



Basel, 16 July 2020

**Extraordinary General Meeting of 3 August 2020: Yes to the comprehensive package in the interests of all stakeholders**

Dear Shareholders

Last Friday, 10 July, you received your invitation to the Extraordinary General Meeting to be held on 3 August 2020. We have decided that the risks relating to the Covid pandemic mean we have no choice, unfortunately, but to carry out the meeting in writing. Please send your instructions to the voting proxy by post or via the online platform to arrive by **no later than 30 July 2020**.

We feel that, in addition to the invitation documentation, it is particularly important to bring your attention to certain crucial aspects of the proposed transaction.

**Restructuring concept**

Having made good progress with the transformation process initiated at the end of 2018, the Covid crisis has pushed us into an extremely vulnerable situation. Immediate financial restructuring is required to ensure the Group's survival. The capital increases we are proposing to you will allow the company to obtain fresh capital without having to initiate capital reductions or emergency asset sales, which would be painful for all shareholders. In addition, Lupa Systems, the proposed anchor shareholder, supports the Group's strategy and wants to use it to put the company back on a successful course. The 15-year agreement made with Lupa Systems will ensure that the exhibition sites in Basel and Zurich can continue operating, and that ART can continue to take place in Basel.

In order to give the company the breathing room it needs for financial recovery above and beyond the capital increase, the board of directors has also managed to secure an agreement that its large corporate loans only need to be paid back from 2026, and even then only in stages over several years. This sustainable concept is the best guarantee for the medium-term recovery of the MCH Group and, therefore, of our share price.

The votes listed in the agenda constitute one comprehensive package. This package will create the conditions under which the restructuring concept can be implemented as described. Owing to the mutual conditionality of the funds coming from the public sector, lenders and the new investor, if just one of the board's proposals is rejected the company's restructuring will fail. The board of directors feels obliged to point out that if this does happen, the time left to develop and implement alternative restructuring solutions would be extremely tight.

### **Process**

The choice of Lupa Systems as the new anchor shareholder in addition to the public sector and independent shareholders was the result of a professional process.

The board defined a detailed requirements specification with which to evaluate interested investors and their concepts. Alantra, the mandated financial advisor, was instructed to contact other investors in addition to the ones that approached us on their own initiative. We conducted initial discussions with these interested parties in order to clarify their intentions and capabilities. Finally, at the end of March, three investors were approved for due diligence on the basis of the defined selection criteria.

At the start of June, during the final phase of this process, new groups of investors contacted us at short notice. One group proposed a total takeover (no public sector share) followed by a splintering of the Group through the sale of businesses like ART Basel and the LMS Division, but this did not accord with the board's strategic intentions. The board has always clearly supported the idea of keeping MCH together as a whole, and it set this out clearly in the requirements specification for interested investors.

### **Transaction**

The target structure – three similarly weighted shareholder groups with identical voting rights – requires that the transaction is carried out in a balanced sequence of steps. For example, it has to be ensured that the investor can achieve its target stake of at least 30% and thus that the target of CHF 74.5 million is fully subscribed. Important elements in this regard include the addition of the selective opting up clause in the Articles of Incorporation and the sequencing of the two capital increases. Meanwhile, independent shareholders have the option to exercise or sell their subscription rights.

### **Price**

The price of CHF 10.50 negotiated with the investor is below the current price being paid on the market. It is usual in restructuring situations to accept discounts of 60% - 80% on the market price before changes caused by speculation and rumors. This so-called "undisturbed share price", i.e. the average price over 60 days before any influence from speculation and rumors, was about CHF 14. This implies a discount of around 25% which, given the current high level of risk caused by the great uncertainty in our business, has to be seen as a good negotiation result.

The no-cost surrender of subscription rights by the public sector to the investor is a large part of the public sector's contribution to the restructuring. Other contributions include the extensions to the CHF 35 million loan by Canton Basel-Landschaft and the conversion of the CHF 30 million loan into risk capital by Canton Basel-Stadt in the first tranche of the capital increase.

Independent public shareholders are not included in these restructuring contributions. Their tradeable subscription rights give them the option in the second tranche of the capital increase to reduce the purchase price of their investment on favorable terms and create better foundations for the future. This mitigates the systemically unavoidable dilution caused by the loan conversion by Canton Basel-Stadt.

## **Governance**

Reducing the size of the board of directors and removing the restriction on transferability complies with the demand made by many shareholders for modern, balanced corporate governance.

Finally, we appeal to you, our valued shareholders, to use your right to vote and to support the proposals made by the board of directors, so that we can implement this forward-looking restructuring. The board of directors and executive board have worked hard to achieve this solution in unprecedentedly difficult conditions in order to secure the future of the company and of your shares.

Thank you for your confidence in us and for your vote to follow the board's proposals.

With best wishes



Dr. Ulrich Visscher  
Chairman



Bernd Stadlwieser  
Group CEO

## Wichtiger Hinweis | Important Note

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