**PizzaExpress Financing 1 plc**
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**4 August 2020**

**PizzaExpress Financing 1 plc and PizzaExpress Financing 2 plc announce that the PizzaExpress Group has received overwhelming support from stakeholders for a proposed balance sheet restructuring transaction and the forthcoming launch of a company voluntary arrangement**

PizzaExpress Financing 1 plc (the "**Parent**" and, together with its subsidiaries, the "**Group**") and PizzaExpress Financing 2 plc ("**PEF2**") are pleased to announce that agreement has been reached between holders representing in excess of 75% of its £465 million senior secured notes due 2021 (the "**Existing SSNs**") and its principal shareholder, Hony Capital, for a holistic recapitalisation and restructuring transaction which will strengthen, safeguard and provide funding for the business to deliver its five-year business plan (the "**Transaction**").

The Transaction comprises a number of inter-conditional steps:

- a resetting of the Group's leasehold obligations through a company voluntary arrangement ("**CVA**") of PizzaExpress (Restaurants) Limited ("**PERL"**), an indirect subsidiary of the Parent;

- a restructuring of its principal third party indebtedness, the Existing SSNs and £200 million senior notes due 2022 (the "**SUNs**"), involving a significant de-leveraging and extension of maturities, and potentially the transfer of majority ownership of PEF2 and its subsidiaries to holders of the Existing SSNs;

- a major recapitalisation of its business with c. £144 million of committed new money fully backstopped by an ad hoc group of the holders of the Existing SSNs (the "**Ad Hoc Group**") to support (among other things) the future development of the Group's business and c. £74 million of which will be available for utilisation to refinance the Group's £70 million super senior term loan facility; and

- the transfer of the Group's Mainland China operations to an affiliate of Hony Capital.

The Group will launch the CVA near-term. With the phased reopening of restaurants underway since 4 July 2020, the CVA forms part of the Group's plans for a smaller and better-invested estate going forward. The CVA is intended to improve the operational performance of the Group by reducing its UK restaurant estate and rental cost base against a backdrop of challenging trading performance and a difficult retail environment caused by the COVID 19 crisis and the effect of lock-down measures upon its restaurants.

## Cleansing Materials

The Parent has made available a cleansing presentation which includes a financial update and additional information on the Transaction and CVA on its website: https://corporate.pizzaexpress.com/ and on the website of Euronext Dublin. The cleansing presentation has also been furnished to each of the trustees under the Existing SSNs and SUNs and sent to the clearing systems for distribution to holders of the Existing SSNs and SUNs.

**Transaction Announcement**

The Group's existing shareholders and holders representing in excess of 75% of the Existing SSNs have executed a lock-up agreement (the "**Lock-up Agreement**") to support the implementation of the Transaction. The Transaction is conditioned on the satisfaction of certain conditions precedent. Pursuant to the Lock-up Agreement, the Group's principal shareholders and consenting holders of the Existing SSNs and the SUNs (the "**Consenting Noteholders**") have agreed the following key terms for the Transaction:

- assuming that no third party bid is received in the Sale Process (as defined below) which is higher than the bid of the holders of the Existing SSNs, a change in ownership of the Group where the shares in PEF2 will be transferred to a newly established entity ("**BidCo SPV**") which is controlled by the holders of the Existing SSNs;

- the super senior term facility drawn pursuant to a facility agreement dated 29 April 2020 entered into between, among others, the Parent, PEF2 and Global Loan Agency Services Limited as agent (the "**Super Senior Facility**") will remain in place following the Transaction in line with its current terms, and, unless refinanced using the proceeds of the New Money Facility, will mature on 30 April 2023;

- the Ad Hoc Group will be providing backstop commitments in respect of a c. £144 million new money facility, with £60 million additional liquidity (after OID and backstop commitment fee) made available as a c. £49 million term loan to be drawn on completion (£40 million after OID) and as a c. £21 million delayed draw tranche (£20 million after OID) to be drawn at the election of the borrower by 30 September 2021 in each case to support the Group's business, and c. £74 million (£70 million after OID) which will be available to refinance the Super Senior Facility, if required (the "**New Money Facility**"), with the holders of the Existing SSNs to be offered the opportunity to participate in the New Money Facility pro rata to their holdings;

- participants in the New Money Facility will be entitled to receive 35% pro forma ordinary equity in BidCo SPV;

- holders of the Existing SSNs will receive allocations of 63% pro forma ordinary equity in BidCo SPV and the Existing SSNs shall be exchanged for £200 million of new English law governed senior secured fixed rate notes ("**New SSNs**");

- holders of the SUNs ("**SUN Holders**") will be entitled to receive 1% pro forma ordinary equity in BidCo SPV;

- the existing shareholders of the Group will be entitled to receive 1% pro forma ordinary equity in BidCo SPV; and

- the Group's Mainland China operations shall be transferred to an affiliate of Hony Capital for *de minimis* consideration.[1]

*Key Lock-up Agreement Terms*

Under the terms of the Lock-up Agreement:

- each of the Consenting Noteholders, existing shareholders, the Parent, PEF2 and certain other Group companies undertake to take all actions necessary to support, facilitate, implement, consummate or otherwise give effect to the Transaction, including entering into good faith negotiations to agree the definitive transaction documents;

- the Consenting Noteholders have given certain waivers and forbearances in connection with the implementation of the Transaction and have agreed not to take any enforcement action (subject to certain customary exceptions);

- the Parent and PEF2 have each launched consent solicitations with respect to the SUNs and Existing SSNs, respectively, to (i) amend the deadlines by which certain annual and quarterly reports need to be provided by the Group (and waive any defaults that have arisen in connection thereto) and (ii) amend the events of default under the relevant indentures to provide that the launch of a CVA will not constitute an event of default;

- the consent solicitation launched by PEF2 with respect to the Existing SSNs further proposes to reduce or remove certain baskets and exceptions to the restrictive covenants in the indenture governing the Existing SSNs as more fully described in the New SSN Consent Solicitation Statement (as defined below) and certain additional restrictions on the Group's operations also apply under the terms of the Lock-up Agreement;

- Consenting Noteholders may not transfer or sub-participate any of their debt which is subject to the Lock-up Agreement unless the transferee or sub-participant agrees to be bound by the terms of the Lock-up Agreement; and

- certain customary termination events apply (some of which are automatic and some of which are voluntary and exercisable by different parties), including (without limitation) failure to complete the Transaction by 15 November 2020 (or such later deadline as may be agreed under the Lock-up Agreement), material non-compliance with the terms of the Lock-up Agreement by certain parties and the failure to satisfy certain implementation milestones by the specified dates.

All conditions to the Lock-up Agreement becoming fully effective have been satisfied.

*Interest payments relating to Existing SSNs and SUNs*

In view of the Transaction and the standstill arrangements that exist under the Lock-up Agreement and the Intercreditor Agreement (as described below), the Group's current intention is not to pay the interest payments with respect to the Existing SSNs or the SUNs which became

[1] All of the Group's current equity holders have been offered the opportunity to co-invest in the divested China group, and all SUN holders will also have the option to do so at the closing of the restructuring transaction on a *pro rata* basis to their SUN holdings.

due on 3 August 2020 (including, for the avoidance of doubt, on the expiry of the relevant grace periods).

Under the terms of the Intercreditor Agreement, SUN Holders will be restricted from taking certain actions against the Group until at least 179 days have elapsed following the occurrence of an event of default and due notice has been given.

All accrued and unpaid interest on the Existing SSNs will be addressed as part of the Transaction.

*SUN Holders*

The Group is in discussions with certain SUN Holders and hopes to reach a consensual agreement with the SUN Holders regarding the participation of the SUN Holders in the Transaction (the "**Consensual Transaction**").

If the Consensual Transaction cannot be agreed with the requisite SUN majority, the Group intends to launch a restructuring plan process to restructure the Existing SSNs and the SUNs and seek to implement a cram-down of SUNs with Existing SSN support. Alternatively, the Group has stakeholder support to implement the Transaction by using a scheme or schemes of arrangement with a potential prepack sale. SUN consent is not required to implement the Transaction in the case of any of these alternatives.

*New Money Facility*

The New Money Facility will consist of a c. £144 million facility and bear cash interest at the rate of 7.50% per annum or PIK interest at a rate of 9.00% per annum (at the borrower's election for the first 24 months). The New Money Facility will mature four and a half years from the closing of the Transaction. The New Money Facility shall be comprised of three tranches:

- Tranche A of c. £49.3 million, to be available at the closing of the Transaction for general corporate and working capital purposes of PEF2 and its subsidiaries;
- Tranche B of c. £21.1 million, to be available from the closing of the Transaction to (and including) 30 September 2021 for general corporate and working capital purposes of PEF2 and its subsidiaries; and
- Tranche C of c. £73.7 million, to be available from the closing of the Transaction to (and including) 30 September 2021 to refinance the Super Senior Facility, if required.

The New Money Facility will rank (i) as to right of payment prior to an acceleration event, *pari passu* with the Super Senior Facility and the New SSNs; and (ii) as to right of payment and proceeds of enforcement of the security post-acceleration event, junior to the Super Senior Facility and senior to the New SSNs.

The commitments shall be issued at a 95 original issue discount (the "**OID**"). The OID in respect of Tranche A will be deducted from the first utilisation of Tranche A. The OID in respect of Tranche B and Tranche C will be paid on the earlier to occur of the first utilisation and cancellation of the relevant tranche. The Ad Hoc Group shall be entitled to a backstop commitment fee equal to 5.00% of their respective backstop commitments on the New Money Facility, which shall be payable in cash at the closing of the Transaction.

*New SSNs*

The New SSNs will have a final aggregate principal amount of £200 million, bear cash interest at the rate of 8.00% per annum or PIK interest at a rate of 9.50% per annum (at the issuer's election for the first 24 months) and mature five years from the closing of the Transaction. The incurrence-based covenants of the New SSNs will be more restrictive in respect of, among other things, the ability of the issuer and its subsidiaries to incur indebtedness or make restricted payments compared to equivalent covenants of the Existing SSNs.

The New SSNs will rank (i) as to right of payment prior to an acceleration event, *pari passu* with the Super Senior Facility and the New Money Facility; and (ii) as to right of payment and proceeds of enforcement of the security post-acceleration event, junior to the Super Senior Facility and the New Money Facility.

**Sale Process**

In connection with the Transaction, and as a condition to the Lock-up Agreement, the Parent and PEF2 have engaged Lazard & Co., Limited ("**Lazard**") to advise them in connection with a competitive sale process relating to PEF2 and its subsidiaries (or all or substantially all of the assets of the Group) (the "**Sale Process**"). The Sale Process is being run independently of other aspects of the Transaction to identify third party interest in an acquisition of PEF2 and its subsidiaries (or all or substantially all of the assets of the Group) at a value which exceeds the bid of the Existing SSNs.

The Sale Process was commenced today.

**Company voluntary arrangement**

It is a condition precedent of the Transaction under the Lock-up Agreement that the CVA of PERL is approved. The CVA is expected to launch on or around 15 August 2020.

The CVA will be designed to temporarily reduce PERL's obligations and will improve the operational performance of the Group by reducing its UK store estate and rental cost base amid challenging trading performance and a difficult retail environment. The CVA will seek to achieve this through a combination of temporary reduction of rent in respect of certain leases for a duration of three years, with the potential for further temporary reductions of rent in respect of certain leases in the event of future mandated restaurant closures, a temporary move from quarterly to monthly rents, the suspension of certain "keep open" clauses and the compromise of certain other specific unsecured liabilities of PERL, including liabilities owed to other PizzaExpress group companies. The CVA does not seek to compromise the claims of other creditors, including, without limitation, secured creditors, customers, trade creditors and employees. Such other creditors will not be impacted by the CVA. It is anticipated that the lenders under the Super Senior Facility shall waive defaults that may be triggered by PERL entering into the CVA and that the holders of the Existing SSNs shall also consent to amending the indenture to provide that the launch of a CVA will not result in an event of default thereunder.

To become effective, the CVA requires a majority of 75% or more in value of all unsecured creditors and at least 50% in value of creditors that are unconnected with the company present in person or by proxy and voting at a meeting on the resolution to approve the CVA. There is no assurance that the requisite majority of unsecured creditors will approve the CVA. The CVA may be set aside (in part or in full) following a successful challenge (which must be commenced during the 28-day challenge period following the approval of the CVA). There is a risk of forfeiture by certain of PERL's landlords, triggered by the launch and/or approval of the CVA. Under the terms of the CVA, certain landlords will be granted break rights allowing for the termination of their leases within the first three months following approval of the CVA.

**Next Steps**

The Group is targeting completion of the Transaction as soon as possible and in any event on or before 15 November 2020 and will continue working with key stakeholders to complete the Transaction. Further announcements and updates in relation to the Transaction will be provided to investors in due course.

As noted above, the Group intends to continue discussions with the SUN Holders for a limited period to determine whether a Consensual Transaction is viable. If so, the relevant SUN Holders shall accede to the Lock-up Agreement as Consenting Noteholders in order to prepare for and commence the relevant implementation process with respect to the SUNs.

The Group intends to proceed to launch a restructuring plan process to restructure the Existing SSNs and the SUNs and seek to implement a cram-down of SUNs with Existing SSN support if the SUNs do not approve the transaction, or alternatively to implement the Transaction by using a scheme or schemes of arrangement with a potential prepack sale.

There can be no guarantee that the Transaction as contemplated by the Lock-up Agreement will be implemented on the terms set out above, and any balance-sheet restructuring of the Group may be on significantly different terms to the ones set forth in this announcement or not be consummated at all. Furthermore, the completion of the Transaction may take significantly more time than the Group is currently targeting.

**Consent Solicitations**

*The Parent*

The Parent announces that it has launched a consent solicitation soliciting consents from holders of the SUNs to approve certain proposed amendments and proposed waivers to the indenture relating to the SUNs (the "**New SUN Consent Solicitation**"). Such proposed amendments and waivers include, among other things, (i) amending the deadlines by which certain annual and quarterly reports need to be provided by the Group (and waiving any defaults that have arisen in connection thereto) and (ii) amending the events of default to provide that the launch of a CVA will not constitute an event of default.

The New SUN Consent Solicitation will expire at 5:00 p.m. (London) on August 10, 2020. The Parent may, in its sole discretion, terminate, extend or amend the New SUN Consent Solicitation at any time as described in the consent solicitation statement relating to the New SUN Consent Solicitation (the "**New SUN Consent Solicitation Statement**"). Copies of the New SUN Consent Solicitation Statement may be obtained from GLAS Specialist Services Limited, the Parent's Information and Tabulation Agent, at LM@glas.agency and +44 (0) 20 3949 7879. Holders of the SUNs are urged to review the New SUN Consent Solicitation Statement for the detailed terms of the consent solicitation and the procedures for consenting to the proposed amendments and proposed waivers or revoking consents previously provided.

The Parent announces that the consent solicitation pursuant to the Parent's consent solicitation statement dated May 1, 2020 (as amended pursuant to the Parent's announcements dated May 15, 2020, May 29, 2020, June 12, 2020, June 30, 2020, July 15, 2020 and August 3, 2020) (the "**Initial SUN Consent Solicitation**") is hereby terminated with immediate effect. As such, any consents provided with respect to the Initial SUN Consent Solicitation will not be accepted and the proposed amendments and proposed waivers referenced in the Initial SUN Consent Solicitation will not become operative pursuant to the Initial SUN Consent Solicitation.

ANY CONSENTS PROVIDED WITH RESPECT TO THE INITIAL SUN CONSENT SOLICITATION WILL NOT BE ACCEPTED FOR THE NEW SUN CONSENT SOLICITATION. AS SUCH, A HOLDER OF THE SUNS WHO WISHES TO PROVIDE CONSENT WITH RESPECT TO THE NEW SUN CONSENT SOLICITATION MUST DO SO IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE NEW SUN CONSENT SOLICITATION STATEMENT.

*PEF2*

PEF2 announces that it has launched a consent solicitation soliciting consents from holders of the Existing SSNs to approve certain proposed amendments and proposed waivers to the indenture relating to the Existing SSNs (the "**New SSN Consent Solicitation**"). Such proposed amendments and waivers include, among other things, (i) amending the deadlines by which certain annual and quarterly reports need to be provided by the Group (and waiving any defaults that have arisen in connection thereto), (ii) amending the events of default to provide that the launch of a CVA will not constitute an event of default, and (iii) reducing or removing certain baskets and exceptions to the restrictive covenants as more fully described in the New SSN Consent Solicitation Statement (as defined below).

The New SSN Consent Solicitation will expire at 5:00 p.m. (London) on August 10, 2020. PEF2 may, in its sole discretion, terminate, extend or amend the New SSN Consent Solicitation at any time as described in the consent solicitation statement relating to the New SSN Consent Solicitation (the "**New SSN Consent Solicitation Statement**"). Copies of the New SSN Consent Solicitation Statement may be obtained from GLAS Specialist Services Limited, PEF2's Information and Tabulation Agent, at LM@glas.agency and +44 (0) 20 3949 7879. Holders of the Existing SSNs are urged to review the New SSN Consent Solicitation Statement for the detailed terms of the consent solicitation and the procedures for consenting to the proposed amendments and proposed waivers or revoking consents previously provided.

PEF2 announces that the consent solicitation pursuant to PEF2's consent solicitation statement dated May 1, 2020 (as amended pursuant to PEF2's announcements dated May 15, 2020, May 29, 2020, June 12, 2020, June 30, 2020, July 15, 2020 and August 3, 2020) (the "**Initial SSN Consent Solicitation**") is hereby terminated with immediate effect. As such, any consents provided with respect to the Initial SSN Consent Solicitation will not be accepted and the proposed amendments and proposed waivers referenced in the Initial SSN Consent Solicitation will not become operative pursuant to the Initial SSN Consent Solicitation.

ANY CONSENTS PROVIDED WITH RESPECT TO THE INITIAL SSN CONSENT SOLICITATION WILL NOT BE ACCEPTED FOR THE NEW SSN CONSENT SOLICITATION. AS SUCH, A HOLDER OF THE EXISTING SSNS WHO WISHES TO PROVIDE CONSENT WITH RESPECT TO THE NEW SSN CONSENT SOLICITATION

MUST DO SO IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE NEW SSN CONSENT SOLICITATION STATEMENT.

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*This announcement contains inside information of PizzaExpress Financing 1 plc and PizzaExpress Financing 2 plc for the purposes of Article 7 under Regulation (EU) 596/2014.*

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**How to obtain additional information**

The Lock-up Agreement and other relevant documents are available to investors who beneficially hold Existing SSNs and/or SUNs on a password protected section of the Group's investor relations website at https://corporate.pizzaexpress.com/.

Investors who beneficially hold Existing SSNs and/or SUNs may contact Houlihan Lokey and Kirkland & Ellis International LLP using the contact details set out above for more information about the Lock-up Agreement and the Transaction.

Parties may also wish to contact Latham & Watkins (London) LLP, who are acting as legal advisers to the Ad Hoc Group and Perella Weinberg UK Limited, who are acting as financial advisers to the Ad Hoc Group:

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*Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict and outside of the control of the management of the Group. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. We have based these assumptions on information currently available to us, and if any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, our future results of operations and financial condition could be materially adversely affected. You should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date on which such statements are made. The Group expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.*

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