



PEARL ENGINEERED SOLUTIONS

Pearl Holding III Limited Enters into a Restructuring Support Agreement with its Key Stakeholders to Strengthen its Capital Structure

Pearl Holding III Limited (“**Pearl**” or the “**Company**”) is pleased to announce that it has, on 26 May 2021, entered into a restructuring support agreement (the “**RSA**”) with certain of its key stakeholders regarding the material economic terms of a restructuring that is intended to strengthen the Company’s capital structure. Specifically, the Company has reached an agreement with an ad hoc committee (the “**Ad Hoc Committee**”) representing ~60% in aggregate principal of its US\$175 million 9.50% Senior Secured Notes due 2022 (ISINs: USG44527AA02 (RegS) / US70477NAA46 (144A)) (“**Notes**”, its holders the “**Noteholders**”). The terms of the RSA are now available on the transaction website maintained by Morrow Sodali Limited, acting as the Information Agent, <https://bonds.morrowsodali.com/pearl>. The Company will seek support for the restructuring and accession to RSA from its remaining Noteholders.

The restructuring contemplated in the RSA (the “**Restructuring**”), which the Ad Hoc Committee has agreed to support and vote in favor of, will result in a material de-leveraging of the Pearl’s balance sheet and will better position the Company for long-term success. As part of the Restructuring, Pearl’s existing equity investor, Platinum Equity, will inject US\$25 million of new equity capital into the Company (“**New Equity Investment**”); thereby reaffirming its commitment to Pearl and its belief in, and support for, the Company’s management team and business prospects.

The Restructuring is anticipated to be effectuated in the next 3-4 months by way of a scheme of arrangement under the laws of the Cayman Islands (the “**Scheme**”) and will be subject to a vote by Noteholders, Court approvals, execution of definitive documentation and receipt of certain governmental approvals and third-party consents. The transactions contemplated by the RSA are expected to strengthen Pearl’s financial stability and enhance its continuing ability to serve its customers. The Company continues to meet its trade obligations in the ordinary course of business, including paying suppliers, vendors and employees.

Mr. David Wu, CEO of the Company, commented:

“We are pleased to reach this agreement with some of our largest Noteholders, which represents a significant milestone for Pearl. The RSA is a critical step in the Company’s restructuring process and sets out a clear pathway to providing Pearl with a sustainable capital structure and a strong foundation to continue to deliver outstanding products and services for our customers and long-term value for our stakeholders. I would like to thank Platinum Equity and the Ad Hoc Committee for their continued



PEARL ENGINEERED SOLUTIONS

support and look forward to receiving signed RSAs from other Noteholders, which will smoothen the path towards the closing the transaction.”

Transactions Contemplated in the RSA

The RSA contemplates *inter alia* that Noteholders will receive, on a *pro rata* basis, the following consideration on the restructuring effective date in full and final release and discharge of all their claims in respect of the Notes (including a waiver of the coupon on the Notes due in June 2021):

- US\$23.25 million in cash;
- US\$66.5 million of 9.00% senior secured notes due in 2025 issued by Pearl (“**New Notes**”), that will be listed on the Singapore Exchange; and
- US\$83.5 million of unsecured mandatorily convertible perpetual notes with interest payable at 8.00% paid-in-kind or 6.00% cash issued by Pearl Holding II Limited (“**Pearl Parent**”), the parent company of Pearl (“**Perpetual Notes**”), which are not currently intended to be listed on any exchange.

The Perpetual Notes do not have a fixed maturity date and are mandatorily convertible into certain classes of shares in Pearl Parent upon an exit event, which shares will entitle its holders to certain distributions from the available assets of Pearl Parent. For the avoidance of doubt, Pearl Parent has the sole discretion whether to pay the coupon on the Perpetual Notes in kind (i.e., non-cash capitalization of the interest into additional principal) or in cash.

To ensure an alignment of incentives and a ratable distribution of economic upside, the Perpetual Notes include a waterfall mechanism that, upon conversion into shares, allocates value¹ to Noteholders and Platinum Equity at an exit event in the following order of priority²:

1. Repayment of the New Notes (US\$66.5M principal); thereafter
2. Repayment of Platinum Equity’s New Equity Investment (US\$25M); thereafter
3. Upon full exit, remaining proceeds split 75% to Platinum Equity and 25% to holders of the Perpetual Notes until Platinum Equity reaches a 20% IRR on its New Equity Investment at exit; thereafter
4. Upon full exit, remaining proceeds split equally between Platinum Equity and the holders of the Perpetual Notes.

¹ Net of any Super Senior or OpCo facilities, as applicable

² Assuming no prior uncured default that would result in an increased allocation of value to the Noteholders upon an exit event



PEARL ENGINEERED SOLUTIONS

Consent Fee

In addition to the above, the Company will pay certain Noteholders a fixed consent fee of US\$1,750,000 (“**Consent Fee**”), which is equivalent to 1% of the aggregate principal amount of the Notes. The Consent Fee will be shared *pro rata* amongst those Noteholders who become a party to the RSA (“**Consenting Noteholders**”) on or prior to **5:00 p.m. (Singapore time) on 16 June 2021** and who vote in favour of the Scheme and adhere to the terms of the RSA.

Accession of Noteholders to the RSA

Any Noteholder may become a Consenting Noteholder under the RSA by completing and returning a duly completed and executed accession letter to the Information Agent. A copy of the RSA can be obtained from the website maintained by the Information Agent <https://bonds.morrowsodali.com/pearl>. Accordingly, the Company would like to encourage Noteholders who are interested in acceding to the RSA to identify themselves and contact the Company’s professional advisors and/or the Information Agent (whose email addresses are listed below) for further details before 16 June 2021.

Financial Advisor to the Company

Houlihan Lokey (Singapore) Private Limited

Email: HL_ProjectPeak@HL.com

Legal Advisor to the Company

Latham & Watkins LLP

Email: ProjectPearl.LWteam@LW.com

Information Agent

Morrow Sodali Limited

Email: pearl@investor.morrowsodali.com

Website: <https://bonds.morrowsodali.com/pearl>

Cleansing Statement

In negotiating the restructuring proposal, the Ad Hoc Committee executed non-disclosure agreements with the Company that restricted its members from trading the Notes for a pre-determined period of time. In turn, the Company provided the Ad Hoc Committee, and its advisors, with access to information that facilitated the negotiation of an acceptable restructuring plan. Included below is a summary of the



PEARL ENGINEERED SOLUTIONS

material, non-public information that was provided to the Ad Hoc Committee.

<i>In US\$</i>	2020-25 CAGR (per Business Plan)	
	Base Case	Upside Case
Revenue	1.3%	7.6%
Adj. EBITDA	8.8%	16.4%
CAPEX	7.9%	12.1%
Unlevered FCF*	29.7%	38.2%

Note:

**Unlevered free cash flow represents net cash generated from operating activities less capital expenditure*

Please note that the summary of the Restructuring and the RSA in this announcement is for informational purposes only and is not a substitute to a careful review of the RSA. This announcement does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company or its affiliates. Noteholders are urged to review the RSA, consult their own advisors as to the consequences of acceding to the RSA and exercise caution when dealing in securities of the Company.

The Company will make further announcements in relation to the progress and implementation of the proposed Restructuring in due course.