NEW LOOK

26 August 2020

New Look announces Company Voluntary Arrangement proposal

Proposal to move majority of UK stores' rent to turnover basis to reflect market environment

On 13 August New Look Retail Holdings Limited (**"New Look" or the "Company", and together with its subsidiaries,** the **"Group"**) announced that it was engaged in dialogue with its Noteholders concerning a debt-for-equity conversion (the **"Transaction"**) of the £440 million senior secured Notes. New Look is therefore pleased to announce that it has secured the consents so far of over 80% of the noteholders. Taken together with the agreements of 100% of RCF lenders and the Operating Facility lender this provides all the necessary consents to implement the transaction which will see the Notes equitized, the RCF and Operating Facility extended until 2024 and 2023 respectively and a significant cash investment of £40m made in the business, providing the Group with financial strength and flexibility to deliver a sustainable platform for post-COVID-19 trading.

As previously outlined, the Transaction is conditional on a rebasing of the Group's UK leasehold obligations through a Company Voluntary Arrangement ("CVA") of New Look Retailers Limited ("NLRL"), the Group's UK trading entity.

New Look confirms that – following a period of negotiations and material improvements to its proposal to landlords – it is today launching a CVA proposal (the "**Proposal**") to seek approval from landlords and unsecured creditors to reset 402 UK stores to a turnover rent model.

Nigel Oddy, Chief Executive Officer, said:
"We are launching this CVA out of absolute necessity and are calling on our landlords to agree a turnover rent model for our stores which will put us into a position to be able to complete a financial restructuring agreed with our creditors that will secure the future of New Look and our employees. The proposal to landlords is to rebase our rental cost base through a turnover-based model that aligns future performance and reflects the wider retail market.

"COVID-19 has changed the retail environment beyond recognition, accelerating the permanent structural shift in customer spend and behaviour from physical retail to online, which we have seen in recent trading. Despite this, we still fundamentally believe the physical store has a significant part to play in the overall retail market and our omnichannel strategy. We remain committed to the high street and serving our customers through our portfolio of local, conveniently-located stores in towns across the UK.

"However, the magnitude and speed of the shift in consumer behaviour and confidence nationwide requires a change in the way leases are structured in order to manage uncertainty so that stakeholders share both risk and upside, and to ensure continued business viability.

"We have been in discussions with our landlords regarding a required move to turnover-based rents since May. They have given us valuable and constructive feedback, and our CVA proposal recognises this in a number of material changes we have made since our initial proposal. The proposal we have launched today would relieve the financial pressure on New Look as we navigate the post-COVID landscape, whilst also providing our landlords with greater flexibility over their rental arrangements and ensuring closer alignment of interests with regards to sales recovery.

"Together, the proposed CVA and the financial recapitalisation will provide the foundations for us to deliver our long-term strategic plans, safeguard over 11,200 jobs, and continue to build on the brand status New Look has built over the past 50 years as one of the UK's leading womenswear retailers."

Overview of CVA proposal terms

Move to turnover rents ranging up to 12%
The CVA proposal involves resetting the majority of New Look's stores to a turnover rent basis that aligns future performance and reflects the wider retail market.

Following advice from property agents and a thorough review of New Look's store estate, the CVA proposal will categorise leases, with 402 leases being set at a turnover percentage of up to 12% ("**Re-based Stores**") and the remaining 68 stores moving to nil rent.

Enhanced landlord break clauses
The proposal includes enhanced landlord breaks for all stores, providing landlords with the opportunity to exit the lease if they believe they can identify an alternative tenant on improved terms. This offers landlords maximum flexibility.

In contrast, the Company will have no additional rights to exit the Re-based Stores until the end of the CVA (after 36 months), and even then only in the event that the store is underperforming.

Unchanged service charges
Following feedback from landlords since May 2020, the proposal has been structured to ensure there are no proposed changes to service charges for Re-based Stores and includes the full settlement of service charge arrears across all categories of stores.

Minimum rent
Furthermore, following consultation with landlords, minimum rents for Re-based Stores in Year 2 will be equivalent to 85% of Year 1 rent paid, whilst minimum rents in Year 3 will be equivalent to 85% of Year 2 rent paid, providing greater certainty and forward visibility of minimum rental level.

At the conclusion of the CVA, Re-based Store rents will reset to the higher of CVA turnover rent or market rent.

Elevated ranking of leases
The financial restructuring Transaction announced on 13 August has been structured to improve the position of the unsecured creditors (including landlords), by reducing secured debt in the Group by c.£440m and ensuring £40m of new money is raised without security given by NLRL. This has the effect of elevating unsecured creditor claims (including landlords) to a more senior position in the Group structure, as opposed to today where c.£600m of secured debt ranks ahead of the leases.

Next steps
The CVA meeting date is scheduled for 15 September 2020 and approval requires a vote in favour by at least 75% of unsecured creditor votes.

Daniel Butters and Rob Fishman of Deloitte LLP have been appointed to act as Nominees to the CVA.

Daniel Butters, Partner, Deloitte, said: "The retail trading environment in the UK has been under pressure for some time, driven by weaker consumer confidence and competition from online channels. COVID-19 has increased these challenges and accelerated the shift in customer spend from physical retail to online.

“The turnover rent model better aligns the risk and reward of trading during these uncertain times and the CVA, together with the wider-balance sheet restructuring, provides a stable platform upon which Management’s strategy can be delivered. We have fully engaged with the British Property Federation and its members and their views are reflected in what we believe is a fair proposal to restructure the property obligations of the Company.

“It is important to stress that no stores will close on day one, and employees and current suppliers will continue to be paid on time and in full.”

- Ends -

Media Enquiries
Headland
Lucy Legh / Rob Walker / Abena Affum
Tel: +44 (0)20 3805 4822
Email: newlook@headlandconsultancy.com

About New Look

New Look is a leading multichannel retailer operating in the value segment of the clothing and footwear market in the UK and ROI. We focus on delivering value for money and ‘newness’, wherever, whenever and however customers choose to engage with us. The New Look brand has high levels of awareness and recognition in the affordable womenswear market, catering to a broad customer audience with our bullseye customers aged 18 to 45 years. We also have a range for teen girls and an online menswear offer. We are the number 2 UK Womenswear retailer for women aged 18 to 44 by value[1].

[1] *Based on Kantar Worldpanel published data 52 weeks ended 3 May 2020*