

Brait SE  
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(Registration No.SE1)  
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LEI code: 549300VB8GBX4UO7WG59  
("Brait")

## **ANNOUNCEMENT OF NEW LOOK'S PROPOSED COMPREHENSIVE RECAPITALISATION TRANSACTION AND FINANCIAL PERFORMANCE UPDATE**

### **1. Introduction**

Shareholders in Brait ("**Shareholders**") are advised that the portfolio company New Look Retail Holdings Limited ("**New Look**" or "**the company**"), has today announced that it has secured an agreement with its financial creditors to the key terms of a comprehensive recapitalisation transaction (the "**Transaction**").

The Transaction will result in a significant de-leverage of the New Look balance sheet and an extension of its banking facilities which will provide the company with a sustainable platform to continue to deliver on its strategic three-year business plan. The New Look turnaround strategy that the new management team had successfully implemented pre the impact of COVID-19 had started to yield positive results. During the COVID-19 enforced lockdown, the company focused on cost optimization and progressing its online strategy. The Transaction will result in New Look further reducing its rental costs and will provide an optimized operating platform to deliver on its strategy.

The financial creditors, including Brait and other holders representing more than 50% of its GBP440 million senior secured notes due 2024 (the "**SSNs**"), all of the lenders under its GBP100 million super senior revolving credit facility due 2021 (the "**RCF**") and the provider of its GBP65 million super senior operating facilities due 2020 (the "**Operating Facility**") have executed a lock-up agreement (the "**Lock-Up Agreement**") which sets out the implementation of the Transaction.

The Transaction involves a number of inter-conditional components, including:

- A re-basing of leasehold obligations through a Company Voluntary Arrangement ("**CVA**") resulting in a reduction in rental costs through a turnover-based model that fairly reflects the future performance of New Look and wider retail market;
- A debt-for-equity conversion of the SSNs, reducing senior debt from c.GBP550 million to c.GBP100 million and significantly decreasing interest costs;
- An amendment and extension of the Operating Facility and the RCF to June 2023 and June 2024 respectively; and
- An injection of GBP40 million of new capital, fully backstopped by certain holders of the SSNs, to support the three-year business plan.

Brait has agreed to support the Transaction and has committed to providing its 18.3% pro-rata share (GBP7.3 million) of the GBP40 million new capital required. Brait is confident that the actions taken by management, the recapitalised balance sheet and the resultant cost optimisation will position New Look strongly to capitalise on the progress it has made to date.

### **2. New Look performance update**

As a result of COVID-19, from mid-March 2020, New Look took the decision to temporarily close all stores in the Republic of Ireland ("**ROI**") and in the United Kingdom ("**UK**").

Given the omni-channel nature of the business, the impact of COVID-19 on New Look's revenue has been significant. During the closure of stores and government enforced lock-down, New Look focused on enhancing its e-commerce channels and online trading was strong. Sales outperformed the prior year driven by increased conversion rates and units per transaction, underlining New Look's strong brand, broad appeal product offering and improved availability. However, given the store closures, overall Q1 FY21 revenue was inevitably significantly lower than the prior year.

### **Cash preservation measures**

New Look took immediate and proactive actions during lockdown to preserve cash including:

- Suspension of rental payments and subsequent discussions on turnover-based rental arrangements which better reflect the current and anticipated retail operating environment;
- Significantly reducing marketing costs, reviewing and revising production with suppliers;
- Negotiating holidays, deferrals and discounts on certain payments to strategic suppliers and counterparties;
- Delaying all significant capital expenditure projects;
- Halting all recruitment;
- Temporarily reducing New Look board, management team and head office colleague pay; and
- Utilising the UK and ROI's Job Retention Schemes.

These measures ensured that New Look survived the lockdown period and, post-lockdown, could resume store trading without significant business interruption.

Phased store re-openings began on 1 June 2020 and as of 10 August 2020, 459 of New Look's 496 stores are now open. Since re-opening, store sales have performed down 38% on a like-for-like basis predominantly due to the impact of COVID-19 on footfall.

### **Three-year business plan**

With the support of independent consultants and its financial adviser, New Look has updated and verified its strategy and three-year business plan in order to maximise future success. New Look is committed to further building on, advancing and deepening the strong online performance it demonstrated during lockdown, as well as developing the omnichannel and localness of New Look.

New Look's business plan review and updated financial projections resulted in the following conclusions:

- New Look's strategy as a leading convenient broad appeal fashion retailer with an omni-channel presence is a clear differentiator in the womenswear market;
- Estate costs are significantly above market rates and need to be paid on a turnover basis in order to provide flexibility in the cost base; and
- Fixed central costs need to be reduced in order to meet envisaged investments into brand saliency, marketing and capital expenditure.

## **3. Terms of the Transaction**

### **Super Senior Facilities**

The RCF lenders and the Operating Facility lender have agreed to extend the Operating Facility and the RCF to 30 June 2023 and 30 June 2024 respectively, including amendments to existing covenants and terms.

### **New HoldCo Debt**

The GBP40 million of new capital raised will be injected in the form of new HoldCo debt which will have a nominal value of GBP42 million ("**New HoldCo Debt**") (as a result of a 95% original issue discount), bearing capitalised interest at a rate of 16.5% per annum and will mature in seven years. The New HoldCo Debt providers will also be allocated 80% of New Look's equity interest ("**Voting Equity Interest**"), pre the creation of a management incentive scheme ("**Pre-MIP Diluted Basis**"). The New HoldCo Debt will be structurally subordinated to the extended RCF and Operating Facility and senior to the Subordinated Shareholder Loan. Existing SSN holders will be entitled to participate in the provision of the New HoldCo Debt pro rata to their holding of SSNs and the full New HoldCo Debt requirement has been backstopped by certain existing SSN holders.

### **SSNs**

The SSNs shall be exchanged for (i) a GBP40 million shareholder loan ("**Subordinated Shareholder Loan**") and a (ii) 20% non-voting equity interest in New Look ("**Non-voting Equity Interest**"), on a Pre-MIP Diluted Basis. The Subordinated Shareholder Loan will mature in 2029, will not bear interest and will be effectively subordinated to all other debt in the pro forma capital structure.

All holders of the SSNs will be offered the opportunity to participate in the New HoldCo Debt. The Transaction will require the support of SSN holders representing 75% of the SSNs.

## **CVA**

A condition precedent to the Transaction is the reduction in rent contemplated in the New Look CVA proposal being approved. The CVA is expected to be launched on 26 August 2020. The CVA proposal will be constructed to reduce New Look Retailers Limited's ("**NLRL**") unsecured obligations and will result in an improvement in operating performance by adjusting the rental cost base to market rent and providing turnover-based rents in the context of the challenging retail market environment. The CVA contemplates (i) an adjustment of rent in respect of certain leases for a period of three years and (ii) the compromise of certain specific non-critical unsecured liabilities of NLRL.

To become effective, the CVA requires at least 75% in value of all present and voting creditors of NLRL to vote in favour of the CVA and at least 50% of the total value of unconnected creditors to not vote against the CVA.

## **Sale Process**

In connection with the Transaction, New Look's financial adviser has initiated a process to contact a number of strategic and financial investors to determine potential interest in an acquisition of the shares of New Look or the assets of New Look (the "**Sale Process**"). The Sale Process will be independent of the other areas of the Transaction.

Following receipt of expressions of interest from strategic or financial investors or New Look's shareholders and creditors, it is anticipated that New Look will immediately consider the range of alternatives available and the next steps regarding the appropriate course of action.

## **4. Effects of the Transaction on Brait**

Brait is confident that management's previously implemented turnaround strategy together with the restructured balance sheet and cost optimization as a result of management actions and the Transaction itself, will position New Look to capitalize on the post COVID-19 retail sector trading. Brait is supportive of the Transaction and the impact on Brait would be as follows:

- Pre Transaction, Brait owns 18.98% of New Look's equity (currently valued at Nil) and 18.3% of the SSNs, which are valued based on their quoted market price;
- Brait has undertaken to provide new capital, based on its pro rata share of the GBP40 million new capital injection, which implies an amount of GBP7.3 million. This will result in Brait's shareholding in New Look remaining an effective 18.3% post Transaction, on a Pre-MIP Diluted Basis;
- Brait received interest coupons from New Look of GBP4.1 million in January 2020 from its holding of SSNs which will be utilized for the capital injection in addition to a further GBP3.2 million (c.R70 million), which will be funded from its available undrawn borrowing facility; and
- Post implementation of the Transaction, Brait will hold 18.3% of the New HoldCo Debt, 18.3% of the Voting Equity Interest (equating to 14.64% of New Look's equity interest on a Pre-MIP Diluted Basis), 18.3% of the Non-voting Equity Interest (equating to 3.66% of New Look's equity interest on a Pre-MIP Diluted Basis) and 18.3% of the Subordinated Shareholder Loan.

New Look is targeting completion of the Transaction as soon as possible and in any event on or before 31 October 2020 and will continue to work with all stakeholders to that effect.

Malta  
13 August 2020

Brait is primarily listed and admitted to trading 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)