

BRAIT P.L.C.  
(Registered in Mauritius as a Public Limited Company)  
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LEI: 549300VB8GBX4UO7WG59  
("Brait")

## **VIRGIN ACTIVE CEO APPOINTMENT, CAPITAL RAISE AND THE AMALGAMATION OF THE NUTRITION ASSETS OF REAL FOODS**

After a global search for a successor for the Virgin Active International Investments ("**Virgin Active**") CEO, Matthew Bucknall, who is retiring after 25 years in June 2022, Virgin Active has appointed Dean Kowarski as the new CEO for Virgin Active. Dean has been active in the wellness space for many years, both personally and professionally. He started the Real Foods Group in 2013 and acquired the Kauai business in 2015 and has subsequently grown the business from 100 stores to 204 stores of which 108 are operated within Virgin Active gyms. Dean has had a close association with the Virgin Active business for many years and has an in-depth understanding and passion for the health and wellness space. Dean took over as the CEO on 4 March 2022.

Virgin Active has also appointed Mark Field (currently the Managing Director of Virgin Active South Africa ("**VASA**")) as the Group CFO. Mark has significant experience across a number of different roles and territories in the group and will take on the CFO role once a successor for him as VASA Managing Director has been appointed.

Brait shareholders are advised that Virgin Active has concluded binding agreements to give effect to a capital raise from third parties and existing investors totalling GBP88.4 million (ZAR1.8 billion) (the "**Capital Raise Transaction**"). The Capital Raise Transaction is subject to regulatory approval and is expected to close by the end of March 2022.

In addition, Virgin Active has entered into binding agreements to merge the nutrition assets of Real Foods (namely Kauai and Nü chains of healthy fast casual restaurants) into VASA (the "**Real Foods Transaction**") for the Rand equivalent of GBP28.6 million (subject to customary adjustments). The Real Foods Transaction is subject to certain conditions, including regulatory approvals, which are expected to be obtained by no later than 30 September 2022. Once the transaction conditions are met, the vendor interests will be exchanged into equity in Virgin Active (the "**Real Foods Exchange**").

### **Overview of the Capital Raise Transaction**

Certain members of the investment consortium in Real Foods (the "**DK Consortium**"), will inject GBP18.2 million to subscribe for equity in Virgin Active at a post money valuation that is based on the Virgin Active Enterprise Value, as per Brait's Net Asset Valuation as at 30 September 2021, using the updated net debt position as at 31 December 2021 (the "**Post Money Valuation**"). The resultant equity stake in Virgin Active is 3.4%.

Titan Premier Investments (Pty) Limited ("**Titan**"), an investment vehicle of Christo Wiese, will inject GBP50.0 million to subscribe for equity in Virgin Active at the Post Money Valuation. In the interests of good corporate governance, the Titan representatives on the Board recused themselves from all the deliberations and decisions taken at the Brait Board meeting with regards to the transactions.

The existing shareholders of Virgin Active, namely Brait and Virgin Group, will inject GBP20.2 million to subscribe for equity in Virgin Active at the Post Money Valuation, pro rata to their current shareholdings (80:20).

The capital injections above, totalling GBP88.4 million, will be used for liquidity purposes and growth capital in the various Virgin Active businesses. This will provide the requisite funding for the group to

fast track some of its growth initiatives as its health clubs emerge from the devastating impact of the COVID pandemic.

As part of the Capital Raise Transaction, the existing shareholders of Virgin Active will also capitalise the R950 million shareholder commitment to the lenders of VASA that was entered into in 2021 ("**VASA Capitalisation**"). This will also provide further capital to expedite the rejuvenation and growth program for VASA.

The Post Money Valuation for Virgin Active is determined as follows:

	GBP'm
Maintainable EBITDA	105.4
EV / EBITDA multiple	9.0x
<b>Enterprise value</b>	<b>948.6</b>
Net debt as at 31 December 2021	(443.9)
Deferred payments	(34.5)
<b>Pre Money Equity Value</b>	<b>470.2</b>
New capital raised	88.4
VASA lender shareholder commitment capitalised	46.3
The Real Foods Exchange	28.6
<b>Post Money Valuation</b>	<b>633.5</b>

In addition, the DK Consortium has been granted the option, available to be exercised until 31 March 2023, to subscribe for additional equity in Virgin Active with an aggregate value of GBP25.0 million at the Post Money Valuation. Members of the DK Consortium have also been granted a further option, available to be exercised until 31 March 2025, to acquire additional equity equating to 0.61% of Virgin Active's fully diluted share capital at the Post Money Transaction Valuation.

Brait, Virgin Group and Titan ("**Other Virgin Active Shareholders**") have also been granted the option to subscribe for additional equity with an aggregate value of GBP25.0 million at the Post Money Valuation. The option will be available to be exercised until 31 March 2023 and has been granted in proportion to the new capital injected by the Other Virgin Active Shareholders (including the VASA Capitalisation).

### **Rationale for the Capital Raise Transaction**

Health club businesses globally have been significantly impacted by the devastating effects of COVID. However, the pandemic has driven an increased focus and acceptance of health and wellness in peoples' lives and, with many countries finally opening up and removing residual COVID restrictions, the health club industry is starting to return to normality and capitalise on renewed growth prospects.

Virgin Active has also begun to benefit from the improved consumer sentiment in some of its key territories. In the UK, sales since the latest Work From Home guidance was lifted in January 2022 have been strong and above budget and 2019 levels. Whilst Italy is likely to retain its existing COVID restrictions until end March 2022, sales have seen a continual improvement as cases in the country subside. In South Africa, January and February sales have been in line with 2019 levels and consumer sentiment is likely to improve further as the current State of Emergency is lifted in the near future. Whilst these are early emerging trends, it provides confidence in the Virgin Active value proposition and its positioning for growth.

Virgin Active is one of the largest global fitness brands and achieved record like for like EBITDA in 2019 of GBP142 million prior to the pandemic. Investment into the group's businesses to provide liquidity and growth capital will help position the business for a period of sustained growth through capital reinvestment, development of new products and services, enhanced digital technology and, ultimately, improved customer engagement and a greater wellness focus. The capital injection of GBP88.4 million (GBP135 million including the VASA Capitalisation) will expedite its recovery and enable management to focus on delivering on its health and wellness strategy.

## Overview of and rationale for the Real Foods Transaction

Virgin Active together with Kauai and Nü have had a successful partnership since 2005 with nutritional offerings in 108 of Virgin Active's gyms (including 5 outside South Africa). Virgin Active's stated wellness strategy has been to improve its members' lives in a broader sense than just the provision of fitness clubs. Nutrition and preventative wellness is key to delivering on an integrated wellness strategy. The acquisition of Real Foods will provide significant additional customer touch-points, cross incentives and, importantly, data and customer offerings. The combination will enhance the member experience and help deliver a holistic wellness experience to the Virgin Active community.

Real Foods has grown rapidly, however, it was impacted by the COVID pandemic. Virgin Active will merge the Real Food nutrition assets into VASA and, on completion of the Real Foods Exchange, the vendor interests will be converted into equity in Virgin Active. This will ensure significant alignment with the other Virgin Active shareholders in the pursuit of value creation.

The Real Foods assets are acquired on a valuation basis determined using the same valuation metrics as Virgin Active (i.e.: a 9.0x multiple on the 2 year forward EBITDA) and the share consideration was based on the Virgin Active Post Money Valuation. Post the Real Foods Exchange, the Real Foods Transaction will result in the DK Consortium acquiring a further 4.5% stake in Virgin Active.

## Impact on Brait

The transactions represent a significant vote of confidence in the Virgin Active business. The inclusion of like-minded partners will assist to recalibrate the potential for the business through the injection of new capital to fund growth projects as the business emerges from the COVID pandemic.

Brait will inject its share of the GBP20.2 million (GBP16.2 million) as part of the Capital Raise Transaction. Brait will also capitalise its share of the R950 million shareholder commitment (R760 million) which it provided to the VASA lenders.

Post these transactions, the Brait shareholding (before the Virgin Active management LTIP) will decrease from 79.8% to 67.3% with Virgin Group 16.6%, Management investors 0.3%, DK Consortium 7.9% and Titan 7.9%.

Brait's pro forma BML RCF net debt as at 31 December 2021, will increase from R2.0bn (including the VASA Capitalisation) to R2.4 billion (facility limit R3.0 billion). Post the receipt of proceeds from the Consol disposal, the pro forma BML RCF net debt would reduce to R2.0 billion.

Brait is extremely grateful to Matthew Bucknall, who co-founded the business in 1997, for his management and guidance over the years. Matthew will remain as a special adviser to the Virgin Active board and as a non-executive board member of Virgin Active Italy. The appointment of Dean as CEO will ensure a smooth transition and bring new energy and passion into the business. Having a CEO who is heavily invested in the business has proved to be a successful strategy in many privately managed companies. Brait looks forward to working with Dean to drive Virgin Active through the recovery phase and to leverage the strong growth platform that the business has.

Port Louis, Mauritius

4 March 2022

Brait's primary listing is on the Euro MTF market of the Luxembourg Stock Exchange ("**LuxSE**") and its secondary listing is on the exchange operated by the JSE Limited ("**JSE**"). Brait's Convertible Bonds due 4 December 2024 are dual listed on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange as well as the Official Market of the Stock Exchange of Mauritius Ltd ("**SEM**").

**LuxSE Listing Agent:**

Harney Westwood & Riegels SARL

**JSE Sponsor:**

Rand Merchant Bank (A division of FirstRand Bank Limited)

**SEM Authorised Representative and Sponsor:**

Perigeum Capital Limited