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#### **ASX RELEASE**

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# ARDENT LEISURE ENTERS INTO PARTNERSHIP TRANSACTION WITH REDBIRD CAPITAL PARTNERS FOR MAIN EVENT ENTERTAINMENT

- US\$80million investment to acquire a 24.2% interest in Main Event Entertainment via a preferred equity investment into Ardent Leisure's wholly owned U.S.-based subsidiary for its Main Event business
- RedBird has the option to acquire an additional 26.8% interest at a future date valuation based upon 9.0x LTM Normalised Pro Forma EBITDA at the time of exercising the option, subject to a minimum equity floor price
- Transaction represents Ardent Leisure's success in securing a partnership with a leading U.S. private investment firm that will enhance Main Event's liquidity and capacity to invest in future growth while also bringing additional expertise and opportunities to Main Event
- Main Event has obtained significant support from lenders, including near-term covenant relief
- 28 of 44 Main Event centres have reopened

Ardent Leisure Group Limited ("Ardent Leisure") (ASX:ALG) today announces that U.S.-based private investment firm, RedBird Capital Partners ("RedBird"), will invest US\$80 million into Ardent Leisure's U.S.-based subsidiary, which holds a 100% interest in Main Event Entertainment ("Main Event" or "the Company") to enhance the financial flexibility of Main Event and position the Company for future growth.

Pursuant to the announced transaction, RedBird will invest US\$80 million into Main Event in exchange for a 24.2% preferred equity interest, valuing Main Event at an implied enterprise value of US\$424 million<sup>1</sup> and a EV/EBITDA multiple of 8.0x based on CY19 Adj. EBITDA. The invested capital by RedBird will be used exclusively to support Main Event.

In conjunction with the transaction, RedBird has been granted an option to acquire an additional 26.8% interest in Main Event from Ardent Leisure exercisable between July 2022 and July 2024 ("the Option"). The valuation of the additional interest will be determined at a future date, based on Normalised Pro Forma EBITDA at that time and subject to a minimum equity floor price. In addition, the governance framework contains typical and customary minority consent rights related to the preservation of the economic integrity of the minority holder's interest and substantive operational matters which will result in all material decisions concerning the operations of Main Event being made with the partner. The initial board will comprise of Main Event CEO Chris Morris, Ardent Leisure directors Gary Weiss and Brad Richmond, as well as RedBird Partners Andrew Lauck and Dan Swift.

<sup>&</sup>lt;sup>1</sup> Based on net debt and unpaid payable liabilities as at 31 May 2020 and post estimated transaction costs.

Dr Gary Weiss, Chairman of Ardent Leisure, said "We are excited by this new partnership with RedBird which not only reinforces Main Event's financial strength and liquidity, but also provides a value-added strategic partner who can help drive the Company's growth and expansion plans in the United States. We have a first-class management team in place at Main Event and, together with RedBird, are confident the Company will navigate through the current challenging environment and thrive in the future."

Gerry Cardinale, Managing Partner of RedBird, said "We are very pleased to announce this partnership with Ardent and the exceptional management team at Main Event. Through our own operations in Dallas, Texas, we have witnessed firsthand Main Event's growth as a leading brand in a resilient and fast growing family entertainment market. RedBird's focus on building high-growth companies in sports and entertainment and expertise in delivering premier content to consumers will be highly complementary to the Main Event platform as it looks to expand throughout the country."

Chris Morris, CEO of Main Event, said "We are enthusiastic to partner with RedBird during the next phase of growth for Main Event. After undertaking an extensive review of potential partnership opportunities for the Company, it has become clear RedBird and Main Event share the same core values, commitment to growth and vision for the future of our Company. We are confident Redbird's strategic contributions will further support our continued efforts to be the premier family and social entertainment brand in the United States. We look forward to a great, long term partnership."

There are no conditions to the transaction, or shareholder approval, and the initial investment is expected to settle on 15 June 2020.

The actions announced today provide Main Event with the financial support and flexibility in the medium term to adapt to the current challenging macro environment. In addition, the transaction provides potential capital to Ardent Leisure in the future in the event that the Option is exercised, and enables the Ardent Leisure shareholders to continue to benefit from the potential growth in Main Event through their continued interest in the business. No aspect of the transaction will result in the issue by Ardent Leisure of any equity in Ardent Leisure Group Limited to RedBird.

Goldman Sachs served as exclusive financial advisor to Ardent Leisure and Main Event Entertainment; Weil, Gotshal & Manges LLP served as legal advisor. Fried, Frank, Harris, Shriver & Jacobson LLP served as legal advisor to RedBird.

#### **Overview of RedBird Capital Partners**

RedBird is a principal investment firm which provides flexible, long-term capital to help entrepreneurs grow their businesses. RedBird seeks investment opportunities in growth-oriented private companies where its long-term capital, investor network and strategic relationships enable business owners to achieve their corporate objectives. Founded by Gerald Cardinale, RedBird has over \$3.5 billion of equity under management to support its entrepreneur-led platforms, connecting patient, flexible capital with business founders to help them outperform operationally, financially and strategically. For more information, please go to www.redbirdcap.com.

## **Business Update**

As previously announced, on 17 March 2020 Main Event made the decision to temporarily close all of its centres nationwide in response to the US government's decision to issue strict guidelines to stop the spread of COVID-19. Since the closure, the Company has closely monitored its capital requirements and has implemented a number of measures to conserve capital and maintain operating liquidity. Main Event began to reopen select centres from early May 2020 with limited offering and capacity in accordance with local mandates. As of today, 28 of Main Event's 44 centres have reopened, including all of the Company's Texas locations, with the ability to operate with few limitations on offerings. The Company anticipates more centre openings by the end of June. For the centres

that have re-opened, recent trading has been encouraging with revenue increasing sequentially each week, resulting in several centres above or near 4-wall EBITDA break-even.

The Company will continue to monitor, on a market-by-market basis, the easing of Government-mandated shelter-in-place orders and will make the decision to re-open its remaining centres as soon as practicable ensuring the utmost safety of its team members and guests. The Company has enhanced its already robust safety standards through the addition of personal protective equipment for team members, introduction of social distancing measures throughout the centres, a modified service model to increase frequency of sanitising high-touch areas, and availability of sanitation products for guests.

Main Event has also obtained significant support from its lenders through a number of amendments to its Credit Agreement, including obtaining a waiver of its total net leverage covenant through to and covering the March 2021 quarter, which enhances the Company's liquidity position and financial flexibility.

Authorised by the Board of Ardent Leisure Group Limited

Bronwyn Weir Darin Harper

Company Secretary Group Chief Financial Officer

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# **Annexure**

### **Overview of Terms of Transaction**

Initial Preferred Equity Investment	<ul> <li>RedBird to invest US\$80 million initially in exchange for 24.2% of Main Event's equity value, through participating preferred equity shares</li> </ul>
Tenure	<ul><li>Perpetual</li></ul>
Coupon	<ul> <li>10% cumulative preferred also participating as-if-converted in common equity dividends</li> </ul>
Option to Acquire Control	<ul> <li>Between July 2022 and July 2024, RedBird will have the option to acquire an additional 26.8% preferred equity share interest in Main Event</li> </ul>
	<ul> <li>Option exercise price equal to the (i) Option Equity Valuation multiplied by (ii) 51%, less the percentage equity interest of RedBird at the time of exercise</li> </ul>
	<ul> <li>Option exercise multiple of 9.0x LTM Normalised Pro Forma EBITDA, subject to a minimum option equity value of US\$250m</li> </ul>
	<ul> <li>Option exercise time window amendable in certain circumstances, including a change of control of Ardent</li> </ul>
Company Board Framework	<ul> <li>Two members appointed by Majority Holder (with 2 votes each) – initially intended to be Ardent Leisure directors Gary Weiss and Brad Richmond</li> </ul>
	Two members appointed by Minority Holder (with 1 vote each) – initially intended to be RedBird Partners Andrew Lauck and Dan Swift
	CEO of Main Event (with 1 vote)
Security ranking	Senior to common equity and all other classes of preferred shares in the event of a liquidation
	Conversion to common equity upon exercise of the option
Minority Holder Rights	Typical and customary minority consent rights related to the preservation of the economic integrity of the minority holder's interest and substantive operational matters
Transfer of Interest / Change of Control of Main Event	<ul> <li>Pre-emptive rights including customary right of first offer, tag-along rights and drag along rights</li> </ul>