

NEW LOOK

13 August 2020

NEW LOOK ANNOUNCES PROPOSED RECAPITALISATION TRANSACTION AND OPERATIONAL UPDATE

COMPREHENSIVE RECAPITALISATION SIGNIFICANTLY REDUCES LONG-TERM DEBT AND PROVIDES FINANCIAL STRENGTH AND FLEXIBILITY TO DELIVER A SUSTAINABLE PLATFORM FOR POST-COVID TRADING

New Look Retail Holdings Limited (“**New Look**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce that it has secured agreement with its financial creditors to the key terms of a comprehensive recapitalisation transaction (the “**Transaction**”).

The Transaction will extend New Look’s facilities, deliver a new money investment of £40m and significantly de-leverage the balance sheet.

Under the terms, New Look will have funding to provide a sustainable platform for post-COVID trading and enable the Group to invest in, and deliver, its strategic business plan.

The financial creditors have executed a lock-up agreement (the “**Lock-Up Agreement**”) pursuant to which they support the implementation of the Transaction.

The Transaction involves a number of inter-conditional components, including:

- A re-basing of the Group’s UK leasehold obligations through a company voluntary arrangement (“**CVA**”) of New Look Retailers Limited (“**NLRL**”), the Group’s primary UK trading entity
- A debt for equity swap on New Look’s current debt, reducing senior debt from c. £550m to c.£100m, and significantly decreasing interest costs
- An extension of primary working capital facilities, which provide further financial support to the Group with no near-term maturities
- An injection of £40 million of new capital to support the business plan

Nigel Oddy, Chief Executive Officer, said: “As has been the case for many retailers, New Look’s financial position has been significantly impacted by COVID-19, and over the past five months we have had to take a number of tough but necessary decisions and actions to manage the impact this has had on our business and our people.

“As a result of taking decisive measures to preserve and maximise liquidity since the onset of the pandemic, we have maintained our cash position through the lockdown period, and this has also in part been helped by strong online trading.

"I am pleased that we have now safely reopened 459 stores. However, current trading remains impacted by the decline in footfall seen right across the retail market, and with the pandemic ongoing and social distancing measures in place for the foreseeable future, it remains difficult to accurately forecast the sales recovery rate.

"Given this, and the extent of our deferred obligations, future expected costs and the likely permanent structural shift in customer spend and behaviour from physical retail to online, we are seeking additional capital for the business and a recapitalisation of our balance sheet to ensure we are as well positioned as we can be going forward in the post-COVID-19 retail operating environment. Additionally, out of absolute necessity, we are preparing to launch a CVA that would reset our rental cost base back to market rent through a turnover-based model that fairly reflects the future performance of the Company and wider retail market.

"We are pleased to have already gained backing from our banks and bondholders for our recapitalisation, and we are grateful for their support and the concessions they have made over recent times. However, this recapitalisation - which will enable us to deliver our long-term strategic plans and safeguard 12,000 jobs - can only be delivered if we secure the support of our landlords for our forthcoming CVA.

"New Look is a brand that has inspired tremendous loyalty over the past 50 years and has earned its place as one of the UK's leading womenswear retailers. We are confident in our plans to build on these strong foundations with our revitalised broad appeal product ranges, and this transaction will allow us to secure our future for the benefit of all stakeholders as we navigate the post-COVID-19 landscape."

Full terms of the proposed transaction and an operational update can be found below.

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Operational Update

Background

The outbreak of the COVID-19 pandemic in January 2020 has significantly impacted the UK economy and New Look (together with its subsidiaries, the "**Group**"). As a result of COVID-19, from early March 2020, the Group experienced declining footfall within its stores. To keep customers and colleagues safe from this unprecedented global and national health pandemic, the Group took the decision to temporarily close all stores in the Republic of Ireland ("**ROI**") from 20 March and all stores in the United Kingdom ("**UK**") from 21 March 2020.

Given the omni-channel nature of the business, the impact of COVID-19 on the revenue of the Group has been significant. During the closure of stores and Government enforced lockdown, the Group was only able to trade through its e-commerce channels. Online trading was strong, with sales

outperforming the prior year, and this was driven by increased conversion rates and units per transaction, underlining the Group's strong brand, broad appeal product offering and improved availability. However, with store revenue at nil, overall Q1 FY21 revenue was inevitably significantly lower than the prior year.

Cash Preservation Measures

The Group took immediate and proactive actions during lockdown to preserve cash in order to protect its colleagues and safeguard the value of the business, and continues to do so. Actions included (but not limited to):

- Suspension of rental payments and subsequent discussions on turnover-based rental arrangements which better reflect the current and anticipated retail operating environment
- Significantly reducing marketing costs, reviewing and revising production with suppliers
- Requesting a holiday, deferral and discounts on certain payments to strategic suppliers and counterparties
- Delaying all significant capital expenditure projects
- Halting all recruitment
- Temporarily reducing Board, management team and head office colleague pay
- Utilising the UK and ROI's Job Retention Schemes

These measures ensured that the Group survived the lockdown period and, post-lockdown, could resume store trading without significant business interruption. In addition, the Group seriously explored available avenues to further bolster liquidity including Government loan schemes, however, none of those were available due to specific eligibility criteria required in order to access them.

Trading Since Store Re-openings

Following Government guidance, phased store re-openings began on 1 June 2020 and as of 10 August, 459 of the Group's 496 stores are now open. Since re-opening, store sales performance is down 38% on a like-for-like basis predominantly due to the continued impact of COVID-19 on footfall. As additional stores re-open and the Government announces further lifting of lockdown measures over the course of 2020, management will continue its focus on the health, safety and wellbeing of customers and colleagues, as well as ensuring that the Group generates and preserves cash.

3 Year Business Plan

With the support of independent consultants and its financial adviser, Perella Weinberg UK Limited ("PWP") the Group has updated and verified its strategy and business plan in order to maximise future success. We are committed to further building on, advancing and deepening the strong online performance the Group clearly demonstrated during lockdown, as well as developing the omnichannel and localness of New Look.

The Group's business plan review and updated financial projections resulted in the following conclusions:

- The Group's strategy as a leading convenient broad appeal fashion retailer with an omni-channel presence is a clear differentiator in the womenswear market
- Estate costs are significantly above market rates and need to be paid on a turnover basis in order to provide flexibility in the cost base
- Fixed central costs need to be reduced in order meet envisaged investments into brand saliency, marketing and capital expenditure
- Despite the cost savings envisaged, and partly as a result of certain deferred payments incurred during lockdown and in order to meet the business plan's envisaged investment (including capital expenditure and marketing), the Group will require an injection of new capital

Recapitalisation Transaction

New Look is pleased to announce a comprehensive recapitalisation Transaction with its financial creditors. At launch the Transaction has the support of holders representing more than 50% of its £440 million senior secured notes due 2024 (the "**SSNs**"), all of the lenders under its £100 million super senior revolving credit facility due 2021 (the "**RCF**") and the provider of its £65 million super senior operating facilities due 2020 (the "**Operating Facility**").

Parties have executed a Lock-Up Agreement which sets out the implementation of the Transaction. The Transaction will provide the financial strength, funding and flexibility to allow New Look to execute on its strategy and deliver its three-year business plan.

The Transaction involves a number of inter-conditional components, including:

- A re-basing of the Group's UK leasehold obligations through a CVA of NLRL, the Group's primary UK trading entity
- A debt-for-equity conversion of the SSNs (significantly de-leveraging the balance sheet)
- An amendment and extension of the super senior RCF to June 2024
- An amendment and extension of the super senior Operating Facility to June 2023
- An injection of £40 million of new capital fully backstopped by certain holders of the SSNs

Pursuant to the Lock-Up Agreement, the RCF lenders, Operating Facility lender and participating SSN holders and shareholders have undertaken to support the implementation of the Transaction on the basis of the terms set out below, subject to certain conditions precedent (including a reduction in rental costs consistent with the Group's envisaged CVA proposal).

Super Senior Facilities

The RCF lenders and the Operating Facility lender have agreed to extend the RCF and the Operating Facility to 30 June 2024 and 30 June 2023 respectively.

In general, the amendment and extension of terms involves:

- No impairment to the principal of the RCF and the Operating Facility with the margin increased and an arrangement fee
- A phased reduction in the amount of the Operating Facility consistent with the cash flow under the business plan
- Certain amendments to the existing covenants and terms and a new covenant package consistent with a facility of this nature
- Revised set of intercreditor principles recognising the change in the capital structure of the Group going forward

The amendment and extension of the facilities are subject to a number of conditions precedent that are consistent with a transaction of this nature.

SSNs

The SSNs shall be exchanged for (i) a £40 million shareholder loan ("**Subordinated Shareholder Loan**") and (ii) 20% non-voting equity interest in the Group, on a fully diluted basis.

All eligible holders of the SSNs will also be offered to ability to participate in new junior capital incurred at a holding company (the "**New HoldCo Debt**") and such new capital providers will receive 80% voting equity interest in the Group, on a fully diluted basis.

New HoldCo Debt

The New HoldCo Debt will be a £42 million facility bearing capitalised interest at a rate of 16.5% per annum. The New HoldCo Debt will mature in 7 years. The New HoldCo Debt will be borrowed by a holding company and will be structurally subordinated to the extended RCF and Operating Facility and sit outside of banking group. The commitments will be cash funded in an amount equal to £40 million and will be issued at approximately a 95 original issue discount. Eligible holders of the SSNs will be entitled to participate in an amount of the New Holdco Debt pro rata to their existing holding of SSN and the New Holdco Debt has been backstopped by certain existing SSN holders (with no backstop fee).

Subordinated Shareholder Loan

The Subordinated Shareholder Loan will be a £40 million subordinated loan borrowed by a holding company. The Subordinated Shareholder Loan will mature in 2029, will not bear interest and will be effectively subordinated to all other debt in the pro forma capital structure.

Key Terms of the Lock-Up Agreement

The parties to the Lock-Up Agreement have undertaken to support the Transaction and have committed 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
- Not take any enforcement action while the Transaction is being implemented (subject to certain customary exceptions)
- Give certain amendments, waivers and forbearances in connection with the implementation of the Transaction
- Not transfer or sub-participate any of their debt subject to the Lock-Up Agreement unless the transferee or sub-participant agrees to be bound by the terms of the Lock-Up Agreement

The Lock-Up Agreement is subject to certain conditions which must be satisfied, and contains customary termination events, including failure to complete the Transaction by October 31 2020 (or such later deadline as may be agreed between the parties).

Implementation

For the purpose of implementing the Transaction, it is proposed that an English scheme of arrangement will be utilised, which will require that SSN holders representing 75% of the SSNs support the Transaction. Details of the convening meetings and creditor meetings will be published in due course. The Transaction may also be implemented through alternative means if required.

Company Voluntary Arrangement

A condition precedent to the provision of the New Holdco Debt is the reduction in rent consistent with NLRL's contemplated CVA proposal being approved. The CVA is expected to be launched on 26 August 2020.

The CVA proposal will be constructed to reduce NLRL's unsecured obligations and will result in an improvement in operating performance by adjusting the rental cost base to market rent and providing turnover-based rents in the context of challenging retail market environment. The CVA contemplates (i) an adjustment of rent in respect of certain leases for a period of three years and (ii) the compromise of certain specific non-critical unsecured liabilities of NLRL.

To become effective, the CVA requires at least 75% in value of all present and voting creditors of NLRL (by proxy or in person) voting in favour of the CVA and at least 50% of the total value of unconnected creditors do not vote against the CVA.

Should the CVA not receive approval pursuant to the thresholds above, the directors of various Group companies will seek to protect the value of the Group for all stakeholders.

Sale Process

In connection with the Transaction, the Company's financial adviser, PWP, has today initiated a process to contact a number of strategic and financial investors to determine potential interest in an acquisition of the shares of the Company or assets of the Group (the "**Sale Process**"). The Sale Process will be independent of the other areas of the Transaction and will ascertain value of the Group.

Following receipt of expressions of interest from strategic or financial investors or the Company's shareholders and creditors, it is anticipated that New Look will immediately consider the range of alternatives available and the next steps regarding the appropriate course of action.

Next Steps

The Group is targeting completion of the Transaction as soon as possible and in any event on or before 31 October 2020 and will continue to work with all stakeholders to that effect. Further updates in relation to the Transaction will be provided in due course.

Investors who beneficially hold SSNs are encouraged to contact PWP and Latham & Watkins LLP for more information about the Lock-Up Agreement and the Transaction (PWPProjectTone@pwpartners.com).

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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 value¹.

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

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