



Media Release

Basel, 10 July 2020

Financial and structural strengthening to overcome the corona crisis and implement the long-term strategy

The MCH Group intends to strengthen its capital structure and shareholder base in order to cope with the consequences of the corona crisis and to be able to embark on the process of future-oriented transformation. The Board of Directors will propose to the shareholders a comprehensive set of measures including a capital increase totalling CHF 104.5 million, the entry of Lupa Systems as a new anchor shareholder and a restructuring of the group's debt capital at an Extraordinary General Meeting on 3 August 2020. In line with the public sector shareholders, Lupa Systems is expected to hold around one third of the shares. They have signed a long-term relationship agreement and are fully committed to the strategic direction.

In view of the challenging situation in the global exhibition and event business, which has been exacerbated by the COVID 19 pandemic, the Board of Directors and the Executive Board of the MCH Group have devised a comprehensive package of measures to strengthen the group's capital structure, liquidity position and shareholder base. These measures are urgently needed to overcome the effects of the corona crisis. They are also intended to accelerate the ongoing transformation of the company, to develop classic exhibition and event formats into future-oriented platforms and communities and to strengthen the market position of MCH Group and Art Basel in Switzerland and internationally.

Financial and structural measures

As part of the measures that will be presented as one package to the shareholders of MCH Group at an Extraordinary General Meeting on 3 August 2020, a capital increase will be proposed in two steps: First, the conversion of a loan from the Canton of Basel-Stadt in the amount of CHF 30 million into equity. Second, a cash capital increase of CHF 74.5 million, in which all shareholders will be able to participate by exercising their subscription rights. The independent private investment company Lupa Systems LLC has agreed to fully underwrite the subscription of the new shares and to purchase all shares not subscribed by shareholders.

The public sector shareholders will waive the exercise of their subscription rights, and together will continue to hold more than 33.3% of the shares after the capital increase. Lupa Systems' shareholding after the transaction will depend on how many subscription rights will be exercised by other shareholders and will range between 30 and 44%.

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The issue price for the new shares has been set at CHF 10.50 and has been assessed as fair by independent financial advisors. Compared with the average share price 30 days prior to the parliamentary debate in the canton of Basel-Stadt, this represents a discount of around 25%, which is appropriate for a company in a turnaround situation, given the drastic drop in sales this year and the continuing uncertainty of the COVID 19 pandemic. The issue price is in the interests of all shareholders who wish to continue investing in the MCH Group and exercise their subscription rights accordingly.

In addition to the capital increase, the Canton of Basel-Land and the Basler Kantonalbank are helping to strengthen the balance sheet by extending the repayment period of their CHF 35 million and CHF 40 million loans by five years. In order to refinance the CHF 100 million bond issue due in 2023 following the capital increase, a public bond exchange offer is also planned.

In future, the Board of Directors will be composed of three representatives each from the public sector shareholders and Lupa Systems, plus two or three independent members. The reduction of the Board of Directors to a maximum of nine members and its partial replacement will be completed until the Annual General Meeting 2021.

At the Extraordinary General Meeting on 3 August 2020, the election of James R. Murdoch (Founder and CEO Lupa Systems), Jeff Palker (Managing Partner and General Counsel Lupa Systems) and Eleni Lionaki (Partner Lupa Systems) to the Board of Directors will be proposed. At the same time, Dr. Tanja Soland and Dr. Karin Lenzlinger Diedenhofen will step down from the Board of Directors. Dr. Ulrich Vischer will serve as Chairman until the Annual General Meeting 2021.

Furthermore, at the Extraordinary General Meeting on 3 August 2020, a proposal will be made to abolish the current restriction on the voting rights of the shareholders, which will enable all shareholders to exercise their full voting rights without any restriction in the future. Finally, an opting-up limited to Lupa Systems will be proposed, allowing it to purchase all shares for which no subscription rights have been exercised, without risking the obligation to make a public offer for the whole company.

The comprehensive set of measures proposed to the shareholders of MCH Group, the loan maturity extensions and the relationship agreement will only be implemented if all resolutions at the upcoming Extraordinary General Meeting are approved by the shareholders.

In the best interest of the company and all shareholders

Dr. Ulrich Vischer, Chairman of MCH Group's Board of Directors, said: "The Board of Directors firmly believes that the comprehensive measures proposed today to successfully restructure MCH Group are in the best interest of all shareholders and the company. The approval and support that we received from the public sector shareholders is decisive for a successful turnaround of the company. With Lupa Systems we have not only found an additional anchor shareholder but also a strategic partner that brings a breadth of experience and will help to accelerate the necessary transformation of the company."

Bernd Stadlwieser, CEO of MCH Group, added: “We started the year 2020 with liquid assets of around 140 million. Only in this year, the corona crisis will lead to a drop in sales of CHF 130 - 170 million and negative effects on the result in the mid double-digit million range. This comprehensive package of measures is needed to master this situation. And it is also needed for implementing our strategy, working on new business opportunities and strengthening our long-term competitive position.”

Long-term commitment of Lupa Systems

Lupa Systems is an independent private investment company with offices in New York and Mumbai, focused on entertainment, media, technology and sustainability. Since its launch, Lupa has invested in Tribeca Enterprises, AWA Studios, Vice Media, Morning Consult, Notpla, and Dailyhunt, among others. The company was founded in 2019 by James Murdoch following his long career within the media and technology industries, most recently as CEO of 21st Century Fox until its sale to Disney. Besides his focus on Lupa Systems, James Murdoch is a Director of Tesla, News Corp and the Dia Art Foundation, and formerly served as a Director of Sotheby's and GlaxoSmithKline. Together with his wife, Kathryn Murdoch, he also founded Quadrivium, a foundation investing in democracy reform, technology and society, scientific awareness, and climate and ocean health issues.

The team at Lupa Systems has extensive experience building and growing businesses across the globe with a background and international network in many fields that are relevant to MCH Group. Lupa Systems is fully supportive of MCH Group's strategy, and its long-term approach is evidenced by a 15-year relationship agreement with a lock-up period of 5 years, which provides for a commitment to maintain MCH Group's headquarters in Basel, as well as to continuing to operate exhibitions and events at MCH Group's venues in Basel and Zurich, including Art Basel.

James Murdoch, CEO and founder of Lupa Systems, said: "MCH Group's long history of innovation for customers, civic commitment to economic and cultural life, and deep investment in its platforms and communities make for a long-term business that can grow, invest, and flourish. At Lupa we are grateful for the opportunity to work with the Board, alongside our fellow shareholders, to help drive forward the business and create value for all stakeholders.”

Extraordinary General Meeting on 3 August 2020

Further details on the planned capital increase are communicated in the invitation for the EGM. The detailed agenda is published on <https://www.mch-group.com/en/investors/general-meeting/>

The Board of Directors of MCH Group Ltd. – working on the basis of Article 27 of the Federal Council Ordinance 3 on Measures to Combat the Coronavirus (COVID-19) of 19 June 2020 – has taken the decision that the voting rights of shareholders at the Annual General Meeting of 3 August 2020 can only be exercised by granting a proxy to the independent voting representative. It is not possible to attend the Annual General Meeting in person.

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