

BRAIT P.L.C.  
(Registered in Malta as a Public Limited Company)  
(Registration No. C97843)  
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LEI: 549300VB8GBX4UO7WG59  
("Brait")

## **VIRGIN ACTIVE UK BUSINESS RESTRUCTURING SANCTIONED BY THE ENGLISH COURT**

### **1. Introduction**

Brait released update announcements on the website of the Luxembourg Stock Exchange ("**LuxSE**") and the Stock Exchange News Service ("**SENS**") of the Johannesburg Stock Exchange ("**JSE**") on 1 February 2021 and 11 March 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 April 2021, its UK clubs had been closed or partially closed for eleven of the previous 14 months and its clubs in Italy had been closed or partially closed for ten of the previous 14 months. The UK opened its clubs (excluding group exercise classes) on 12 April 2021 whilst the Italian clubs remain closed. Clubs in Singapore and Thailand have also recently been closed and are expected to remain closed at least until the end of May.

As a result, the Virgin Active UK business ("**Virgin Active UK**") was forced to undertake a holistic restructuring. 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**") announced restructuring plans with certain of their creditors under Part 26A of the UK Companies Act 2006 (together the "**Restructuring Plan**") on 11 March 2021.

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 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. English Court sanctioning of the Restructuring Plan**

On 12 May 2021, the English Court sanctioned the Virgin Active Europe Restructuring Plan under the provisions of Part 26A of the UK Companies Act 2006.

### **3. Overview of the Restructuring Plan**

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 to ensure the continuing operations of the business and the flexibility to deliver long-term value for all of its stakeholders.

In summary, the Restructuring Plan involves:

- The shareholders of Virgin Active providing additional liquidity through shareholder funding of GBP45 million (Brait's pro-rata share of GBP36 million being funded from existing debt facilities), with GBP25 million drawn down during March 2021 pre the Restructuring Plan becoming effective ("**Pre-Implementation Facility**") and GBP20 million being provided upon the Restructuring Plan becoming effective ("**Post-Implementation Facility**");
- Virgin Enterprises Limited agreeing to certain compromises under its licence agreement with Virgin Active;
- The existing lenders agreeing to amend and extend the terms of the existing senior debt facilities of Virgin Active Europe; and
- Landlord concessions with respect to rental arrears, future rental agreements and guarantees.

#### 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 effective from its date of implementation is as follows:

- Variation of the obligations under the Plan Companies' leases, based on their relative contribution to Virgin Active UK's profitability, with concessions based on the class of landlord including:
  - 0-100% of liabilities in respect of all lease rent arrears being released and discharged due to Covid-19 induced lockdowns;
  - The rental 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;
  - Rentals will be payable monthly in advance, rather than quarterly, for a set period of time;
  - The removal and compromise of certain guarantees provided by various Virgin Active companies;
- Amendments to Virgin Active Europe's existing senior debt facilities:
  - Extension of the refinancing date on the existing debt facilities from June 2022 until June 2025 including a relaxation of the existing financial covenants to create the requisite headroom for the business;
  - 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);
  - Capitalisation of a significant portion of the interest payment due for the next 18 months and in case of future government enforced closure periods (subject to certain conditions);
  - Virgin Active Europe will be able to retain the first GBP25 million of net proceeds on disposals.
- Liquidity for Virgin Active Europe provided by its shareholders to provide the requisite operational funding for the business.

In addition, Virgin Enterprises Limited has agreed to royalty support in the form of waivers and deferrals totalling approximately GBP24 million under its license agreement with Virgin Active Europe.

The combination of the Virgin Enterprises Limited concessions, significant additional operational savings identified by the management team, and the Restructuring Plan, 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. Outcome of the Restructuring Plan**

The English Court sanctioning of the Restructuring Plan under the provisions of Part 26A of the UK Companies Act 2006 is an important milestone and means that Virgin Active UK can implement and benefit from the various concessions set out above. The Post-Implementation Facility will be advanced to Virgin Active UK immediately to facilitate the implementation of the Restructuring Plan and to recapitalise the business.

San Gwann, Malta  
12 May 2021

Brait's primary listing is on the Euro MTF market of the LuxSE and its secondary listing is on the exchange operated by the JSE Limited.

### **Sponsor:**

Rand Merchant Bank, a division of FirstRand Bank Limited