



# Consent Solicitation Exercise

18 March 2020

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# Launch of Consent Solicitation Exercise

# Introduction

## CSE Proposal following Informal Investor Engagement

On 24 February 2020, BreadTalk Group Limited (“BTG”, the “Company” or the “Group”) announced that it would be proceeding with informal discussions with Noteholders in respect of the proposed launch of a consent solicitation exercise (“CSE”), indicative terms of which were set out in an Information Package dated 3 March 2020.

Pursuant to such noteholder engagement, the Company has formally launched a CSE on 18 March 2020.

Key parameters of the CSE proposal are as follows:-

**1) Address Technical Breaches in Financial Covenants**

- Waiver of the financial covenant breaches will address the technical default of the Series 002 Notes

**2) Provide Company with Sufficient Financial Flexibility in view of Challenging Operating Conditions**

- Amend financial covenants
  - Amend “Consolidated Tangible Net Worth” covenant to not less than S\$50m, from the quarter ending 30 June 2021 onwards
  - Amend “Consolidated Total Borrowings (Net of Cash) to Consolidated Tangible Net Worth” covenant to not more than 3.5:1, from the quarter ending 30 June 2021 onwards
  - Harmonize financial covenant definitions to that of the Company’s 2019 MTN Programme, to exclude the SFRS(I) 16 effects from the computation of the financial covenants
- Implement financial covenant holiday until 31 March 2021
  - Next testing period will be for the quarter ending 30 June 2021

**3) Insert a call option to better manage the Company’s debt liabilities**

- Call premium of 0.50% that is exercisable during the period commencing on (but excluding) 24 April 2020 and ending on 31 March 2021

**Further details of the CSE Proposal are set out on page 6.**

There will be an Early Consent Fee of 0.50% to provide a cash incentive for Noteholders to submit voting instructions in favour of the Extraordinary Resolution being proposed by the Early Consent Fee Deadline (3 April 2020). Normal Consent Fee of 0.25%.

**For the avoidance of doubt, the technical breach of the Relevant Financial Covenants is not indicative of any cashflow impact to the Group and the Company is expected to be in a position to pay interest payments on the Notes as and when such interest payments are due.**

# Current Market Conditions and Challenges



## Challenging Operating Environment

- Widening of losses of the Group's bakery business in China and Thailand
- Widening of losses across several brands within the 4or<sup>th</sup> Division of the Group due to start-up costs of new outlets, below expectation performance from certain outlets and challenging operating environments
- Significant deterioration in the financial performance of the Group's businesses in Hong Kong across both the Bakery and Food Atrium divisions of the Group due to the social unrest in that region
- One-off fixed assets impairment due to pre-mature outlet closures, inventory obsolescence and franchise income doubtful debt provisions

## Shift in Accounting Policy in adopting SFRS(I) 16

- Adoption of SFRS(I) 16 has resulted in the frontloading of lease-related expenses into the profit and loss account compared to previous standard of accounting for leases on a straight-line amortization basis
- With the adoption of SFRS(1) 16 and the net loss incurred by the Company due to the difficult business operating environment, accumulated profits for FY2019 has decreased by 44.6% compared to FY2018

## COVID-19

- The ongoing COVID-19 epidemic has added uncertainty to the Company's operations

## Financial Covenant Breaches

- The challenging operating environment and the shift in accounting policy in adopting SFRS(I) 16 has resulted in breaches in the financial covenants
- There is likely to be ongoing pressure on the financial covenants due to the impact of Covid-19

# Consent Solicitation Proposal

Proposal	Proposed Amended / Additional Terms	Reference
<b>S\$100m 4.00% Notes Due 2023</b>		
1) Waive financial covenants breaches	Waive breaches of the Consolidated Tangible Net Worth covenant and the Consolidated Total Borrowings (Net of Cash) to Consolidated Tangible Net Worth covenant	<ul style="list-style-type: none"> <li>Under Terms of the Proposal, Section 2(a)(i) in the Consent Solicitation Statement</li> </ul>
2) Amend financial covenants and implement financial covenant holiday	The Consolidated Tangible Net Worth shall not at any time be less than <b>S\$50m from the quarter ending 30 June 2021 onwards</b>	<ul style="list-style-type: none"> <li>Under Terms of the Proposal, Section 2(b)(i) in the Consent Solicitation Statement</li> </ul>
	The ratio of Consolidated Total Borrowings (Net of Cash) to Consolidated Tangible Net Worth shall not at any time exceed <b>3.5 : 1 from the quarter ending 30 June 2021 onwards</b>	<ul style="list-style-type: none"> <li>Under Terms of the Proposal, Section 2(b)(ii) in the Consent Solicitation Statement</li> </ul>
	Harmonize financial covenant definitions to that of the Company's 2019 Programme. This will <b>exclude SFRS(I) 16 effects</b> from the computation of the financial covenants	<ul style="list-style-type: none"> <li>Under Terms of the Proposal, Section 2(b)(iii) in the Consent Solicitation Statement</li> </ul>
	Implement financial covenant holiday <sup>1</sup> in respect of the relevant financial periods occurring within the period <b>from 1 January 2020 to 31 March 2021</b>	<ul style="list-style-type: none"> <li>Under Terms of the Proposal, Section 2 in the Consent Solicitation Statement</li> </ul>
3) Insertion of a Call Option	Call Option at a call price of <b>100.50 exercisable during the period commencing on (but excluding) 24 April 2020 and ending on 31 March 2021</b>	<ul style="list-style-type: none"> <li>Under Terms of the Proposal, Section 2(c)(j) in the Consent Solicitation Statement</li> </ul>
4) Inclusion of Early Bird Consent Fee and Normal Consent Fee	Early Bird Consent Fee of <b>0.50% with a deadline of 3 April 2020 at 5.00pm</b> and Normal Consent Fee of <b>0.25% with a deadline of 13 April 2020 at 2.30pm</b> to vote in favour of the Extraordinary Resolution	<ul style="list-style-type: none"> <li>Under Early Consent Fee and Normal Consent Fee, Section 4 in the Consent Solicitation Statement</li> </ul>

<sup>1</sup>Financial covenant holiday applies only to the Consolidated Tangible Net Worth covenant and the Consolidated Total Borrowings (Net of Cash) to Consolidated Tangible Net Worth covenant

# Quorum and Voting

## Quorum and Adjournment

- As further set out in the Trust Deed, the quorum required at the Meetings to pass the Extraordinary Resolution sanctioning, approving, assenting and agreeing to the Extraordinary Resolution is two or more persons holding or representing not less than 75% in principal amount of the outstanding Series 002 Notes. No business (other than the choosing of a Chairman) shall be transacted unless the requisite quorum is present at the commencement of business
- If within 15 minutes from the time initially fixed for the Meeting, a quorum is not present, the Meeting shall be adjourned until such date, being not less than 14 and not more than 42 days later, and time and place as the Chairman may decide. At least 10 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) of such adjourned Meeting must be given in the same manner as the original Meeting and such notice shall state the quorum required at such adjourned Meeting
- The quorum required at any adjourned Meeting to pass the Extraordinary Resolution is two or more persons holding or representing not less than 25% in principal amount of the Series 002 Notes

## Voting Requirements

- As further set out in the Trust Deed, every question submitted to the Meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer, the Trustee or one or more persons representing 2% in principal amount of the Series 002 Notes
- Unless a poll is demanded a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it
- On a show of hands every person who is present in person and produces a Voting Certificate or is a proxy has one vote. On a poll every such person has one vote in respect of each S\$250,000 of Series 002 Notes so produced or represented by the Voting Certificate so produced or for which he is a proxy. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them in the same way
- In case of equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have

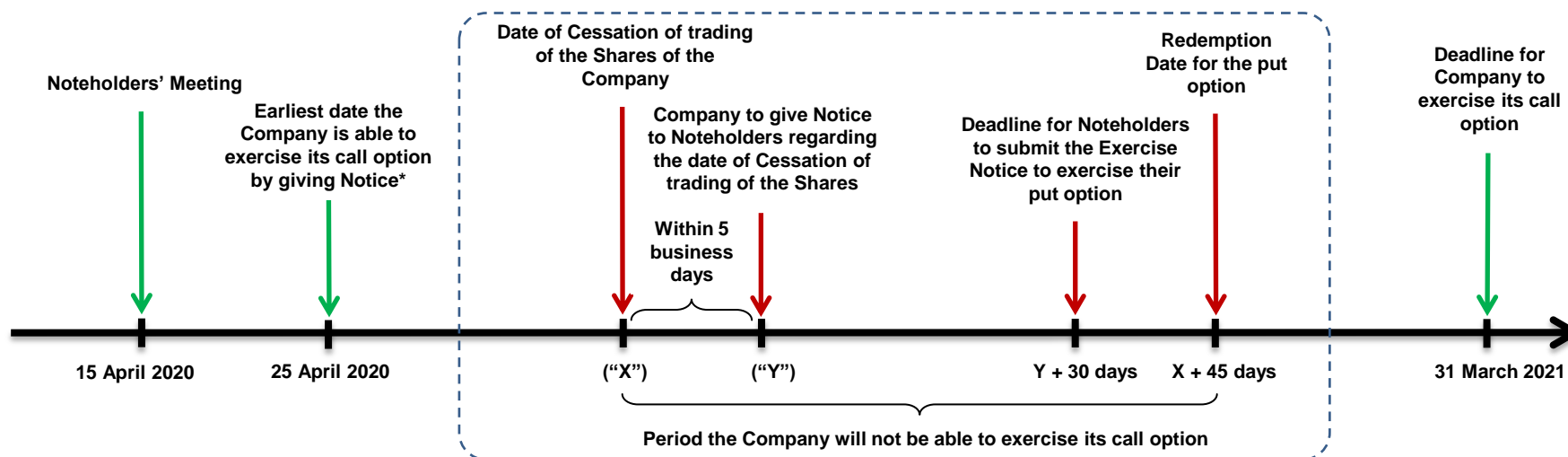
## Required Majority

At least 75.0% of the votes cast for the Series 002 Notes

# Illustrative Timeline of the Put and Call Option

<b>Update on the Voluntary Conditional Cash Offer</b>	<ul style="list-style-type: none"> <li>On 24 February 2020, the Company's main shareholders made a Voluntary Conditional Cash Offer (the "Offer") of S\$0.77 in cash for each Offer Share for all the issued ordinary shares of the Company, other than those already owned, controlled or agreed to be acquired</li> <li>Close of Offer at <b>5.30pm (Singapore time) on 6 April 2020</b></li> </ul>
<b>De-Listing Put</b>	<ul style="list-style-type: none"> <li>Assuming the Voluntary Conditional Cash Offer is successful, the Noteholders will have the option to redeem the Series 002 Notes at par (together with interest accrued) falling <b>45 days</b> after the date of cessation of trading of the shares of the Company</li> </ul>
<b>Proposed Call Option</b>	<ul style="list-style-type: none"> <li>After the Extraordinary Resolution has been passed and Notice has been given, the Company will have the option to redeem all the Series 002 Notes at a call price of 100.50 during the period commencing on (but excluding) 24 April 2020 and ending on 31 March 2021</li> <li>During the period commencing from (and including) the Date of Cessation of trading of the Shares up to (and including) the date falling 45 days after the Date of Cessation of trading of the Shares, the Company will not be able to exercise its call option</li> <li>The Company has 10 business days from the date the Notice is given to redeem the Series 002 Notes pursuant to the call option</li> </ul>

## Illustrative Timeline

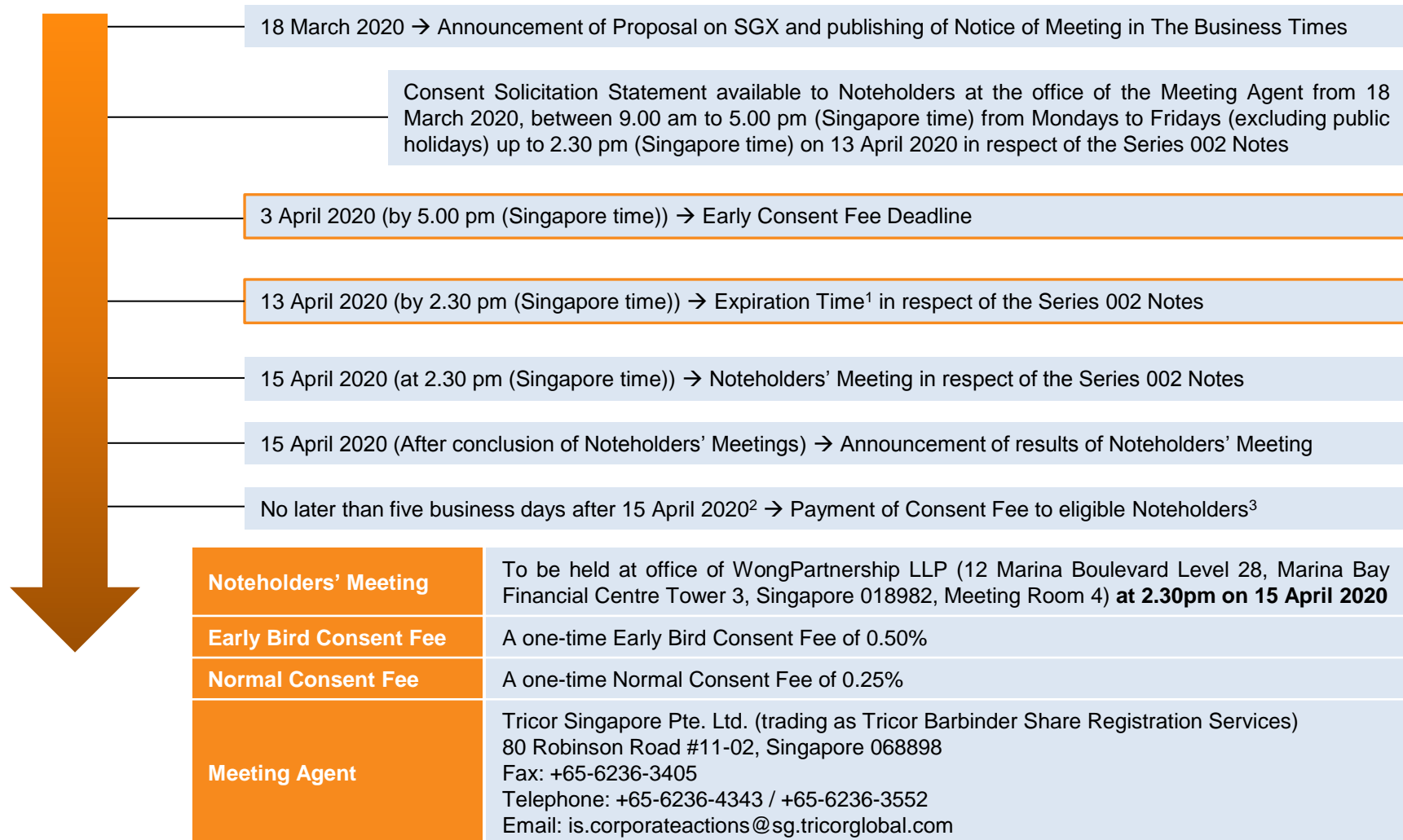


Note\* : Subject to Extraordinary Resolution being passed at the Noteholder's Meeting on 15 April 2020

⌚ : Subject to Voluntary Conditional Cash Offer being successful



# Consent Solicitation Exercise Timeline



<sup>1</sup>Expiration time refers to the latest time and date for submitting a Proxy Form or, as the case may be, an Earmarking Instruction Letter and for issuing, amending or revoking a voting instruction

<sup>2</sup>Assuming successful passing of the Extraordinary Resolution

<sup>3</sup>Relevant Extraordinary Resolution to be passed and Noteholders need to duly complete and return to the Meeting Agent, the Proxy Form or, as the case may be, the Earmarking Instruction Letter on or prior to the Early/Normal consent expiration date and provide complete details of a valid account with a bank in Singapore to which the Early/Normal consent fee should be credited. Noteholders who deliver Voting Instructions after the Early Consent Fee Deadline or who do not appoint a proxy in accordance with the terms of the Consent Solicitation Statement will not be eligible to receive the Early Consent Fee

# Stakeholders

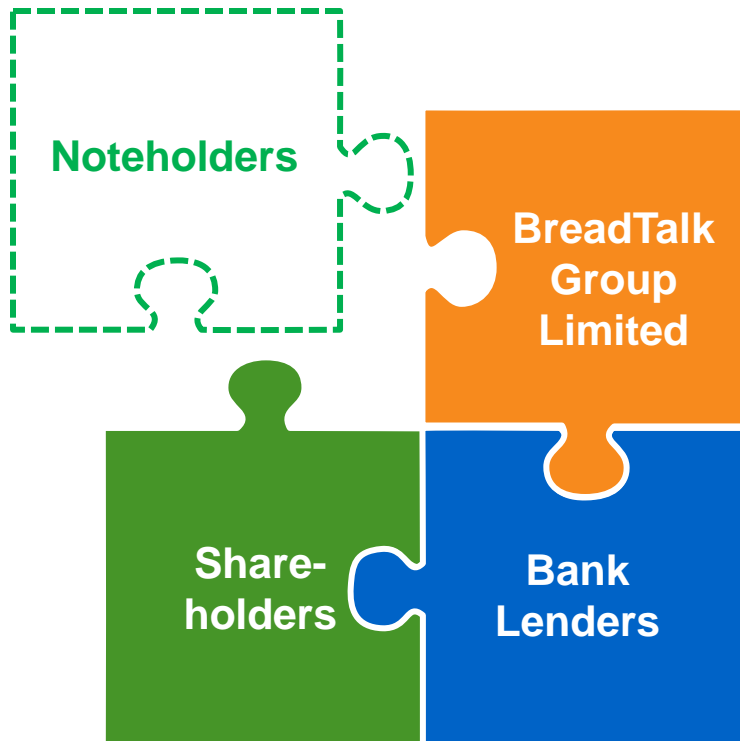


## We seek your support to:

- Waive breaches of financial covenants
- Implement financial covenant holiday in respect of the relevant financial periods occurring within the period from 1 January 2020 to 31 March 2021
- Amend the “Consolidated Tangible Net Worth” to be not less than S\$50m from the quarter ending 30 June 2021 onwards
- Amend the “Consolidated Total Borrowings (Net of Cash) to Consolidated Tangible Net Worth” covenant to be not more than 3.5:1 from the quarter ending 30 June 2021 onwards
- Insert a call option at a call price of 100.50 exercisable during the period commencing on (but excluding) 24 April 2020 and ending on 31 March 2021



- The Company's main shareholders are making a voluntary conditional cash offer for all of the issued ordinary shares of the Company



- Working actively to turnaround the loss-making businesses



- The Company is in discussions with bankers to seek their support

**THANK YOU**