

Brait SE

(Registered in Malta as a European Company)

(Registration No. SE1)

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("Brait" or the "Company")

## **UPDATE ON THE IMPACT OF THE CORONAVIRUS, THE DIRECTORATE AND PROPOSED REDOMICILIATION**

### **IMPACT OF THE CORONAVIRUS**

The unexpected and unprecedented impact that the Coronavirus is having on global markets and companies is well known. The safety of our staff and customers is the Company's top priority and we are fully supportive of the various government initiatives to curb the impact and spread of the Coronavirus. Brait's portfolio companies have implemented effective measures to protect the health and safety of staff and customers and have business continuity plans in place to deal with the impacts of Coronavirus. Each portfolio company has been impacted differently and the key interventions and impacts have been set out below.

#### Virgin Active

Virgin Active's policy is to follow government directives in terms of how and whether to operate in all countries. As a result, all gyms in Italy, the UK, Australia, Thailand and South Africa (with effect from 25 March 2020) have been closed as part of those government's initiatives to limit the spread of the virus. The number one priority of Virgin Active at this time is the welfare of its people and their future job security. Both the Italian and UK governments have implemented a number of measures to support business which will significantly mitigate ongoing operating costs and preserve cash reserves, including support with workers' wages, business rates relief, and tax deferrals.

The clubs in Singapore currently remain open, operating in strict accordance with government directives, with Virgin Active having taken significant steps to prevent the spread of the virus including increased levels and frequency of cleaning and sanitization as well as enforced social distancing within clubs through the reduction of class sizes and limiting gym attendance.

The term of Virgin Active's European/Asia Pacific debt facility is 2022, with its South African debt facility maturing in 2024. Group trading performance to February 2020 was in line with budget and up on the prior year, largely driven by a strong performance from the South African business. Since early February, when the likely scale and impact of the virus became evident, the company has taken measures across all territories to stop pay rises and bonus payments, remove all but essential capital expenditure and remove all planned investments, with further initiatives focused on preserving cash being taken in the period since closure in the respective territories. Broadly, including all mitigants and interventions by management, operating cost cash outflows for Virgin Active will reduce by two thirds while clubs are closed.

#### Premier

Premier has seen a strong performance during the second half of its current financial year ending March 2020. The business benefited from improved performance in its Mozambique business and volume recovery at its Cape Town bakery, which experienced a four-month strike at the end of the prior year.

Premier refinanced its South African banking facilities in December 2019 which extended the term of the various facilities to either three or five years, reduced the annual principal repayments and provided access to R600 million in overdraft facilities, of which over R500 million remain available to be utilised. The business is currently trading well and is well capitalised. Management continue to monitor the possible consequences of the Coronavirus and have put in place the necessary initiatives to prevent and mitigate the potential impact to the business.

#### Iceland Foods ("Iceland")

As reported to bond investors on 4 March 2020, Iceland has continued to deliver sales growth ahead of the extremely challenging UK grocery market during the 40 weeks ending 3 January 2020, driven by its store opening programme.

Since the outbreak of the Coronavirus, the food retail sector in the United Kingdom has experienced a period of strong sales as customers have stocked up on groceries, including frozen food, as the government has rolled out its program to contain the spread of the virus.

Management continue to assess the potential impact of the Coronavirus and to date have managed to ensure continuity of its supply chain. The business has sufficient liquidity to deal with the short term consequences of the Coronavirus and to meet its commitments. All long term debt funding, save for GBP40 million outstanding on its floating rate note due in July 2020, for which Iceland has sufficient liquidity, is only repayable in 2024 and 2025. The UK government's announcements of relief from business rates and taxes and government subsidies for salaries for affected staff will provide support to the company.

#### New Look

New Look's trading results for the 39 weeks ending 28 December 2019, reported to bond investors on 11 February 2020, delivered a robust third quarter performance given the tough market conditions. Good control was maintained over stock and costs, with targeted and considered promotional activity resulting in improved product gross profit and reduced markdown activity. Focus continues on cost savings, efficiencies and liquidity management. The term of New Look's long term debt funding is 2024, with the ability to toggle cash pay interest to PIK, at the election of the company, providing debt servicing flexibility.

Management continue to assess the potential impact of the Coronavirus. In line with other retailers in the UK, New Look has closed its stores from 21 March 2020, with trading continuing through its online and Third Party E-commerce businesses. The UK government's announcements of relief from business rates and taxes and government subsidies for salaries for affected staff will provide support to the company.

#### DGB

As set out in the circular to shareholders, the sale of DGB has been signed but remains subject to a limited number of conditions precedent that remain to be fulfilled.

#### Brait debt facility

Brait is well advanced on concluding the refinancing of its revolving credit facility with Rand Merchant Bank, a division of FirstRand Bank Limited and The Standard Bank of South Africa Limited. This three year facility will provide headroom in terms of debt covenants for short term volatility to enable the Company to focus on maximising value through the realisation of its existing assets in the portfolio in due course.

#### Conclusion

Brait's portfolio companies have delivered a robust performance despite the continued challenging macroenvironment that has prevailed in its key markets since 30 September 2019, continuing to optimise their business models and key operational metrics.

The extent and severity of Coronavirus is still uncertain. However, the virus and various government interventions to prevent its spread will have a short term impact on the underlying businesses' profitability. The portfolio companies have all proactively implemented plans where possible to mitigate the impacts of the Coronavirus with a focus on reducing costs, preserving cash and maximizing liquidity to manage their businesses through this difficult period. Based on the management interventions, the portfolio companies have sufficient liquidity to manage through this difficult period in the short to medium term.

The outbreak of the Coronavirus has resulted in sharp declines in peer group multiples which will have an impact on portfolio company carrying values. While the impact of Coronavirus is likely to disrupt earnings and free cash flow for a period of time, the Board does not expect it to have any material impact on the portfolio companies' maintainable earnings and their long term fundamental valuations once the crisis has passed.

Brait remains confident that the actions taken by its portfolio companies are appropriate and timely. The situation continues to evolve daily and the outcome remains uncertain. We will provide further updates to shareholders as appropriate.

## **DIRECTORATE UPDATE AND PROPOSED REDOMICILIATION**

As previously announced by the Company on the Stock Exchange News Service ("**SENS**") of the Johannesburg Stock Exchange ("**JSE**") and published on the website of the Luxembourg Stock Exchange ("**LuxSE**"), a new Board of directors is intended to be constituted for the Company. It is the Company's intention to propose the reconstituted Board for approval by Shareholders at the Annual General Meeting to be held in Malta before the end of August 2020 (the "**AGM**").

Pursuant to the stated objective of reducing costs, the Board has resolved to propose to Shareholders in due course that the Company's registered office be transferred from Malta to Mauritius, where the Company's main investment subsidiary, Brait Mauritius Limited, is domiciled (the "**Redomiciliation**"). The Redomiciliation will not impact the Company's primary listing on the Euro MTF Market of the LuxSE or its secondary listing on the JSE. Based on the analysis performed to date, no amendments are expected to be required to the terms and conditions of the Convertible Bonds of the Company. In addition, the share capital of the Company will not be affected as a consequence of the Redomiciliation. Further information on the Redomiciliation will be included in a circular and a notice of the requisite general meeting to be published by the Company in due course.

A number of the existing Board members have decided not to stand for re-election at the AGM. The Board extends its appreciation to these directors for their contributions during their long-standing tenures including PJ Moleketi (chairman), CS Seabrooke, AS Jacobs, and JC Botts.

Progress in reconstituting the new Board is well underway and, pursuant to the Redomiciliation, will take consideration of Mauritian Company Law requirements. Dr CH Wiese, Dr LL Porter and HRW Troskie will be standing for re-election. Dr Porter has indicated that he will step down from the Board once the Redomiciliation has been effected. The Company will announce the proposed new director appointments in due course.

Malta  
24 March 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 JSE.

Sponsor  
RAND MERCHANT BANK (A division of FirstRand Bank Limited)