BRAIT P.L.C.
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("**Brait**")

UPDATE ON RESTRUCTURING OF VIRGIN ACTIVE UK BUSINESS

1. Introduction

Brait released an update announcement on the website of the Luxembourg Stock Exchange ("**LuxSE**") and the Stock Exchange News Service of the Johannesburg Stock Exchange on 1 February 2021, informing shareholders that Virgin Active was working with its key stakeholders to find a holistic operating structure and funding solution for the Virgin Active UK, Italy and Asia Pacific business ("**Virgin Active Europe**").

Virgin Active Europe has been significantly adversely affected by the ongoing Covid-19 pandemic across its operating territories, with government-imposed shutdowns forcing the temporary closure of clubs in all of the countries in which it operates. By the end of February 2021, its UK clubs had been closed or partially closed for nine of the previous 12 months and its clubs in Italy had been closed for over six of the previous 12 months. In both territories, clubs were required to operate with significant trading restrictions when open.

Given the impact of Covid-19 on Virgin Active Europe's revenues, management took numerous actions to preserve cash, including:

- Accessing government support in the UK, Italy, Australia and Singapore;
- Obtaining various rent deferrals, waivers and reductions in Italy, Australia, Thailand, Singapore and to a lesser extent the UK;
- Furloughing over 95% of its UK staff, implementing a range of salary reduction and bonus cancellation arrangements, and making significant redundancies and other reductions in staffing levels;
- Reducing capital expenditure to maintenance and trade critical expenditure only; and
- Removing or reducing operational costs wherever possible and agreeing revised payment terms with suppliers.

Government support of approximately GBP33 million during 2020 and cost mitigation measures of approximately GBP54 million resulted in a total impact mitigation of approximately GBP87 million in 2020 for Virgin Active Europe. In 2020, Virgin Active Europe revenues reduced by c.GBP185 million from 2019, (a 49% year-on-year decline) which resulted in negative EBITDA of approximately GBP42 million (versus a positive EBITDA of GBP57 million in 2019) and lost c.25% of its membership base. In June 2020, the business increased its senior debt facilities by GBP25 million, matched by GBP25 million of shareholder funding (Brait's share was GBP16 million) and licence fee concessions.

Despite the above mitigation measures, the continued impact of the Covid-19 pandemic into 2021 resulted in the need for a holistic restructuring of the Virgin Active UK business ("**Virgin Active UK**"). After discussions and agreements with the various stakeholders, three English incorporated members of the Virgin Active group, being Virgin Active Holdings Limited, Virgin Active Limited and Virgin Active Health Clubs Limited (together the "**Plan Companies**"), yesterday launched restructuring plans with certain of their creditors under Part 26A of the UK Companies Act 2006 (together the "**Restructuring Plan**").

The Restructuring Plan principally concerns Virgin Active UK, however, there will be an indirect benefit to the Italian and Asia Pacific businesses as they are owned by Virgin Active UK. The Virgin Active South Africa business (“**VASA**”) is separately financed and not directly impacted by the Restructuring Plan.

2. Overview of the Restructuring Plan

The Restructuring Plan is a statutory procedure under English company law which allows a company to agree a compromise or arrangement with its creditors, and for the terms of that compromise or arrangement to bind any non-consenting or opposing minority creditors.

The purpose of the Restructuring Plan is to restore Virgin Active UK to financial stability. It requires concessions and contributions from a number of the business’s key creditors, counterparties and stakeholders. The Restructuring Plan will ensure the continuing operations of the business and the flexibility to deliver long-term value for all of its stakeholders.

The Restructuring Plan will involve:

- The shareholders of Virgin Active providing additional liquidity through shareholder funding of GBP45 million (Brait’s pro-rata share GBP36 million), with GBP25 million being provided pre the Restructuring Plan becoming effective (“**Pre-Implementation Facility**”) and GBP20m being provided upon the Restructuring Plan becoming effective (“**Post-Implementation Facility**”);
- Virgin Enterprises Limited (“**VEL**” as the Licensor) agreeing to certain compromises under its licence agreement with Virgin Active (“**Licence Agreement**”);
- The existing lenders agreeing to amend and extend the terms of the existing senior debt facilities of Virgin Active Europe (“**Senior Debt Facilities**”); and
- Landlord concessions with respect to rental arrears, future rental agreements and guarantees.

Various Virgin Active group companies have entered into a support agreement with certain of the stakeholders who have committed to support the restructuring by voting in favour of the Restructuring Plan and supporting the restructuring (“the **Support Agreement**”). The Support Agreement has been entered into by:

- Secured creditors holding in excess of 75% of the secured debt commitments;
- VEL (in its capacity as licensor under the Licence Agreement);
- The Virgin Active shareholders; and
- Certain members of the Virgin Active group.

3. Outline of the amendments pursuant to the restructuring and the Restructuring Plan

3.1 Amendments to Virgin Active’s existing Licence Agreement

VEL has agreed to royalty support of approximately GBP24 million.

3.2 Amendments to Virgin Active Europe’s existing Senior Debt Facilities

With effect from the Restructuring Plan effective date (being the date the restructuring is implemented), the following material amendments will be made:

- The termination date will extend from the current termination date of 30 June 2022 to 30 June 2025;
- Virgin Active Europe will be able to access additional facilities (in addition to the Pre-Implementation Facility and Post-Implementation Facility) of up to GBP50 million (subject to certain conditions);

- For the 18 month period following the Restructuring Plan effective date, a significant portion of the interest rate on the existing debt facilities will revert to a payment in kind margin;
- The existing minimum liquidity and minimum EBITDA financial covenants will be modified to create headroom for the business; and
- Virgin Active Europe will be able to retain the first GBP25 million of any net proceeds on any disposals.

3.3 Variation of the obligations under the Plan Companies' leases

The UK landlords have been categorised in classes A to E based on their relative contribution to Virgin Active UK's profitability. Based on the class of landlord, the concessions will vary but the effects of the Restructuring Plan will include some or all of the following:

- 0-100% of liabilities in respect of lease rent arrears being released and discharged;
- The amount payable for 3 years or until the clubs' revenue returns to 2019 levels for two consecutive quarters will be between 0-100% of the current contractual rent, plus all contractual amounts payable in respect of turnover rent (if any), insurance and service charge; and
- Rentals will be payable monthly in advance, rather than quarterly, for a set period of time.

In addition, certain guarantees provided by the Plan Companies will be compromised and varied under the terms of the Restructuring Plan in order to align the lease guarantee with the revised terms of the underlying lease. Any lease guarantee provided by a non-Plan Company will also be amended and the terms of the lease guarantee will be aligned with the revised terms of the underlying lease.

3.4 New capital injection from shareholders of Virgin Active

The new GBP45 million shareholder funding injection from shareholders of Virgin Active will be provided in two tranches:

- The Pre-Implementation Facility of GBP25 million will be provided on a pari passu basis with the existing Senior Debt Facilities and will be drawn down during March 2021. Post the Restructuring Plan effective date, the funding drawn under the Pre-Implementation Facility will convert to rank in a junior secured position alongside the Post-Implementation Facility below; and
- The Post-Implementation Facility of up to GBP45 million (inclusive of funds drawn down under the Pre-Implementation Facility) is conditional upon the successful implementation of the Restructuring Plan and will be drawn down on the Restructuring Plan effective date. The instrument will have a second ranking security behind the existing Senior Debt Facilities and be repayable in December 2025.

Brait's pro-rata contribution of this new capital injection is GBP36 million, which will be funded out of its existing debt facilities.

4. Impact of the Restructuring Plan

The Restructuring Plan will provide Virgin Active Europe with the requisite operational and financial flexibility to emerge from the Covid-19 pandemic, return to profitability and create sustainable value for all stakeholders.

The impact of the Restructuring Plan is as follows:

- The write off of certain arrears due to Covid-19 induced lockdowns;
- The deferment of certain liabilities until the business has returned to profitability and can repay these obligations;

- Concessions regarding future rental obligations in certain landlord classes;
- Removal and compromise of certain guarantees provided by various Virgin Active companies;
- Royalty support payable by Virgin Active under the Licence Agreement;
- Extension of the refinancing date on the existing debt facilities from June 2022 until June 2025 including a relaxation of the existing covenants;
- Capitalisation of a significant portion of the interest payment due for the next 18 months;
- Significant additional operational savings identified by the management team; and
- Liquidity for Virgin Active Europe provided by its shareholders to provide operational funding for the business.

The combination of the shareholder contributions, VEL concessions and the Restructuring Plan, if successfully implemented, will have a significant impact on the sustainability of the business given the liabilities written off and deferred and the reduction in operating costs.

5. Key dates of the Restructuring Plan

Under the provisions of Part 26A of the UK Companies Act 2006, for the Restructuring Plan to become effective:

- It must be approved by a number representing at least 75% in value of the plan creditors present and voting (either in person or by proxy) at each plan meeting as ordered by the English Court; or
- If the Restructuring Plan is not approved by a number representing at least 75% in value of any class of plan creditors present and voting at the relevant plan meeting (a dissenting class), but if the following conditions are met, then the fact that such dissenting class has not approved the Restructuring Plan would not prevent the English Court from sanctioning it:
    - the English Court must be satisfied that, if it were to sanction the Restructuring Plan, none of the members of such dissenting class would be any worse off than they would be in the event of the relevant alternative to the Restructuring Plan; and
    - the Restructuring Plan must have been approved by a number representing at least 75% in value of a class of plan creditors present and voting at the relevant plan meeting, who would receive a payment, or have a genuine economic interest in the Plan Company in the event of the relevant alternative to the Restructuring Plan;
- It must be sanctioned by the English Court at the subsequent sanction hearing; and
- An office copy of the order sanctioning the restructuring plan must be delivered to the UK Companies House Registrar.

Virgin Active UK intends to apply to the English Court for permission to convene the creditor meetings at the convening hearing, currently scheduled for 25 March 2021. If the Restructuring Plan is approved at these meetings, the subsequent sanction hearing, is expected to be held on or around 23 April 2021.

6. VASA business update

VASA’s clubs have remained operational since re-opening on 24 August 2020 and benefitted from a steady improvement in member engagement prior to the level 3 restrictions which were imposed in December 2020, which had an adverse impact on the business. However, membership engagement levels have started to improve again since government recently announced a return to level 1 lockdown restrictions. VASA continues to generate positive cash flow from operations and, as at 31 December 2020, had sufficient cash to fund the business. VASA is not directly impacted by the Restructuring Plan.

San Gwann, Malta
11 March 2021

Brait´s primary listing is on the Euro MTF market of the LuxSE and its secondary listing is on the Johannesburg Stock Exchange.

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