring fees and the debtor factoring finance that Brait has with New Look. The amount advanced will be funded from Brait's existing Pound Sterling cash resources.
- Post the Transaction, depending on the take up by other SSNs holders, Brait will hold between £27 million and £53 million of New Money Bonds

Malta

14 January 2019

Brait's primary listing is on the Euro MTF market of the Luxembourg Stock Exchange and its secondary listing is on the Johannesburg Stock Exchange.
Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

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This announcement includes forward-looking statements. These forward-looking statements include all matters that are not historical facts, statements regarding the intentions, beliefs, projections or current expectations concerning, among other things, New Look's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which New Look operates.

The information contained in this announcement has not been independently verified and no independent evaluation or appraisal of New Look has been undertaken. None of Brait, New Look nor either of their affiliates, nor their or their affiliates' respective officers, directors, employees, agents or advisers, make any representation or warranty, express or implied, as to (nor accept any liability whatsoever, whether in contract, in tort or otherwise, in relation to) the reasonableness, accuracy, reliability or completeness of this announcement or any statement, information, forecast or projection made herein, or any other written or oral communications transmitted to the recipients in connection herewith. This announcement has been prepared on the basis of the position as at the time of the announcement, and the information provided will not be updated or corrected after the date of the announcement. There can be no assurances that the forecasts or expectations are or will prove to be accurate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and that the actual results of operations, financial condition and liquidity and the development of the industry in which New Look operates may differ materially from those made in or suggested by the forward-looking statements contained in this announcement. Factors that may cause New Look's actual results to differ materially from those expressed or implied by the forward-looking statements in this announcement include, but are not limited to: (i) New Look's inability to execute its business strategy, (ii) New Look's ability to generate growth or profitable growth and (iii) political changes in countries relevant to New Look's operations, including changes in taxation.

In addition, even if New Look's results of operations, financial condition and liquidity and the development of the industry in which New Look operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in future periods.

Brait does not assume on its behalf or on behalf of New Look any obligation to review or confirm expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this announcement.

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