28 May 2020

Matalan Announces Consent Solicitation Relating to its 6¾% First Lien Secured Notes due 2023

Matalan Finance plc (the "Issuer") today announced that it will solicit consents from holders of the Issuer's £350,000,000 aggregate principal amount of 6¾% First Lien Secured Notes due 2023 (the "Notes") to approve amendments (the "Proposed Amendments") to certain provisions of the indenture governing the Notes (the "Indenture") between Missouri TopCo Limited (the "Company"), the other guarantors party thereto (collectively, the "Guarantors"), Deutsche Trustee Company Limited, as trustee and Lloyds Bank plc, as security agent.

The consent solicitation is being made solely on the terms and subject to the conditions set forth in the consent solicitation statement. **The consent solicitation will expire at 5:00 P.M. London time, on June 3, 2020 (the "Expiration Date").** The Issuer may, in its sole discretion, terminate, extend or amend the consent solicitation at any time as described in the consent solicitation statement.

Summary

On 27 April 2020, Matalan announced that it was assessing a number of alternative options to raise additional funding. This funding is required to enable Matalan to manage the short to medium term cash flow impacts following the temporary loss of store revenue arising solely due to the direct impacts of Covid-19.

Today Matalan is pleased to announce that it expects to obtain £50,000,000 of additional liquidity from its existing stakeholders, consisting of (i) a £25,000,000 revolving credit facility pursuant to the Coronavirus Large Business Interruption Loan Scheme from two of its banks, and (ii) £25,000,000 of new notes which will be purchased by a group of current holders of the Notes. This additional funding requires majority consent (over 50%) from holders of the Notes.

The rationale for holders of the Notes to consent to the Proposed Amendments are as follows:

- Matalan believes the terms of the additional funding are, in combination, the most attractive sources of additional liquidity available at this time. Should the consent solicitation fail, the deliverable financing alternatives are likely to be significantly less attractive to holders of the Notes.

- A 50 bps consent fee will be available.

- Existing documentation will be tightened in favour of holders of the Notes.

- £50,000,000 of Second Lien Notes currently held by the Shareholder will be exchanged for unsecured, non-cash pay notes with a longer-dated maturity, thereby mitigating the impact of the additional facilities on the Company's cash-pay debt service requirements.

- We will launch a Scheme of Arrangement to switch the cash coupon payable on the Second Lien Notes onto a 'PIK toggle' basis, thereby preserving cash whilst the Company focuses on managing its working capital during the Covid-19 period of disruption.

- Matalan believes 33% of holders of the Notes have already indicated that they intend to deliver their Consents.

The Company is grateful for the support of its banks, Noteholders and Shareholder at this time, and believes that the proposed arrangements are the optimal way of protecting value for all creditors whilst respecting the fundamental priorities under its existing intercreditor arrangements.

Consent Solicitation Process

In connection with the Consent Solicitation, the Issuer will make a cash payment of £5.00 per £1,000 principal amount of Notes to the Holders of such Notes (the “Consent Payment”), who have delivered a Consent, and which has been received by the Tabulation Agent on or prior to the Expiration Date. It is expected that any Consent Payment due will be paid to holders that have properly submitted unrevoked Consents as of the Expiration Date on or prior to the date that utilizations are made available to the Company under the CLBILS Facility (as defined below) and the Company issues the New Priority Notes (as defined below) (the date of payment of the Consent Payment, the “Payment Date”), which is expected to take place as soon as practicable after the receipt of the Requisite Consents (as defined below) and, in any event, no later than June 9, 2020. The adoption of the Proposed Amendments with respect to the Notes requires the consents of the holders of at least a majority in principal amount of the Notes then outstanding voting as a single class (the “Requisite Consents”). Following receipt of the Requisite Consents, a supplemental indenture with respect to the Notes will be executed. The Proposed Amendments will become effective upon the execution of the supplemental indenture, but will only become operative upon the making of Consent Payment. If the Requisite Consents are delivered, and a supplemental indenture is validly entered into with respect to the Notes and the Consent Payment is made, the supplemental indenture would bind all holders of the Notes, including those that did not give their consent, but non-consenting holders would not receive the Consent Payment. The consent solicitation is subject to the satisfaction of certain customary conditions.

For questions regarding the consent solicitation or to request copies of the consent solicitation statement and other related documents, please contact the Tabulation Agent at the telephone number or email address set forth below. Holders of the Notes are urged to review the consent solicitation documents for the detailed terms of the consent solicitation and the procedures for consenting to the Proposed Amendments.

Background and financing strategy

As a result of the Covid-19 pandemic and resulting “lockdown” imposed in the United Kingdom on March 24th, 2020, all 232 retail stores operated by the Company and its subsidiaries in the United Kingdom were forced to close, with a phased re-opening within government guidelines commencing on May 18th, 2020. The closure of these stores has had a material impact on the cash flow of the Company, although the Company believes this impact will only be temporary. The Company has therefore explored a number of options to obtain additional financing from third parties in order to strengthen its liquidity during this period.

As a result of the foregoing, the Company has been pursuing a financing strategy, which will provide £50,000,000 of additional liquidity, consisting of (i) a £25,000,000 revolving credit facility pursuant to the Coronavirus Large Business Interruption Loan Scheme (the “CLBILS Facility”) and (ii) a series of new senior secured notes generating proceeds to the Issuer of £25,000,000 (the “New Priority Notes”), which will be purchased by a group of current holders of the Notes. The CLBILS Facility will be provided by two of the Company’s existing lenders as an additional revolving facility under an amendment and restatement of the Company’s existing multicurrency revolving facility agreement dated January 25, 2018 between, amongst others, the Company, Matalan Group Limited and Barclays Bank Plc, Lloyds Bank Plc and Morgan Stanley Bank International Limited (the “RCF Agreement”).

The CLBILS Facility will be provided alongside the existing £50,000,000 revolving credit facility (the "Existing Facility") under the RCF Agreement.

Following extensive discussions with a variety of financing parties, we believe that the terms of these new financing transactions are, in combination, the most attractive sources of additional liquidity available at this time, and the Company believes the support offered by its existing banks and bondholders provides compelling evidence of its stakeholders' long-term belief in the strength and resilience of its business model and competitive position.

Furthermore, as part of our overall financing strategy, we expect to enter into additional arrangements in order to help mitigate the impact of incurring additional indebtedness following the entry into the CLBILS Facility and the issuance of the New Priority Notes.

First, as a condition to the availability of the CLBILS Facility and the New Priority Notes, the Issuer will issue to one of the Company's shareholders, John Hargreaves (the "Shareholder"), in exchange for £50,000,000 aggregate principal amount of Second Lien Notes held by the Shareholder (the "Shareholder Notes"), £50,000,000 aggregate principal amount of subordinated PIK notes issued by the Issuer. In addition, we expect to enter into an equity commitment letter for up to £25,000,000 with the Shareholder, pursuant to which the Shareholder has committed to invest additional equity in the Company, if, among other conditions, the aggregate commitments under the CLBILS Facilities and the Existing Facility have not been reduced to £50,000,000 by December 31, 2020.

Second, in an effort to reduce the Company's ongoing cash interest expense and as a condition subsequent to the availability of the CLBILS Facility and the New Priority Notes, we will launch a scheme of arrangement under Part 26 of the Companies Act 2006 (the "**Scheme**") for the purpose of amending the terms of the indenture governing the Issuer's 9½% Second Lien Secured Notes Due 2024 (the "**Second Lien Notes**") only to provide that payment of interest on the Second Lien Notes will be payable solely in payment-in-kind interest; *provided* that the Issuer will be permitted to pay cash interest on the Second Lien Notes, subject to certain conditions including a reduction in our overall indebtedness and a minimum liquidity test. There is no assurance that the Scheme will be approved by the requisite majority, and even if the Scheme is approved by the requisite majority, there is no assurance that it will be sanctioned by the court. Therefore, the foregoing amendments to the Second Lien Notes may not become effective.

The Company believes that the additional liquidity headroom supplied by these financing transactions will be sufficient to support its business during the remainder of the Covid-19 "lockdown" period and to ensure adequate headroom thereafter during a gradual and potentially uneven period of recovery. The Company believes that this package of measures, taken as a whole:

- provides a stable platform for the Company to trade through the economic disruption caused by the Covid-19 pandemic;
- provides and preserves operational liquidity headroom at a time of heightened uncertainty;
- offers a fair allocation of risk and reward to debt holders; and
- protects value for all creditors whilst respecting the fundamental priorities under its existing intercreditor arrangements.

The Company believes that Holders of Notes holding an estimated 33% of the outstanding Notes have already indicated that they intend to deliver Consents.

Important information regarding this announcement

This announcement is for information purposes only and is neither an offer to sell nor a solicitation of an offer to buy any security. No recommendation is being made as to whether holders of the Notes should consent to the Proposed Amendments. The solicitation of consents is not being made in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such solicitation under applicable state or foreign securities or “blue sky” laws.

Under no circumstances shall the consent solicitation statement constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for the Notes in any jurisdiction. The consent solicitation is not being made to, and no consents are being solicited from, holders or beneficial owners of the Notes in any jurisdiction in which it is unlawful to make such consent solicitation or grant such consents. However, the Issuer may, in its sole discretion and in compliance with any applicable laws, take such actions as it may deem necessary to solicit consents in any jurisdiction and may extend the consent solicitation to, and solicit consents from, persons in such jurisdiction.

Within the United Kingdom, the consent solicitation is directed only at persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in Article 19(5) or fall within Article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (“relevant persons”). The investment or investment activity to which the consent solicitation relates is only available to and will only be engaged with the relevant persons, and persons who receive the consent solicitation who are not relevant persons should not rely or act upon it.

The making of the consent solicitation and the Consent Payment, as applicable, may be restricted by law in some jurisdictions. Persons into whose possession the consent solicitation statement comes must inform themselves about and observe these restrictions.

Enquiries:

The Tabulation Agent:
Lucid Issuer Services Limited
Telephone: +44 207 704 0880
Attention: David Shilson
Email: matalan@lucid-is.com

About Matalan

Matalan is a £1.1 billion revenue value fashion and home omni-channel retailer. We currently operate 232 stores in the UK with a rapidly growing and complementary online channel. The ultimate parent company of Matalan is Missouri Topco Limited, with the group being ultimately controlled by the Hargreaves family.

Forward-Looking Statements

This press release may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended.

Forward-looking statements include, but are not limited to, the discussion of the changing dynamics of the marketplace and the Issuer’s outlook for growth in the clothing and homeware markets both within and outside of the United Kingdom. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “aim”, “anticipates”, “believes”, “continue”, “could”, “estimates”, “expects”, “forecasts”, “guidance”, “intends”, “may”, “plan”, “should” or “will” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this press release and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition and performance, liquidity, prospects, growth, strategies and the industry in which we operate.

We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these statements are based on reasonable assumptions, by their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this press release. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods.

Because certain significant considerations referred to in this press release could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this press release by us or on our behalf, you should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for us to predict which factors they will be. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.