



# **DXB Entertainments PJSC Transaction Presentation**

**9 February 2021**

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# Overview of the Transaction

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## Background

- The current financial situation of DXB Entertainments PJSC (“DXBE”) is severe and imminent emergency funding is needed for DXBE to continue operating
- On 20 December 2020, the Board of Directors (“Board”) of DXBE received a conditional cash offer (the “Offer”) from Meraas Leisure and Entertainment LLC (“Meraas”) to acquire 100% of the issued and paid-up ordinary shares of DXBE
- As part of this Offer, Meraas will also acquire DXBE’s senior bank debt (including accrued interest) owed to certain commercial lenders with an outstanding balance of approximately AED 4.3bn, and subsequently convert this debt into new shares of DXBE
- On **30 December 2020**, the Board approved the appointment of **Allen & Overy LLP** as legal advisor, **KPMG** as an independent valuation specialist and **SHUAA Capital** as financial advisor, to assess the fairness of the offer received and provide independent expert advice
- The Board, having evaluated the inputs received from its independent financial and legal advisors as to the terms of the Offer, in conjunction with DXBE’s current cash position and liabilities and near term general economic conditions, considers the terms of the Offer to be fair and reasonable
- **On 09 February 2021, the Board has unanimously recommended to DXBE’s shareholders to accept the Offer, attend the general assembly meeting on 09 March 2021 and vote in favour of the resolutions required to implement the Offer**

# Overview of the Transaction (Cont'd)

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## Transaction details

- As part of the Offer, DXBE's shareholders (excluding Meraas and its affiliate, Meraas Holding) will be entitled to receive AED 0.08 in cash for each DXBE offered share
- The offer price of AED 0.08 represents a premium of 189% over DXBE's net asset value per share of AED 0.0277 as at 31 December 2020
- On 31 January 2021, Meraas and Meraas Holding LLC have served an irrevocable notice to the Board to convert the existing convertible bond instrument into new shares in DXBE at the conversion price of AED 1.04 per share. The conversion is expected to take place on 28 February 2021
- Meraas will also acquire DXBE's senior bank debt (including accrued interest) amounting to approximately AED 4.3bn as at 31 December 2020 and subsequently convert this bank debt into new shares of DXBE at a conversion price of AED 0.08 per share
- Following the completion of both the conversion of the convertible bond and the bank debt, Meraas and Meraas Holding will jointly hold 93.9% of DXBE's total issued ordinary shares at that time
- Following completion of the above, shareholders who did not participate in the Offer will be subject to a mandatory squeeze-out at the same price as the Offer. Subsequently, Meraas intends to procure the de-listing of DXBE from the DFM

# Company Overview

## Business Description

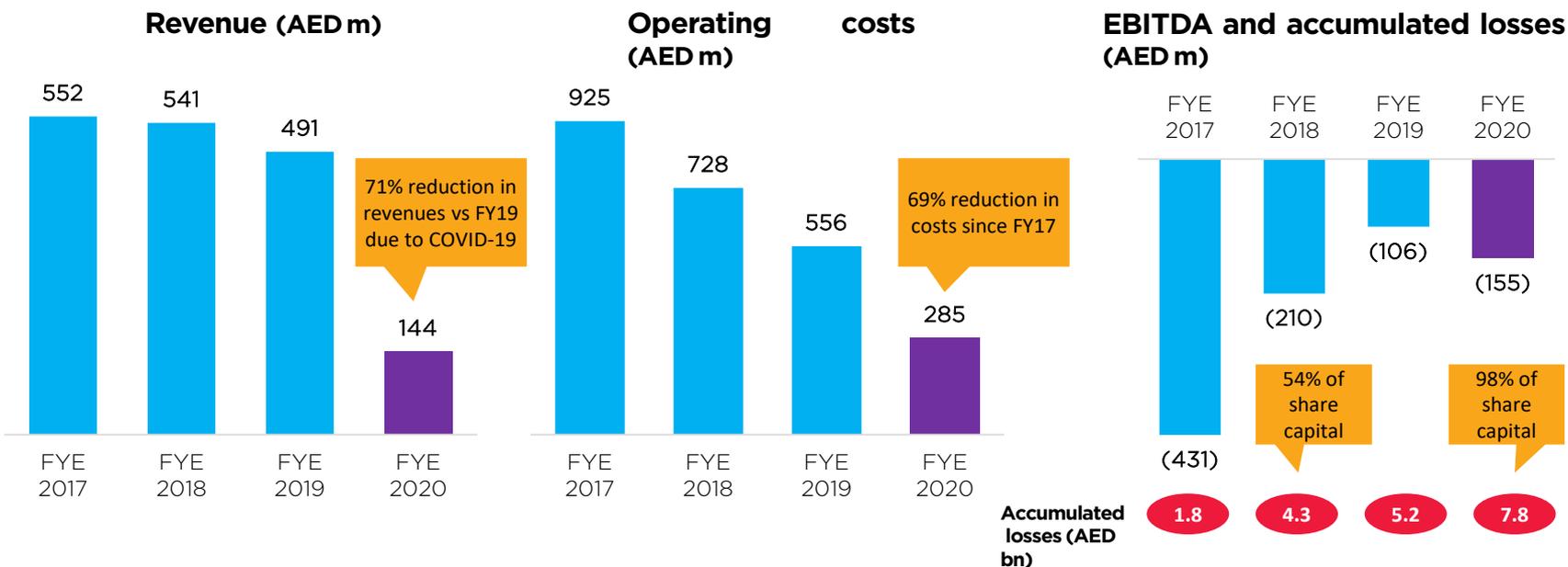
- DXBE is a Dubai based manager and owner of the region's largest integrated theme park destination spread across 30.6m sq.ft of land located on Sheikh Zayed Road
- Formed in 2014 and subsequently listed on the DFM (as a greenfield IPO) with the aim of developing landmark integrated destination theme parks across a multi-phased approach aimed at bolstering Dubai's tourism
- Operations are split across three segments:
  - **Theme Parks:** owns and manages landmark destination theme parks: Motiongate, Bollywood Parks, Legoland and Legoland Water Park. Generates revenue through admissions (single, multi and annual passes), F&B sales, merchandise sales and others
  - **Hospitality:** owns and manages two hotels: Lapita Hotel (operational) and Legoland Hotel (upcoming). Generates revenues through accommodation and F&B sales
  - **Retail:** owns and manages a waterfront district: Riverland. Generates revenue through leasing retail and F&B space
  - Other sources of revenue include sponsorships and management fees
- On 15 March 2020, DXBE temporarily closed operations for a period of approximately six months due to safety concerns related to COVID-19. DXBE re-opened the destination partially on 23 September 2020

## Portfolio Of Assets



# DXBE's Financial Overview

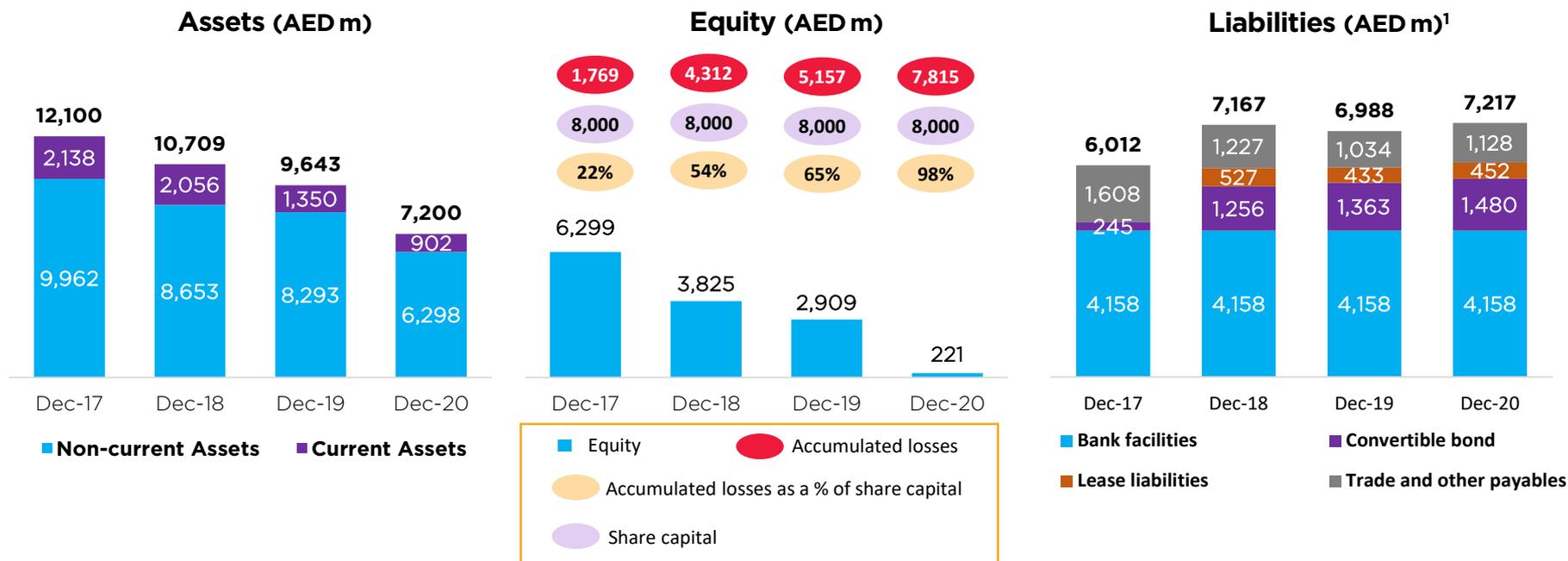
- In 2014, AED 2.2bn was raised through an IPO and AED 4.2bn through a syndicated financing facility, with the remaining AED 4.1bn provided by Meraas in the form of cash and land. In 2016, a further AED 1.6bn was raised through a rights issue. In 2018, Meraas and Meraas Holding LLC provided additional funding of AED 1.2bn in the form of convertible bonds
- Since inception, DXBE has been operating in a challenging environment resulting in annual EBITDA losses
- As at 31 December 2020, DXBE had accumulated losses of AED 7.8bn representing 98% of its share capital
- DXBE has been severely impacted due to COVID-19, which resulted in the temporary closure of the theme parks during 2020. Furthermore, international travel restrictions resulted in a lower number of tourists which impacted visitation



# DXBE's Financial Overview (Cont'd)

DXBE's liabilities as at 31 December 2020 are AED 7.2bn which includes:

- Bank facilities of AED 4.2bn of which AED 213m is due in 2021 with the remainder due over the course of 2022-2026. Interest of AED 250m is due for payment in 2021 (cash interest of AED 97m and accrued interest of AED 153m)
- Convertible bond (including accrued interest) of AED 1.5bn; conversion to shares is expected to take place on 28 February 2021
- Trade and other payables of AED 1.1bn include phase I and phase II contract close out, expansion works payout and other operating payable due imminently
- Total assets have declined from AED 12.1bn in 2017 to AED 7.2bn in 2020 on account of depreciation and impairment charges



Note: 1. Total liabilities as per audited financial statements as at 31<sup>st</sup> December 2020 is AED 7bn which has been adjusted for unamortised borrowing cost of AED 160m and equity portion of convertible bond of AED 65m. Trade & other payables includes AED 97m of accrued interest.

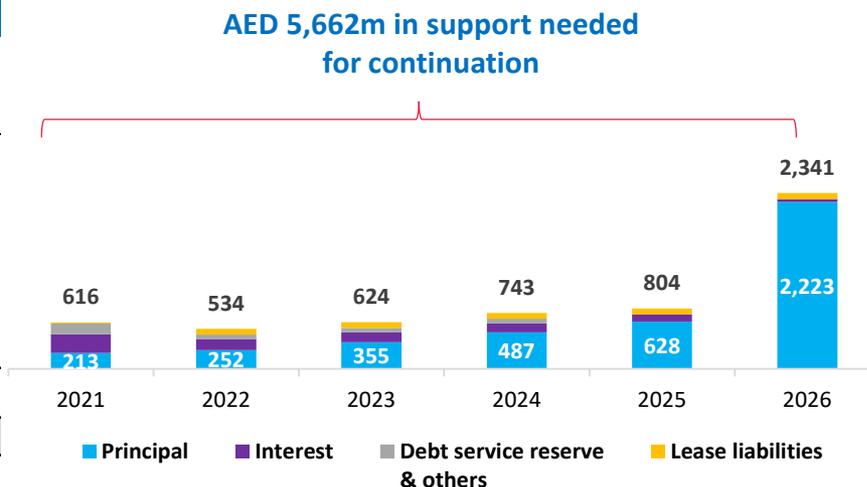
# DXBE's Cash Flow Forecasts

- DXBE has AED 0.4bn of available operational cash balances
- Should the moratorium not be extended in Q1 2021, AED 213m of principal repayments and AED 250m in interest payments are due and DXBE's current available liquidity is likely to be exhausted by Q2 2021
- A total of AED 4.2bn of principal and AED 0.8bn of interest are payable until maturity which will significantly impact cash flows
- Long-term lease liabilities which are contracted to be paid until 2046 will also deplete DXBE's cash flows over time

## Cash Flow Forecast (13 months)

Cash flow summary	AEDm
<b>Opening cash - 1 January 2021</b>	<b>349</b>
Estimated operating cashflows	(234)
<b>Free cash flow balance</b>	<b>114</b>
<i>Financing cashflows:</i>	
Principal	(213)
Interest	(250)
Debt service reserve	(114)
Hedging & others	(30)
<b>Total financing cashflows</b>	<b>(607)</b>
<b>Closing cash balance - 13 month forward</b>	<b>(493)</b>

## Financing Cash outflows 2021 - 2026 (AED m)



# Liquidity Management and Steps Taken

Received moratorium for principal repayments and covenant testing for bank debt for a 3-year period until March 2021. AED 213m of principal will be due in 2021



MARCH 2018

JUNE 2018



AED 1.2bn convertible bond issued to Meraas and Meraas Holding LLC to finance DXBE's debt service, working capital and routine capital expenditure requirements

Closed operations a result of COVID-19 and implemented cost saving and liquidity measures to mitigate the impact of COVID-19



MARCH 2020



Agreed with lenders to reduce the cash paid interest rate to 1% for 15 months, until June 2021

## Current situation

- In 2020, DXBE partially closed its operations as a result of COVID-19 and implemented cost saving and liquidity measures to ensure the sustainability of its operations. The impact of the COVID-19 pandemic and resulting adverse conditions, as well as the extent of these on DXBE's financial and operating results, will be dictated by the length of time that such adverse conditions continue
- The debt moratorium for principal repayments and covenant testing in relation to the bank facilities is ending in March 2021 and the settlement of accrued interest is payable in June 2021 resulting in total debt service payments of approximately AED 607m in 2021
- As at 31 December 2020, DXBE had accumulated losses of AED 7.8bn representing 98% of DXBE's issued share capital

# DXBE's Board Recommendation

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- **The Board, having evaluated the inputs received from its independent financial and legal advisors as to the terms of the Offer, in conjunction with DXBE's current cash position and liabilities and near term general economic conditions, considers the terms of the Offer to be fair and reasonable**
- As at 31 December 2020, DXBE's net asset value per share is AED 0.0277
- The Offer price of AED 0.08 represents a premium of 189% over DXBE's net asset value per share of AED 0.0277
- In the absence of any further support from shareholders, including Meraas, the current available liquidity of DXBE is likely to be exhausted during Q2 2021
- The Board believes that the Offer safeguards the interests of DXBE and is the only viable route for DXBE shareholders to recover value from their investment while also seeking to protect the interests of other stakeholders, including employees, suppliers and customers
- **Based on the above, the Board has unanimously recommended to DXBE's shareholders to accept the Offer, attend the general assembly meeting on 9 March 2021 and vote in favour of the resolutions required to implement the Offer**

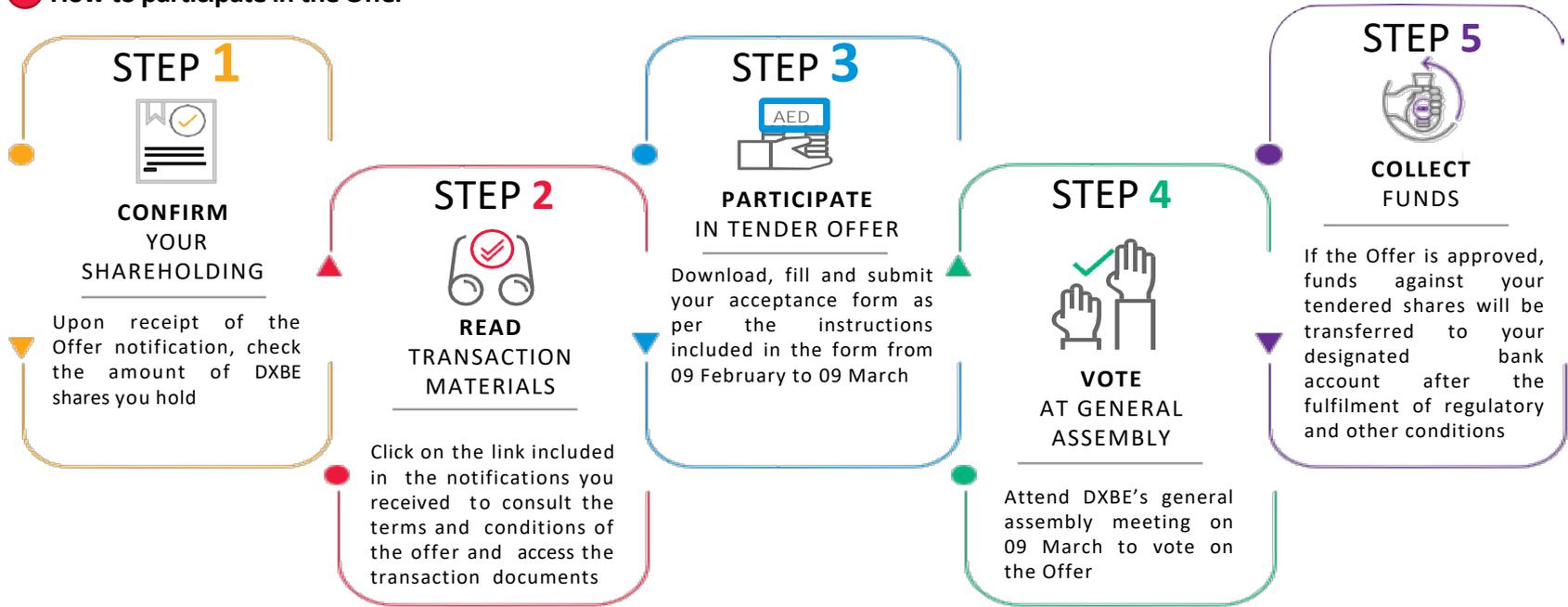
# Alternative to The Offer: Article 302 Liquidation

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- As the accumulated losses of the Company at AED 7.8bn (2019: AED 5.2bn) exceed 50% of its issued share capital (currently at 98%), in accordance with article 302 of the UAE Federal Law No. 2 of 2015, the Board will convene a general assembly meeting of DXBE on 9 March 2021, to vote on a resolution for the continuation or the dissolution and liquidation of the Company
- Should the shareholders vote to approve the resolutions required to implement the Offer (the 'Offer resolutions'), the Board will table a resolution to treat the Offer Resolutions as the continuation plan; and to approve the continuation of the Company as a going concern on the basis of the Offer being implemented
- Should the shareholders vote not to approve the Offer Resolutions, the Board will table a resolution to approve the dissolution and liquidation of the Company and set a date for a meeting of the General Assembly to approve the Company's liquidation plan and schedule approved by the Company's Board of Directors and its financial advisor
- Should the shareholders vote not to approve the resolutions required to implement the Offer and vote not to approve the dissolution and liquidation of the Company, the following are the likely outcomes:
  - the senior debt lenders may enforce their security over the assets of DXBE;
  - in accordance with Article 302 any interested party, including, creditors, may apply for the liquidation of DXBE;
  - the regulator may consider options in the interests of the markets and safeguarding the creditors and shareholders;
  - claims may be filed against DXBE in court for recovery of outstanding balances; and
  - an insolvent liquidation led by creditors may be commenced.

# Offer Process and Timeline

## 1 How to participate in the Offer



## 2 Timeline to participate in the Offer

### ◆ Launch of Offer **(09 February)**

#### Tender offer period

- Shareholders are requested to submit the acceptance form of the Offer together with the required supporting documents

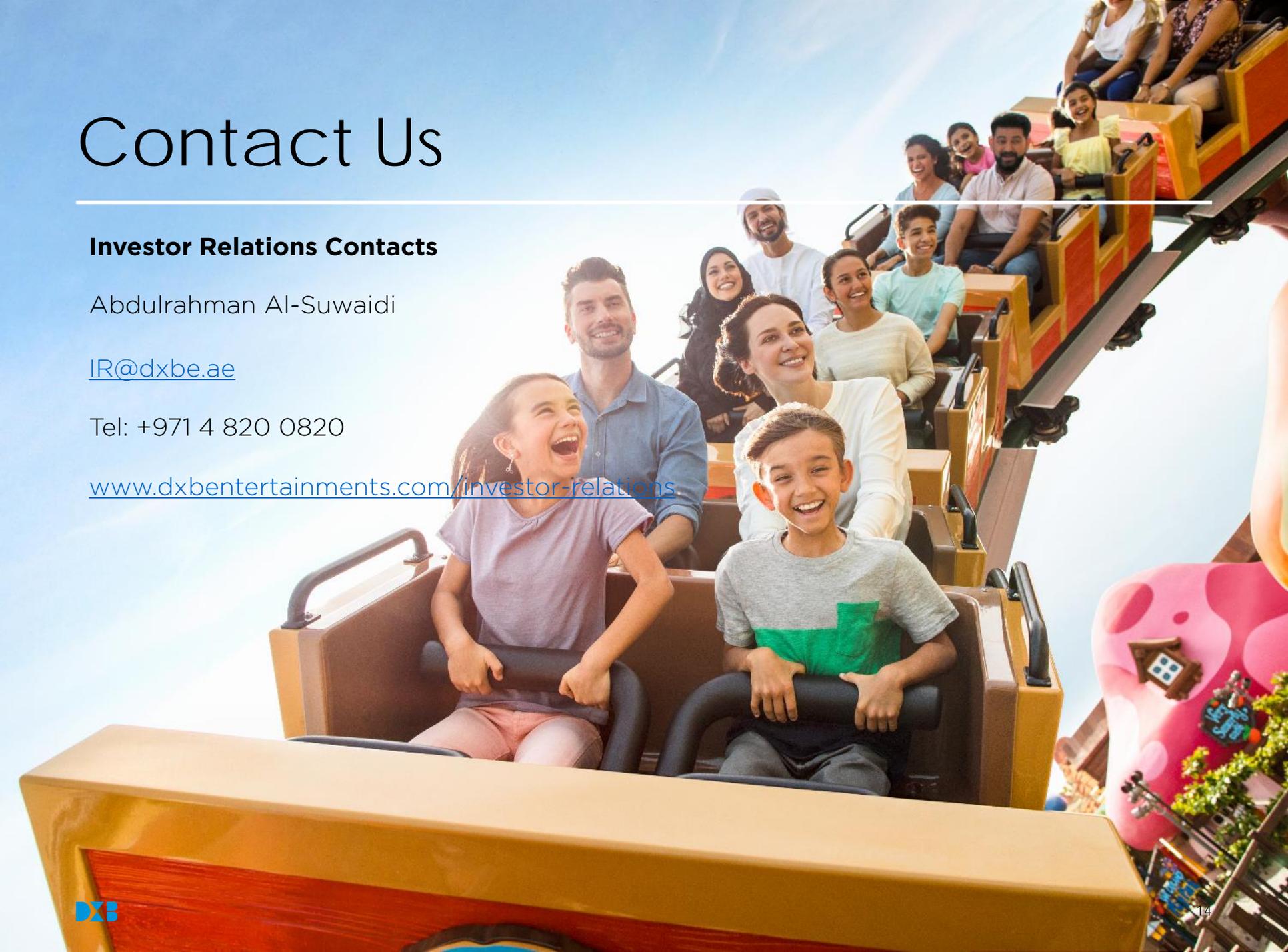
### ◆ Offer expiry and general assembly meeting **(09 March)**

#### Satisfaction of CPs

- Satisfaction of all regulatory requirements and conditions precedent associated with the Offer

◆ Shares tendered and funds transferred **(Early April)**

# Contact Us



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