



ENTERTAINMENTS
DREAMS WITHOUT BOUNDARIES

DXB Entertainments PJSC

Related Party Transaction – Subordinated Shareholder Loan

8 November | 2017

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Background on transaction

Background

In order to meet debt service and working capital requirements of DXB Entertainments PJSC (“Company”), the Board of Directors of the Company has approved the entry into a Subordinated Shareholder Loan agreement (“SSL”) between the Company and Meraas (“Transaction”). The Company requires funding to meet pre and post operational losses and debt repayments due until 31 January 2018 of AED 700 million.

An initial drawdown of AED 245.2 million (“First Drawdown”) under the SSL was approved by the Board of Directors on 19th September 2017 to fund operational expenses and debt repayments.

On the 25th October 2017, the Board of Directors approved for recommendation to the shareholders an additional AED 454.8 million (“Second Drawdown”) as part of the SSL, subject to shareholder and regulatory approvals.

Having drawn down AED 245.2 million from Meraas under the SSL previously as a related party transaction not exceeding 5% of the Company’s capital and approved by the Independent Members of the Board of Directors, the Company is now seeking approval from its shareholders for an additional AED 454.8 million bringing the total amount of the SSL to AED 700 million (excluding interest costs).

Why is the Company seeking General Assembly approval?

1. Meraas is a related party

Under the definition of Related Party in SCA Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies, Meraas being the majority shareholder and holding approximately 52% of DXB Entertainments PJSC shares, is considered a related party.

2. The transaction exceeds 5% of the Company's capital

Under Article 15 in SCA Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies, it is stated that any transaction with a related party exceeding 5% of the Company's share capital requires General Assembly approval.

The Independent Members of the Board of Directors have approved an additional AED 454.8 million to be drawn down from the SSL bringing the total amount of the transaction to AED 700 million (excluding interest costs) which is 8.8% of the Company's issued share capital.

Details of the transaction

Terms of the agreement

Key terms of Sub-ordinated Shareholder Loan

Facility amount	AED 700m (including AED 245.2m drawn down in Sept 2017)
Interest rate	8% fixed
Collateral/ ranking	Unsecured, subordinated to senior debt
Tenor	No fixed maturity, interest payments and repayment of loan are subject to availability of cash surpluses
Use of proceeds	To meet pre and post operational losses, and debt repayments due until 31 January 2018

PricewaterhouseCoopers, Dubai Branch (PwC) was requested to provide a range of interest rates that the Company could be liable to pay on a standalone basis, if it were to secure debt funding from a non-related third party on terms broadly similar to those offered by the subordinated shareholder loan (SSL). This was done by attempting to benchmark the SSL against other similar debt issuances, where data is publicly available.

Finding directly comparable issuances with the same features as the SSL (i.e unsecured, subordinated, no fixed amortisation, no fixed tenor, non compounding etc) was challenging. Of the issuances that were identified as having one of the two principal characteristics for the SSL (e.g. either subordinated or having deferred interest payment), PwC found that the interest rate being offered by Meraas was within the lower end of the range of interest rates charged in such issuances. Please refer to page 2 of this presentation for further details.

The transaction has been approved by the Independent Members of the Board of Directors.

Next Steps

Shareholders to vote at the General Assembly

The Board of Directors of DXB Entertainments PJSC has called for a General Assembly to be held on Tuesday 28th November 2017 where the shareholders will be asked to vote to approve the AED 700 million subordinated shareholder loan as a related party transaction.

The related party transaction will require approval of 51% of the shares represented at the General Assembly on the 28th November 2017.

Meraas being the related party in this transaction will not vote on this resolution at the General Assembly.

Desired result

Following approval from the General Assembly on 28 November 2017 to proceed with the related party transaction, the AED 454.8 million will be immediately drawn down.

DXB Entertainments and Meraas are currently reviewing future working capital requirements and exploring different possible funding options subject to regulatory and shareholder approvals.